Journal of Mines, Metals and Fuels, *72(12): 1287-1294; 2024. DOI: 10.18311/jmmf/2024/47367*

Print ISSN : 0022-2755

Journal of Mines, Metals and Fuels

Contents available at: *www.informaticsjournals.co.in/index.php/jmmf*

Discussion-Opinion-Editorial



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What are the Challenges of Growth for SAMOG and MOGI Companies in the Year 2025

SAMOG: Stand Alone Minerals Oil & Gas

MOGI: Minerals Oil & Gas Integrated

Abstract

The mining industry of minerals, aggregates oil, and gas will face new corporate growth and sustainability challenges in 2025. Coupled with the challenges of regulations, clearances, royalty and taxations, and a general public aversion they will also have to face downturns of the economy. In my earlier articles I discussed the near certainty of a US recession, US recessionary tendencies would overwhelm the world market, after the huge debt scenario and prolonged war situations in the Middle East and Eastern Europe. On top of the above, there is no real income growth in the middle and lower -middle-class population, after inflation adjustment- this would bring down consumption and spending. This article explains the likely sectoral scenarios in the year 2025.

Keywords: *Alumina, Client Inventory, Coal, Iron Ore, Oil and Gas, Phosphate, 2025*

1.0 Introduction

Going forward to 2025, we see few important features for the market and they are among others: saturation, reducing client inventory, high inflation, rise in unemployment, temporary inactivity of some markets in eastern Europe, income loss of the customers, lack of new market growth as well as lack of customer enthusiasm, Market saturation occurs when a product or service is so common in a market that there are no more potential customers to sell to. It can happen in any industry or location and is a major threat to businesses. We will not be able to discuss all in details but we will touch upon a few of those.

2.0 Market Saturation

2.1 Causes

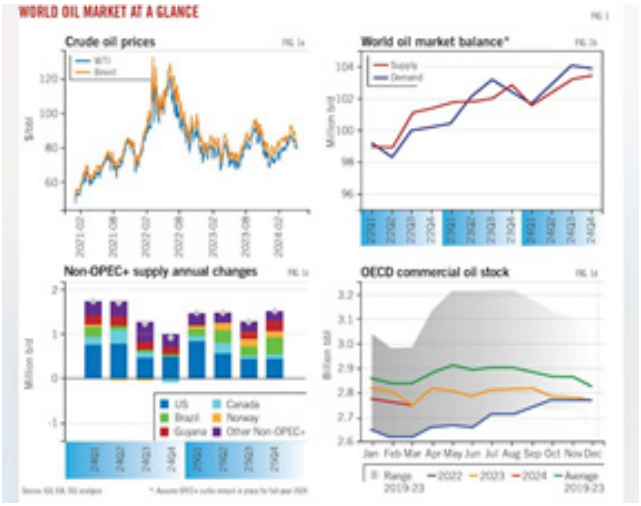
Market saturation can be caused by competition, prices, technology, or consumer purchasing power. For example, a company might experience market saturation if it reduces the market's need for its product or service.

2.2 Effects

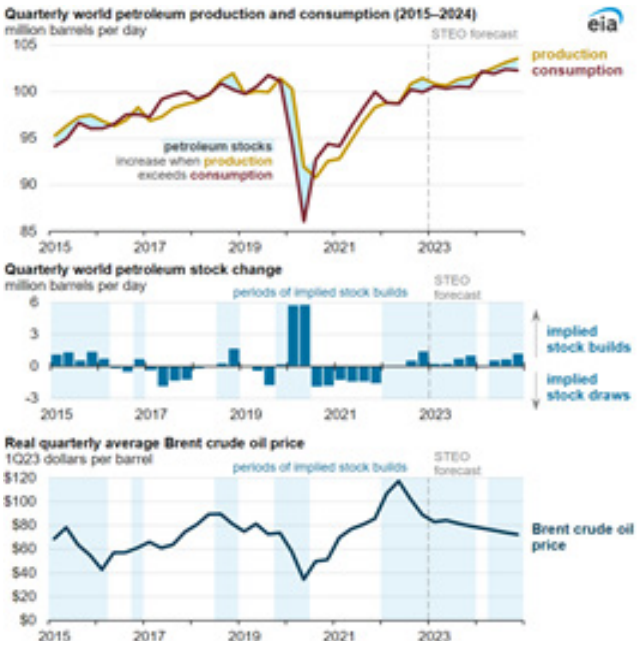
Market saturation can significantly impact a business's potential for growth and profitability.

