

“Passive” money and new thermal coal mine builds

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Today, [Moody's has put North Queensland Export Terminal \(NQXT, formerly known as Adani Abbot Point, rated BB+/BB+,/BB-\) on negative outlook](#) due to refinancing risks of the ADAABB \$4.45 12/25 bond (REGS: USQ0102FAD70, 144a: US00653GAB05).¹ We find Moody's language with regards to the relationship between NQXT and the Carmichael coal mine development instructive:

"In addition to its current volume throughput, NQXT has an essential role in exporting coal from the greenfield Carmichael thermal coal mine, which is being developed by Bravus Mining and Resources Pty Ltd, a wholly owned subsidiary of Adani Enterprises Ltd (unrated). Adani Enterprises has indicated that Carmichael is due to commence production in the fourth quarter of 2021."

The statement further clarifies that investors in Adani Enterprises (ADEIN) have exposure to the building of what we would call the most controversial new thermal coal mine in the world. We provide a list of international equity investors in Table 1.

Table 1. Biggest (not ordered) international equity investors in Adani Enterprises/the Carmichael coal mine build. Source: Bloomberg.

Vanguard	BlackRock	State Street
Mercer	Dimensional Fund Advisors	Charles Schwab
Fidelity Management (FMR)	Lyxor	WisdomTree
Amundi/Credit Agricole	Edelweiss AM	TIAA
Nomura	Credit Suisse	Deutsche Bank

Most of the investments appear to be coming through passive strategies such as index tracking funds and ETFs. However, given strong affirmation from many of these firms to not finance new coal mines and to be committed to climate change mitigation, we believe there is a duty to actively disclose that such passive vehicles are exempt from the marketed ESG frameworks, especially in situations where the end-clients may have zero exposure tolerance for new coal mine financing.

Furthermore, we opine that these firms can be asked to demonstrate their engagement actions in the Carmichael case, in case they claim to pursue active ownership strategies. A manager with such policies should be able to produce a track-record of ADEIN management engagements on the mine topic. We sincerely believe, as was shown in the case of the State Bank of India Adani loan in 2020, that engagement has a role to play.

¹Data on holders of the bond is sparse. Notable is the large number of small-ish US insurance companies, as well as BlackRock recent investment into the bonds as they were downgraded and bought for the firm's Fallen Angel bond strategy. Other notable investors in the bond are Invesco, State Street, JPMorgan and Union Investments.

Background material

Overview of the NQXT/Adani Abbot point bond refinancing situation: "[Credit investors, rating agencies and climate: Exhibit 1](#)", AFII, 14 May 2021.

Controversy around potential majority shareholding structure in the Adani Group: "[Why Adani is facing heat over 4 Mauritius-based funds that have parked \\$7 billion with the group](#)", The Print, 28 Jul 2021

Overview of the Carmichael funding structure: "[Global investors and the Carmichael mega-mine](#)", AFII, 1 Sep 2020.

Financing of Carmichael through State Bank of India, "[State Bank of India + Coal Mega-Mine? Not so fast please](#)" and follow-up pieces. "[Carmichael coal mine furore heralds next wave of market evolution](#)", Environmental Finance, 31 Dec 2020; "[Biggest India Bank Torn Between BlackRock and Funding Coalv](#)", Bloomberg Green, 2 Jun 2021.

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