

Public to private divestment in Asia: trends and best practice

David Lewis^(*), Hazel Ilango

Public to private transactions that shift fossil assets away from listed markets and into private hands risk reducing emission transparency and transition accountability, and accordingly have been the focus of significant investor attention.

The Anthropocene Fixed Income Institute has developed a bespoke database of public to private merger and acquisition (M&A) transactions in high-emitting sectors to quantify this activity in Asia. This note covers transactions since 2020, and finds a high, but relatively stable, flow of deals. This has concerning implications for investor stewardship and emission disclosure.

It also outlines the key elements of several recent frameworks and guidelines that are intended to help investors and companies understand and implement 'best practice' stewardship regarding the M&A of high-emission assets. Thus far, there appears to be only minor evidence of such practices being applied in recent Asian public to private deals.

Our analysis offers the following key takeaways:

- Based on the methodology applied, **there have been 181 public to private transactions in high-emission sectors in Asia since 2020, totaling USD5-9bn in value annually. This compares to 143 private-public transactions over the same time period.**
- **This has negative implications for stewardship and emission disclosure among the privatised companies.**
- **Deal activity does not appear to be structurally accelerating**, instead appearing to reflect broader cyclical trends in M&A.
- **Asian fixed income investors have an opportunity to focus stewardship efforts on the smaller number of problematic transactions that arise.** Recent frameworks and guidelines provide very useful resources for fixed income investors considering engaging with companies involved in such transactions.

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() Anthropocene Fixed Income Institute (www.anthropocenefii.org). Author for contacts: dlw@anthropocenefii.org*

Introduction

Transactions that shift emissions from public companies to private entities have been the subject of intense scrutiny among sustainability-focused investors.¹ At the global level, there is evidence of accelerating public to private M&A activity in the oil and gas sector, which may complicate investor stewardship efforts.² Specific to Asia, there has been scant data on volumes and trends in public to private M&A activity, despite the prevalence of coal-fired power in the region.

Against this backdrop, AFII has developed a detailed database of M&A activity in high-emission sectors across Asia, with a focus on public to private deals. The methodology for the database, detailed in the Appendix, begins with Bloomberg's 'MA' tool and applies a series of filters including industry sector, deal size, country (excluding Chinese targets), and delisting outcomes. This research note presents the key findings from this database and highlights notable transactions.

Our purpose is to complement AFII's earlier research on certain troubling aspects of specific Asian public to private deals. These include a Sembcorp transaction in late 2022, and more recently AES's sale of Mong Duong 2, a Vietnamese coal plant.^{3,4} We plan to revisit the database periodically to provide ongoing monitoring of deal trends in Asia.

In addition, this note discusses what 'best practice' for companies selling emissions-intensive assets should look like, drawing on ongoing research into this topic by multiple organisations. The largest public to private Asian deals in our database appear to satisfy few of these best practice recommendations.

Significant, but not accelerating

Our analysis finds a significant volume of public to private M&A activity in recent years in high-emission sectors in Asia (ex-China). A total of USD26bn such deals are evident since 2020 with annual volumes ranging from USD5.6 to USD8.6bn. These deals are summarised in Table 1 overleaf. This activity does not appear to be accelerating over time, however.⁵

By country, the US, Japan, India, and Australia are the most active acquirers. Target assets, meanwhile, generally originate from Japan, Australia, India and South Korea. By industry, chemicals, iron/steel, utilities (including thermal coal) and oil/gas each account for 15-30% of targets (by deal count and value). Coal mining assets were the target of just 5 transactions.

¹ Reflected in research from Ceres, IGCC, EDF, and UNCTAD. Refer to Table 5.

² "[How Risks in Oil and Gas M&A Could Hamper the Energy Transition](#)", Environmental Defense Fund (EDF), Jun 2022.

³ "[Coal divestment: AES' Muong Dong 2 deal with Sev.en](#)", AFII, 25 Mar 2024.

⁴ See [here](#) for a list of AFII research on Sembcorp.

⁵ A limitation is that around 45% of identified transactions do not disclose deal values. Refer to Appendix/ Methodology and caveats for further discussion.

Table 1: Public to private M&A activity in Asia (ex-China) in high-emission sectors, 2020-April 2024. Source: AFII, Bloomberg.

