

**Mining**

## Copper bulls bet green agenda will push metal on towards record high

Surge in sustainable energy projects sends metal to \$8,000 for first time since 2013



Some investors are predicting a 'green-tinted' bull market that could carry the metal past its record high, above \$10,000 a tonne  
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**Neil Hume**, Natural Resources Editor 9 HOURS AGO

A growing number of analysts and investors view copper's recent rally as the first leg of a "green-tinted" bull market that could carry the metal past the record high of more than \$10,000 a tonne that it reached in [early 2011](#).

Copper, the world's most important industrial metal, reached a seven-year high of \$8,000 a tonne on Friday having climbed more than 70 per cent from its March lows in recent months.

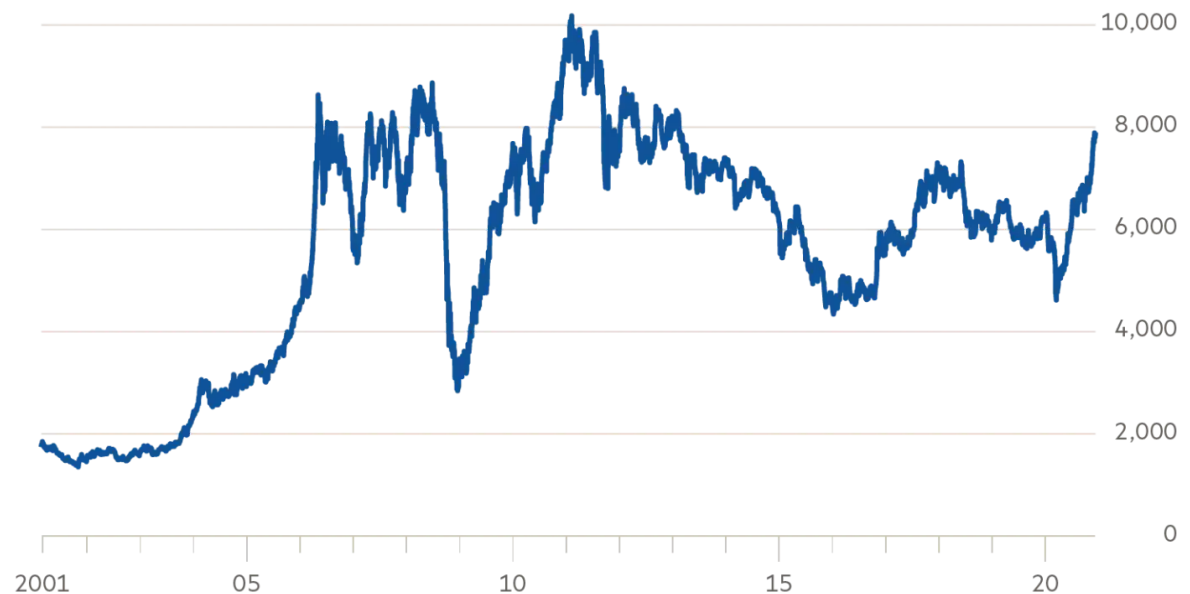
The rally will receive further fuel, investors say, from a surge in demand for copper to wire the green economy: electric vehicles need around four times more wiring than those with combustion engines, while solar panels and wind farms need as much as five times that needed for fossil fuel power generation, according to industry estimates. Analysts predict a supply crunch unless new mines are discovered and developed quickly.

"We've seen stimulus programmes being announced all around the world and they all have one common factor — they are all copper-intensive," said Kostas Bintas, head of copper trading at Trafigura, which bought and sold more than 4m tonnes last year.

Copper-linked stocks have swept higher. Shares in US miner Freeport-McMoRan, one of the world's biggest independent producers, are up around 90 per cent this year, while Canada's First Quantum Minerals has advanced more than 60 per cent.

## Copper has charged to a seven-year high

Metal for three-month delivery on the LME (\$ per tonne)



Source: Refinitiv  
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Trafigura predicts growing demand for renewable infrastructure projects and electric vehicles will help drive global consumption of refined copper up from 23.4m tonnes in 2020 to 33.3m tonnes in 2030. Refined copper production is currently around 23.8m tonnes.

A host of countries, including [Japan](#) and [South Korea](#), have pledged this year to achieve carbon neutrality by 2050, while the EU has announced [plans](#) to reduce CO2 emissions by at least 55 per cent over the next 10 years. But China is attracting most attention. In a speech President Xi Jinping [vowed](#) to nearly triple wind and solar capacity from 2019 levels during the next decade.

“China always honours its commitments,” he told world leaders at a UN climate summit this month. “We will promote greener economic and social development in all aspects.”

Analysts say China's move is a fundamental shift that will give a meaningful uplift to copper demand over the next decade. Trafigura is forecasting a near 800,000 tonne increase in Chinese copper demand in 2021 alone as Beijing invests heavily in its grid and renewable power.

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Europe's demand should also increase as policymakers promote a "green recovery" from coronavirus. "This is the first time in my career I have seen synchronised copper consumption stimulus," said Mr Bintas. "We see significant deficits over the next five years. For us, the tightness starts immediately."

Based on known projects and estimated demand — and taking into account use of scrap metal — Trafigura sees a supply gap of around 5m tonnes emerging by 2030

that will need to be filled by increased investment from the mining industry.

Goldman Sachs analysts predict the gap by then will be slightly larger at 5.6m, pointing out that the last time it was this wide was in 2005, when copper recorded a two-year rally. This time, the bank expects copper to hit \$9,500 over the next 12 months, powered by a cyclical economic recovery, before testing its record high by the first half of 2022.

What could stop the rally would be a rise in supply — either newly dug or from scrap. The latter is a "major headwind" to its forecast, Goldman analysts admit, though the bank thinks it will be overwhelmed by demand, and weak growth in mined supply.

While there the earth's crust has no shortage of copper, high-grade projects in mining friendly jurisdictions are becoming harder to find. Even when discoveries are made they are often in locations lacking infrastructure such as Russia's far east and are being developed by companies with less mining experience.

**The world has a challenging task to meet this new demand. It's going to have to go to new locations with a lack in infrastructure**

Ivan Glasenberg

"The world has a challenging task to meet this new demand," Glencore's outgoing chief executive Ivan Glasenberg told its annual investor day this month. "It's going to have to go to new locations with a lack in infrastructure."

An increased focus on the social and environmental impact of mining also means it can take as long as a decade to develop a new mine. And shareholders remain wary of giving the green light to new projects, after the billions of dollars spent during the decade-long commodities boom that ended in 2014.

After several projects are completed in the next couple of years, including Anglo American's Quellaveco copper mine in Peru, the pipeline looks thin. "A big part of the problem is that for many years investors have not wanted to fund growth," said James Johnstone of RWC Partners, a fund management group that owns shares in several producers.

To extend the lives of existing mines, or to unlock uneconomic projects, higher prices are going to be needed, industry experts say. Just how high is a matter of fierce debate. Jefferies believes an extended period of copper trading around \$8,800 a tonne will be needed to fund long-term builds.

But others reckon it could be even higher. "It might require \$10,000 or more to bring on the next wave of projects," said Mr Johnstone.

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