

'It's unethical': Why I altered coal data results

Liam Walsh *Reporter*

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For James, the introduction to [manipulating coal analysis results](#) came from his boss when he started at a new lab.

“My instructions were, when I got the job: ‘Make the customer happy and don’t get caught,’” he tells *AFR Weekend*.

James did not understand initially but recalls then being asked to adjust results on his first export certificate.



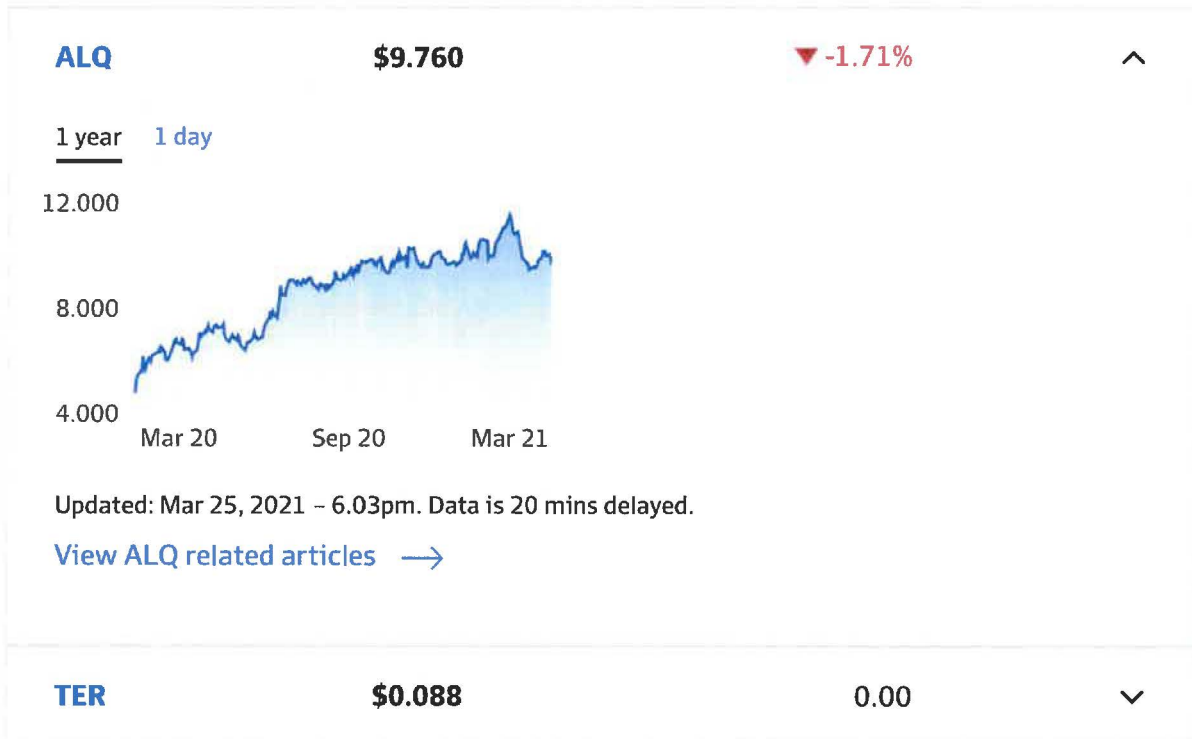


Coal is a major Australian export, but certificates for customers had data altered. **Rob Homer**

“I felt very uncomfortable about that. And I talked to a colleague at another lab and he told me what was happening, what the go was.”

“The go” was changing quality data in documents about coal being sent to customers overseas. Labs, working on thin margins, certify the coal. Miners or trading houses attach lab certificates to invoices.

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But the adjustments, often in small percentages, artificially lift quality, triggering a financial or key contractual boost. One manipulation can inflate how much energy

financial or key contractual boost. One manipulation can imitate how much energy

coal will apparently throw off when burned for electricity. Another switch might decrease the unwanted moisture content.

James is a pseudonym. He does not want his name published as he is discussing the sort of changes subject now to investigations.