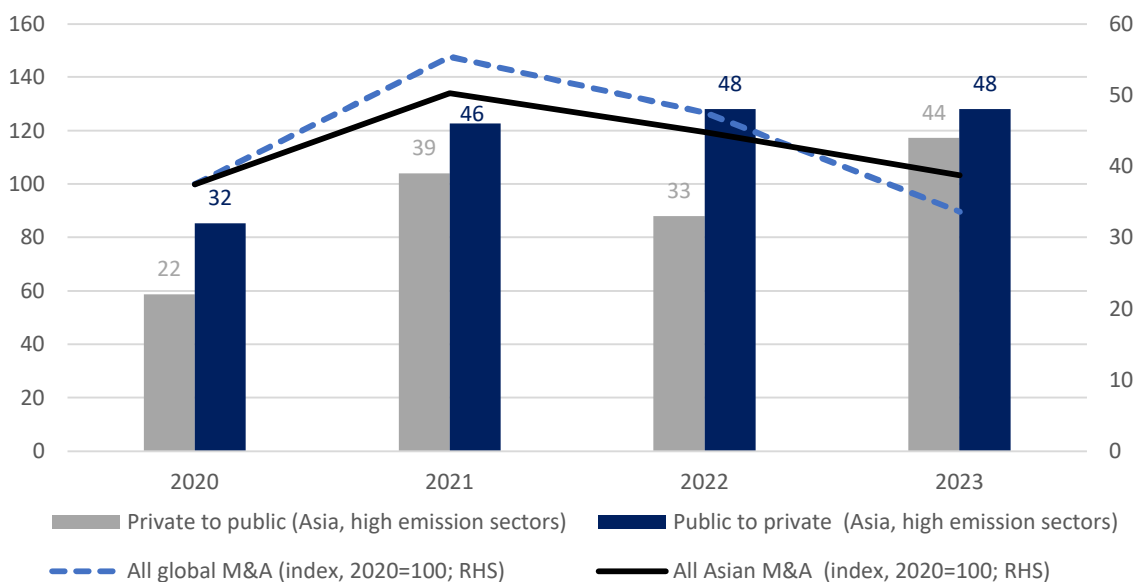
Year	Deal count	Aggregate deal value	Average deal value *	Maximum single deal	Median deal
		USDm	USDm	USDm	USDm
2024	7	266	53	130	51
2023	48	5,229	187	904	81
2022	48	6,169	268	2,150	77
2021	46	8,612	374	4,007	77
2020	32	5,682	299	1,305	109
Total	181	25,958	283	4,007	79

* For the 92 deals where transaction values were disclosed.

A steady, rather than accelerating, number of Asian deals is evident, with trends broadly similar to those witnessed globally (Figure 1). This may suggest that broader drivers of M&A activity, such as sentiment and the cost/availability of debt and equity financing, have been more relevant for Asian public to private transactions in recent years than structural factors such as pressure on public companies to divest high-emission assets.

Of note, in every year since 2020 the number of public to private deals has exceeded private-public transactions. This implies a net increase in high-emission assets removed from public scrutiny. However, in contrast to findings in the global oil and gas sector,⁶ this gap is not widening.

Figure 1. Deal count: Asian (ex-China) public to private transactions in high emission sectors, compared to global and regional M&A activity. Source: AFII, Bloomberg.



⁶ “[How Risks in Oil and Gas M&A Could Hamper the Energy Transition](#)”, Environmental Defense Fund (EDF), Jun 2022.

In terms of transaction values, aggregation from the database presents a more balanced picture, with private to public transactions since 2020 totalling USD25.96bn, compared to public to private transactions at USD26.03bn. There is no clear trend evident by year. As discussed in the Appendix, large single deals significantly influence aggregations, particularly at the annual level.

A notable caveat is that a larger proportion (64%) of private to public deals in the database have transaction values, which results in higher aggregations compared to the 54% figure for the public to private sample. This gap in disclosure has been fairly steady over time. Other things equal, this disclosure gap adds around USD4bn to measured private to public activity.⁷ This suggests that, as observed for deal counts, the underlying picture is of modestly higher values of public to private transactions compared to private to public.

Table 2. Net flow (public to private activity less private to public activity), Asian (ex-China) high emission sectors, 2020-April 2024. Source: AFII, Bloomberg.

