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Energy crisis upsets platinum market

Electricity shortages in South Africa led to record-breaking prices for platinum last week as two of the world's leading producers forecasted that energy rationing will reduce production in 2008.

South Africa has been plagued by energy problems for months, but major blackouts lasting up to several hours started sweeping the country in January. Eskom, the state-owned utility that provides most of the nation's electricity, has said that it will cut supplies to industrial customers by 10% to help stabilize the situation.

Anglo Platinum and Implats, the world's largest platinum producers, say that the power shortages could result in less production of the metal in 2008.

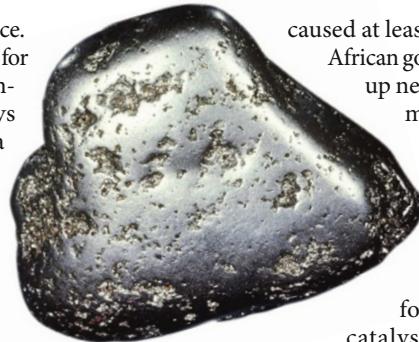
The price of platinum, which is mostly used in catalytic converters for vehicles, breached US\$2,000 per troy ounce for the first time ever on 14 February; a month earlier the price was

just under \$1,600 per troy ounce.

Jeremy Coombes, an analyst for the catalyst manufacturer Johnson Matthey in London, says that the forecasts amount to a 3–5% decrease in production — big numbers for a market that is already tight. "The market was very sensitive and it really got hammered by the news about the power shortages," Coombes says.

"The platinum market got hammered by the news about the power shortages."

Eskom says that the situation might not return to normal until 2012, when it expects to start up at least one new power plant. This expansion of power should have started years ago, but the company's plans have been repeatedly delayed, according to Anton Eberhard, an energy expert at the University of Cape Town. Eberhard believes that the problem was



caused at least partly by the South African government, which held up new projects while promoting privatization in the energy sector.

South Africa produces roughly four-fifths of the world's new platinum. Rising demand for the metal in autocatalysts — used to lower exhaust pollution — has been driving prices up since 2002, when platinum sold for as little as \$451 per troy ounce.

Coombes says that the price increase will probably spur further efforts to recycle the metal from autocatalysts, an activity that provided 11% of the global supply in 2006. It could also wipe out the market for platinum in all but the most expensive jewellery.

Jeff Tollefson