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An Unexpected Twist in the Green Movement



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hat a difference a year makes when it comes to environmental matters. Late last year, the great and the good descended on Glasgow, Scotland, for the COP26 climate summit. It was no small affair. Dignitaries weighing in included the UK's Prince Charles, US President Joe Biden, Greta Thunberg, former Secretary of

State John Kerry, and European Commission President Ursula von der Leyen. Even Pope Francis proffered his views from the Vatican.

The result of the summit was startling: Going green is now a priority for businesses and (most)

governments. Fuel efficiency and low- or no-pollution mandates will be top of mind in board rooms and government chambers. The irony is that this switch in focus will bring a boom for at least one industry not often associated with environmentally friendly movements: mining. “By nature, I hate mining stocks, but there are some good things around miners,” says Carole Millet, senior investment advisor for fund selection and sustainable investments at Bank Syz, a boutique Swiss private bank.

The key for mining firms is that green energy will need miners to extract a slew of metals and minerals from the ground. Over the next three to four years, rising electric-vehicle (EV) production will drive a surge in demand for some vital metals, says

Caroline Bain, chief commodities economist at Capital Economics in London. That's when the EV market should reach critical mass, she says. “The outlook is positive, particularly for copper,” she says.

Demand for copper looks set to rise by more than 30 percent over 2020 levels by 2029, to 27 million metric tons. Likewise, lithium use will surge almost threefold by 2025 to 1.5 million metric tons, and nickel consumption will jump more than 50 percent to 3.6 million metric tons by 2030. That extra demand will likely lead to higher prices for copper, lithium, and nickel through to 2040, according to a recent report from Bank Syz. As a result of higher costs, prices for clean technology will likely rise. When volumes and metal prices increase, mining profits could soar, at least for a while.

Bain says those rising material costs will likely lead to innovations as businesses get savvy. It's common in manufacturing to thrift, or use less of certain materials, when the price rises. That already happens with many things we buy, such as household gadgets. Likewise, while EVs currently use up four times as much copper as gas-powered cars, that will likely change. “I don't think it will be four times as

much for long,” she says.

As the world turns green, new jobs will be created. There will necessarily be an increased need for electrical engineers (for cars especially), who are already in short supply, and will continue to be for at least a decade. “It's hard finding people who can implement these holistic systems,” says Matthew Breidert, managing director at sustainability investment company Ecofin. Sooner or later, heat pumps will outmode gas central heating, requiring different skills for installation and maintenance. “The mechanics of this are very different from those of a gas boiler,” he says.

While miners will likely see a profit boom, investors will want to know both directly and indirectly how green a company is, which will likely lead to a booming industry in third-party audit reports. This matters because bankers can decide to largely withhold loans from companies that aren't acting green enough. That's a pretty big stick. “We are just starting the process of incredible scrutiny and evaluation of supply chains,” Breidert says. In other words, despite its vital role in clean energy, the mining business will not be off the hook for espousing greener behavior. ▀

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