Year	Net flow to private		Public to private		Private to public	
	Deal count	USDm	Deal count	USDm	Deal count	USDm
2024	2	30	7	266	5	236
2023	4	-2,521	48	5,229	44	7,750
2022	15	1,050	48	6,169	33	5,119
2021	7	-49	46	8,612	39	8,661
2020	10	1,420	32	5,682	22	4,262
Total	38	-70	181	25,958	143	26,028

In summary, public to private transaction activity in Asian high-emission sectors has been significant in recent years, with 30-50 deals recorded annually totalling USD5-9bn in value. However, activity does not appear to be accelerating.

There are significant but lower flows of private to public transactions. Other things equal, this suggests a net reduction in the number of Asian high-emission companies listed on public equity markets over time.

Notable transactions

Table 3 below shows the 15 largest identified transactions since 2020. Data are presented unadjusted from the Bloomberg database, following the methodology described in the Appendix.

⁷ 10p.p. gap implies value disclosure across an additional 14 transactions, which at the average private to public transaction value of USD283mn implies USD3.96bn.

Table 3. Largest 15 Asian public-private transactions in high-emissions sectors, 2020-2024*. Source: AFII, Bloomberg.

Year*	Target Name	Acquirer Name	Seller name	Value USDmn	Target Country	Industry	Acquirer Country
2021	Hitachi Metals Ltd	Bain Capital Private Equity LP	-	4,007	Japan	Iron/Steel	United States
2022	Portfolio of 4 LNG assets	MidOcean Energy LLC	Tokyo Gas Co Ltd	2,150	Australia	Pipelines	Luxembourg
2022	Sembcorp Energy India Ltd	Tanweer Infrastructure Pte Ltd	Sembcorp Industries Ltd	1,471	India	Electric	Singapore
2020	Romanian assets/CEZ AS	Macquarie Infrastructure & Real Assets Europe Ltd	CEZ AS	1,305	Czech Republic	Electric	Australia
2020	324 gas stations/SK Networks Co Ltd	LF Corp,Xi S&D Inc,HD Hyundai Co Ltd,White Korea Co Ltd	SK Networks Co Ltd	1,119	South Korea	Oil&Gas	South Korea
2020	Jindal Shadeed Iron & Steel LLC	Templar Investments Ltd	Jindal Steel & Power Ltd	1,000	Oman	Iron/Steel	United Kingdom
2023	Gas transmission & metering	Macquarie Asset Management Pty Ltd	National Grid PLC	904	United Kingdom	Gas	Australia
2023	Scarborough area assets	LNG Japan Corp	Woodside Energy Group Ltd	880	Australia	Iron/Steel	Japan
2021	Hanwha Impact Corp	Hanwha Solutions Corp,H-Solution Corp	Samsung SDI Co Ltd, Samsung C&T Corp	870	South Korea	Chemicals	South Korea
2020	NU Vista Ltd	Nirma Ltd	Emami Ltd	773	India	Building Materials	India
2021	Senex Energy Ltd	Posco International Corp,Hancock Prospecting Pty Ltd		741	Australia	Oil&Gas	South Korea
2022	Santa Fe Mining SA	Diego Calvo SpA	JSW Steel Ltd	714	India	Iron/Steel	Chile
2023	BW Energy Ltd	BW Group Ltd		655	Gabon	Oil&Gas	Singapore
2021	Onshore upstream assets/Egypt	Capricorn Energy PLC,Pico Group	Shell PLC	646	Egypt	Oil&Gas	United Kingdom
2021	Merdian Energy (Australia)	Shell PLC,Infrastructure Capital Group Ltd	Meridian Energy Ltd	535	Australia	Oil&Gas	Netherlands

*Announcement year.

Below are brief highlights describing four notable Asian public to private deals. Further down, there is additional discussion of these transactions with reference to 'best practice' divestment guidelines.

