

**WORKING TITLE: When you're in a hole, stop digging**

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Like politics, economics often throws up some unusual allies. Take for example the recent call for a global moratorium on new coal mines by Kiribati's President Tong. Were such a restriction on the supply of coal to go ahead the biggest winners would be, you guessed it, the owners of existing coal mines.

Of course, Tony Abbott and the Minerals Council of Australia have long argued that what is good for the atmosphere was bad for the coal mining industry, but that was when world coal demand was rising rapidly. Now that the world demand for coal has flatlined, every new coal mine that gets built cuts both the market share of the incumbents and the market price for all producers.

Glencore get this. Ivan Glasenberg, the global CEO of one of the largest coal mining companies, has been talking up the need to shut down coal capacity for the last 12 months. He is quick to highlight that Glencore have cut supply by 15 per cent and that his competitors should do likewise.

The Australian CEO of Glencore, Peter Freyberg, is singing from the same song sheet. Indeed, despite the Minerals Council denying for years that taxpayer funding of coal rail lines and coal ports constituted a 'subsidy', Freyberg labelled any government attempt to fund the 400 kilometre rail line the Carmichael mine would need to get its coal to port - a subsidy. He also suggested such 'the aid of taxpayer money' should not be provided.

But while Glencore has joined the farmers, the world's scientists and the environment movement in stating that the world does not need any more coal mines, the lobbyists at the Minerals Council, and the lobbied in parliament house, are only slowly getting the message that the world, and the politics, have shifted.

The proposed Adani/Carmichael mine in Queensland's Galilee basin is big enough to push the world price of coal down. At 40km long and 10km wide its pits would produce more than 2 billion tonnes of coal, enough to make a road of coal 10 metres wide, 1 metre deep and 200,000 kilometres long. Long enough to loop the world 5 times.

Of course Carmichael is just one of the 50 new coal mines that the citizens of Kiribati, the world's climate scientists and the executives of Glencore don't want built. That's why President Tong's call for a moratorium is attracting interest not just from environmentalists, but from economists like Lord Nicholas Stern.

After years of arguing that the more coal mines Australia builds the faster our economy would grow, it has now become obvious that the opposite is true. By pouring new supply into a flat market, new coal mines simply lower the price received by all existing mines, lower Australia's terms of trade, and lead to redundancies in existing coal mines. Just as taxi drivers oppose Uber and existing casino owners never argue that building new casinos will create jobs, the owners of incumbent coal mines have no reason to welcome new competitors to the coal market.

The complete lack of an economic case for building new coal mines presumably explains why the new Minister for Resources, Josh Frydenberg, is so keen to talk about the 'moral case' for selling more coal. It was always going to be tough for a Government committed to slashing foreign aid to argue that the reason we needed to mine more coal was to help people in developing countries. To do so by selling more of a substance that the scientific journal Nature says contributes to 460,000 deaths per year is a big call for a new minister.

Tony Abbott's prime ministership was defined by the fights he picked rather than the problems he solved. When world demand for coal was rising rapidly the desires of the mining industry, the farmers and the environment movement were irreconcilable. Now that demand is flat, and likely to decline, a moratorium on new coal mines would simultaneously benefit the owners of incumbent coal mines, those who work in those mines, farmers, and the environment movement. It would also help our terms of trade. Glencore can see what is going on, the question is; can our politicians?

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