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# New capacity needed to meet rapid copper demand growth

Reuters | April 27, 2021 | 7:39 am Exploration Intelligence Top Companies Latin America Mexico and Central America Copper



Anglo American slowed the development of its \$5.3 billion Quellaveco copper mine in Peru, pictured. Image from Anglo American.

Ample copper supplies next year and in 2023 will keep the market balanced, but miners need to start investing in new capacity now to meet a pick up in demand growth as economies switch to renewable energy.

Copper prices at around \$9,900 a tonne, close to the record \$10,190 a tonne hit in February 2011, are significantly above levels needed for new projects and expansions to be profitable.



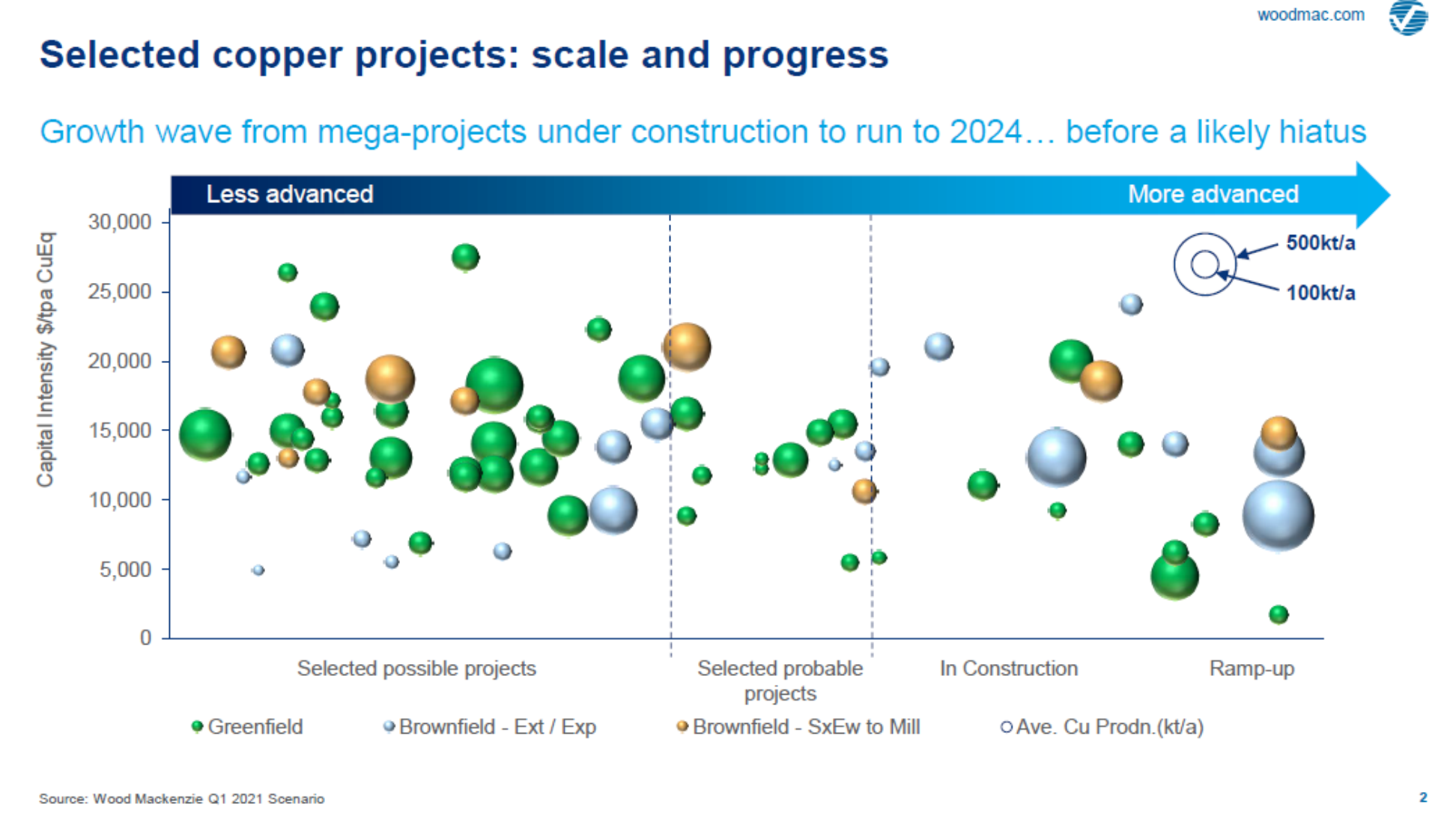
Many projects were shelved after 2013 when prices fell below minimum profit thresholds.

"For 2030/2031 we are looking at a supply gap of 4.5 million tonnes of greenfield project capacity," said William Tankard, analyst at Wood Mackenzie.

"There is a compelling need to press on with technical studies, mine permitting and financing efforts in order to maintain a supply trend that can keep pace with demand growth in the medium term."

