

What's Stopping Adani?

Adani's Carmichael coal mine and railway is not "ready to go". The project still has many legal and financial issues to resolve.

May 2019

Adani is not "ready to go" with its Carmichael coal mine. Media reports have focused on two plans under consideration by the Queensland Government, which Adani needs to commence significant works. Even if the Government approves these plans, there are a number of significant reasons why Adani is not ready to proceed with its mine.

Outstanding approvals

Adani needs two approvals from the Queensland government before it can start significant construction, like removing vegetation or setting up infrastructure.

- Approval of the **Black-Throated Finch Species Management Plan (BTFSMP)**.¹ The limited information available from Queensland's Department of Environment and Science says Adani is required to commit to gather more accurate assessments of the finch population and the availability of seed throughout the year, and to commit to a limited grazing regime in the project area. The Galilee Basin is home to the largest known remaining population of Black-Throated Finches; this decision could determine the species' fate.
- Approval of the **Groundwater Dependent Ecosystems Management Plan (GDEMP)**.² This requires Adani to demonstrate protection of the nationally important Doongmabulla Springs and the groundwater-dependent ecosystems associated with them. It is a condition of Adani's Environmental Authority from the Queensland government that it identify the source aquifer of the Doongmabulla Springs - critical to ensuring that digging its mine doesn't drain

¹ EA Conditions I6

² EA Conditions I11 and I12

the springs. CSIRO and Geoscience Australia raised concerns about the plans.³ FOI documents show CSIRO, on whose advice the federal Minister relied, was given mere hours to consider the plans and still held reservations, “the devil is in the detail that we do not have”.⁴

Adani also needs two federal approvals, and to act on two state requirements, before it can dig the *first box cut of the mine* – i.e. to begin mining coal.

- Federal approval of the **Great Artesian Basin Springs Research Plan**.⁵
- Federal approval of the **Rewan Formation Connectivity Research Plan**.⁶
- Finalised **baseline groundwater dataset**, provided to the Queensland government at least 90 days prior to commencement of box cut excavation.⁷
- Submit **Groundwater Management and Monitoring Program** to the Queensland government.⁸

Legal threats to approvals

Litigation between Wangan and Jagalingou Traditional Owners Family Council and Adani about the Indigenous Land Use Agreement needs to be resolved. The case will be heard on 27 and 28 May before the Federal Court full bench, with a decision expected by September.

On the eve of the Federal Election, Environment Minister Price controversially approved two Adani water plans, which could still face legal challenge⁹ given widespread perceptions the approvals were compromised by political pressure.¹⁰

³ Murphy and Cox (2019) *Coalition approves Adani groundwater plan despite questions over modelling* <https://www.theguardian.com/business/2019/apr/09/coalition-approves-adani-groundwater-plan-despite-questions-over-modelling>

⁴ Slezak (2019) *Adani water plan ticked off within hours despite lack of detail, internal CSIRO emails reveal* <https://www.abc.net.au/news/2019-05-14/adani-csiro-emails-foi-melissa-price/11107276>

⁵ EPBC conditions 25 & 26

⁶ EPBC conditions 27 & 28

⁷ EA conditions E3 and E4

⁸ EA conditions E3 and E4

⁹ Murphy and Cox (2019) *Coalition approves Adani groundwater plan despite questions over modelling*

¹⁰ Hasham (2019) *Environment Minister Melissa Price signs off on Adani project* <https://www.smh.com.au/politics/federal/environment-minister-melissa-price-signs-off-on-adani-project-20190409-p51cc0.html>

Water, rail and road infrastructure not lined up

Adani lacks federal environmental approval of its pipeline to provide water for the mine, the North Galilee Water Scheme, which is essential to operate the mine. In June in the Federal Court, ACF will challenge the Federal Environment Minister's failure to assess Adani's water project using Australia's environmental water laws.¹¹

Adani still lacks approvals for its proposed rail line. The ABC has reported that the application requires further work: a detailed hydrological study for the rail corridor; a lease application for 37 kilometres of the prospective rail corridor; a work program with evidence of commitment to starting construction.¹²

Adani has not secured essential access to Aurizon's Newlands rail line, and this line may require upgrades to facilitate Adani's freight.¹³

Adani committed to upgrading, sealing and realigning the primary access road from the highway into the mine site, which is currently a low-traffic dirt road. FOI documents show that the state government is considering funding the road.¹⁴ It remains unclear whether the upgrades will go ahead and who will fund them.

