

Electric vehicles take over from China demand for copper: CRU

The electric vehicle revolution is set to take over from China as the next big growth engine for the global copper market, according to leading metals forecaster CRU.



Copper > Events-coverage

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In Adelaide**

In a presentation at this week's Copper to the World conference in South Australia, CRU's director of copper research and strategy Vanessa Davidson said the firm had significantly boosted its forecast for global copper demand in the medium to long term because of the rapidly unfolding EV story.

CRU's new 2025 forecast for global copper consumption has been lifted by 1.1 million tonnes compared to the prediction made just 12 months ago, while another 2.7Mt has been added to the 2035 forecast.

Davidson said she was "very optimistic" about growth rates for copper demand on the basis of developments in the EV market.

"Copper consumption in EVs, including infrastructure such as charging units and distribution networks, is expected to amount to about 6Mt by 2035. The thing to note is this is a medium- to-long-term story. The

volumes of copper consumed now in this application is very small, but we think there is going to be a tipping point around 2025," Davidson said.

The rise of EVs has had a big impact on CRU's demand forecasts even with quite conservative assumptions about EV adoption. CRU has assumed battery EVs will account for about 15% of global car sales by 2030, rising to 34% by 2035. By comparison, Bloomberg New Energy Finance predicts battery EVs will account for about 23% of sales in 2030 and 38% in 2035.

Davidson also said there was good news for copper producers in the short-term outlook for demand from China and the rest of the world.

In China, the decrease in copper demand from civil and building construction would be more than offset by a rapidly expanding need for copper in machinery, transportation and consumer durables. The net effect would be growth in China's copper demand of 3.1% in 2018 and 2.6% in 2019. Growth would slow further in 2020 and beyond, but demand from the rest of the world beginning to pick up strongly at about the same time.

The net result is forecast growth in absolute consumption of 2.6 million tonnes in 2017-22, which is down by just 21% from the 3.3 million tonnes in the previous five-year period.

The rest of the world is expected to account for 60% of growth in global copper demand in 2017-2022, a sharp turnaround from the two previous five-year periods, when rest of world demand actually declined.

Davidson said this was "a really significant" and positive development for the market.

"In the previous two five-year periods, demand from the rest of the world actually declined in aggregate. We are now seeing the rest of the world is starting to contribute to growth," she said.

"We are seeing increases in places like North America and Europe on the basis of growth in renewable energy, ageing infrastructure and also EVs, and we are also starting to see the contribution of industrialisation phase in southeast Asia and India."

On the supply side, Davidson said a number of copper projects had received development approval in the past year, but this had only postponed by a matter of months a global copper deficit by about 2020 that was projected to worsen out to 2035 and beyond.

Production from existing mines and committed expansions would decline at about 3% pa from the early 2020s. To keep pace with global demand, the industry would need to bring on "possible" projects as early as 2025 and "prospect" projects from about 2032 - just 15 years away.

While the outlook is clearly one of a seller's market for copper producers over the next 15-to-20 years, Davidson cautioned about the risk of high prices triggering substitution of copper.

"The only caveat to an otherwise very rosy picture for the industry in the medium term is the potential threat of substitution," she said.

"It's clear that prices will remain historically high in order to attract new projects to fill the supply gap, but the ratio of copper prices to its main competitor aluminium is sitting at close to peak levels, and this could rise further. The subject of substitution has been off the agenda in recent years, but I think it could return quickly if copper prices rise too rapidly."