- **The largest deal.** A Bain Capital-led consortium bought the 53% stake in Hitachi Metals held by the Japanese conglomerate Hitachi Ltd. along with minority shareholders' 47% for 817 billion yen (USD7.5 billion). As a result, Hitachi Metals was delisted from the Tokyo Stock

Exchange.⁸ Of note, only the latter portion of this transaction appears in Bloomberg's M&A database (per Table 3), thus understating the value by USD3.5bn, and providing an indication of the limitations of such databases. For Hitachi Ltd, this divestment was the latest step in a decade-long strategic reorientation, shifting focus from electronics hardware to digital services.⁹ Hitachi Metals is now known as Proterial Ltd, which offers a range of advanced products including specialty steel and auto cables, among others.^{10,11} In this transaction, robust emission disclosure has continued under private ownership (see Table 6).¹²

- **Divestment of stakes in Australian LNG Projects.** In March 2024, Tokyo Gas completed its divestment of small (5% or less) minority stakes in Gorgon LNG, Pluto LNG, and Queensland Curtis LNG, totaling USD2.15 billion. This move was described as underscoring Tokyo Gas' commitment to bolstering investments in energy transition initiatives.¹³ MidOcean Energy, a private LNG company formed and managed by EIG, a leading institutional investor in the global energy and infrastructure sectors, acquired the stakes. The integrated projects span Australia's western and eastern seaboard and serve as major LNG suppliers to Asia. They are operated and largely owned by industry leaders Chevron, Woodside, and Shell.^{14,15} While these owner-operators are likely to be the primary focus of investor stewardship efforts relating to the projects, there is still a relevant role for minority holders. The new owner, MidOcean, does not appear to disclose emissions publicly, although there is some high-level disclosure by EIG relating to financed and upstream emissions including the observation that less than half of its investee companies are 'taking action on climate change'.^{16,17}
- **Shifting operating emissions into financed emissions.**¹⁸ In 2022/23, Singaporean infrastructure/energy owner Sembcorp sold 'SEIL', a group of large Indian coal-fired power assets worth USD1.5 billion with a capacity of 2.6GW, to an Omani consortium. Sembcorp financed the transaction through a deferred payment (in-kind) note, with payments due in 15 to 24 years (by 2038 or 2047). It also retained liabilities and operational influence over SEIL. By 'divesting' SEIL in this manner, Sembcorp met the emission intensity targets embedded in two SLBs, thus avoiding a potential coupon step-up. SEIL's emissions were

⁸ "[Bain-led consortium to buy Hitachi Metals for USD7.5 billion](#)", Reuters, 28 Apr 2021.

⁹ "[Bain Taps Advisers to Sell Unit of Former Hitachi Metals](#)", The Deal, 22 Jun 2023.

¹⁰ "[Current Investments](#)", Bain Capital Private Equity, accessed on 8 May 2024.

¹¹ Given its value-added product profile, Hitachi's emission intensity (217 tonnes per million USD sales in FY2022; scope 1+2) is low compared to raw steel manufacturers. However, partly reflecting its high scope 3 emissions, its inclusion in a list of 'high emission' M&A transactions is still, on balance, warranted. This example highlights the caveat (refer to Appendix) that this database does not differentiate between assets of varying emission intensities.

¹² "[Proterial integrated report 2023](#)", Proterial, Ltd, accessed 20 May 2024.

¹³ "[Tokyo Gas sells interests in four Australian LNG projects to make room for further energy transition investments](#)", Offshore Energy, 26 April 2024.

¹⁴ "[EIG's MidOcean Energy to Buy Tokyo Gas' Interests in Gorgon, Pluto, Ichthys, Queensland Curtis LNG Projects](#)", Offshore Engineer, 7 Oct 2024.

¹⁵ "[EIG's MidOcean Energy Completes Acquisition of Tokyo Gas' Interests in Portfolio of Australian Integrated LNG Projects](#)", MidOcean Energy, 28 March 2024.

¹⁶ "[MidOcean Energy](#)", MidOcean Energy, accessed 20 May 2024.

¹⁷ "[EIG 2023 ESG Report](#)", EIG, accessed 20 May 2024.

¹⁸ See [here](#) for a list of AFII research on Sembcorp.

accounted as scope 3 by Sembcorp as a result of the transaction, resulting in an 83% increase to 16 million tCO₂.¹⁹

- **Divestment to decarbonise; a classic emissions transfer.** AES, a publicly traded US company, announced in late 2023 an agreement to sell its 51% stake in the 1.2GW Mong Duong 2 (MD2) Vietnamese coal plant to Sev.en, a private Czech investment company.²⁰ AES has pledged to divest all its coal assets by the end of 2025 to achieve its decarbonisation target. However, divesting coal assets like MD2 to a private entity with a fossil fuel-oriented strategy may not align with the goals of promoting responsible phase-out or phase-down and enhancing energy efficiency. Additionally, Sev.en’s concentrated private ownership structure limits the avenues for engagement to discuss and implement emissions improvements at MD2.

