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Rise of EVs Drives Mining Deals to Decade High

By Julie Steinberg

Mining companies are back at the deals table as they battle for control of commodities essential for making electric cars and renewable-energy infrastructure.

The world's largest miner is set to seal its biggest deal in more than a decade. An American gold giant is seeking to acquire an Australian rival that is rich in copper. And a Swiss commodities company has made two proposals to combine with a century-old Canadian competitor.

The return to deal making comes as mining companies seek to boost their exposure to metals like copper, nickel and lithium, for which demand is expected to grow as the world transitions to greener energy.

So far this year, mining companies have announced more than $65 billion in pending and completed deals, according to data provider Dealogic. That number is nearly double the $36 billion announced in the same period of 2022, and the highest amount to start the year since 2012, when China's breakneck growth led to a surge in deals. The uptick in deals contrasts with a lull in overall global M&A activity.

While there is no guarantee all the transactions announced so far this year will be completed, miners' appetite for deals is expected to remain strong as companies prepare for the energy transition.

Mining companies held back on large deals for much of the past decade after a spending spree during a China-led commodities boom ended with big write-downs, upsetting investors. That experience prompted a yearslong focus on shareholder returns and debt reduction. Now, miners are hungry for deals again.

"Governments are trying to hit targets for electrification, but there's just not enough copper," said Peter Kukielski, chief executive of Hudbay Minerals Inc., adding that he expects a rise in deal making among mining companies because it is easier to buy a copper mine than build one.

Hudbay earlier this month said it would buy Copper Mountain Mining Corp. in a $439 million all-stock deal. Mr. Kukielski said one of the drivers of the deal was gaining scale in copper production, which should boost his company's growth prospects.
Bags of lithium carbonate at an Albemarle facility in Silver Peak, Nev. Photo: John Locher/Associated Press

"Copper is an absolutely key element required for a green economy…and there's a very significant shortfall between copper demand and the number of viable projects coming online," Mr. Kukielski said.

Mining companies have been encouraged by government policies, such as the Inflation Reduction Act, that are expected to boost demand for metals used in batteries and other clean-energy technology, companies and analysts say.

Many big miners built their businesses on selling iron ore and coal, used to make steel for skyscrapers or to generate power. Those commodities still dominate their earnings today, but aren't expected to notch the same rise in demand as some metals needed for the world to decarbonize and electrify.

"The world has changed, and it's changing rapidly," said Gavi Friedland, Goldman Sachs Group Inc.'s head of metals and mining in Australia and New Zealand. The energy transition has mining companies looking at "how they best future-proof their portfolios," he added.

Rising costs for exploration and development have also prompted miners to turn to acquisitions to boost their reserves, said Kathleen Keilty, a partner at Canadian law firm Blake, Cassels & Graydon LLP. Ms. Keilty said she is seeing a strong pipeline of deals in critical minerals, driven by the energy transition.

Copper, which electric vehicles and wind farms use in much greater quantities than gasoline-powered cars and coal-fired power stations, is at the heart of several significant M&A proposals.

Among the proposals is a bid of more than $19 billion by Newmont Corp. to buy Australia's Newcrest Mining Ltd., which would add nearly 50 billion pounds of copper reserves and resources to the Colorado-based gold giant's business. Newcrest recently said it would give Newmont access to its books to firm up a binding offer.

Copper is also part of the appeal for Glencore PLC's roughly $23 billion merger proposal for Teck Resources Ltd. Teck has so far resisted Glencore's advances.

BHP Group Ltd., the world's top miner by market value, forecasts the world will need twice as much copper in the next 30 years as it did in the past three decades. The copper industry, meanwhile, is struggling to replace aging mines amid a dearth of discoveries and permitting challenges.

BHP early next month is set to close its $6-billion-plus takeover of Australian copper miner OZ Minerals Ltd., its biggest acquisition in more than a decade.

Lithium and nickel miners also have rivals circling. U.S. lithium company Albemarle Corp. last month made a bid of more than $3 billion for Australia's Liontown Resources Ltd., its third approach since mid-October. Liontown, which has supply agreements with LG Energy Solution Ltd., Tesla Inc. and Ford Motor Co., has so far rebuffed the advances.

Despite the rush of deal making, recent bids—a number of which are all- or mostly stock offers—have been at more cautious valuations than those during the China-led commodities boom more than a decade ago, bankers and analysts say.

And despite the deals, the supply of in-demand metals won't necessarily rise.

"It serves the interests of the miners," said Richard Gannon, a former investment banker who is now an independent industry adviser. But, he said, "it's not pouring capital into new capacity, which is what the world wants."