

SUEK calls force majeure: bank and investor implications?

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We invite lead managers/bookrunners/syndicate banks Bank of America, Citigroup and Commerzbank to inform investors in the recent SUEK USD3.375 09/26 bond issue¹ to inform them that SUEK has called² a force majeure on its operations in the Far East port of Vanino following fire, as we believe this is relevant information to investors.³ Official sources on holders are uninformative as the bonds are quite recently issued. Only indication so far is that Van Eck and BlackRock hold small “passive” positions in them.

Vanino is the second largest coal export port in the Russian Far East and SUEK has transitted 12.7mn tonnes of coal through it in the first nine months of 2021. Given high coal prices, if SUEK has committed to deliver coal to clients in Asia that now possibly will not get their shipments, certain liabilities/economic exposures could arise due to failure to deliver. This may also be the very reason SUEK calls a force majeure. To be clear, this is only hypothetical, and it may only be of insignificant/minor effects. However, out of a cautionary principle and given potential controversies around thermal coal mining bonds, we believe it is diligent to give the credit extra attention.

Figure 1. Current ship status (14 Oct 2021, CET 07:20) in Vanino port where SUEK has called a force majeure. Source: www.vessels.com.



From a quantitative perspective, our analysis indicates that the recent SUEK bonds may be the investment associated with the biggest carbon footprint per dollar invested of all benchmark sized hard-currency corporate bonds in the 2020s.

¹ ISIN: (REGS) XS2384174228, (144a) US78486MAA80.

² ["Russia's SUEK AG declares force majeure after Vanino port fire: letter"](#), S&P Global Platts, 13 Oct 2021.

³ This should also be relevant for the lead managers themselves if they have retained SUEK bond on their own trading books for market stabilization purposes.

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