



Mining and the CPRS **3 December 2009**

Whether you like it or not a carbon tax is coming. It may be delayed but make no mistake it is coming. The coal mines alone are going to have to fork out an additional \$12.5 Billion dollars over the next 10 years just to do business in the new "low-carbon" economy while gold mines will pay around \$2 Billion and Nickel mines around \$1.5B. I was in Canberra last week and managed to listen to some of the debate on the CPRS. It is pretty disturbing. It has been said that we get the elected leaders we deserve; but did we really deserve to get a parliament dominated by lawyers who have little grasp of any science except for the sciences of popularity and control? It does seem that they are determined to not let science get in the way of a good story. Keep the population worried that way they keep looking to the politicians for leadership. Whether it is "Reds under the bed" or Global Warming; they are designed to keep control.

While I diverge for a minute I want to demonstrate how easy it is to cast doubt on the notion of man-induced global warming. Figure 1 was developed by my son for a Yr 12 Earth Science assignment earlier this year. It demonstrates a remarkable correlation between sunspot activity and global temperatures. In effect the relationship is between solar radiation and global temperatures, however it is only recently that we have been able to determine the relationship between sunspots and solar radiation so the relationship is made between sunspot numbers and global temperatures. It is interesting also that temperatures are rising on a number of planets in the solar system. It does not disprove that man-created carbon is causing global temperatures to rise; it is just one part of the jigsaw. I actually support Senator Steve Fielding's call for a Royal Commission into the science of global warming so that all available science for both sides of the argument can be tabled and conclusions drawn.

Back to the real world now. It doesn't matter which side of this debate you sit on; you will pay a new tax and it is going to get harder to compete in a global market place. My back-of-the-envelope calculation suggests the CPRS will add about \$5 per tonne to the costs of coal mines doing business. For a mine which produces 4M tonnes this is \$20M straight off the bottom line.

This looks pretty harsh and the Australian Coal Association has predicted a near-Armageddon scenario of 16 coal mines closing. I can't see this happening but in a period of time where coal prices are expected to fall it does provide some cause for concern.

But it isn't all gloom and doom. Most mines have substantial efficiency gains available to them. Now is the time. Mines have been able to get away with not working efficiently but this can't continue. There is no better time for mines to start addressing the inefficiencies in their operations. The case for

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addressing inefficiency of mining equipment is substantial.

Lets get the increased cost of doing business in the coal mines in perspective. In a coal mine with 10:1 strip ratio, a bit less than 1M tonnes of coal can be exposed with an Hitachi EX5500 hydraulic shovel operating to best practice. If like so many other operations the equipment is only average then this piece of equipment will uncover a bit over 600,000 tonnes of coal. To uncover the other 350,000 tonnes you need other equipment. That inefficiency will cost you about \$10M. Maybe you start to see? In this example the CPRS may cost around \$5 per tonne of coal but inefficiency is costing around \$10 per tonne.

You won't have any option but to pay for the carbon you release if you want to stay in business but you do have an option on whether you have an efficient operation or not.

While this was an example for a coal mine the CPRS is going to impact the whole mining industry. Now is the time to act. To their credit there are a number of mines around Australia which are tackling this head on. I know of draglines which have increased output by 40% and truck/loader fleets which have doubled output. These however, are in the minority. The majority of mines remain satisfied to run inefficient operations. Some who aren't prepared to run inefficient operations themselves simply employ contractors to be just as inefficient in many operations. But I will leave this for another week.

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Sunspot Numbers 11 Year Moving Average Global Temperature