A sector veteran, his exposure to changing certificates was many years ago, but the secretive practice was ongoing last year when laboratory giant ALS confessed almost half its export certificates since 2007 had been manually boosted “without justification”. [An alarmed Brisbane-based ALS, in coming clean, took its investigation to authorities.](#)

James, who had worked for another lab operation, disputes the industry is pristine yet. “Where there’s money involved, there’s cheating involved,” he says.

Anguished ethical struggle

Industry sources say the issue extends beyond ALS. The scale of changes at ALS alone – thousands of certificates for at least 13 years – indicates data for a swath of mining companies’ coal were altered.

James says miners or trading houses would phone in demands.

“They would say, ‘I need this result for this sample we’ve sent you,’” he says.

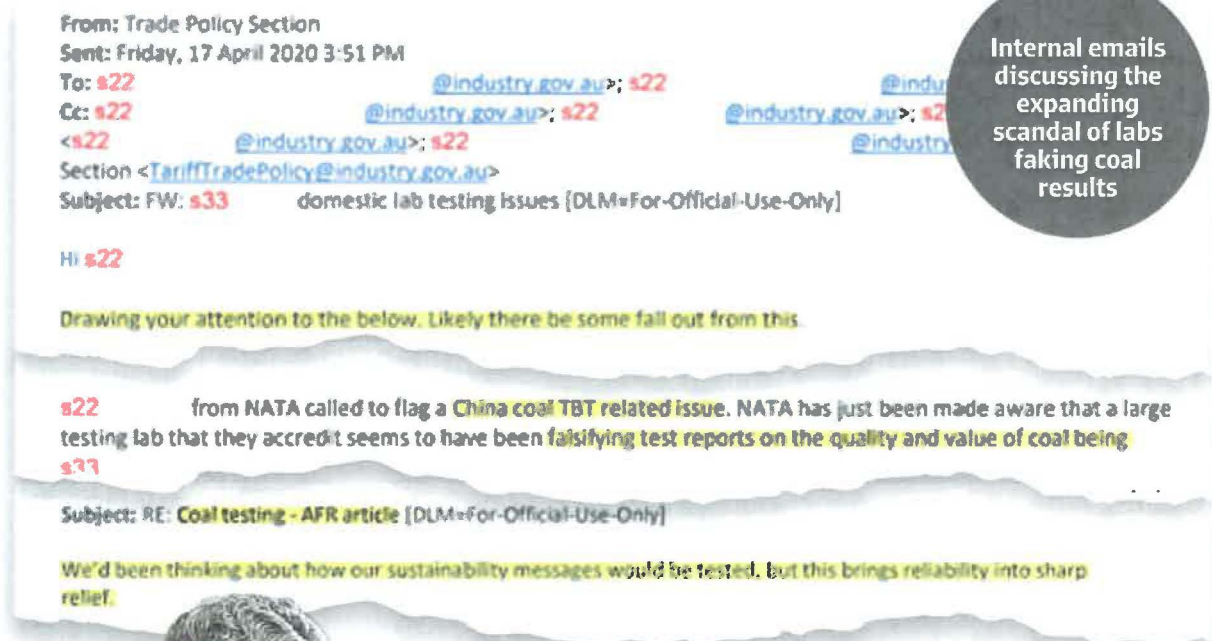
“It was an understood threat. The understanding was we wouldn’t get any of their business [if we refused].”

James outlines an anguished, ethical struggle. Those who refused to play could lose work for a whole lab, with staff having mortgages and children, and another lab would just make the alterations anyway. Workers suspected other nations receiving coal would seek false results too.

The change was a simple adjustment to the result before entry. “There was always

two sets of books. The real results and the published results,” he says.

Department of Industry internal messages



“It is essential that Australia’s deserved reputation as a reliable and competitive supplier of high-quality metallurgical and thermal coal is maintained.

Keith Pitt, Federal Resources Minister

SOURCE: FREEDOM OF INFORMATION

It reached the point where James says he gave deliberately poorer results to a customer – knowing the client always pressured them to inflate data. The idea was double manipulation might achieve close to a true quality result.

James says he hopes for industry change.

