



## **DESPITE BHP'S BLEATING, STRUCTURAL DEMAND DESTRUCTION & AGING OPERATIONS ARE DRIVING QLD COAL CLOSURES & JOB CUTS, NOT PROGRESSIVE ROYALTIES**

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Last week, BHP [announced the axing of 750 jobs](#) across its Queensland coking coal operations, including the mothballing of its Saraji South mine in the Bowen Basin and the strategic review of its FutureFit skills and training academy in Mackay as part of its efforts to alleviate cost pressures. This was the start of a chain reaction, with Anglo American announcing plans to cut nearly 300 jobs across its Queensland coal division, followed by QCOAL's announcement of the closure of one of its two sites at the Cook Colliery mine in the days following. Isaac Regional Council Mayor Kelly Ve'a Ve'a [reported](#) the combined cuts would amount to 1,020 job losses across the region.

In BHP's latest earnings reports, CEO Mike Henry claimed its BMA operations were at risk due to changes to the state's coal royalty regime made in 2022 by former state Treasurer Cameron Dick and the Palaszczuk Government, which scaled the established progressive royalty structure in a time when fossil fuel majors reaped windfall profits from a global negative supply shock, amplified by Russia's invasion of Ukraine, ensuring a reasonable return to the people of the state from the extraction and export of their resources.

The 2022 amendments did not change the existing three-tiered progressive royalty structure, in which marginal rates were 7% for sales revenues up to \$100/t, then 12.5% between \$100-150, and 15% for revenues generated above \$150/t. Treasurer Cameron Dick added three additional tiers in response to higher levels of profit, introducing a 20% marginal rate above \$175/t, 30% above \$225/t and 40% above \$300/t.

At average benchmark coking coal prices over the last decade, the [effective royalty rate](#) applied would be identical to that of the previous scheme. The progressive windfall royalty only materialises when benchmark prices stay elevated at double that of the long-term average. In 2022, [prices soared](#) above US\$600/t, but have since normalised below US\$200/t.

Australia's energy and resources industry is not averse to a political fight. The latest spotlight and pressure on Queensland's coal royalties is the most recent iteration of industry efforts to undermine effective and equitable industrial and fossil fuel taxation policy.

In 2010, BHP and Rio Tinto financed a [7-week media campaign](#) fiercely lobbying against the introduction of the 40% Resource Super Profits Tax, which would have replaced the existing royalty system. The campaign was a major factor that contributed to the rolling of Prime Minister Kevin Rudd, the architect of the tax reform. In 2017, BHP [campaigned](#) against WA Nationals leader MP Brendon Grylls on the proposal to lift iron ore mine lease fees for BHP and Rio Tinto. The \$5m advertising campaign by the mining lobby led to the loss of Grylls' seat in the state election.

In July 2025, BHP [lost its landmark challenge](#) to union 'same job, same pay' claims for thousands of in-house labour hire workers. The Fair Work Commission's ruling on BHP subsidiaries in the Bowen Basin would deliver pay rises totalling \$66m a year, applying to workers in BMA's Goonyella Riverside, Peak Downs and Saraji mines.

Now, BHP has escalated its latest campaign, blaming excessive and 'unsustainable' royalties and market conditions for its decision to mothball its Saraji South mine. Dig a little deeper, and it is clear the [campaign is obfuscating the real drivers](#) of the investment and operational reviews of its coal division. Structural decline in one of Australia's largest fossil fuel export commodities coupled with rising unit costs are the factors driving these investment and operating decisions, not Queensland's nation-leading royalty scheme.

Extracting coal from the Bowen Basin is becoming increasingly expensive. As open pits worked for more than half a century descend deeper into the earth, more dirt needs to be moved, more diesel burned, more equipment worn out and depreciated, and more energy and labour required to bring seams of coal back to the surface. This has seen significant unit cost inflation for the extraction and transport of coal from the Bowen.

From 2019 to 2024, [unit costs for coking coal majors](#) in the Bowen almost doubled, with BHP's unit costs rising 89% to US\$128/t, Anglo American's rising 97% to US\$124/t, Glencore's rising 49% to US\$121/t and Peabody Energy's rising 11% to US\$123/t (from a base near double that of BHP and Anglo American in 2019).

Andrew Gorringer, Australian coal analyst at IEEFA, [highlighted in August](#) that while benchmark coking coal prices averaged US\$193/t in FY25, less than 5% lower than FY18, median unit cash costs for QLD's coking coal producers have risen 50%. Similarly, median unit cash costs for NSW's thermal coal producers have risen 30% over the same period.

Rising unit costs for key factors of production in energy and labour, as well as increasing energy and labour intensity for every tonne of product moved, are the principal drivers of investment and operational reviews. This will continue to be amplified by the decline in traditional markets and

structural demand destruction for fossil fuels as Australia's key commodity trading partners increasingly introduce industry and climate policies that impose a penalty for embedded emissions and catalyse carbon reductions.

The global energy transformation will continue to accelerate these market conditions, and aging legacy operations will continue to see production cost inflation as labour, energy and equipment intensity continue to rise. Queensland cannot afford to capitulate once more to the fossil fuel industry to safeguard private and foreign multinational profits at the expense of taxpayers and workers to offset the changing economics of an industry in terminal decline.

The expansion of Queensland's progressive royalty structure is not the catalyst for these decisions. It is a nation-leading scheme that has leveraged the extraction of commonwealth resources to deliver \$33bn to the state budget from 2021-22 to 2023-24, revenues that enabled Australia's largest cost-of-living energy rebate and drove record investment into renewable energy deployments across the state to reduce QLD's over-exposure to the volatility and inflationary pressures of a coal-based grid.

Australia's coking coal exports have been declining for a decade, with no growth markets emerging. BHP's coking coal sales in FY25 were just 41% of the figure they were in FY19. The federal Department for Industry and Resources and the Office of the Chief Economist have consistently overestimated coking coal export forecasts for the past 6 years. The baseline scenario in Treasury's latest [net zero modelling](#) for Australia's coal industry lays bare the grim future, forecasting output to decline 47% by 2035, and 72% by 2050.

This is the market signal Australia must recognise to pivot dependence from legacy petrostate industries to value-added, future-facing resources and industries of green iron, green aluminium, ammonia and critical minerals. These commodities will be critical in a decarbonised global economy that puts a price for producers on embodied emissions – a global transformation the impacts of which Australia's legacy industries are now confronting and must come to terms with.