2.3 Strategies to Avoid

To avoid or delay market saturation, companies can try:



(a) Oil & Gas Journal projection of the world market of oil.



(b) Stagnant crude oil price retarding new investment.

Figure 2. Excess supply and dormant demand will depress price, off take, and strain operational and capital expenditure in 2025.

- Reducing prices.
- Cutting costs.
- Expanding their product line.
- Diversifying and innovating.

Oil & Gas Journal projection of the world market of oil.

3.0 Client Inventory

The client inventory talks about the quality and quantity of clients a company has. The clients reach the company products to the customers. How the clients manage their ownership and operations is a cause of concern for the company. In a depressing market, the clients either cannot manage themselves or lose their customers. Moreover, some clients for various reasons may abandon the company to partner with a rival company. There is a belief that customer retention is the key to profitably growing one's business while reducing the cost of customer acquisition. Here are some client retention metrics that can be useful for SAMOG and MOGI companies

3.1 Customer Lifetime Value (CLV)

Shows how much profit a customer will bring to the business over a given period. CLV is a key metric for retention and has a positive impact on customer loyalty and brand value.

3.2 Customer Retention Rate

A key metric because it's easier to sell to existing customers than to convince new ones (see Figure 2).

3.3 Net Promoter Score (NPS)

A measure of customer satisfaction and loyalty that asks customers to rate how likely they are to recommend the product on a scale of 0 to 10. NPS can help identify areas for improvement.

3.4 Customer Churn Rate

A crucial metric that helps evaluate how quickly a business is losing customers (see Figure 2).

3.5 Repeat Purchase Rate

Shows the percentage of customers who have made more than one purchase from the brand. This metric provides

insight into how much value the company is offering customers.

3.6 Product Return Rate

A high product return rate can indicate that customers are not satisfied with the products or that the company's return policy is too lenient.

3.7 Existing Customer Growth Rate

Measures the rate at which a company generates additional revenue from customer success. This metric provides insight into the performance of marketing and sales efforts.

3.8 Customer Satisfaction Score (CSAT)

A high CSAT score indicates a high level of customer satisfaction. Analyzing CSAT survey feedback can help identify what's working well and what needs improvement.

3.9 Time Between Purchases

An indication of customer loyalty. If a customer returns to the store or website within a short period, it means they're satisfied with their previous purchase.

4.0 General Tendencies

Continuous strifes in Eastern Europe and the Middle East along with rising unemployment is bringing down family incomes -impacting the consumerism that in turn affects the SAMOG and MOGI sectors. Let us begin with the case of oil. According to various sources, the demand for oil and gas is expected to plateau or decline in the coming years

4.1 BP

BP's 2024 Energy Outlook report predicts that global oil demand will plateau until 2035, and then decline. BP also says that India's oil demand is expected to plateau in the mid-2040s.

4.2 International Energy Agency (IEA)

The IEA predicts that global oil, gas, and coal demand will peak by 2030, and then plateau at slightly higher levels than today for the next 30 years. The IEA also cut its 2024 oil demand growth estimate to 910,000 b/d.

4.3 Goldman Sachs

Goldman Sachs predicts that oil demand will peak around 2034, and then decline moderately until 2040. They also predict that gasoline demand will peak around 2028, but petrochemical demand growth could offset that decline.

4.4 BP Projections

BP's projections show that global oil demand will plateau or decline from 2025 at the latest, and could