Table 4. Summary of listed case studies above. Source: AFII, Bloomberg.

Seller	Buyer	Unit/Asset	Stake	Deal Value (USD)	Emissions (million tCO ₂ e)	Transaction Status
Hitachi Ltd & Other minority Shareholders	Bain Capital	Hitachi Metals Ltd Unit - a listed subsidiary of Hitachi Ltd	100% (53% from Hitachi Ltd)	7.5 bn (JPY 817 bn)	2.2 (FY 2021)	Completed
Tokyo Gas	MidOcean Energy	Minority stakes in integrated LNG Projects	5% (Pluto LNG) 2.5% (Queensland Curtis LNG) 1% (Gorgon LNG)	2.15 bn	1.0	Completed
Sembcorp	Tanweer Infrastructure Pte	Coal Plant	100% but via a deferred payment note	1.5 bn	15.1	Completed
AES	Sev.en Global Capital	Coal Plant	51%	~ 396 mn	6.4	Pending

Divestment: recommendations for best practice

A variety of stakeholders have proposed guidance or frameworks for the responsible divestment of fossil assets given the challenges encountered by investors trying to achieve climate outcomes, and the trend of public to private transactions.^{21,22} There are also moves from regulators to incorporate elements of these, such as the UK FCA’s plans to strengthen requirements for transition plan disclosures.²³ A brief summary of the frameworks and initiatives we have identified is shown in Table 5 below.

¹⁹ “[Sustainability Report 2023](#)“, Sembcorp, 1 Apr 2024.

²⁰ “[Coal divestment: AES’ Muong Dong 2 deal with Sev.en](#)“, AFII, 26 Mar 2024.

²¹ “[How Risks in Oil and Gas M&A Could Hamper the Energy Transition](#)“, Environmental Defense Fund (EDF), Jun 2022.

²² Challenges for emission reporting from M&A have been recognised for over a decade, for example by the [GHG protocol](#) (2013).

²³ “[Oil & Gas Sector Guidance](#)“, Transition Plan Taskforce, Apr 24.

Table 5: Summary of selected frameworks and guidance relating to responsible divestment.

Source	Title	Summary
TPT ²⁴ (UK)	Oil & Gas Sector Guidance , Apr 24.	<ul style="list-style-type: none"> Firms should ‘consider’ the application and disclosure of a framework for responsible divestment, alongside acquisitions and decommissioning. Recommended areas include vendor due diligence, asset-focused emissions targets and decommissioning obligations.
Ceres / EDF	Climate Principles for Oil and Gas Mergers and Acquisitions , Jan 23.	<ul style="list-style-type: none"> Outlines principles across four areas; pre-deal due diligence, disclosure, emissions reduction targets and strategy, and decommissioning. Developed following roundtables including oil and gas companies, investors, banks, and NGOs. Intended to potentially apply globally, subject to a materiality threshold. Not designed to include just transition considerations. Other topics subject to ‘extensive debate’ that could be addressed in future were asset-level scope 3 targets (essentially defining a timeline for phaseout), and base year recalculations.
Ceres / EDF	An Investor Guide to the Climate Principles for Oil and Gas Mergers and Acquisitions , Mar 23.	<ul style="list-style-type: none"> Building on the Principles immediately above, discusses how investors can analyse and engage energy companies and banks on transferred emissions. Presents best practice case studies and actionable steps. Notes that use of the principles could range from ‘soft consideration’ in deal assessment through to ‘strong enforcement’, eg. incorporation contractually. Two common approaches to investor engagement on transferred emissions are outlined; one starting with disclosure, one with pre-deal due diligence. Both incorporate emission reduction and decommissioning goals. Provides 18 potential investor engagement questions (page 14) covering due diligence, emission reduction plans, disclosure and decommissioning. Overall a very useful resource for fixed income investors considering engaging with companies on public to private transactions.
IGCC	Emissions-intensive asset exits: A Universal Owner Perspective on Sales and Managed Closures , Sep 23.	<ul style="list-style-type: none"> Key learnings from an investor roundtable; identified focus areas for investors including engagement with sellers, engagement with regulators, and considering the shortcomings of blanket fossil exclusions. Lists ‘potential characteristics’ of ‘good sellers’ and ‘good buyers’ covering transition plans, disclosure, asset decommissioning, and just transition. Recommends that “at minimum, buyers’ climate change commitments should be as strong as the sellers’ ”.
CCSI ²⁵	Transferred Emissions are still emissions: Why Fossil Fuel Asset Sales Need Enhanced Transparency and Accounting , May 23.	<ul style="list-style-type: none"> Comprehensive review of the regulatory landscape governing disclosure of fossil fuel asset sales. Also assesses the scale of sales by the supermajors, and related impact on asset-level emissions. Proposes regulatory reforms focused on disclosure, including strict, potentially materiality-based application of base-year emission restatements, to reduce potential for divestment to flatter disclosed emission trajectories, potential reporting of <i>lifetime</i> emissions from divested assets in the year sold, and development of a comprehensive disclosure regime focused on <i>asset-level</i> emissions, to complement existing <i>corporate</i> disclosures.
CCSI / Ceres	Draft International Principles on the Regulation of Transactions Involving Oil and Gas Infrastructure Assets , Oct 23.	<ul style="list-style-type: none"> Details five principles spanning legal requirements, disclosure, and decommissioning. The principles are ambitious, for example in suggesting “independent legal obligation on companies to obtain government approval” for transactions, penalties for non-compliance, and a right to determine ‘early retirement and decommissioning’. Related conference session at UNCTAD’s biennial World Investment Forum.²⁶

