AUSTRALIA’S mining skills have enabled BHP to become one of the world’s largest companies.

But big firms often become overly bureaucratic and their management seeks to engage in matters well beyond the daily grind of trying to maximise the wealth of shareholders.

And so it is with BHP.

BHP acknowledges that its performance over the past five years has been poor.

Although productivity has doubled in the Australian coal and iron ore mines, global profit at $6 billion is half that of five years ago and the share price is down by a third.

The firm’s focus has become environmental issues with “sustainability”, code for reducing carbon dioxide emissions, listed as its most important goal. In spite of “integrity” being listed as its second most important goal, BHP knows how to play the political game.

It was a major supporter of the Gillard carbon tax and contributed heavily to funding the ALP’s taxpayer financed think-tank, the Grattan Institute, spending for which it also got a free pass from the ALP to pursue a takeover of its iron ore rival Rio.

All of BHP’s major profit lines — coal, petroleum and gas, iron ore and copper — are either major direct emitters of the carbon dioxide that the firm says it abhors or are dependent on fossil fuels for smelting.

Perhaps to deflect attention from this, BHP bankrolls organisations like the World Resources Institute, as well as the Grattan Institute, to give it a clean bill of health as a greenhouse gas emitter. WRI warrants that BHP’s in-house and related emissions have been halved to about 18 million tonnes of CO2. Of course that excludes its sales of coal that involves some 70 million tonnes of CO2, added to which are emissions from the firm’s sale of gas and petroleum.

But sometimes ideology forged from self-interest takes on a life of its own. BHP’s courting of green political interests has persuaded it to censor those that discredit green ideology. Such an act was demonstrated in its firing the head of the Minerals Council of Australia, Brendan Pearson.

Amongst the most competent mining specialists in Australia, Pearson’s sin was commissioning research on the costs of new coal in Australian generation.
This demonstrated that, in spite of including costly features to suppress carbon dioxide emissions, new coal generators could produce electricity at under $50 per MWh, much less than half of the costs of unreliable wind and solar.

BHP’s Australian manager, and the deliverer of Pearson’s deathblow, is Mike Henry. Henry may even be worth his $4.5 million annual remuneration, even though, as a result of it supporting South Australia’s reliance on wind, the BHP smelter in that state lost $138 million due to the wind-induced state blackout debacle last year.

BHP’s poor performance and strong assets makes it an attractive target. Elliott Management thinks BHP executives have taken their eyes off the ball. It now owns 5 per cent of the company’s shares and is reported to have told BHP’s boss he has six months to save his job.

This cocks the trigger for a future break-up and a weeding out of a management with highfalutin notions of political activism.

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