

Yale's Dirtiest Friend

Yale invests more than a half billion dollars through Farallon Capital Management LLC, a relationship central to the history of American finance. Farallon is the largest shareholder in Whitehaven Coal, an Australian coal mining company. A Farallon fund consisting of 90% Yale money acquired Whitehaven shares in 2013, giving Yale an estimated \$2.09 million stake in the company at the time.

Whitehaven's Maules Creek open-pit mine in New South Wales opened in 2015 as hundreds of people took arrest trying to defend indigenous rights, protect local threatened species, prevent forest clear-cutting, and stop coal from the mine from adding to the CO₂ burden in the atmosphere. The Maules Creek mine received its final approvals in 2013, the year Yale first acquired its shares.

Yale's Groundbreaking Investment Partner

When David Swensen made Yale's first hedge fund investment in 1990, a \$300 million placement with Farallon Capital Management, he changed the financial history of the United States. Financial journalist Sebastian Mallaby describes Swensen as the "pioneer of th[e] alliance between endowments and hedge funds." Swensen's partnership with Farallon founder Tom Steyer "ultimately affect[ed] the investment style of nearly all endowments."¹

In 2012, Steyer left Farallon to use "his vast fortune to wage political warfare against climate-change deniers, eco-antagonists, and oil-industry sympathizers."² The move was prompted in part by criticism from students at universities whose endowments invested with Farallon, including students at Yale. Leading a firm that invested in carbon fuel assets deprived Steyer of credibility on the issues he cares most passionately about.³

After leaving Farallon, Steyer formed NextGen Climate and is now acknowledged as the leading financial supporter of politicians who support action on climate change. According to Open-Secrets.org, Steyer was the largest individual campaign contributor in the 2016 election cycle, contributing \$91.2 million to candidates, all Democrats.⁴

Yale continued to invest with Farallon following Steyer's departure.

Maules Creek Coal Mine

As Steyer was leaving Farallon, the company was becoming the largest shareholder in Australia's Whitehaven Coal. In 2009, according to Reuters, Farallon loaned \$335 million to coal entrepreneur Nathan Tinkler to develop the Maules Creek mine.⁵ Tinkler's company was bought by Whitehaven, and when global coal prices sagged, Tinkler gave half his shares to Farallon to repay the loan.⁶ By 2013, Farallon was the largest Whitehaven shareholder, and remained so as of the company's 2016 Annual Report.⁷ Farallon Capital Asia CEO Raymond Zage sits on the Whitehaven Board of Directors.⁸

Maules Creek is a coal bed with 510 million tons of recoverable coal⁹ that lies in the Leard State Forest in New South Wales. The open-pit mine became active at the end of 2014, and nearly doubled Whitehaven's total coal production in two years.¹⁰ Largely on the strength of Maules Creek output, Whitehaven became profitable again in 2016. Whitehaven projects production at Maules Creek to increase by an additional 23% in 2017.¹¹ Farallon's level of investment remained constant from 2013 through at least 2016.¹²

Maules Creek Resistance—Local, National, Global

Reuters reported in 2014 that “green groups, farmers, local Aboriginals, and the community in the surrounding area worry [the Maules Creek mine] will destroy the Leard State Forest, hurt farms, spread coal dust on nearby towns, and damage sacred indigenous sites.”¹³

Protestors from the region, across Australia, and the world have converged on Maules Creek. Like the Keystone pipeline and Dakota Access pipelines, the Maules Creek mine has become a flashpoint in the struggle against climate change and energy company conflicts with indigenous peoples and local residents. Hundreds of people have been [arrested in the past four years](#) in protests at Maules Creek. Initial protests sought to stop the project altogether, but have continued, intensifying when clear cutting resumed at the end of the summer months.¹⁴

Coal Fights Back—Corporate Spies and Criminalizing Protest

In 2014, the *Sydney Morning Herald* reported that:

“Former soldiers and intelligence operatives have been sent to infiltrate a network of anti-coal protesters aiming to thwart a multibillion dollar expansion of coal production in northern NSW.

