

Can platinum make a comeback in vehicles?

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There are hopes that platinum could once again be used to make autocatalytic converters for petrol-powered engines, creating fresh demand for the metal amid a deepening supply deficit.



Photo: Hblmatro

The latest report from the World Platinum Investment Council said anecdotal feedback from the automotive industry was that makers of the antipollution devices were considering limited substitution of palladium with platinum.

The council was set up in 2014 by six of SA's platinum miners to boost metal demand.

One scenario mapped out by the council was for demand of 500,000oz of platinum if 20% of North American and 5% of European palladium use was switched to platinum, said council CE Paul Wilson. This could be about three years in the future, but autocatalyst makers hedged their metal supply three years into the future, he said.

The market deficit of supply against demand will enter a sixth consecutive year in 2018, deepening from a near balance of just 15,000oz short in 2017 to a deep 275,000oz.

A big contributor to the decline is the steady drop in production from SA, the world's single largest source of refined platinum, to an estimated 4.15-million ounces in 2018, down from 4.465-million ounces in 2015 and a peak of 5.3-million

ounces in 2006.

Northam CEO Paul Dunne has said for a number of years that SA's production will drop below 4-million ounces because of continued underinvestment in new mines and the closure of old, high-cost operations.

The falls of 1.2-million ounces since 2006 is the equivalent of a large platinum mining firm in SA going out of business.

If autocatalytic demand for platinum did tick up, deepening the deficit and pushing up prices, something that has yet to be experienced despite year after year of deficits, the market would probably cannibalise the jewellery sector, which would have slowing demand because of increased prices, said Trevor Raymond, director of research.

The deficits have eroded the opaque above-ground stocks held in vaults rather than by industrial users.

These stocks were estimated to be 4.14-million ounces at the end of 2012, but were reduced as SA entered a five-month platinum mine strike in 2014, pushing the market into a chunky deficit of 745,000oz.

By 2018, these stocks would have fallen to 1.6-million ounces, leaving less metal to flow into the market and distort prices in the case of growing demand.

Recycled platinum from old autocatalysts, jewellery and industrial products is forecast to be 2% higher at 1.9-million ounces, not far off the 2.3-million ounces that Anglo American Platinum, the world's largest producer, generates.

Raymond noted the recycling of platinum had not grown at the 200,000oz a year level as was forecast a number of years ago.

Instead, the difficulties in extracting the metal from the silicon carbide compound used in autocatalysts was difficult and expensive. However, for a firm like Sibanye-Stillwater, which had a "bullet-proof" smelter in the US, this would not present a problem, as it would for smaller recyclers, he said.

The council, which publishes research done by metals consultancy SFA Oxford, showed platinum demand growing past the 8-million ounce level again in 2018, reaching an estimated 8.03-million ounce, an increase of 2% on the previous year.

Source: *Business Day*

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