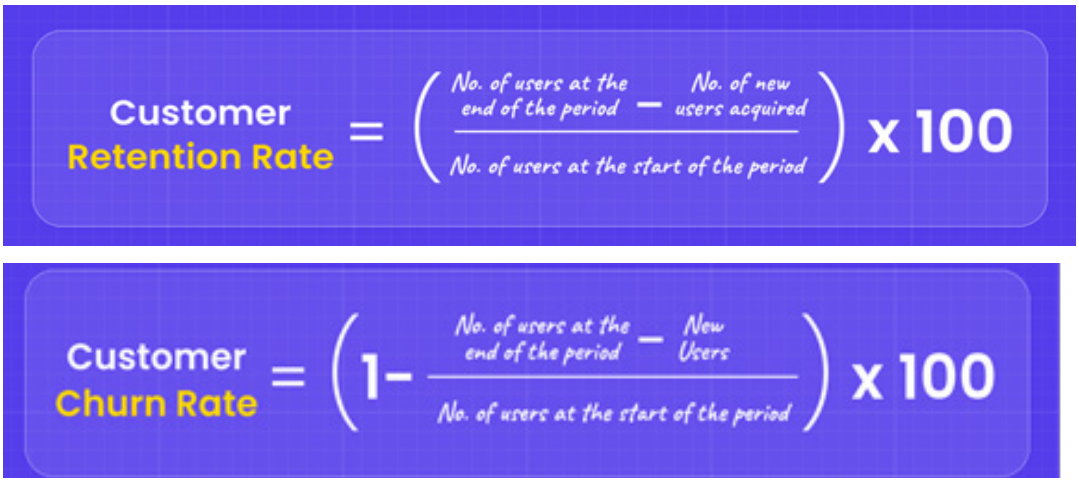


Figure 2. Two important customer retention metrics[1].

In the year, 2025, be cautious about credit and ensure early recovery. Do not overexpose to any clients without due diligence.

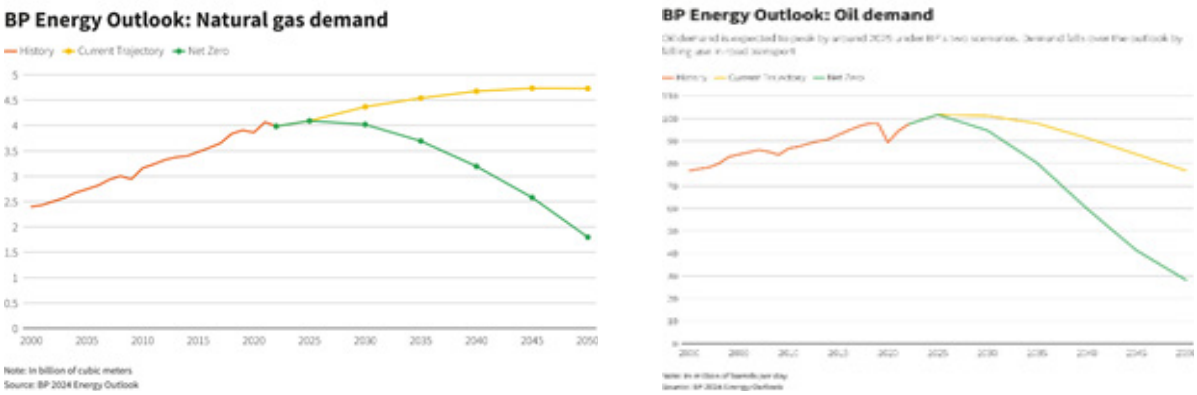


Figure 3. BP Projections of Oil and Gas.

decline up to 2050. BP says that the main reason for this decline is changes in road transport, such as the increasing efficiency of cars and the switch to electric cars (Figure 3).

5.0 Sector Wise Projection for 2025

5.1 Iron Ore

The long-term forecast for 2025 on iron ore prices shall predict stable outcomes ranging between US$100-120 per metric ton. However, there are possibilities of short-run fluctuations due to instability from global economics but the general trend indicates stability resulting from supply-demand balancing. Analysts at Bank of America (BofA) Securities project that iron ore prices will fall below US$80 per tonne, driven by a supply surplus and declining demand from China's steel sector.

5.2 Phosphate

Considering farmers' expected margins and the global acreage of key agri commodities, RaboResearch expects to see marginal growth in fertilizer demand in the coming two years. Nitrogen demand will likely continue to recover slowly in 2025 and pick up slightly in 2026. Phosphate demand will remain under pressure in 2025, with limited growth in 2026. Demand for potash, which currently has more favourable prices, is gently recovering in 2024. The recovery will likely slow in 2025, but increase again in 2026.As a consequence, opportunities in the global phosphate market is expected to grow at a CAGR of 1.95% during the forecast period 2019-2025[2].

5.3 Alumina

Alumina prices are expected to remain high in 2025 due to a global shortage caused by China's production cap and demand growth. The rising price of alumina is putting significant pressure on aluminium smelters, especially those without integrated refineries. Alumina typically accounts for 30% to 40% of production costs, and margins will be squeezed if aluminium prices don't keep pace with rising alumina prices. If this gap widens further, smelters may have no choice but to cut production (Figure 4).

However, with new alumina capacity coming online in Indonesia and India in 2025, the current supply shortages are likely to ease in the latter part of next year. This could bring some price relief, although it may take time for the impact to be fully felt[3].

