

Check against delivery.

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Introduction

Thank you Kyle and welcome everyone.

I'm very pleased to be here today to talk about BHP Billiton and in particular, our Coal business.

Acknowledgements

Firstly let me acknowledge the traditional owners of the land that we're on today and pay my respects to their elders, both past and present.

BHP Billiton's Portfolio

The pictures you've just seen are a brief glimpse of BHP Billiton's global coal business - but of course there's a lot more to our coal story.

Coal is an important part of BHP Billiton's global portfolio.

It, along with Copper, Iron Ore and Petroleum represent our four key pillars which position our Company to meet every phase of the economic development cycle, from investment to consumption-led economies.

In recent years we have also invested in Potash in Canada, which represents a possible fifth pillar and presents future exposure to growth in fertiliser demand as our rising global population is expected to change its patterns of food consumption.

In total our company has more than 128,000 employees and contractors in 141 locations across 26 countries.

Yet we proudly remain an Australian company with a rich history of over 130 years and Australia continues to account for a significant proportion of our business activity.

Add all that up and this makes BHP Billiton the world's largest diversified resources company and one of the top 30 international companies.

A focus on Coal

Now let me focus specifically on our Coal business.

BHP Billiton's global Coal business is now headquartered here in Brisbane after last year merging our Sydney-based Energy Coal with our Brisbane-based Metallurgical Coal business.

It's fitting that my first speaking engagement is here in Brisbane.

We manage 20 operations across five countries – including Australia, Colombia, Indonesia, the USA and South Africa, comprising approximately 30,000 people.

In the 2013 fiscal year Queensland accounted for approximately 27% of our total coal production and 79% of our metallurgical coal production.

Combined with the Illawarra, that accounts for approximately 25% of the world's seaborne metallurgical coal.

The Bowen Basin is the world's premier hard coking coal region, an area in which BHP Billiton holds a majority position.

With our joint venture partners, Mitsubishi and Mitsui, we own nine operating coal mines in central Queensland along with the Hay Point Coal Terminal, plus a range of other important infrastructure.

In the 2013 fiscal year, along with our partners, the coal business produced 154-million tonnes of coal, making us the largest seaborne supplier of metallurgical coal in the world - and a significant producer of seaborne thermal coal.

We also have a major new coal mine being commissioned in the Bowen Basin, Caval Ridge, while a further expansion of our Hay Point terminal is currently underway.

We are the largest coal miner in Queensland, and we're fortunate that, here in Queensland, we produce the highest grade metallurgical coal in the international market.

This means we are a major contributor to the Queensland economy.

In the last fiscal year our Queensland businesses directly injected more than US\$10-billion into the economy, made up of:

- government royalties and taxes,
- salaries and wages and
- the purchase of local goods and services.

For those of you unfamiliar with our industry, I should at the outset highlight the difference between energy coal, often referred to as thermal coal, and metallurgical coal, often referred to as coking coal.

Simply put, metallurgical coal has special properties that when heated is converted to coke and when combined with iron ore in a blast furnace produces steel, one of the key building blocks of our modern world.

Every tonne of steel produced via the blast furnace uses three quarters of a tonne of metallurgical coal – so for instance to produce an average sized compact car, approximately half a tonne of coal is required, assuming all the steel sourced is from the blast furnace.

Just think about that and picture it the next time you get into your car.

Energy coal, on the other hand, is used for electricity generation.

In Australia, approximately two thirds of our electricity comes from power stations using energy coal.

Although metallurgical and energy coal are similar in terms of how they are extracted and prepared, the properties of each are quite different, and each has its own distinctive market and grades.

Coal in a global market

Let me take a moment to focus on global coal markets.

Most of our commodities have been subject to some decline in prices over the past 18 months and coal has been hit by this fall in prices too.

On the metallurgical coal front, since 2009 prices have fallen from more than US\$300 a tonne to around US\$105 per tonne.

In part, prices have been impacted by an increased supply of coal from the US, China, Canada, Russia and Australia.

But these recent drops in prices should be viewed in perspective.

I started in mining as a young apprentice at BHP Billiton's Illawarra collieries, 37 years ago.

During my career coking coal prices have been as low as \$55 per tonne in today's dollars – now that's a scary thought!

Energy coal has also felt the impact of lower prices.

In 2011 we saw prices for energy coal of around \$130 per tonne and today it sits around \$75 per tonne.

While demand has expanded over this period, supply growth, particularly from a rapidly emerging Indonesian market, has outweighed demand, pushing down prices.

This is a significant fall and has had a major impact on producers all around the world.

In response companies have moved to rapidly decrease costs and maximise production to stay profitable.

What these recent price movements demonstrate is that coal prices are highly variable.

So how do we manage this variability?

Over the past few decades the industry has made considerable investment in technological improvements that have made our mines far safer and certainly more efficient, while global production has increased.

Our mines now have some of the biggest trucks in the world, hauling up to 360 tonnes at a time.

To put this into perspective, this is equivalent to carrying around 200 Toyota Corollas every load - or for an even stronger mental image - it's the equivalent of a truck carrying two jumbo jets!