²⁴ Transition Plan Taskforce

²⁵ Columbia Centre on Sustainable Investment

²⁶ “[Toward guidelines for responsible sales of upstream fossil fuel assets](#)”, UNCTAD World Investment Forum, Conference Session, Oct 23.

Of note, several of these frameworks refer to the oil and gas sector specifically. We prefer a broader scope that applies relevant guidelines to other high-emission sectors including coal-fired power, thus capturing Asian case studies such as AES and Sembcorp.

Below, we provide various perspectives on how these frameworks could be operationalised.

Buyer's perspective across a spectrum

The frameworks provide useful guidance for buyers of high-emission assets across critical areas, including pre-deal due diligence, disclosure, emissions reduction targets and strategy, and decommissioning.

Of course, the guidelines they promote are aspirational, and have not been enshrined in regulatory mandates. Similarly, the means of applying the guidelines to transactions is discretionary. If they are incorporated contractually, penalties and enforcement regimes could be brought to bear if contravened. If they are not, then buyers could renege on any pre-purchase promises without consequence.

How might a buyer of private high-emission assets perceive these guidelines? At one end of the spectrum, the contractual inclusion of specific guidelines could provide private buyers of assets with **a mechanism to give stakeholders high confidence in the future stewardship of divested assets**. This could be relevant for a responsible private equity fund, or public sector investor, for example.

By taking this approach, **a buyer could lead by example**, potentially encouraging peers to follow suit. Implementation would add cost to a transaction, both in terms of due diligence, documentation, and likely in execution because of the need to produce additional disclosures and implement emission reductions initiatives over time. However, there would likely be benefits too. The improved climate risk management of assets could reduce impairments and augment returns, for example.

At the other end of the spectrum, where guidelines are not embedded in contracts, we expect that many private buyers would regard them as noise, to be ignored at will. Indeed, ignoring them may generate potential pricing advantages in competitive asset sale processes, and by obviating the need to conduct ongoing climate due diligence.

Investor perspective

From an investor perspective, the consideration of the above guidelines could aid in the stewardship of portfolio companies. Opportunities for engagement abound; for example the suggested questions posed by Ceres/EDF are an excellent resource.²⁷ Investors could also apply pressure to issuers through typical engagement escalation tools such as private discussions, AGM questions, and the threat of divestment. Conversely, investors may consider increasing capital allocation to companies that apply the frameworks.

These guidelines also emphasise the need for investors to get comfortable with a broader set of emission disclosures beyond backward looking emissions, as emphasised by GFANZ.²⁸ Specific examples include forward-looking measures of lifetime emissions, and alternate sets of emission disclosures both with and without baseline restatements. While investor desire for simple emission

²⁷ ["An Investor Guide to the Climate Principles for Oil and Gas Mergers and Acquisitions"](#), Ceres/ EDF, Mar 23, p.14.