“It’s unethical,” he says.

“If you buy a box of Corn Flakes and it says 300 grams and it's only got 250 in it, you've got the right to be pissed off.

“If you sell coal at a certain energy, the customer ... has the right to expect [that] energy content.”

FOI reveals trade fears

Australian officials have been quietly spooked about a fake coal-analysis scandal damaging trade dealings with other nations including China.

“Likely there be some fallout from this,” one bureaucrat from the trade policy section of the Department of Industry said in an internal email to colleagues.

He was responding to ballooning revelations about manipulation of analysis results for export certificates – alterations that juiced up results so millions of tonnes of coal sold overseas appeared better in quality.

The concerns were aired in internal documents from 2020 obtained exclusively by *AFR Weekend* via Freedom of Information laws. They indicate worries beyond neutered official public statements.

Large swaths of the documents remained censored, with the department citing concerns that releasing the details would “inhibit or prejudice future negotiations” with foreign governments.

Federal Resources Minister Keith Pitt told *AFR Weekend* this week that other nations had not made complaints yet via official government channels. But there has been [international business blowback](#), including [two Korean power utilities](#) blacklisting mining companies from using an Australian lab giant to certify coal.

The scandal in the \$55 billion export industry erupted early last year when *The*

Australian Financial Review revealed a former commercial manager of Queensland

miner TerraCom was claiming, in a lawsuit, that certificates had been knowingly falsified.

TerraCom denied the allegations and the case settled out of court.

But Brisbane-based lab giant ALS, accused in the lawsuit of assisting alleged manipulation, had secretly initiated an internal probe. ALS then found almost 50 per cent of all its coal export certificates had been boosted “without justification” since 2007.

ALS has not named the client companies involved, but passed on its internal probe to authorities citing concerns about serious criminal activity. The Australian Securities and Investments Commission, which declined to comment, has since been investigating.

Long-running problem

Another testing giant, SGS, was named in the lawsuit and rejected the claims. Commodities trading house [Noble was meanwhile accused in the action of partaking in the scheme and foreign bribery](#), and has refused to comment.

In one departmental email chain obtained by *AFR Weekend*, an official notes the publicity surrounding alterations of coal results. “Potential sensitivities to our North Asian markets,” the official noted.

A departmental trade specialist in another email says they had been contacted by Australia’s laboratory accreditation body, [the National Association of Testing Authorities \(NATA\)](#), to “flag a China coal TBT [technical barriers to trade] related issue”.

“NATA has just been made aware that a large testing lab that they accredit seems to have been falsifying test reports on the quality and value of coal,” the email says.

Related emails refer to discussions with China and the technical barriers to trade –

a World Trade Organisation agreement to ensure certification procedures do not create trade obstacles, including setting up a Friday afternoon multi-state teleconference. One email, headlined “domestic lab testing issues”, asks about the “approach at future WTO TBT meetings”.

Other correspondence refers to a *Financial Review* [feature article](#), which detailed how the manipulation allegations had ensnared chunks of the coal exporting industry and sector sources believed the problem was long-running.

“We’d been thinking about how our sustainability messages would be tested, but this brings reliability into sharp relief,” one official wrote in an email. The official’s colleague responds: “It certainly does.”

Minerals Council of Australia chief executive Tania Constable. **James Brickwood**

Minister Pitt said this week that ASIC was investigating the alterations, and maintaining Australian coal's high-quality reputation was essential.

He said laboratory accreditation body NATA was confident procedures put in place by ALS would prevent further manual adjustments and NATA had engaged with other labs to check safeguards.

Minerals Council of Australia chief executive Tania Constable expressed confidence in "the integrity and quality of Australia's coal exports".

"The MCA is not aware of evidence of widespread issues with coal testing quality involving its member companies," she said.

MCA did not answer if it had questioned members about any involvement.

Do you know more? Contact Liam Walsh at liam.walsh@afrc.com.au or +61 7 3835 7503 or via more secure app **Signal** on +61 7 422 009 744. or via **post, marked attention Liam Walsh, L7/140 Ann St, Brisbane, Australia 4000**

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