FINANCING REEF DESTRUCTION

How banks are using our money to destroy a natural icon
**INTRODUCTION**

Between the fossil fuel industry and its massive expansion plans is an Australian natural icon: the Great Barrier Reef. Coastal coal and gas projects are already threatening its World Heritage status, but a series of proposed new export terminals would lock in environmental disaster for the Reef.

This report brings together five years of data and reporting, showing which banks have lent the most to dirty coal and gas projects along the Great Barrier Reef coastline, and how future investments in these destructive projects can be prevented.

**SUMMARY**

The “big four” Australian banks—ANZ, Commonwealth, NAB and Westpac—have played an integral role, together lending almost $4 billion to coal and gas projects in the Great Barrier Reef World Heritage Area since 2008.

Deals are becoming larger and more complex. While the role of Australian banks remains critical, projects now require a host of international lenders participating in a deal and support from government-backed institutions.

Australian and overseas banks alike are contravening principles and initiatives that promote environmentally responsible investment.

Several major new fossil fuel export projects are seeking to meet investment deadlines in 2013. Australians have a brief window of opportunity to intervene and prevent these projects securing the investment required to proceed.

$3.8 BILLION
FROM 2008–2012

COAL & GAS
EXPORT TERMINALS IN THE GREAT BARRIER REEF
THREATS TO THE REEF

Billions of dollars of investment has enabled a series of coal and gas projects to be built along the Great Barrier Reef coastline. While this industrialisation is already threatening the sustainability of the Reef, expansions of coal exports and new liquefied natural gas (LNG) processing plants would cause major environmental harm to the reef through:

- **Shipping** – an industry and government backed forecast projects a four-fold increase in coal ships moving through the Reef from 2012 to 2032\(^1\). More ships means a greater risk of accidents such as the Shen Neng, which ran aground in 2009 and destroyed a 300,000 square metre section of the reef\(^2\).

- **Coastal industrialisation** – most of the proposed export terminals would require major dredging operations, which put at risk marine ecosystems and, in turn, industries that depend on a healthy environment such as tourism and fishing.

  Sensitive coastal environments are also at risk, with Abbot Point a prime example. Indian conglomerate Adani’s proposed T0 coal export terminal would be built just metres from a turtle nesting and hatching ground while other coal export infrastructure is proposed to be built over the nearby Kaili Valley wetlands, an important habitat for local birdlife\(^3\).

- **Climate change** – the ultimate survival of the Great Barrier Reef depends on whether or not rapid reductions are made to the world’s carbon pollution emissions. A new study suggests that if more than 10% of the world’s coral reefs are to be sustained, global warming must be contained to less than 1.5°C above pre-industrial levels\(^4\). Every coal shipment brings the loss of the Reef closer.

WORLD HERITAGE STATUS UNDER THREAT

The Reef’s declining health has reached the point where the World Heritage Committee has called upon the Australian Government to not permit development that would impact individually or cumulatively on the Outstanding Universal Value of the Great Barrier Reef, and is considering whether to inscribe the Reef on the World Heritage “in danger” list\(^5\). While the failure of Australia’s environmental protection laws and political leaders has been instrumental in the Reef reaching this precarious point, financial institutions lending billions of dollars have been equally—if not more—important to this process, and deserve just as much scrutiny from their customers and the community.
Since January 2008, over $17 billion has been lent to coal export ports and new LNG processing plants along the Great Barrier Reef coastline. The tables below show which commercial banks and export credit agencies have been the heaviest investors in coal and LNG over the past five years. The full list is available on the Market Forces website.

In 2011, Standard Chartered and the State Bank of India each lent Adani, an Indian conglomerate, $1 billion for their acquisition of the Abbot Point coal terminal. That loan was later refinanced by a syndicate of banks led by Commonwealth Bank ($300 m), Westpac ($250 m) and NAB ($250 m).

A host of companies are seeking investment for new proposed coal export terminals at Abbot Point, which could take the port’s current export capacity of 50 million tonnes of coal per year as high as 450 million tonnes per year. These include proposals from BHP Billiton, Clive Palmer’s Waratah Coal, Gina Rinehart’s Hancock Coal and Indian conglomerates GVK and Adani.

The Dalrymple Bay Coal Terminal at Hay Point, south of Mackay, has received over $1 billion in loans in recent years as it expanded to 85 million tonnes per year of coal export capacity. Westpac ($253 million) and ANZ ($244 million) were the biggest lenders.