²⁸ ["The Managed Phaseout of High-emitting Assets"](#), GFANZ, Jun 2022.

disclosure is understandable, these improvements can support capital flow into important areas such as managed phaseout of coal.

Selected Asian deals – assessing the guidelines

A brief assessment of the Asian deals highlighted above yields only-minor evidence that the best practice guidelines having been applied.²⁹ Our findings are summarised in Table 6 below, which applies the four categories outlined by Ceres/EDF.³⁰

Table 6. Asian public to private case studies assessed through a lens of 'best practice' divestment guidelines.

Transaction (Seller/ Buyer; refer Table 4)	Pre-deal due diligence	Disclosure (eg. emissions post-deal)	Emissions reduction targets and strategy	Decommissioning
Hitachi Ltd / Bain	No evidence identified from public sources.	Available	Available	n.a
Tokyo Gas / MidOcean Energy	No evidence provided by Tokyo Gas regarding environmental stewardship credentials of the buyer.	No disclosure evident from MidOcean Energy. Disclosure continues from the larger public owner/operators of the projects.	No evidence	No evidence
Sembcorp / Tanweer Infrastructure Pte	Sembcorp financed the transaction through a deferred payment (in-kind) note. No evidence provided by Sembcorp regarding environmental stewardship credentials of the buyer.	Proportional emissions of SEIL reported by Sembcorp under scope 3. Disclosure expected to decline after the completion of these deferred payments.	Support through financial incentive of reduced interest on the deferred payment note, subject to achieving reduced emission intensity.	No evidence
AES / Sev.en Global Capital	No evidence provided by AES regarding environmental stewardship credentials of the buyer. Financial and operational (managing a coal plant) credentials regarding the buyer have been assessed, as required under relevant bond documentation.	Expected to decline	No evidence	No evidence

Conclusions

According to our database methodology, public to private M&A transaction activity in Asian high-emission sectors has been significant in recent years at USD5-9bn in value annually since 2020.

This has concerning implications for investor stewardship and emission disclosure of privatised companies. However, deal activity does not appear to be accelerating.

In terms of private-public transactions, the deal count is lower, and while the aggregate reported value is on a par with public to private transactions, a notable disclosure gap exists.

²⁹ To differing extents these deals pre-dated publication of relevant frameworks in Table 5.

³⁰ “[An Investor Guide to the Climate Principles for Oil and Gas Mergers and Acquisitions](#)”, Ceres/ EDF, Mar 23.

Overall, there has been a net flow of 38 public-to-private transactions over the period analysed. AFII will continue to monitor relevant public to private activity in Asia, and will refresh this database periodically.

Various frameworks and guidelines exist to help investors and companies understand and implement 'best practice' stewardship outcomes regarding M&A of high-emission assets. Thus far, there appears to be minor evidence of such practice being applied in major Asian public to private deals.

For bond investors in the region, other key takeaways are:

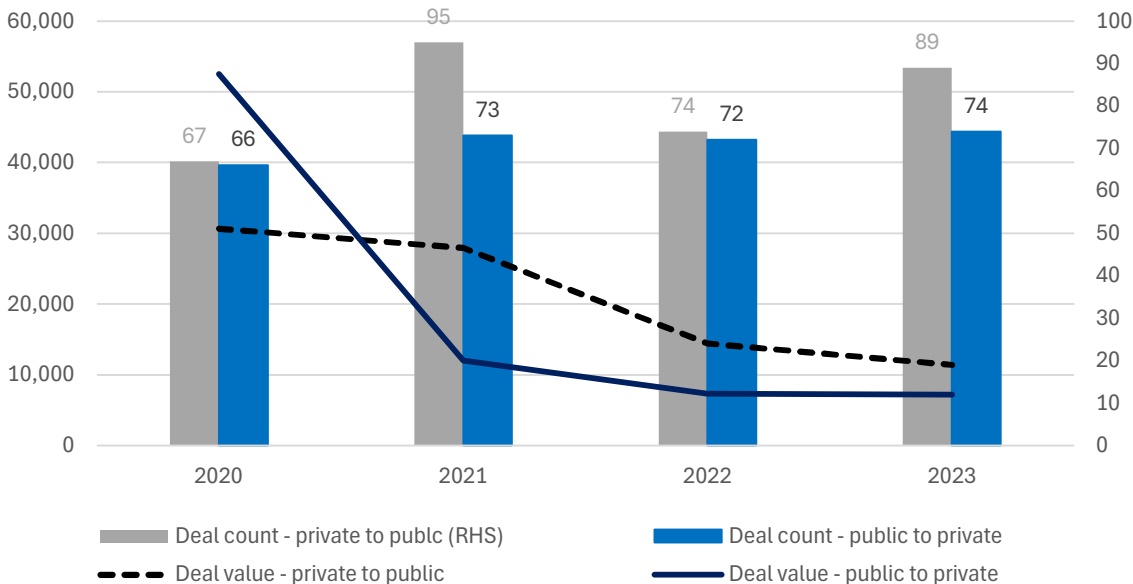
- The challenges faced by stewardship teams when it comes to monitoring and evaluating public to private transactions in Asia may not be insurmountable. Our research suggests there are a small number of potentially problematic public to private transactions on which they should focus their efforts, such as Sembcorp and AES-MD2.
- Investors should focus efforts on assessing the transition credentials of existing large owners and financiers of Asian fossil assets, as these owners may collectively retain ownership of such assets for extended periods.

