

# Adani and what could be the world's coolest SLB

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We are hearing market noise that an Adani subsidiary – Adani Electricity (ADANEM) – which itself is a 2x250MW coal operator and through its transmission network closely tied to Adani Power's 99.7% coal dependent generation,<sup>1</sup> is preparing to do a USD300mn sustainability linked bond (SLB).<sup>2</sup> The initial talk is for the conditions for coupon step-ups to be on i) increasing “renewable power mix in the overall power purchase mix” and ii) “Reduce Scope 1 and 2 GHG Emission Intensity”.

The sustainability structuring adviser is MUFG, the bank that also happens, according to forthcoming AFII research, to be the most dependent bank in the world on syndication fees of fossil-linked fixed income deals. As MUFG appears to be lacking a sense of climate change awareness, we would offer an alternative condition for coupon step-up for ADANEM– one which is both achievable, low-cost and highly climate impactful:

**“If the new Carmichael coal mine build goes operational with ADANEM as a direct procurer of the mine's coal or indirect transmitter of electricity from other Group members being significant procurers, the coupon of the bond increases by 400 basis points.”**

Anything else is, as Scrooge would say, “humbug”. But if that conditionality went through, it would be the world's most impactful SLB. On the deal, lead banks are BARC, CITI, DB, JPM and trimmings. As illustrated in Figure 1, this transaction will clearly (even if in secondary terms) expose their balance sheets to financing of new coal mine development activities.

Figure 1. Left: the value chain of Carmichael coal, from the mine in Australia to the incineration points with Adani Power in India and logistics provided by Adani Ports. Right: Adani's Carmichael team reached the coal seam earlier this month, generating joy on the Chairman's birthday.



<sup>1</sup> See “[Top coal, top ESG?](#)”, Anthropocene Fixed Income Institute, 29 Jul 2020.

<sup>2</sup> See “[MANDATE: Adani Electricity \\$Benchmark 10Y SLB Reg S](#)”, Bloomberg, 13 Jun 2021.

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