1. Supply

China, the world's largest producer of aluminum, has a production cap of 45 million tonnes annually, which limits its ability to expand. China also relies on Guinea for bauxite, and alumina costs are high while the price of the finished product hasn't increased as quickly.

2. Demand

Demand for aluminum is expected to increase by over 4% annually in the coming years. Goldman Sachs expects demand to benefit from equipment upgrades and consumer goods trade-in programs.

3. Other factors that may affect alumina prices in 2025 include:

Trade tensions

Potential increases in US-China trade tensions could negatively impact prices.

5.4 Refineries

Refinery closures in Australia and new refineries in Ghana and China are changing trade flows and creating new trading partnerships.

5.5 Coal

International coal prices are expected to decline by 28 percent in 2024 and a further 12 percent in 2025. Upside risks to the coal price outlook include higher-than-expected growth in China's consumption and various

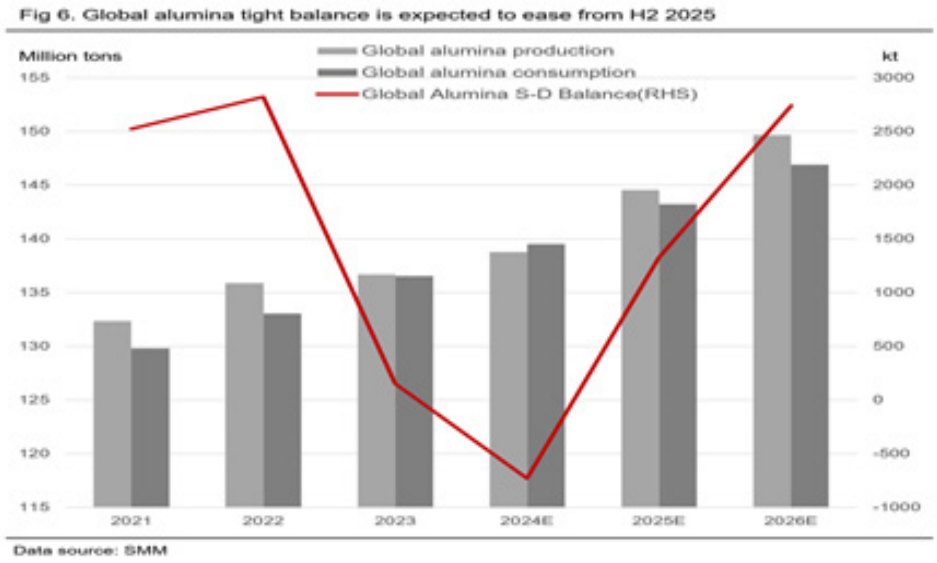


Figure 4. Global alumina supply-demand balance is expected to ease in the 2nd half of 2025.

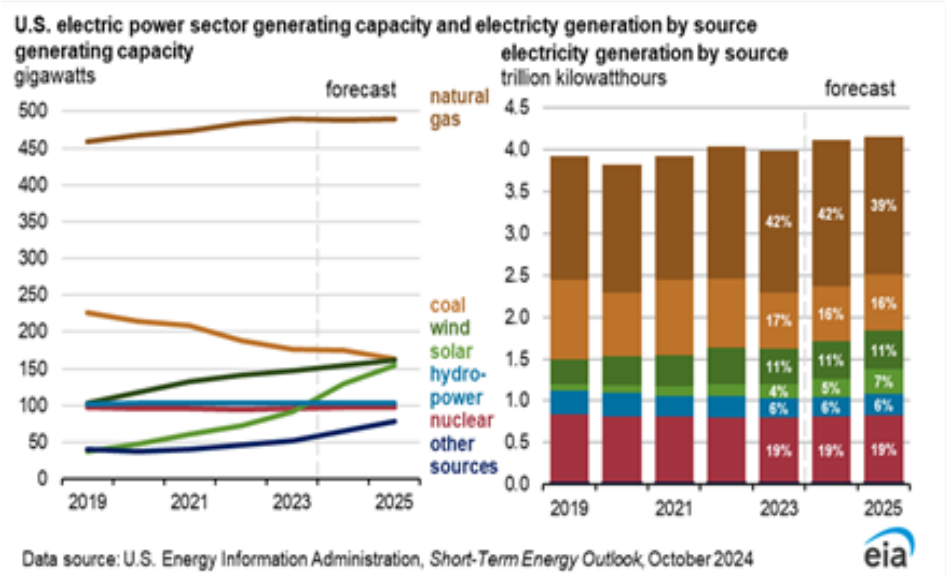


Figure 5. US electric power sector.

factors that could lower renewable electricity production, such as low rainfall or light wind conditions[4].

