

# Copper consumption set to skyrocket: Rio

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**COPPER is not expected to lose favour any time soon with consumption of the red metal forecast to double in the next two decades, according to Rio Tinto, while supply-side constraints will continue to impact on the metal.**

Speaking at the CRU World Copper Conference in Santiago, Rio Tinto Copper chief executive Bret Clayton told delegates that copper consumption was expected to ramp up considerably over the next couple of decades as gross domestic product per capita grows.

"Over the next twenty years, we expect copper consumption to double," he said.

"When you put that in mind of some of the issues that we are facing in the industry with bringing new copper production online that is a very sobering thought."

Clayton stressed that, looking ahead, supply of copper would continue to be constrained.

He also said that in recent years, industry experts have systematically overstated copper supplies coming on-line, with a chart of short-term mining forecasts showing an average over-estimation between 2002 and 2007 of nearly 4%.

"We can point to various reasons for these shortfalls which include labour unrest, stakeholder engagement issues whether that is with local government or communities or governments, slower ramp up in production, supply chain issues, long lead times on equipment," he said.

"Given that more mines are being developed in high-risk areas, this risk is unlikely to be reduced.

"Between 2007 and 2017, some 55% of new developments will be in high-risk or very high-risk areas."

Clayton also discussed the issue of rising capital costs, which have had an effect on reducing supply and in delaying projects by periods of up to seven years and, in some cases, leading to the suspension of particular projects.

"Delays and suspensions contribute further to the tight market, while particular disruptions become hard to predict it is clear that supply/demand overall is becoming more challenging," he said.

"In the future, copper is likely to be harder to find and harder to mine."

On the topic of a global recession, Clayton said that the slow down in the United States was expected to have only a small trade effect on China.

"That's because the major contributor to Chinese gross domestic product growth is internal domestic demand leaving China relatively unexposed to the US economy," he said.

He said analysts have suggested that if the US fell to recessionary levels, Chinese GDP would fall by less than one percentage point.

Clayton's comments come as copper hovered at near-record highs of \$US8877 per tonne, not far off the record price of \$8820/t set last month.

Shares in Rio closed yesterday at \$A137.88 in Australia and gained another 24c this morning.