BOND SPOTLIGHT

Newcastle Coal bond: who holds the hot potato after 2030?

Rose Choy* | 18 August 2026 | 5-minute read

SUMMARY

- Newcastle Coal is expected to debut senior secured bonds in the AUD market today, with an initial price guidance of about 6.238%.
- The company has USD750million of refinancing needs for the next 12 months, likely to be met by bonds or loans.
- However, decarbonisation policies, regulatory tightening, and shrinking investor appetite for thermal coal will raise medium- to long-term refinancing and exit risks for bondholders.

Newcastle Coal Infrastructure Group (ticker NCIAU) is slated to issue its inaugural AUD bond, rumoured to be AUD200million in size. The company is facing a refinancing cliff, with USD750million of outstanding debt maturing or callable in the next twelve months. This includes its 144A bonds and junior debt (HIPRS and HITRS)[1] which are callable March 2027. These instruments are expected to be refinanced with senior bonds, loans, and other debt.

NCIAU operates a coal export terminal at the Port of Newcastle in NSW, Australia, the country's fourth-largest by capacity (66 Mtpa nominal).[2] The company is owned by Yancoal, Whitehaven, BHP, Peabody, Banpu, and Malabar which collectively contract about 82% of the terminal's capacity.[3] The company holds leases over the terminal through 2043, with a 10-year extension option.

NCIAU capital structure

Table 1 shows NCIAU's six main debt instruments, together with their maturity and interest profiles.

Table 1 NCIAU capital structure. Source: Bloomberg Finance L.P. accessed 17 Aug 2026.

USD (mn)	Amount Outstanding	Coupon/ Weighted average interest rate	Features
Bank Debt due 2027	58	10%	Fully amortising in 12 months
9/2027 Sr Secured Notes	385.2	4.40%	Repurchased 53.6mn in 2024/and 43.7mn in 2025
5/2031 Sr Secured Notes	424.01	4.70%	Repurchased about $26mn in 2024/2025
USPP 2030	100	8.80%	Amortising starting 2028
Junior HIPRS perpetuals	267	15%	First call in Mar 27, step-up if not called
Junior HITRS due 2031	250	12.50%	First call in Mar 27, step up to 14.5% if not called; step-up to 16.5% in 2029 if not called

The bank debt is expected to amortise and is to be funded via toll charge revenue from customers.[4] The junior debt (HIPRS and HITRS) carries punitive step-ups of 200bps if not refinanced at first call in March 2027, making their replacement a priority for NCIAU.

The company could refinance with a combination of AUD bonds, USD 144A bonds, and other private debt

[1] HIPRS and HITRS refer to Hunter Infrastructure Perpetual Redeemable Securities and Hunter Infrastructure Term Reedamable Securities and are subordinated structurally and contractually to the senior secured debt of Newcastle Coal Infrastructure Group.
[2] Information Memorandum, Newcastle Coal infrastructure Group, dated 12 August 2026.
[3] Ibid.
[4] Annual report for the year ended Jun 30, 2026, NCIG Holdings Pty Ltd.

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or loans depending on market appetite for thermal coal related assets. If the company can shift from expensive junior and bank capital toward senior secured bonds, this should lower its financing costs. However, it will also broaden the lender base sharing the same collateral pool.

Market and policy backdrop

The company highlights the more conducive market for coal-linked credits at present, helped by energy security concerns arising from geopolitical tensions (including the Iran conflict) and higher demand out of Asia, particularly from Japan, Korea, and Southeast Asia. There have also been supportive regulatory moves, such as extensions to the operating life of some Australian coal-fired power plants.[5]

At the same time, policy risk is rising. NSW has banned new greenfield coal mines and is tightening methane-emissions rules on existing projects.[6] These measures highlight the structural decarbonisation trend, even as short-term demand remains robust.

Credit profile and refinancing risk

NCIAU's credit is anchored by 1) stable contracted cashflows from major shareholders/shippers, 2) a cost-plus model that passes operating costs to shippers, and 3) strategic positioning as one of the two coal export terminals in the Port of Newcastle.

The company has said it is on a trajectory for full debt repayment by the mid- to late-2030s, driven in part by BHP's accelerated paydown of its share of Newcastle Coal Group debt by 2030 and the coal price-linked accelerated amortisation (CPLAA) mechanism[7], which increases repayments when coal prices (and therefore toll revenues) are elevated.

These assumptions are sensitive to coal market conditions. If prices fall or volumes ebb, CPLAA benefits diminish and refinancing needs increase. This dynamic, in turn, could raise the cost of capital for thermal coal assets. Over time, a combination of shrinking investor appetite for coal-linked assets, mine closures, and tighter policy could further amplify refinancing risk, particularly as the maturity date nears. Bondholders could be left holding an increasingly ill-favoured asset with limited exit options.

Conclusions

For investors, the NCIAU transaction offers access to strong cashflows at a time when the company is actively refinancing its debt, including its expensive junior debt. However, the investment case is ultimately a bet on the durability of thermal coal demand and capital markets access over the coming years. The bond spreads will need to compensate investors not just for near-term refinancing execution risk, but also for the possibility that, as the energy transition accelerates, these bonds become a long-dated "hot potato" in a shrinking sector.

[5] "Australia's largest coal power plant to operate for an additional two years which green groups say is a 'disaster'", The Guardian, 20 Jan 2026.
[6] "NSW to ban new coalmines in major shake-up for $23bn industry", News Corp Australia, 19 Mar 2026.
[7] Annual report for the year ended Jun 30, 2026, NCIG Holdings Pty Ltd.

Version log

Date	Comment
18 Aug 2026	Document published

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