

News From Under the Southern Cross (Edition 83):

Coal and Australia-Japan Relations

28 July 2022

(This is the translation of the original Japanese text, which was drafted on 15 July 2022)

Australia and Japan have long had complementary economic relations, in the sense that trade allows both countries to supplement the goods that they lack. Exports of Australian coal to Japan have formed a large part of the two countries' long-standing trade ties for many years. To see for myself how the coal is dug up and prepared for export, I travelled up to Queensland again last week to visit a coal mine.

1. Japan-Australia coal trade

Coal exports to Japan now make up 14 per cent of the total value of Australian exports. Coal is one of Australia's major exports, alongside iron ore and LNG.

In 2021, Australia exported 365 million tonnes of coal. Just under 120 million tonnes, or roughly a third, went to Japan. Queensland exported 198 million tonnes of coal in the 2020-21 financial year, with 43 million tonnes or roughly 22 per cent going to Japan. This makes Japan the largest coal export market for Queensland and Australia as a whole.

2. Visit to Goonyella Riverside Mine

Given how important trade in coal is for Japan, I decided to visit a coal mine operated by BMA (BHP Mitsubishi Alliance), a joint venture between Australian mining company BHP and Mitsubishi Development, one of the leading Japanese mining companies operating in Australia, in Goonyella.

The mine is located in a remote area more than 1000km from Brisbane, the state capital. The journey there takes almost two hours by plane. The day before, I flew out to Brisbane and received a tour of the mine's remote integrated operation centre that is located in the city.

The operation of trucks, transport by rail, loading of coal onto ships and other activities have been automated and are monitored and controlled on computer screens at the operation centre. I was impressed by how the operation centre made full use of all the latest advancements in technology.

The next day began with a gruelling early start. I left the hotel at 4:30 in the morning and went to the airport wearing the orange hi-vis vest and tough, thick-soled boots I received from Mitsubishi Development. I was surprised to see many mining workers lined up for a flight to Moranbah (close to Goonyella) so early in the morning. The fact that they were wearing the same orange hi-vis vest and work boots made me feel as though I was meeting up with my workmates.



BMA's Goonyella Riverside Mine

3. Massive scale

The impressive scale of the coal mine is still vividly impressed on my memory. Queensland covers an area of 1,720,000km² (five times the area of Japan) and the eight mines operated by BMA cover the distance between Tokyo and Hamamatsu (a Japanese city in Shizuoka prefecture to the west of Tokyo, further away than Mt Fuji). Mitsubishi Development CEO HANEJI Sadahiko, BMA CEO Mauro Neves, and others kindly showed me around. I looked down over the open-pit Goonyella mine from above, and went down to see the deepest points in a car. I had the chance to get on a dragline, which looks like a massive crane. With just one scoop, it can pick up more than one hundred tonnes of coal and soil. The scale of coal mining is truly remarkable.



In front of a dragline

4. A Japanese mine

BMA is Queensland's largest Japan-Australia joint venture. It produces not only thermal coal used for generating electricity, but also high-quality varieties of coking coal used for the production of steel.

In many ways, the mine was distinctly Japanese. I felt this keenly when I came across a large Komatsu truck, which I saw at the Brisbane distribution centre of the Japanese manufacturing giant a few weeks ago, driving around the mine. What a reassuring sight!

At the mine's maintenance centre, trolleys, hammers and other tools used for the repair and inspection of machinery were stored and maintained as part of a centralised system. Then I heard people using such familiar words as '*kaizen*' (improvement) and '*genba*' (on-site). I



A large Komatsu truck on site

sensed that familiar reminders of Japan such as these could only arise through partnership with a Japanese company.

5. A member of the local community

In addition to the coalmines, I went to see the youth centre in nearby Moranbah, established with funding from BMA. The Moranbah Youth Community Centre is a joint initiative between Mitsubishi Development and Wesley Medical Research, and provides community services including specialist mental health counselling.

People in the coal industry work in mines that are a long way from their families, so it stands to reason that some suffer from intense loneliness or isolation. I learned that companies here support their employees with holistic care, including services that would typically be provided by the public sector.

6. Coal royalty rate rise

I found that many within the Queensland coal industry are deeply concerned about the higher rates of coal royalty imposed on coal revenue introduced from 1 July.

Queensland's coal royalty system consists of several tiers in accordance with the price range of the coal. The higher the price range, the higher the applicable royalty rate.

What stands out with the recent step taken by the Queensland government is that the highest tier was raised from the previous 15% to an astounding rate of 40%. This is significantly higher than coal royalties in other Australian states and overseas, and I've been told that it was put in place with little to no industry consultation.

As a result of this sudden royalty rate hike, an increasing number of stakeholders in the industry, including Japanese businesses, are expressing concerns that the state's regime could damage Queensland's decades-long reputation as a safe and reliable destination for investment.

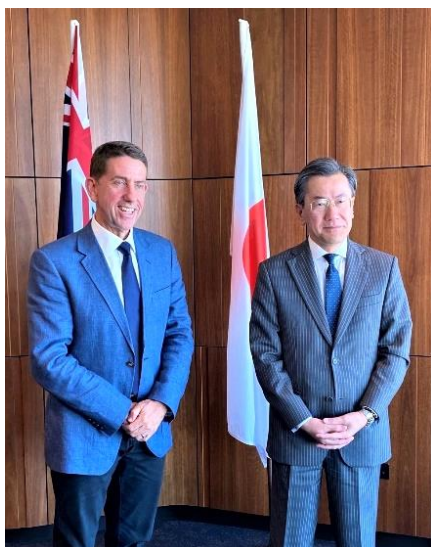
7. Rebuilding mutual trust

Business between Japan and Queensland has flourished due to a strong mutual trust built up over the years. In order to maintain this trust, I expect the Queensland Government to consult with Japanese companies before making any changes.



Engineering, Architecture and Information Technology

It is with this conviction in mind that I brought attention to the issue during a speech at the University of Queensland. Later, I made this point directly to Queensland Treasurer Cameron Dick during an in person meeting. I also exchanged views with Queensland Opposition Leader David Crisafulli on the same point.



Queensland Treasurer, Cameron



Queensland Opposition Leader, David Crisafulli

Japan and Queensland have grown together through close trade and investment ties. As Japanese involvement in infrastructure, hydrogen and other areas of Queensland's economy deepens, I strongly hope that appropriate steps are taken to improve the situation.

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