Royalties deal not approved

Adani has no royalty deed with the Queensland Government.

In May 2017 the Queensland government offered Adani a "beneficial" royalties deal. The deal in effect gives Adani a subsidised loan of potentially hundreds of millions of dollars. The details have been kept secret as it relates to ongoing budget processes that must be approved by cabinet.¹⁵

The royalties deal was offered to support Adani's rail line as a 'open access' line for others in the basin. Even on these terms, Adani should not be eligible. The current rail

¹¹ ACF (2018) *ACF to challenge Federal Government failure to apply the water trigger to Adani pipeline plan* https://www.acf.org.au/acf_challenge_water_trigger

¹² Bavas (2019) *Adani yet to submit rail plans to Queensland Government* <https://www.abc.net.au/news/2019-04-12/adani-carmichael-mine-rail-plans-not-submitted-premier-says/10995030>

¹³ Major (2019) *Adani's proposed rail corridor and 2 kilometre-long trains through Collinsville has residents concerned again* <https://www.abc.net.au/news/rural/2019-05-09/coal-town-split-over-galilee-expansion/11090760>

¹⁴ Swann (2018) *Not Adani Deal* <http://www.tai.org.au/content/taxpayers-foot-bill-secret-adani-deals>

¹⁵ Swann (2018) *Not Adani Deal* <http://www.tai.org.au/content/taxpayers-foot-bill-secret-adani-deals>

line proposal is smaller than the original plan, will rely on Aurizon's existing network, and there is no open access arrangement in place for the line.

Despite the offer of a "beneficial" deal two years ago, Adani has not signed off. There may be conditions in the deal that Adani cannot or will not meet, potentially the required security on the loan, or open access arrangements.

Finance still unclear

Adani has not publicly confirmed it has finance for the mine or rail line.

While Lucas Dow said Adani will self-finance the mine, it is not clear how the Adani Group will secure the finance. Currently Adani Enterprises, the parent company of Adani Mining in Australia, has a cash balance of US\$182 million in its most recently disclosed balance sheet, even though Adani says the initial phase of the mine and rail will cost at least \$2 billion.

No Adani Group companies have disclosed anything to the Indian stock exchange, which could include a lending agreement or a final investment decision.

36 financial institutions, including some of the world's largest banks, have ruled out financing the mine.¹⁶ Recent analysis has questioned the economic viability of the project given the downturn in prices for Australian thermal coal.¹⁷

No construction contractor or insurance

Adani does not have a contractor for the construction of the mine or rail, after parting ways with contractors like Downer¹⁸ and AECOM¹⁹. Adani has not confirmed insurance for the project. Thirteen major insurers have ruled out underwriting the project.²⁰

¹⁶ Market Forces *The Adani List: Companies that could make or break the Carmichael coal project* <https://www.marketforces.org.au/info/key-issues/theadanilist/#out>

¹⁷ Burton and Gloystein (2019) *In a sunset industry, economics of Adani's Australian coal mine questioned* <https://www.reuters.com/article/us-australia-coal-analysis/in-a-sunset-industry-economics-of-adanis-australian-coal-mine-questioned-idUSKCN1SG0BM>

¹⁸ Robertson (2017) *Adani parts ways with mining services company Downer over proposed Carmichael mine* <https://www.abc.net.au/news/2017-12-18/adani-parts-way-mining-services-company-downer-carmichael-mine-qld/9267778>

¹⁹ Smees (2018) *Adani ordered to pay almost \$12m for work on scrapped Carmichael rail line* <https://www.theguardian.com/environment/2018/dec/20/adani-ordered-to-pay-almost-12m-for-work-on-scrapped-carmichael-rail-line>

²⁰ Market Forces *The Adani List: Companies that could make or break the Carmichael coal project* <https://www.marketforces.org.au/info/key-issues/theadanilist/#out>