The two existing coal export terminals (Hay Point and Dalrymple Bay) are proposed to be expanded and a new 180 million tonne per year terminal at Dudgeon Point would more than double the region’s coal export capacity. A total of $10–12 billion is expected to be required to finance the expansion.

The Australia Pacific and Gladstone LNG plants, both situated on Curtis Island near Gladstone, have been lent close to $10 billion, over half of which ($5.6 billion) has been sourced from the US and Chinese Export Import Banks. The US Export Import Bank loan, which was facilitated by HSBC, is now the subject of a lawsuit over alleged breaches of the United States endangered species act, based on the harm caused to migratory marine life. Commercial banks including ANZ, who loaned $670 million across the two LNG plants, have also played a key role in enabling these destructive projects to proceed.

In addition to Gladstone’s two existing coal ports, Barney Point and the RG Tanna Coal Terminal, an additional 84 million tonne per year terminal at Wiggins Island is under construction. Nineteen institutions, led by Commonwealth Bank ($312 million) contributed to $3 billion in finance for Wiggins Island. The proposed Yarwun coal terminal, also in the Gladstone area, and additional proposals to export coal from the nearby Fitzroy Delta and Balaclava Island could add another 100 million tonnes of annual export capacity to this region.
SQUARING PRINCIPLES WITH PRACTICE

Reconciling environmental sustainability statements and principles with the lending behaviour of the major banks is difficult. While policies and statements from the big banks can appear positive, they stand in stark contrast to loans that enable projects that damage the Great Barrier Reef and drive climate change. For instance:

- **ANZ** refers to new responsible lending policies in its 2011 Corporate Social Responsibility report that “will govern our business lending to sensitive social and environmental sectors.” These policies have failed to shift ANZ off its perch as the biggest commercial lender to coal and gas export facilities in the Great Barrier Reef.

- **Commonwealth Bank** has successfully reduced its operational emissions by 35,000 tonnes of CO₂ per year. While it is important for companies to reduce their organisational carbon footprint, the final emissions from just one shipment of coal exported from Australia is capable of cancelling out this gain several times over.

- **NAB** is showcasing its position as a leading lender to renewable energy. However, this finance is matched almost dollar for dollar by NAB’s loans coal and gas export projects.

- **Westpac** released a formal statement on climate change in 2009 and has done a great deal to raise awareness about climate change risk to investors and the community. It is difficult to square this with the fact that since the release of their climate change statement, Westpac has lent over $900 million to fossil fuel export projects in the Reef.

THE EQUATOR PRINCIPLES

ANZ, NAB and Westpac are all members of the Equator Principles, which requires its members to abide by Performance Standards set by the International Finance Corporation. This obliges members to undertake a range of measures that ensure internationally recognised sites such as natural world heritage areas are protected. Far from protecting the Great Barrier Reef, the major banks have been enabling projects that are leading to its demise and threatening the Reef’s status as a site of natural World Heritage.

WHO WILL FINANCE THE NEXT COAL AND GAS PROJECTS?

Identifying the banks behind new projects can be difficult, as negotiations are often conducted behind closed doors and confidentially. However, the form guide presented in the league tables in this report identifies the banks that currently have the biggest appetite for lending to coal and gas projects in the Great Barrier Reef. This information should serve as a useful guide for anybody interested in potential lenders to future projects.

While several overseas banks are among the heaviest lenders in recent years, the importance of the “big four” Australian banks—ANZ, Commonwealth Bank, NAB and Westpac—is plain to see, evidenced by the number of deals they have participated in as well as the amounts lent. Further evidence points to the big four’s critical role in enabling new fossil fuel export projects. For example:

- **ANZ** has been identified as the arranger of debt for GVK’s proposed Alpha Coal project—a massive 30 million tonne per year coal mine in the Galilee Basin, combined with a 500km rail corridor and new export terminal at Abbot Point. As an arranger of finance, ANZ will likely be one of the biggest commercial lenders to the Alpha Project, while their job also involves gaining support from other banks to secure the billions of dollars in debt finance required for the project to go ahead.