Using false identities, the spies-for-hire have attempted to penetrate the inner sanctum of a group of environmentalists and local landowners who have vigorously attempted to stop the coalmines at Maules Creek and Boggabri.”¹⁵

The undercover agents targeted protesters at Maules Creek and other nearby sites.¹⁶

More recently, the New South Wales government has enacted laws that increase penalties for protests, to include steep fines, seven-year prison sentences for people who chain themselves to machinery, and “allowing police unprecedented discretion to search, detain, arrest, charge, and move people on.”¹⁷

Yale, Farallon, and Whitehaven

Farallon Capital Management LLC is investment manager for three Yale entities valued at \$591 million on the date of Yale’s last IRS form 990.¹⁸ Farallon Capital Management LLC is also the largest shareholder in Whitehaven Coal. As of the 2016 Whitehaven Annual report, Farallon Capital Management LLC held 170,414,721 shares of Whitehaven, 16.61% of the company; it has held the same number of shares since June 2013.¹⁹ Assuming Farallon held that many shares on May 12, 2017, the stake would be worth AUD\$429 million, or \$318 million.

In June 2013, Farallon Capital Institutional Partners II, which is 90% owned by Yale, acquired 822,096 shares of Whitehaven at a value of AUD\$2,433,404, or about \$2,323,280.²⁰ A 90% ownership of those shares would have been worth about \$2.09 million.

For the year following the Farallon fund purchase of Whitehaven shares, Yale reported receiving \$32 million income from Farallon Capital Institutional Partners II.²¹ The subsequent year it received \$34 million.²² Assuming the Yale-invested fund holds the same number of shares as in 2013, Yale’s stake in Whitehaven would be worth about \$1.5 million today.

Whitehaven received preliminary approval to begin coal operations at Maules Creek in February 2013 and final approval in July 2013.²³ It began commercial operations in 2015; in 2016, the year Whitehaven returned to profitability, it had a capacity of 8.5 megatons per year of coal, and aims

to reach 10.5 in 2017.²⁴

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- 4 <https://www.opensecrets.org/overview/topindivs.php>
- 5 Ricard Valdmanis, Fergus Jensen and Sonali Paul, "From black to green: U.S. billionaire's 'Road to Damascus'", Reuters, May 13, 2014. <http://www.reuters.com/article/us-usa-steyer-coal-insight-idUSBREA4C06B20140513>
- 6 Neil Hume and Henny Sender, "Nathan Tinkler Offloads Whitehaven Coal Stake," Financial Times, June 19, 2013. <https://www.ft.com/content/8523ba48-d8a6-11e2-a6cf-00144feab7de>
- 7 Whitehaven Coal Annual Report, 2016, page 126. http://www.whitehavennews.com.au/wp-content/uploads/2016/09/WVN_222844_Annual-Report-2016_Complete_Web_FA2.pdf
- 8 Whitehaven Coal Annual Report, 2016, page 126. http://www.whitehavennews.com.au/wp-content/uploads/2016/09/WVN_222844_Annual-Report-2016_Complete_Web_FA2.pdf
- 9 Whitehaven Coal Annual Report, 2016, page 59. http://www.whitehavennews.com.au/wp-content/uploads/2016/09/WVN_222844_Annual-Report-2016_Complete_Web_FA2.pdf
- 10 See Whitehaven Coal 2014 Annual Report, page II <http://www.whitehavennews.com.au/annual-reports/>; and Whitehaven Coal 2016 Annual Report, page 2. http://www.whitehavennews.com.au/wp-content/uploads/2016/09/WVN_222844_Annual-Report-2016_Complete_Web_FA2.pdf
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- 24 Whitehaven Coal, Annual Report 2016, page 2. http://www.whitehavennews.com.au/wp-content/uploads/2016/09/WVN_222844_Annual-Report-2016_Complete_Web_FA2.pdf.