

## BIR CONVENTION - Nickel market oversupply to continue - Moll

By Martin Hayes

Shanghai 27/05/2013 - Ongoing surpluses in the nickel market reflect current current supply and demand dynamics, and there is unlikely to be any change throughout the rest of this year, industry specialist Markus Moll said on Monday.

"The nickel market is functioning perfectly - it is oversupplied and will continue to be so," Moll said at the BIR (Bureau of International Recycling) convention here.

On the LME, three months nickel prices are currently around \$14,700 per tonne, not far away from the four-year lows of \$14,609 reached at the start of May. Warehouse inventories of 179,616 tonnes are close to all-time highs, meanwhile.

Moll said the market was in surplus by 80,000 tonnes in 2012, and with new supply slated around the world this year, the 2013 level will be no different. Exploration projects are being ramped up in New Caledonia, Brazil, Venezuela, Australia and Finland.

"The INSG (International Nickel Study Group) expects that (80,000 tonnes surplus), but we think it could be around 100,000 tonnes."

Moll added that the nickel market's lower and upper bands are now defined by NPI (nickel pig-iron) production costs. At present, when the price falls to \$7.00 per pound, which equates to \$15,400 per tonne, then the incentive to produce from NPI ore - China dominates here - becomes uneconomical. The upper end of the band is \$13.00 per pound, or \$28,600, and if nickel prices move above this level a flood of additional NPI - perhaps some 500,000 tonnes a year - will be produced.

But although NPI economics are the 'invisible hand' and have become a game-changer in the nickel market, the bands will move throughout the rest of the decade, effectively raising both the floor and the ceiling.

"NPI production costs are rising. In China power costs more, and the yuan is appreciating all the time," he added.

By 2020, the floor will move up to \$10.3 per pound, or some \$22,700, while the upper limit shifts to \$16.5 per pound, which equates to around \$33,300, Moll said.

"The nickel price will get back to \$20,000, I am sure - the question is when."

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