

Committee Secretary
Senate Standing Committees on Environment and Communications
PO Box 6100
Parliament House
Canberra ACT 2600



14th July 2017

Re: Environment and Infrastructure Legislation Amendment (Stop Adani) Bill 2017

Thank you for the opportunity to provide comment to the *Environment and Infrastructure Amendment (Stop Adani) Bill 2017*. 'Farmers for Climate Action' supports the passage of this Bill and calls upon the Australian Senate to act promptly to address the concerns raised below.

Farmers for Climate Action is an inclusive movement of farmers and agricultural industry leaders calling for climate solutions and supporting farmers and regional communities to adapt to changing climatic conditions. Our network of over 3,000 Australian farmers and industry leaders are drawn from a diverse array of agricultural industries and from both sides of politics. Farmers for Climate Action believe in preserving the viability of Australian agriculture for future generations of Australian farmers, recognising that Australia's future lies with clean energy, clean water and food security.

Farmers for Climate Action recognises that agriculture is Australia's most exposed industry to climate change and that Australian farmers are on the front line of extreme weather events. Right across our country, farmers are already witnessing the impacts of climate change; from increased severity of tropical cyclones in the north, changing rainfall and weather patterns and the increased likelihood of drought and heatwave conditions through vast areas of our country.

As a network of grassroots Aussie farmers, Farmers for Climate Action has recently joined the 'Stop Adani' campaign in response to significant concern from our supporter base. Primary areas of concern include the granting of an unlimited underwater licence for extraction from the Great Artesian Basin for a 60 year period, the impact on biodiversity within the Galilee basin area, taxpayers subsidising the project through a potential concessional loan through NAIF and lastly, the cumulative impact of the extraction of additional thermal coal from the Galilee Basin on climate change.

Farmers for Climate Action supports the core objectives of the *Environment and Infrastructure Legislation Amendment (Stop Adani) Bill 2017* as per below:

Reviewing Adani's Existing Federal Environmental Approvals

Farmers for Climate Action is deeply concerned that by the existing Federal Environmental Approvals granted to the Adani project and questions whether these approvals will appropriately protect the unique biodiversity of the region and do enough to protect the long term interests of Australians and the ecosystem services upon which we depend.

Existing environmental approvals and the Environmental Impact Statement fail to take into account the impact of thermal coal extraction and use on global carbon emissions. This is an erroneous and deeply concerning oversight. Farmers for Climate Action believes it is utterly inconsistent with stated commitments to a global limit of 2degrees warming to assert that downstream emissions from this coal will be 'managed and mitigated through national and international emissions control frameworks' as claimed by the former Minister for the Environment.

The future of biodiversity in the region, the health of The Great Barrier Reef and local agriculture are all under threat and Farmers for Climate Action calls upon the Standing Committee to immediately commit to supporting a full review of the existing Federal Environmental Approvals.

Strengthening Existing Environmental History Test in Federal Environmental Processes

Farmers for Climate Action strongly believes that the existing Federal Environmental Approvals fail to adequately take into account the environmental history of the Adani Group. Significant evidence, now published in numerous Australian publications and further explored in 'The Adani Files' demonstrates that Adani has a shocking history of environmental mismanagement internationally. There are numerous examples of failing to protect the environment and local communities; intimidating landholders, damaging ecosystem services and in some cases causing irreparable damage to the local environment.

In Australia, Adani's environmental record is already tarnished following a significant spill into wetlands from the Abbott Point Coal Terminal in the aftermath of Cyclone Debbie in early 2017. The mismanagement and lack of environmental safeguards demonstrated in this situation is yet another indicator of the need for a strengthening of the existing Environmental History Test and a full review of environmental approvals granted to the Adani Group.

Adding a 'Suitable Person' test to the Northern Australia Infrastructure Facility Act, including a mandatory consultation with ASIC and the Crime Commission.

The creation of the Northern Australia Infrastructure Facility offers the opportunity for a renewed public role in the development of Northern Australia, and Farmers for Climate Action recognises the potential for positive growth and development initiatives. However, as with any allocation of significant public funds, there is the risk that money will be allocated on the basis of political expediency, not public best interest. The consideration of a

\$900million allocation of NAIF funding in the form of a concessional loan to support the development of a railway line from the Galilee Basin to the Abbott Point coal terminal is of questionable public interest and highlights the need for the addition of a 'Suitable Person' test to the Northern Australian Infrastructure Facility Act, including a mandatory consultation with ASIC and the Crime Commission.

Farmers for Climate Action strongly supports the assessment of environmental history of both body corporates, executive officers and individual persons in considering whether an applicant is a 'Suitable Person' to be the beneficiary of significant public funds.

Farmers for Climate Action also supports mandatory consultation with the Australian Securities and Investment Commission and the Australian Crime Commission as an act of due diligence in the consideration of potential applicants. With particular reference to the Adani Group, Farmers for Climate Action draws your attention to evidence gathered via 'The Adani Files', demonstrating a history of corruption in Adani's dealings in Karnataka State, India.

