

HD Mitsubishi upbeat about new Aussie **coal** mine despite tough market

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MORANBAH, Australia -- Half of Australian **coal** mines are operating at losses due to low prices, but Mitsubishi Corp. is taking the long view, confident that its new coking **coal** venture with BHP Billiton here will prove a winner over time.

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The Japanese trading house and the Anglo-Australian resources giant celebrated the opening of their Caval Ridge **coal** mine Monday in a ceremony attended by Prime Minister Tony Abbott. This is the eighth mine to go into production among the interests the partners own in the Bowen Basin region in the eastern state of Queensland. BHP Billiton Mitsubishi Alliance, a 50-50 venture between the two, is looking to produce 5.5 **million** tons of coking **coal** annually for 60 years at the new mine.

Quality edge

Australian **coal** miners are struggling due to prolonged weakness in the market. Just last month, Japanese trader Sumitomo Corp. announced it was closing a **coal** mine in the resource-rich nation.

But Prime Minister Abbott painted a bright picture of the country's **coal** industry at Monday's ceremony, saying demand for **coal** will continue to increase in the long run because the **Chinese** economy will remain on a growth trajectory and India's economic development will accelerate.

BMA is also optimistic about the future of its latest operation. Located to the north of the Peak Downs mine, which is known for its high-quality **coal**, the **coal** at Caval Ridge is of relatively high quality.

"It is not as high-quality as Peak Downs', but Caval Ridge's **coal** is on the second-highest tier on the four-grade quality scale," a BMA official said.

The **company** believes the quality is good enough to ensure sufficient profit margins.

It also helps that BMA is good at keeping costs down. Its workers are trained to minimize fuel use when operating equipment. And the **company's** **coal** mines have high yields because they use state-of-the-art machines to sort **coal** and rocks.

Mitsubishi President Ken Kobayashi said he was not worried about the current market conditions because he is confident about the quality of its **coal** and the cost competitiveness at the Caval Ridge mine. He also stressed that his **company** looks at its natural resource-related businesses from a long-term perspective.

"We do not assess [natural-resource investments] by short-term conditions," Kobayashi said. "We look at them across a 20-year span."

"The important thing," he said, "is to own a lot of mines that are competitive and hold large volumes of high-quality reserves. The rest is a matter of calculating their values over a certain amount of years."

Seeing double

Mitsubishi has set a goal of doubling its **equity**-method coking **coal** production volume from fiscal 2012 levels by around 2020.

"The Daunia mine, opened last year, and the mine we opened today will be the key [to achieving that goal]," Kobayashi said. "We are well on our way toward producing 40 **million** tons in 2020."

The Mitsubishi president said he and Abbott discussed **China**'s decision to reinstate **coal**-import tariffs as of Wednesday. "I told him resolving this kind of issue requires the prime minister's involvement," Kobayashi said.

Still, he said **China**'s reintroduction of **coal**-import tariffs will have only a small impact on his **company**'s **coal mining** business, even though BMA exports the material to the country.

"You will not be affected much as long as you own highly competitive mines with high-quality **coal** reserves," Kobayashi said.

BMA's annual output has reached 60 **million** tons. It is also the biggest coking **coal** exporter in the world. But Mitsubishi's main focus in Australia right now is business opportunities in infrastructure projects that are expected to stem from the recent signing of an economic partnership agreement between Japan and Australia.

"We plan to build a light-**oil** production base in southern Australia and expand the business to eastern Australia," Kobayashi said. "We will own light-**oil** tanks and begin delivering imported light **oil** to mines and other customers in 2016."

CO bhpma : BHP Billiton Mitsubishi Alliance | mtsbnc : Mitsubishi Corp | sumtom : Sumitomo Corp | bkhlp : BHP Billiton Ltd | bltpc : BHP Billiton PLC

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