Projects coming onstream next year and in 2023 were mostly approved in 2017 and 2018. They include the expansion of BHP's Spence mine in Chile, which is expected to ramp up to full capacity next year, producing 300,000 tonnes a year until at least 2026.

Anglo American's Quellaveco project in Peru is expected to produce up to 300,000 tonnes a year from 2023.

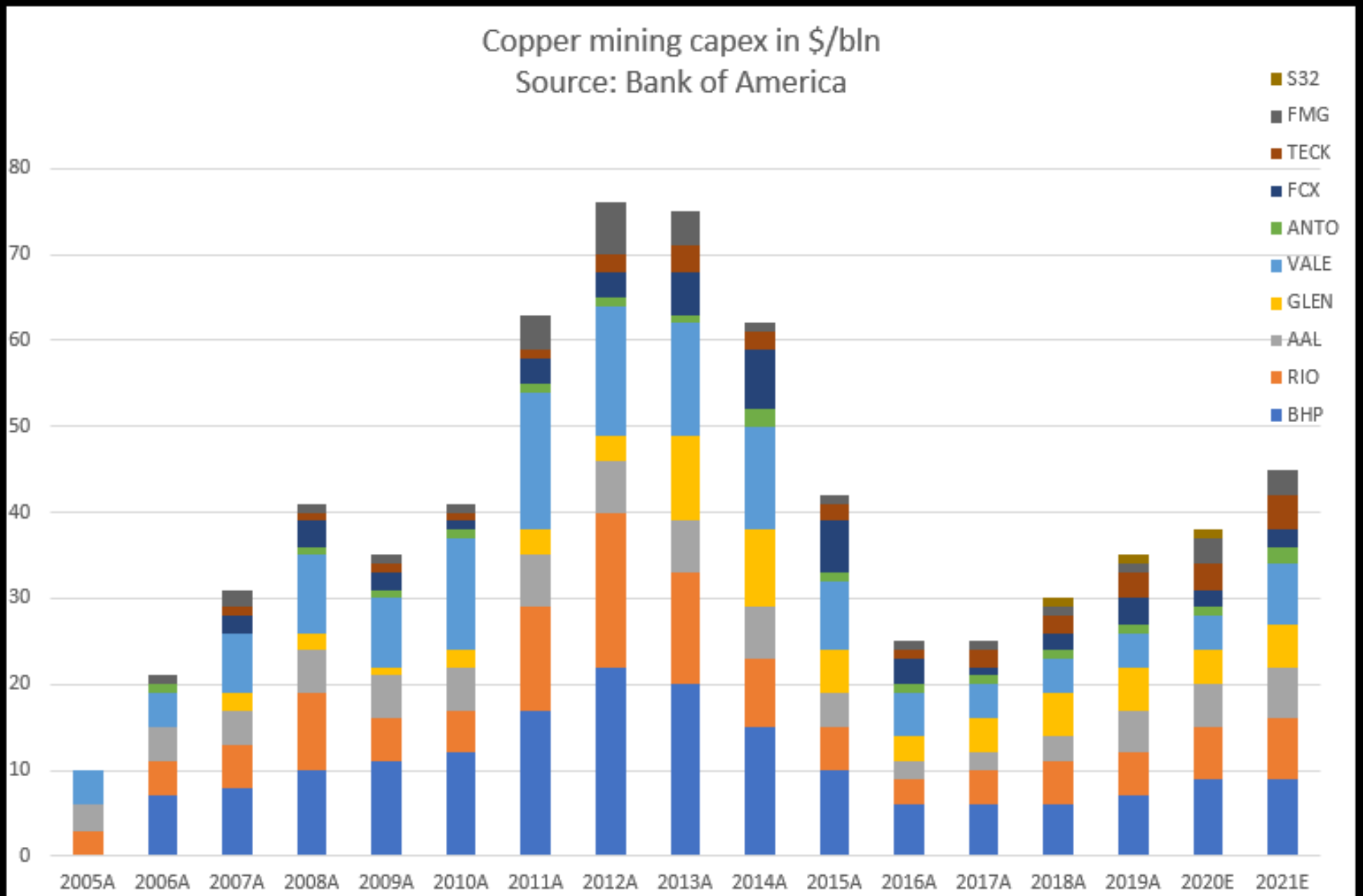


"During the last price upcycle in 2016-2018, \$25 billion worth of projects were approved with annual production capacity of 1.8 million tonnes," JPMorgan analysts said in a note.

"Supply from these projects will be entering the market over the next three years."

Many of these projects were approved when copper prices were around \$6,500 a tonne.

They are now much higher, but miners are not committing to investment, according to Bank Of America analyst Michael Widmer. "To meet copper demand, miners need to spend \$60 billion on capex annually until 2025, but this year we are only getting \$45 billion."



Bank of America estimates copper demand last year linked to decarbonisation at 2.35 million tonnes or 10% of the global total. It expects that number to rise to 4 million tonnes in 2025 and 5.2 million tonnes in 2030.

(By Pratima Desai; Editing by Mark Potter)

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