

S&P Global Market Intelligence 2023 Outlook Sees Energy Transition Picking Up Pace and Helping Key Metals Markets Overcome Economic Headwinds as Burgeoning Demand Outstrips Supply

NEW YORK, Nov. 4, 2022 /PRNewswire/ -- Commodities prices for key metals will be battered by the storms buffeting the global economy through much of 2023 but are well positioned to rise through the clouds in the longer term as the energy transition continues apace, according to a new S&P Global Market Intelligence report released today. The newly published *2023 Electric, Natural Gas and Water Utilities Outlook* is part of S&P Global Market Intelligence's Big Picture 2023 Outlook Report series.

With the recently passed Inflation Reduction Act set to increase U.S. renewable energy generation capacity by around 150GW in the coming years and electric vehicle demand set to increase almost 30% annually on a global basis through 2026, metals including copper, lithium, cobalt, and nickel will remain in high demand. The 2023 outlook spans both the U.S. utility and renewable energy sectors, as well as global metals markets.

"The Inflation Reduction Act is providing a rosy outlook for renewable energy development in the U.S., while the energy transition taking place across much of the globe will see demand for the key raw materials such as lithium, nickel and copper start to exceed supply in the years ahead," said **Richard Sansom, Research Director at S&P Global Commodity Insights.**



Key findings of the report include:

- The Inflation Reduction Act (IRA) is expected to drive the addition of 150GW of additional renewable energy capacity in the U.S. in coming years, providing for support for wind, solar and storage projects.
- The IRA has come at a time when regulators are facing a challenging confluence of events, with utilities in the midst of a prolonged period of aggressive capital spending on infrastructure, the lingering impacts of the COVID-19 pandemic, more frequent and severe weather events, the war in Ukraine, and rising interest rates and inflation combining to drive historical levels of rate case activity.
- Federal legislation designed to support decarbonization initiatives is expected to attract substantial interest from utility investors in the coming years, but regulatory support, in the form of adequate returns on equity and ample cost recovery opportunities, is necessary to ensure that capital continues to flow to the sector.
- With global economic conditions taking center stage, 2023 industrial commodities prices covered by S&P Global Market Intelligence's Commodities Briefing Service are set to average lower than in 2022, with a year-over-year drop ranging from 7% for copper to 33% for lithium.
- Growing energy transition and electric vehicle demand for key battery and materials means consumption will outstrip the mining industry's ability to ramp up supply, resulting in commodity deficits as early as 2024. Addressing ESG concerns while allowing development of new mines crucial to those efforts, will require accommodations among all stakeholders.
- High metals prices entering 2022 contributed to global exploration budgets rising 16% for the year, but investors have since shied away from mining companies as metals prices retreated; should this trend

continue, S&P Global Market Intelligence expect a 10%-20% decrease in the global exploration budget for 2023.

To request a copy of the *2023 Electric, Natural Gas and Water Utilities Industry Outlook*, please contact pressinquiries.mi@spglobal.com.

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