Our draglines can move up to 210 tonnes of overburden at a time and our conveyor belts shift our coal to wash plants and onto trains that eventually end up at our ports, where it is sent to our customers around the world.

But the industry cost base has increased.

The activity in our sector, coinciding with intense investment periods for other commodities, including the gas sector here in Queensland, has led to significantly higher costs right across our supply chain.

As I visit our operations, I remind people - particularly those who have only joined our industry in the last decade and are now feeling the pinch as prices contract - *this is nothing new!*

But the good news is we have the equipment, technology, infrastructure and the expertise to operate our mines more safely and more efficiently than ever before.

Over the past 18 months we have focussed on our cost base throughout our operations and there is still more we need to do as we continue to look for ways to improve the productivity and competitiveness of our mines.

It has been a difficult adjustment for the coal industry here in Queensland and in New South Wales.

Unfortunately, jobs have been lost within the sector and there have been flow-on effects for supporting industries and the local economy.

But the process we are undertaking is essential to ensure that we have a viable and sustainable industry over the longer term.

After all, the best security anyone can have is to be part of a profitable and sustainable business.

Productivity

Over the next couple of decades we expect global growth in demand for both energy coal and metallurgical coal.

Given the investment in the industry in recent years and the focus on productivity measures, competition to meet this demand will be fierce at a global level.

And in a low price environment, the industry will continue to look for ways to extract an acceptable return from the large capital investments needed to develop and operate a coal business.

We are making some hard decisions and working to transform the culture of our industry.

We have invested in systems to standardise many aspects of the way we manage our business all over the world.

This has been an advantage as I look across the 20 operations I'm responsible for and identify ways to improve productivity.

For example, I can compare the productivity of a truck and shovel fleet at one of our mines in South Africa against a similar truck and shovel fleet at one of our mines in the Bowen Basin – and more importantly, so can the General Managers at those mines.

Using our systems I can identify that it costs our business approximately 1.5 times more for a truck operator in the Bowen Basin compared to the same truck in New Mexico in the USA.

This highlights the productivity and cost challenge we have in Australia.

We must always remember that the world sets our prices and Australia sets our costs.

So we are examining our business at a micro level seeking ways to do things better.

We've made a really good start, but there's more to do across our supply chain.

In Australia, where the bulk of our investment in coal is located, this represents an opportunity to improve the long term competitiveness of our industry.

We're also addressing our workforce productivity.

FIFO

I believe that improving the productive performance of our workforce starts with changing the culture and mind-set in our industry and more broadly.

Last year, we opened our new Daunia Mine in the Bowen Basin.

This mine, and the nearby Caval Ridge mine currently under construction, has the best equipment and technology - as you would expect from a new mine.

But what really struck me as representing modern coal mining, is the workforce.

Now, I know it has been contentious with some stakeholders that we made a decision to source the workforce for these mines as a Fly-in-Fly out, or FIFO, workforce.

We had over 30,000 applications for the 900 positions for the two mines from people from Cairns and Brisbane, our two source hubs.

Out of the 450 new employees we recruited at Daunia from the 30,000 applicants, around 25% are women – that's considerably higher than our average of 15-16% across the company.

And more than half are new recruits to our industry.

So people who were previously working in all sorts of careers from catering to carpentry and other trades - have now trained to be operators, safety officers and maintainers and a host of other positions.

What is evident when you go to Daunia is that when you bring a diverse, enthusiastic group of new people to our industry and blend them with experienced miners and the right training and supervision, a new culture develops.

However - our regional-based workforce will still remain important in our overall mix.

In Queensland we employ more than 7,000 people at our Bowen Basin operations with eight out of nine of our mines currently based on a workforce living within the Central Queensland region, primarily around Moranbah, Dysart, Emerald, Mackay, Blackwater and Rockhampton.

In other words, more than 6,000 of our workforce is locally based – the remainder comes from other parts of Queensland such as Brisbane, the Gold Coast and Cairns and reflects the demographic shift underway across the region.

Having a broad reach across the State allows us to recruit the best people, with the best skills and is, we believe, what makes BHP Billiton an attractive company.

It also helps us increase our diversity as we re-shape our workforce and strive to better reflect the diversity of our society.

Our systems, processes and people are ensuring that we are building a robust and competitive business well placed to meet the world's needs into the future.

Removing barriers

Modernising coal mining in an era of productivity gains requires us to work smarter to ensure we deliver long term productivity gains.

To do this we need high performing teams and ensure our people have the opportunities to develop their careers through mobility in the industry.

We need to critically examine the impediments to achieving this.

However this must not be at the expense of the safety of our people - this will always be our priority.

There are also opportunities to improve productivity across the coal supply chain, including the costs of railing, trucking and shipping our coal to market, to be competitive with other coal producing countries.

Australia has an advantage in that we have well-established pit to port infrastructure and our Governments are very conscious of the importance of this to underpin future economic growth.

So, we recognise that there are opportunities to improve the productive performance of the coal mining industry and Australia's competitiveness as a coal mining heavy-weight.

