

Rio Tinto partner Freeport tips copper price to rise to boomtime high



The Grasberg copper and gold mine. Pic: Reuters

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Copper prices could rise to boomtime highs of more than \$US4 a pound because of unexpectedly low supply as global growth continues to grow, says Rio Tinto's operating partner in the big and controversial Grasberg copper and gold mine in Indonesia, Freeport-McMoRan.

The prediction, from Freeport chief Richard Adkerson, came as copper prices jumped 4 per cent overnight to a two-year high of \$US2.84 on Chinese growth and tight supplies, buoying global resources stocks including Rio and BHP Billiton.

And in good news for Rio, whose interest in Grasberg has been looking less valuable in recent times, Freeport says progress has been made in a stand-off with the Indonesian government that has slashed output this year.

Speaking to investors after the release of Freeport's second-quarter earnings last night, Mr Adkerson said global copper supplies were only going to get tighter as growth spurred more demand for the industrial metal, which is often seen as a barometer for economic growth.

"You're going to see a period of time where there's going to be a shortage of copper, and you're not going to see the price (just) go to \$US3," he told investors.

"We just need to look over our shoulders and we can see at times we had copper at \$US4, and we're heading for a world of where that is, I believe, in the cards."

The last time copper was at \$US4 was in 2011, when it rose to an all-time high of \$US4.62.

Until October, prices had been stuck in a year-long range of \$US2 to \$US2.25.

"There are some projects that are being completed and so forth, but the wall of copper that was supposed to come about in 2016 didn't show up," Mr Adkerson said,

"And now to justify the coming wall of copper, some people are saying you can develop these new mines at \$2.50 or less and that just can't be done. It just can't be done."

At 2:55pm (AEST) today, New York copper prices were up US4c at \$US2.88, adding to the 4 per cent gains overnight.

Rio was up 2.5 per cent, BHP was up 3.5 per cent and copper miner Oz Minerals was up 11 per cent.

In February, Rio said it could sell out of or walk away from its interest in Grasberg, where the government has restricted concentrate exports and wants 51 per cent of the mine to be Indonesian-owned.

Rio has rights to production at certain levels and has a deal where it take a 40 per cent stake in the mine.

The problems come on top of longstanding issues at the mine, including a poor safety record and the disposal of tailings into a river, which is against Rio policy.

Mr Adkerson said talks with Indonesia about retaining fiscal terms for Grasberg, settled before new Indonesian laws were put in place, were going well.

"We're now approaching a stage where both parties have expressed an objective of a near-term resolution," he said, adding that the ownership issue may be solved by an Indonesian stock exchange listing.

"We are seeing that objective being more clearly identified by the senior levels in the Indonesian government than we have seen in the past."

He said development of the world's biggest block cave mine, under the Grasberg open pit, had been slowed by "mining-induced seismic activity".