

The Queensland election outcome is a death knell for Adani's coal mine

Written by John Hewson, Professor and Chair, Tax and Transfer Policy Institute, Crawford School of Public Policy, Australian National University

The coal mine proposed for Queensland's Galilee Basin by Indian mining giant Adani has been a moveable feast, with many stories about its scale, purpose, financing, job prospects, and commerciality. The prospect of a return of the Palaszczuk government in Queensland is effectively the death knell for the project.

Labor has so pledged to block a concessional, taxpayer-funded loan, while embracing a significantly expanded program to develop regional solar thermal power in the state.

It seems the proposal has been reduced in scale, with the original A\$21 billion plan reined back to just its initial stage, costing about A\$5 billion. Its purpose has changed from exporting coal to India's Adani Power, to now possibly shipping coal to Bangladesh and Pakistan. Its job prospects are confusing with early estimates well in excess of 10,000, [down more recently to fewer than 1,500](#), after Adani admitted that the mine's operations will be heavily automated.

The project's financing has been under a continuous cloud given the scale of the debts of the [Adani Group](#), and the reluctance of global banks in a world transitioning to low-emission technologies. All of this is complicated by the potential for concessional finance from the Northern Australia Infrastructure Fund (NAIF) and Chinese money. As a high-cost, low-grade coal project, its commerciality has bounced around, given variations in "[offtake prices](#)" and expectations on coal futures prices.

Read more: [Why big projects like the Adani coal mine won't transform regional Queensland](#)

The [latest version](#) is that the project has been scaled down from some 60 metric tonnes per year (mtpa) to about 25mtpa, requiring an extra investment of some A\$2 billion for the mine development, and A\$3.3 billion for the rail link to the export terminal at Abbot Point, but avoiding

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the need to expand Abbot Point. Adani Enterprises is already financially strapped, with net debt exceeding market capitalisation, and the Adani family needing to refinance Abbot Point. The Adani family has already spent some A\$3.5 billion on acquiring the deposit and developing their Australian project to date.

So with virtually no capacity to inject additional equity, the focus is on whether even this scaled-down proposal can be financed by additional debt? This is why a government-sponsored concessional loan of up to A\$1 billion from the NAIF to build the rail link has been seen as crucial to the project moving forward. It could be accepted by potential financiers as low-cost, high-risk “quasi equity”. It would also effectively hand Adani a monopoly position in standard gauge rail, in turn creating monopoly conditions at Abbot Point.

A more recent constraint on sentiment towards the project has come from the Indian government's rapidly changing attitudes to future power generation, accelerating the transition from coal-fired power to renewables. [Recent statements by RK Singh](#), India's Minister of Power and New and Renewable Energy have confirmed that India can exceed its target of 275 gigawatts of renewable energy by 2027, a massive shift from its historic reliance on coal.

This accelerates the likely end to coal imports by India, which has seen the Adani project seek alternative markets in Bangladesh and Pakistan.

Indeed, there is now [documentary evidence](#) of an electricity offtake agreement with the Bangladeshi government's power board, setting a contractual “cost plus plus” supply of low-quality imported coal delivered at prices that are likely to approach 50% above the current coal spot price. But even at the current futures price of about US\$80 per tonne, the Carmichael mine could be cashflow-positive.

Funding the Carmichael mine

Can the Adani group hope to raise the necessary additional debt? This is a two-pronged challenge – the family needs to refinance Abbot Point requiring some A\$1.5 billion over the next 12 months, and the A\$5 billion-plus project itself.

It looks like the family had to enlist the services of second-tier investment bank Jeffries to initiate

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a bond refinancing for Abbot Point - to be rated just above junk bond status. However, Jefferies [reportedly pulled out](#) within a week, its reasoning unstated.

With some 20 to 30 global banks, including Australia's big four, having ruled out financing the mine, and Indian banks strapped for capacity, the focus has shifted to Chinese group CMEC as a potential financier, against likely Bangladesh or Pakistani alternatives. However, even with such offtake agreements the project's longer-term viability is questionable.

Read more: [The future of Australian coal: an unbankable deposit](#)

Obviously the Chinese Communist Party, and other Chinese authorities, will need to think carefully about the potential consequences of getting involved now that the project lacks direct financial support from state and federal governments in Australia. This is especially so when the issue of Chinese influence and involvement in Australia generally, and in our politics specifically, is becoming controversial.

I also suspect that the federal Labor opposition may now adopt a position against the Adani project, in light of Queensland's state election result.

The bottom line for financing is an assessment of the longer-term risks with Adani Enterprises, the family, and the project. Both the company and the family are already heavily exposed financially, and the project is a high-cost, high-risk one.

Bearing in mind the Paris climate agreement, the rapidly falling costs of reliable renewables, and India's shifting energy strategy, the development of any new coal mine is certainly a very big call.

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I suspect that the Adani project is already a stranded asset, and definitely not worthy of either Australian taxpayer support or Chinese investment.

Interactive: what the Adani coal mine means for Queensland

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