Global coal demand is set to remain broadly unchanged in both 2024 and 2025 as surging electricity demand in some major economies offsets the impacts of a gradual recovery in hydropower and the rapid expansion of solar and wind, according to the IEA's latest update on coal market trends worldwide[5].

It is quite likely that U.S. solar generating capacity will approach the amount of U.S. coal-fired capacity by the end of 2025, coal power plants tend to run at higher utilization rates over time. IEA expect that coal will account for about 16% of total U.S. generation in 2024 and 2025, down from 17% last year. Increasing generation from new solar is likely to most affect natural gas generation, which IEA expect will fall from 42% of U.S. generation in 2024 to 39% in 2025. In addition to the effect of more solar generation, we expect less natural gas generation in 2025 as a result of rising natural gas prices as well as very little new generating capacity coming online (Figure 5).

The imminent closure of the UK's last coal power plant is a further reminder that thermal coal's days in Europe are numbered. In Asia, coal will remain a major source of power for many years to come but global demand will still slow as growth in India will not be enough to offset falls in China, the US and EU. With the outlook for supply relatively positive, we forecast coal prices in Asia to fall by the end of 2025[6].

5.6. Oil

Here are some forecasts for international oil and gas prices in 2025:

5.6.1 J. P. Morgan

Forecasts that Brent could average $75 per barrel in 2025, declining to the low $60s by the end of the year. Crude oil prices could dip to the low $60s by the end of 2025 after rising to $80 a barrel in the last quarter (October–December) of 2024 — up nearly 10 per cent from current levels, suggest analysts at JP Morgan.The main players in West Asia, including Saudi Arabia and the United Arab Emirates, have a strong incentive to keep the conflict contained, according to the JP Morgan report, given the economic transformation taking place across the Gulf region[7].

5.6.2 LiteFinance

Predicts that prices will rise to about $83–$84 in 2025, considering ongoing conflicts in Eastern Europe and the Middle East

5.6.3 EIA

Reduced its forecast for the Brent crude oil spot price to average $78 per barrel in 2025, reflecting a reduction in global oil demand growth

The EIA's forecast for lower crude oil prices is largely due to a reduction in global oil demand growth in 2025. However, crude oil prices have risen in recent days due to escalating conflict in the Middle East, raising the possibility of oil supply disruptions.

5.7 Gas

The International Energy Agency (IEA) expects global LNG supply to grow by nearly 6% in 2025, which is faster than the 2% growth expected in 2024 (Figure 5). This growth is due to several large LNG projects coming online. A major player, Qatar is expanding its LNG capacity to increase annual production from 77 million metric tons to 142 million metric tons by 2030. Qatar Energy began construction of its 32-MTPA North Field East Expansion in October 2023, with the first gas expected in 2025. The natural gas market is expected to remain tight in 2024 and 2025, with production increases just matching demand. However, supply is poised to expand in all major producing regions except the U.S. The price of natural gas in 2025 is expected to be around $3.10 per million British thermal units (MMBtu) on average, according to the U.S. Energy Information Administration (EIA). This would be a 44% increase from the average price of $2.22 in 2024, and the largest annual increase since 2022.

Factors that are expected to contribute to the increase in natural gas prices in 2025 include:

- **Increased demand**: Demand for natural gas is expected to increase due to electricity and industrial consumption, as well as liquefied natural gas (LNG) exports.
- **Supply response**: Higher gas prices may motivate producers to increase output.
- **Consumer demand**: High gas prices may reduce consumer demand, especially among industrial sectors that may electrify certain processes.

However, the price differential between average gas prices in the Netherlands and Henry Hub prices is forecast to decline to 3.5 times the Henry Hub level by the end of 2025. This is due in large part to rising U.S. gas prices (Figure 6).

Innovations like fracking and sideways drilling have kept prices around the world low by making more gas available. However, advances in technology, like more productive solar panels or wind turbines, could lessen the need for natural gas. The forecast for U.S. consumption of natural gas is to average 89 Bcf/d in 2025, which is about the same as the forecast for consumption in 2024. However, USEIA expect that LNG exports will rise by nearly 2 Bcf/d next year with continued strong international demand as export capacity expands[8].

