

BHP's Diesel Addiction Is Becoming Expensive

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Big businesses can behave like addicts. Faced with an uncertain landscape, they'll often do everything they can to resist change, even as they insist they're doing their best to adapt. Outside enablers make the problem worse. When the gap between narrative and reality grows too wide, the result is often a crash.

That's a decent way to think about the way **BHP Group Ltd.** has approached climate change in recent years. A series of reports based on leaked documents seen by the Guardian and ABC over the past week have illustrated how the world's biggest miner has talked a good game on climate change, but failed again and again to fix the way it operates.

That's not just a failure in altruistic terms. In an industry that's being transformed by the clean technologies BHP has resisted, it's also a financial risk.

Consider dump trucks. The vast iron ore mines of Australia's northwestern Pilbara region have traditionally shifted their rock to processing plants on vehicles the size of a two-story house. All these machines consume colossal quantities of diesel. In the case of BHP, the fuel alone accounts for about 63% of operational emissions.

According to the Guardian, management in recent years delayed and downgraded its plans to switch to electric vehicles and renewable power plants in the Pilbara. It ultimately bought 62 diesel vehicles instead, all while telling shareholders that trials were racing ahead.

BHP's justification for this is straightforward: If viable electric trucks existed, it would have them, stating: "The technology is not advanced enough to scale to an operational fleet,"

It's a nice line, but it's not true as a description of the state of modern mining equipment. There are already 412 battery-powered trucks in operation around the world, plus 1,366 with trolley-assist systems powered by overhead wires, according to a study this month by GlobalData — far more than the 62 diesel trucks that BHP purchased in the Pilbara.

Electrification is moving so fast that those figures are almost certainly out of date already. At the Yimin coal mine in China's Inner Mongolia, a fleet of 100 autonomous electric trucks has been operating since last May. One giant coal complex in Xinjiang has about 300 EV trucks zipping round a site stretching 220 km from east to west, the South China Morning Post reported last week. Simandou, a massive iron ore mine in Guinea, has 30 EV trucks. BHP's own Escondida, the world's biggest copper mine, is in the process of building a trolley system to cart ore from its 600 meter -deep pit.

Meanwhile, one of the world's biggest and lowest-cost iron ore mines, Vale SA's S11D in northern Brazil, has been operating for almost a decade using an electrical system that crushes ore in the pit, before carrying it off for processing on a system of conveyor belts.

So when BHP says the technology isn't in place, what it really means is something different: Its existing mine plans are built around the way specific pieces of diesel-powered equipment cope with its geology. Adjusting those plans to match the cleaner, more efficient technology that's already available is too difficult when the corporate push for net-zero is all but abandoned.

That could prove a costly mistake. BHP's Australian mines consume about [1.5 billion litres of diesel](#) pa. With local prices up ~20% since the Strait of Hormuz was closed, that translates into roughly A\$500m of additional annualized costs. By locking itself into diesel propulsion for the 2030s and beyond, BHP risks getting left behind by rivals such as Fortescue Ltd., which are pivoting faster to electrification — especially if fuel costs remain elevated.

Outside enablers make this lazy option more attractive. One of Australia's biggest government programs is a [diesel tax rebate](#) that now costs taxpayers A\$10.8bn a year, more than is spent on the army or navy. BHP alone received A\$627m from the rebate in 2024, according to [a study by Climate Energy Finance](#), a pro-transition group. Removing the tax break would improve the returns from electrification by about 50%, according to **Fortescue**.

On one level, the timidity is unsurprising. For all that executives might talk about net-zero, a cultural conservatism runs deep in mining. BHP's outgoing Chief Executive Officer Mike Henry is a veteran of its coal marketing and operations divisions. In one of his first public outings earlier this month, his successor Brandon Craig didn't mention climate once.

Almost every ton of iron ore mined in the Pilbara, meanwhile, goes into a blast furnace that runs on coal. The emissions from producing a metric ton of steel this way are about the same as you'd get from burning a ton of coal for electricity. As a result, big miners' full supply-chain emissions are on the same level as you'll find from a big oil producer, even when they're not producing a single ton of fossil fuels.

Building the decarbonized mining systems of the future should deliver shareholders substantial returns. Electrified machinery can limit exposure to volatile fuel prices, speed the movement of ore and waste around pits, and reduce downtime from repair and maintenance of hundreds of internal combustion engines. Getting that done, however, requires miners to rethink the way their pits operate. That's not going to happen while management think they can make positive green statements in public while privately continuing their carbon-intensive business as usual.

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