- **Aurizon**, a Queensland rail contractor, signed agreements in March 2013 with both GVK and Xstrata that would substantially increase the amount of coal railed to Gladstone and Abbot Point. Amongst Aurizon’s creditors are ANZ, Commonwealth Bank, NAB and Westpac, who were also involved in the Wiggins Island coal terminal deal, for which Aurizon supplied the rail infrastructure.
The increasingly international nature of new coal and gas projects in Australia, coupled with a more risk-averse banking sector following the global financial crisis, means major new project finance loans will require several important characteristics:

**Project partners**
Rather than attempting to deliver a project alone, it is becoming increasingly common for proponents to sell stakes in their project to other companies. Selling a stake could be done on the basis that the buyer will take a portion of the coal or gas, provide part of the infrastructure necessary for the project to proceed, or otherwise benefit the project’s economic prospects. This is the model that both GVK and Adani have stated they would follow and by involving other overseas companies to participate in the project, opens up opportunities to access finance from those countries.

**Export Credit Agency (ECA) investment**
An ECA is an extension of government and provides financial support to projects that are deemed to be in their national interest. The role of ECAs is already significant, as one-third of the funding in the deals covered by this report has come from ECAs. As an extension of government, ECAs are deploying private finance and so are also accountable to the citizens of their country.

**More banks, spreading the risk**
The Wiggins Island coal terminal received over $3 billion in debt finance, spread across nineteen banks. This serves as an example for other major coal export projects, several of which are expected to cost close to $10 billion. Unless, and sometimes even if, proponents can find a large foreign bank or ECA to cover the bulk of the lending, a large group of commercial banks will be required to complete the deal, making negotiations lengthy and complex.

This increased complexity and the need for more institutions to join a deal presents opportunities for Australians seeking to prevent new coal and gas projects in the Great Barrier Reef. Even preventing one bank from joining a deal could result in major delays to a loan as terms are renegotiated and alternative participants sought to complete the deal.

It is up to Australians to decide whether or not they will allow their banks to finance the destruction of the Great Barrier Reef. As several major projects seek to finalise the terms of their investment in 2013, this is a decision that Australians will have to make sooner rather than later.

**References:**
3. Details of species present at the Kali Valley Wetlands and surrounding coastline at Abbot Point can be found in Kali (Caley) Valley Wetlands Baseline Report, February 2012, prepared by BMI WBM Pty Ltd for the Queensland Office of the Coordinator-General, Department of State Development, Infrastructure and Planning.
5. The full list of recommendations and documents from the World Heritage Committee’s 36th are available at: http://whc.unesco.org/en/sessions/36COM/documents/
7. Center For Biological Diversity et al. v. Export-Import Bank of the U.S. et al., case number 3:12-cv-06325, in the U.S. District Court for the Northern District of California
METHODOLOGY

Lending figures constructed from primary source material contained in finance industry databases including Project Finance International and Reuters Project Finance. Further primary data sourced from company filings and reports, and finance journal articles. Figures cross-referenced for consistency and verification against other databases, including Bloomberg and those listed above, and additional media reporting.

Loans were considered valid for the purposes of this exercise if all or part of the finance provided enabled the ongoing operation, purchase or expansion of a coal port or LNG processing plant situated north of (and including) Gladstone, Queensland, or the refinancing of an existing loan related to the same purposes.

All values are expressed in Australian dollars and no adjustments have been made to reflect net present value of facilities arranged in years prior to 2013.

TAKE ACTION!

Market Forces is here to help Australians use their money as a force for good.
Join the movement of Australians working to get banks out of coal and gas.

TAKE ACTION ONLINE MARKETFORCES.ORG.AU/BANKS

Tell the big banks that you want them to divest from harmful projects such as coal and gas exports in the Great Barrier Reef. If you’re a customer of the big four banks, be sure to let them know.

ANZ
1800 805 154
investor.relations@anz.com
@ANZ_AU
facebook.com/anzaustralia

Commonwealth Bank
1800 805 605
sustainability@cba.com.au
@commbank
facebook.com/commonwealthbank

nab
13 22 65
feedback@nab.com.au
@NAB
facebook.com/NAB

Westpac
1300 130 467
investorrelations@westpac.com.au
@Westpac
facebook.com/Westpac

Market Forces is an affiliate project of Friends of the Earth Australia and member of the BankTrack network of organisations working towards responsible investment in the banking sector.
312 Smith Street, Collingwood Victoria 3066

350.org is a grassroots global movement working to solve the climate crisis.

© Greenpeace / Michael Amendolia

This is a non-commercial product for public dissemination only. Not for sale.