Productivity improvements will be essential if we are again going to produce the returns required to attract capital to sustain existing operations to maintain current production levels, and to improve the business case for new coal mines in the future.

Future energy needs

So where will our future growth come from?

The reality is we face stiff global competition.

China is the largest producer of metallurgical coal but it's still expected to remain a significant importer.

However, most future demand growth is likely to come from outside China, with the likes of India, a country not overly endowed with metallurgical coal, anticipated to be the most significant source of new demand.

Demand for energy coal is also expected to grow.

The International Energy Agency's modelling shows that energy coal demand is expected to continue to grow at a compound annual growth rate of 2.4% through to 2035.

That translates growth from 5.4 billion tonnes produced today to 6.3 billion tonnes over the next 20 years.

Australia is well placed to be a part of that global growth, but if we can't do it competitively then someone else will and the loss will be ours.

For instance, Indonesia has more than doubled its coal export business in the last five years to produce more than 400 million tonnes of coal on an annual basis – Australia currently produces 421 million tonnes.

Growth rates will likely be lower than other energy sources including gas and renewables; however energy coal will still be the source of around 35% of the world's electricity needs.

Coal is expected to remain the centrepiece of Asia's energy portfolio into the foreseeable future, where coal is the cheapest and most readily available source of energy.

Whilst the abundance of gas in the US has resulted in a switch to more investment in gas-fired power stations, Asia does not have the ability to switch because it lacks installed infrastructure and is still building coal plants, albeit with more efficient and cleaner technology.

In Europe, changes in policy settings in recent years have limited the growth of energy coal demand.

But more recently demand has been increasing again on the back of gas supply fears and the planned retirement of some of Europe's nuclear capacity.

For example, in Germany, electricity generated in 2012 using coal was at its highest level since 1990.

The reason for this is Germany's decision to phase out nuclear power, and coal is the next, most economical, solution for the country to meet its base load energy requirements.

As for so many countries their energy choice is more often driven by economics and people's desire for affordable electricity and the influence of local endowment of resources across countries, while also considering the impacts of climate change.

What this shows is the complex path that governments must navigate in developing policy settings to meet a country's energy needs, support economic growth and minimise impacts of higher prices on consumers.

Economic and social contribution

Despite its long history and important role in industrialisation, I feel that coal is often maligned and misunderstood.

As an industry it is incumbent upon us to tell our story and highlight coal's social and economic contribution, which includes:

- global scale investment;
- its role in addressing global energy poverty;
via
- energy production and affordable electricity;
- the creation of tens of thousands of jobs;
- investments in education, training and trades;
and
- investment in local communities and local businesses.

Ultimately this leads to wealth creation and a higher standard of living.

The challenge for all of us, including governments, is to get the balance right and allow a smooth transition to the future without destroying opportunities and value along the way.

For me - that means running my coal business as efficiently as I can, keeping costs down, meeting our production targets and most importantly, continuing to improve our strong health and safety performance.

The world demands resources and the demand into the future will be significant and BHP Billiton has a role to play in helping the world to develop and to improve global living standards.

Currently a fifth of the world's population lacks access to reliable modern energy.

In sub-Saharan Africa for example, more than 700-million people still rely on burning wood or charcoal to cook or heat their homes.

In the next 20 years, we expect 1.7-billion people to gain access to electricity for the first time – that's a hard number for 20 million Australians to absorb.

Coal remains one of the lowest cost forms of power generation and will remain critical to the provision of this electricity.

Many of us in the developed world benefited from coal as our economies developed, and our collective quality of life improved.

So the growth of our industry is fundamentally tied to the alleviation of poverty and the successful development of emerging economies, much as it was on our own development path.

Climate change

This raises the obvious challenge our society has with the impact of burning fossil fuels and its contribution to climate change.

We have long accepted the findings of the Intergovernmental Panel on Climate Change (the IPCC).

We also believe our industry has a role to play in helping to find solutions to the challenge climate change poses.

Our company has made a commitment to reducing the emissions from our operations.

At BHP Billiton we have a target to keep our emissions below 2006 levels, despite the substantial growth in our business over the last eight years.

And we're on track to achieve this.

We also support an appropriate price on carbon.

BHP Billiton and the resources industry has a responsibility to:

- reduce its own emissions;
- adapt to the physical impacts of climate change
- participate in policy debates to drive effective outcomes; and

- contribute its technical and geological expertise to help drive deployment of low emissions technology, such as the development of large scale carbon capture and storage.

We believe that the world must pursue the twin objectives of providing access to energy to maintain living standards and alleviate poverty while addressing climate change.

Any attempt to solve one without the other is destined to fail.

In summary

It's important that Australians understand the coal industry – its role in the Australian economy and its contribution to global development.

Increasingly our role means we need to continue to provide the commodities the world demands and needs to help alleviate global poverty while at the same time solving the issues around carbon.

As an Australian I am proud to be part of that endeavour and to know that Australia is contributing in a major way to helping our neighbours and others around the world improve their own lives.

For me, this is what *"Resourcing the Future"* is about.

Thank you.