Appendix

Similar trends in China

Looking at Chinese companies targeted for M&A (excluded from the above analysis), broadly similar themes are found. The number of public to private transactions has been fairly steady, ranging between 60-80 per year. The number of private to public transactions is moderately larger, by a total of 36 deals since 2020. This implies there has been an increase in stewardship opportunities and emission transparency. By value, companies worth a total of USD80bn were taken private, while USD85bn of private assets were purchased by listed companies. The flow of public to private transactions was dominated by a USD38bn pipeline transaction that took place 2020. Since then, there is a notably greater value (USD28bn) of companies that have moved to listed owners and are potentially subject to enhanced disclosure. The proportion of transactions in the database for which values are reported is around 90% for both deal types, thus notably higher than elsewhere in Asia.

Figure 2. Chinese M&A transactions in high-emission sectors. Source: AFII, Bloomberg.



Methodology and caveats

The methodology for this database is as follows:

- Data source: Bloomberg M&A database (MA<go>)
- Timeframe: Jan-2020 to Apr-2024
- Countries: all Asia (applied to either target, acquirer, or seller), excluding Chinese target companies which are analysed separately in the Appendix.
- Sectors: Oil and gas, Coal, Chemicals, Iron/Steel, Pipelines, Building products/Cement, Utilities (excluding water).
 - Within Utilities, Bloomberg does not classify based on fuel sources (eg. thermal coal vs solar). Therefore, a methodology is applied to search qualitative company descriptions (per Bloomberg) for keywords, and assess emission intensity disclosures where available, in order to remove transactions focused on renewables.
- Filters: remove transactions that:

- are below USD5mn in value
- are still pending, where the initial announcement was over two years ago
- where the target entity remains listed (for example, a control transaction buying 51% of a public company is classified by Bloomberg as ‘public to private’, yet in this circumstance the listing and related disclosure remains in place)

This methodology has several limitations. Transaction data from Bloomberg has not been verified or adjusted (for example, no adjustment is made for the USD3.5bn value discrepancy in the Bain-Hitachi transaction highlighted on page 5).

In addition, the sector filters applied are somewhat crude, and do not control for the large variation in emission intensity across sampled companies. In other words, a coal plant or mine transferred from public into private hands counts the same in our analysis as a specialist steel company focused on less emission-intensive activities (such as engineering rather than smelting).

Furthermore, deal values are only available in Bloomberg for around 54% of public to private transactions, and 65% of private to public transactions, likely reflecting their lack of prominent disclosure by companies. This disclosure gap would, all else being equal, increase the estimated aggregate for the latter category.

Values for some large deals are absent from the database, for example the AES-MD2 sale. The estimated value of this transaction (USD396mn³¹) was not disclosed in relevant press releases by the participants, but instead was buried in the annual 10-K. Finally, as for most M&A analysis, value aggregations such as annual totals are heavily distorted by single large deals.

Of note, most of these caveats apply to transactions in both directions (public to private, and private to public), and arguably could influence assessment of individual deals and trends either positively or negatively. Therefore, our sense is that the caveats do not void the key themes evident.

³¹ “[Coal divestment: AES’ Muong Dong 2 deal with Sev.en](#)”, 25 Mar 2024.

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