



By: **Daniel Lacalle**

Governments should urgently rethink copper mining limits



Copper is more than just a measure of industrial activity. Demand is soaring due to electrification, artificial intelligence, defence and grid expansion, while years of underinvestment in mining and refining capacity have made the supply-demand balance tighter than ever.

Copper spot prices still react to monetary policy, Chinese industrial data and changes in risk appetite. However, the long-term picture shows that **copper** is a strategic material whose scarcity can affect energy policy, industrial competitiveness, inflation, and national security.

Copper is now a pillar of almost every capital-intensive trend shaping the global economy. It is essential for power transmission, electric motors, transformers, semiconductors, renewable energy systems, electric vehicles, construction wiring, and data centre infrastructure. There are almost no realistic substitutes. Most materials cannot match copper's conductivity and versatility for industrial uses.

Governments are trying to implement several copper-intensive policies at the same time. Authorities want to electrify transport, modernise the grid, expand renewable generation, and strengthen defence capabilities, but, at the same time, they do not want to mine copper.

Private capital is moving into AI infrastructure, especially hyperscale data centres that require enormous quantities of electrical equipment, cooling systems, backup generation, and high-capacity grid connections. In earlier cycles, a slowdown in one sector could offset strength in another. Today, demand is global, accelerating, and quite inelastic.

Global copper demand

China is the largest consumer and dominates global copper demand. However, it is also a manufacturing and refining leader. Chinese construction may have slowed down, but the **United States** is building new data centres,

reshoring strategic industries, and investing heavily in transmission. **Europe**, at the same time, is pursuing an ambitious electrification programme while trying to reduce external dependence in energy.

However, barriers to copper mining are enormous, and emerging economies also need copper for urbanisation, power demand, and basic infrastructure. For the first time in decades, government plans are creating a demand story that complicates adaptation to supply challenges.

Supply is unable to respond fast enough to inelastic, government-driven demand.

Mining suffers enormous problems and regulatory obstacles that cannot be fixed in a single investment cycle. Ore grades have declined in major producing countries, which means miners must spend more to extract the same amount of copper.

A mine approved today will not solve problems next year

Production and mining costs are rising, while environmental regulations make it harder to meet demand. Many of the largest deposits are also in jurisdictions where water scarcity, community resistance, tax disputes, and permitting delays complicate expansion plans.

Even when companies want to invest, new projects take a long time to reach production, and in some economies, like the European Union, mining faces all kinds of political limitations.

The big difference between discovery and commercial output may take more than a decade once exploration, financing, environmental approvals, infrastructure, and political risk are taken into account.

A mine approved today will not solve problems next year. This is one reason why the market has become much more sensitive to disruptions such as strikes, weather events, smelter outages, and regulatory interventions.

Refining capacity is another problem, as it is heavily concentrated.

Recycling may help, and it will become more relevant, but it is not a complete solution. Scrap availability depends on past investment cycles, collection systems, and the pace at which older equipment is retired.

Structural demand vs cyclical weakness

AI is often discussed in terms of software and productivity, but its expansion depends on a very material pillar. **Data centres** are highly copper-intensive.

This matters because the AI build-out is taking place alongside the wider electrification of transport and industry. In other words, the same metal is being asked to support electric vehicles, renewables, battery systems, and the global race to build computational capacity.



Copper is a main driver of the modern global economy - Daniel Lacalle

That is why copper increasingly looks less like a cyclical raw material and more like a key input to the technology and sustainability revolution.

Strong and non-cyclical demand raises the possibility of persistent goods inflation tied to reindustrialisation and the energy transition. Central banks cannot print ore grades.

Politics matter too. Mining bans, export controls, local content rules, and strategic

stockpiling can all affect copper pricing and availability. The more governments treat copper as a national security input, the less smoothly the global market is likely to function.

For markets, copper will remain a test of whether structural demand can overpower cyclical weakness. For governments, it may challenge long-term strategic planning and affect short-term political risk. When we look at businesses, supply security will become as important as price, if not more so.

Copper is a main driver of the modern global economy. Elevated liquidity is not the same as abundant materials, and governments will have to rethink mining limits fast.

The countries that understand that a key strategy to conquer technology and renewable energy battles is to hold leadership in mining, refining, and production will be better positioned for the decade ahead.