


## China studies how to regulate copper smelting capacity, industry association says

By Amy Lv, Dylan Duan and Ryan Woo

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Employees work at a copper smelter in Yantai, Shandong province, China April 26, 2023. REUTERS/Siyi Liu/File Photo [Purchase Licensing Rights](#) 

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BEIJING, Sept 25 (Reuters) - China, the world's biggest copper smelter, is studying ways to strengthen regulation on the expansion of smelting capacity, a state news outlet said on Thursday, as record low processing fees have curbed profits.

Chen Xuesen, vice chairman at the China Nonferrous Metals Industry Association, was quoted as telling a meeting on Wednesday that low concentrate processing fees were the "most prominent" problem the industry faces.

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The fees that miners pay smelters for processing have been weakened by what is known in China as "involution-style" competition, or competition so fierce that it is self-destructive. It follows a major expansion of smelting capacity that outpaced mined supply and tightened concentrate availability.

"Involution-style competition has hurt interests for both the industry and country, so copper enterprises should resolutely oppose it," Chen said. "The association has proposed specific measures for strictly controlling the expansion of copper smelting capacity."

China's political leaders said in early July they would tackle "disorderly price competition," raising hopes in industry for supply side reform in sectors that face overcapacity, and sending commodities, including lithium and coal, [soaring](#) that month.

But copper prices in July hardly responded, even though output that month dipped 2.5% from a record high in [June](#).

Taking processing fees to an all-time low, some Chinese smelters have agreed to process copper from Chilean miner Antofagasta ([ANTO.L](#)) [for no charge](#) for a term contract.

Spot fees have been in negative territory since last December.

The risk that smelters in China, which is also the world's biggest copper consumer, will face reduced supplies was heightened on Wednesday after copper miner Freeport-McMoRan Inc ([FCX.N](#)) [cut its output](#) forecast for Indonesia, which analysts said sent copper prices higher.

Benchmark three-month copper on the London Metal Exchange climbed 1.02% to \$10,442 per metric ton as of 1009 GMT on Thursday after hitting a 15-month high earlier in the session.

Representatives from copper smelters, including Jinchuan Group, Jiangxi Copper, Tongling Nonferrous, China Copper, Daye Nonferrous, China Minmetals, Zijin Mining, attended the industry meeting on Wednesday, according to state-backed China Nonferrous Metals News.

Reporting by Ethan Wang, Amy Lv, Ryan Woo and Dylan Duan Editing by David Goodman and Barbara Lewis

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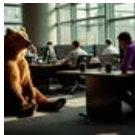
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