



PERU MINING SNAPSHOT



NEW ZEALAND
TRADE & ENTERPRISE
Te Taurapa Tūhono



Photo: Lead and Zinc Cerro de Pasco mine, in Central Peru

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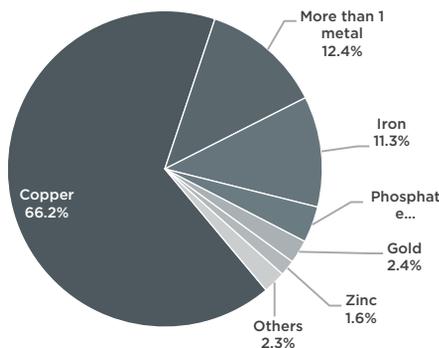
Overview

Peru has the world's largest silver reserves and is the second largest producer of silver and copper. It also has significant reserves of lead, gold, molybdenum and zinc. With a large investment pipeline, vast reserves, and low operating costs, Peru's mining sector is poised for significant growth. BMI forecasts an average of 9% growth over the next 4 years, reaching US\$42.6 billion by 2022. Given the sector's importance, and the President's profile, it's likely that Peru will keep its standing a "standout destination for mining investment".

Competitive landscape

Mining production in Peru is dominated by foreign firms, with a strong presence of Chinese companies. The footprint of foreign companies is expected to increase in coming years, as the country pushes forward its US\$51 billion investment pipeline. Peru aims to consolidate its position as the world's second largest producer of copper (after Chile). The market is also characterised by a large number of independent miners, including illegal mining activity which the country is working to bring to legality.

Estimated investment pipeline, by type of mineral



Source: Minem, 2017 (investment portfolio)

Major players

Buenaventura: With presence only in Peru, the company owns 7 operating mines, with most of its revenue coming from gold and silver. Additionally, the company is involved in 9 new mining projects, focused on gold and copper.

Grupo Mexico: Operating in Peru through its Southern Copper Corporation division, Grupo Mexico operates three copper mines in Peru and is involved in 5 new copper mining projects.

Other relevant players by resource type:

Copper: BBM (partially owned by China Minmetals), Anglo American, Antofagasta Minerals, BHP Billiton

Gold: Barrick Gold, Tahoe Resources

Silver: Hochschild Mining, Antamina

Lead: Volcan Cia Minera, Cia Minera Milpo (partially owned by Brazil's Votorantim Metais)

Tin: Minsur

Zinc: Codelco, Votorantim Metais, Volcan, Mitsui

Source: BMI Global Mines Database. Covers selected minerals and a total of 123 mines (new or operating).

Sector challenges and opportunities

Representing around 60% of Peru's exports, the mining sector is always central to the country's politics. The attention given to mining has helped Peru to keep a strong business environment and open investment model for the mining sector, in spite of political turbulence.

Peru's former President Pedro Pablo Kuczynski was in office from 2016 to early 2018. His 20 months in power were marked by reforms that reduced red tape and lowered environmental standards (including air and water quality requirements), making operations less onerous with the intention of speeding up investment. Kuczynski resigned in March 2018 and was succeeded in office by his vice-president, Martin Vizcarra.

Like his predecessor, President Vizcarra has a background in the mining sector and is known for his ability as a negotiator with local communities. During his term as governor of Monquegua he played a central role in negotiations between Anglo American and local communities. These negotiations resulted in a new copper mine project with an estimated CAPEX of US\$5.6 billion and 951 mnt of proven copper reserves, with production scheduled to start in 2020.

Political uncertainty in Peru is likely to hold back policy formation and may affect investments in the near term. New mining projects usually face strong resistance from the affected communities, and environmental and social protests are usually cited as the greatest challenge faced by companies in the market.

Source: BMI Research and MEM

Supplier landscape

With a relatively low number of specialised local suppliers, Peru country imports a large amount of services from foreign countries, who are also keen to export and invest in Peru. It has been recognised as the most attractive country in Latin America for mining investments (Fraser Institute, 2016).

The strong presence of foreign firms contributes to a diverse supplier landscape, with companies bringing expertise at every level of mining projects.

Peru receives significant expertise from Chile, which is also contributing to Peru's objective to consolidate itself as the second largest copper supplier.

Following global trends, the implementation of technology in mines is a major focus for companies operating in Peru, but the sector faces some major hurdles for its development, including a shortage of qualified professionals and a need to upgrade infrastructure for further growth.

