

Copper -Aluminium substitution “has occurred”

By Marina Kolesnikova, - February 16th 2011

Catherine Raw, who helps manage BlackRock Inc.'s flagship \$17 billion World Mining Fund, comments on copper substitution by aluminum and the outlook for industrial metals demand. She spoke at the JetFin Commo 2011 conference in Geneva yesterday.

On copper substitution:

“It’s now been fully substituted on the demand side. We’ve seen high copper prices for the past five years, and so in terms of substituting it for aluminum, all of that has occurred already. So unless there is a significant technological change on the demand side, there isn’t really a demand destruction you would expect if prices do raise.

“Can you substitute copper? We just cannot see it, particularly, for example, in China, where there is regulation to prevent using aluminum in skyscrapers because it causes fires.

“China has been out of the market,” and “it’s gone through \$10,000 a ton for the first time ever. So if China were to come back into the market, just think what would happen to the copper price.

“In the medium term we are quite confident about the cash margins, the sustainability of those margins for producers when your average industry cost is really about \$2 to \$2.50, and at \$4 plus” a pound “it looks like a very strong market.”