Farmers for Climate Action argues that on the grounds of assessment as a 'suitable person' as clearly illustrated above, the Adani Group should not be allocated any public funding via the Northern Australia Infrastructure Facility.

Background on Adani's corporate structure

In order to fully assess this project, and the suitability of Adani to receive public funding via the Northern Australia Infrastructure Facility, it is critical to understand the structure of the Adani Group. The below draws on the work of Professor John Quiggin and others, including the Institute for Energy Economics and Financial Analysis (IEEFA).

Understanding the Adani project is made more difficult by the complex and frequently changing structure of the Adani Group, controlled primarily by Gautam Adani and his family. However, understanding of the corporate structure is required to assess the risks and possible benefits of investing public funds in, or providing assistance to, the project. The description provided here is current as of July 2017, but may change in the future (consistent with the press speculation of a four way demerger of Adani Enterprises Limited¹). For this we draw on the work of the Institute for Energy Economics and Financial Analysis (IEEFA) (2015, 2017).

The Adani Group was until relatively recently a relatively tightly integrated 'conglomerate' enterprise, with many different activities ... Successive reorganizations have produced a network of distinct, separately listed, unrelated companies, each focused on a particular aspect of the Group business. These companies are linked by virtue of common controlling shareholder group, but each has its own separate financial structure and board, and is required to place its own corporate interests ahead of those of affiliated companies.

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<http://www.moneycontrol.com/news/business/stocks-business/adani-enterprises-gains-5-on-buzz-of-demerger-into-four-verticals-2316999.html>

At least five Adani corporations are now involved in the Galilee Basin mine-rail-port project. Adani Mining holds the rights to the Carmichael mine site acquired in 2010, when the price of thermal coal peaked at \$140/tonne. The total expenditure associated with the mine acquisition to-date is estimated by IEEFA at \$1.4 billion. In addition, another Adani Group company, Adani Ports and Special Economic Zone Ltd acquired the Abbot Point coal terminal for \$1.8 billion, with an additional \$300m port capex post acquisition. The proposed rail line, connecting the Galilee Basin to the port is to be owned by another private Adani company whose parent company is based in the Cayman Islands tax haven. The putative buyer for the coal produced by the project is Adani Power Ltd, which owns a number of coal-fired power stations in India, and has proposed the construction of further plants. Finally, on June 6 2017, just as Gautam Adani announced that the Carmichael project would proceed, Adani Power created a new subsidiary Adani Power (Mundra) to spin off its largest power station, the 4.6 Gigawatt Mundra Power Plant. Adani Power has approached the Gujarat state-owned electricity distribution company with a view to selling a controlling interest or possibly a 100% interest in the Adani Mundra power plant to the state government for a reported Rs1 (A2c), having recognized that the Mundra plant is longer financially viable based on imported coal.

This complex and heavily indebted structure has three main implications:

First, the Group has a strong incentive to avoid or delay writing off the A\$1.4bn investment in the Carmichael mine.

Second, the corporate restructuring is designed in such a way as to allow part of the Adani Group to fail without exposing the Group as a whole to unsustainable losses.

Third, the 'pit to plug' strategy originally proposed for the mine, under which a single vertically integrated enterprise would be responsible for mining and transporting coal to its own power stations, is no longer tenable. The Carmichael project can only succeed if it can produce coal at a cost competitive on the global market.

Consideration of the above implications must be incorporated into any assessment of whether the Adani Group is a 'suitable person' to receive significant public funds via the Northern Australian Infrastructure Facility.

Conclusion

Farmers for Climate Action is working with a growing number of farmers and food producers who are deeply concerned about the downstream environmental impacts of the proposed development, including impacts on the Great Artesian Basin, local biodiversity and global carbon emissions. We subsequently call upon the Senate Standing Committee on Environment and Communications to support the *Environment and Infrastructure Legislation Amendment (Stop Adani) Bill 2017* and to act promptly to address the concerns of farmers in the communities who will be most affected.

Please do not hesitate to contact me to discuss this submission in further detail.

Sincerely

Verity Morgan-Schmidt

CEO Farmers for Climate Action

E:

W: www.farmersforclimateaction.org.au

M:

References:

Institute for Energy Economics and Financial Analysis (IEEFA) (2015), 'Briefing Note- Adani: Remote Prospects',

Institute for Energy Economics and Financial Analysis (IEEFA) (2017), 'Adani Remote Prospects - Carmichael Status Update 2017', 1-57.

Quiggin, J. (2017), There are better things to spend \$1 billion on than the adani coal mine, *Brisbane Times*,
<http://www.brisbanetimes.com.au/comment/there-are-better-things-to-spend-1-billion-on-than-the-adani-coal-mine-20170519-gw9201.html>, 19 May.