6.0 Summary

Here's some information about the outlook for minerals, oil, and gas in 2025:

6.1 Oil

The US Energy Information Administration (EIA) predicts that global oil production will increase by 2 million barrels per day (b/d) in 2025. This is due to a strong growth in production outside of OPEC+, while OPEC+ production is expected to increase by 0.7 million b/d. The EIA also expects Brent crude oil to average $78 per barrel in 2025.

6.2 Natural Gas

The IEA predicts that global natural gas demand will reach over 4,370 billion cubic meters (bcm) annually in 2025. Enverus predicts that natural gas prices will increase in 2025 as new LNG facilities come online.

6.3 Industrial Minerals

Industrial minerals like barite, bentonite, and silica sand are essential for oil and gas drilling operations.

6.4 Commodity Prices

The World Bank projects that commodity prices will experience a slight downturn in 2025, but will remain above pre-pandemic levels.

6.5 Mining and Metals

Some risks for miners and investors in 2025 include high costs, particularly for labor and energy. There are also

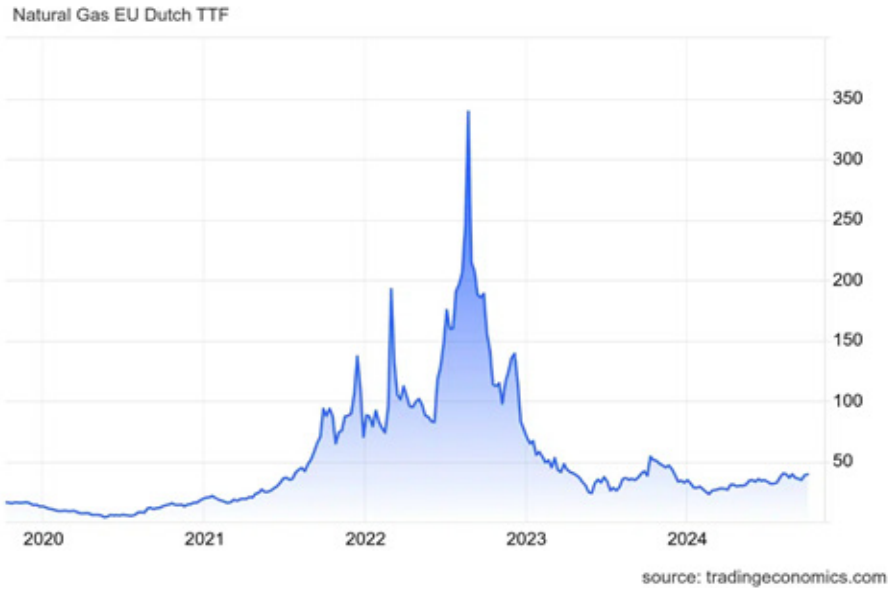


Figure 6. European natural Gas 5-Year price performance chart.
Source: Trading Economics (if you balance with inflation, there is hardly any rise as of 2020, in 2024).

challenges around skills shortages, which can impact productivity and safety.

Tough financing and macroeconomic conditions are making it more difficult for miners. Investors now expect a strong focus on capital discipline and returns through dividends and share buybacks, and this drives greater scrutiny of how investment capital is deployed. Market valuations are increasingly diverging, with high growth stocks being rewarded with stronger multiples, typically on the back of portfolios focused on the supply of critical minerals into the energy transition. Mining companies are also considering spinning off either noncore or high-growth assets into separate companies; we expect this trend to accelerate as management looks at ways to balance portfolios to contribute growth or much-needed investment capital to be redirected toward growth projects. What is noted is capital being allocated to new or changing business models as mining companies look to invest in growth areas, e.g., integrating recycling or vertical integration into advanced processing. Brownfield projects and acquisitions remain areas of focus. Bringing on new supplies is challenging. Exploration and greenfield projects are not receiving the encouraging investment required. The race for copper may buck the trend, with promised high rewards encouraging exploration and new mine development. Rio Tinto has announced it will prioritize new copper mines to produce 1mtpa within the next five years. End users of copper are also expected to consider partnerships with major miners to develop new projects. While core upstream investments carry the best long-term returns, they bring risk and create volatility in the short-term. To reduce this, mining companies could consider investing in different parts of the value chain (downstream, logistics, etc.). However, ultimately, miners will need to determine if these decisions dilute the returns required by investors over the long term[9].

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