



## How Teck Resources Ltd (TSX:TECK.B) Is Pivoting Away From Coal

### Description

**Teck Resources** ([TSX:TECK.B](#))([NYSE:TECK](#)) has long been known as a coal company — a resource so volatile and controversial that many investors believe it could ultimately drive the company to financial ruin. Last year, I addressed whether Teck Resources could go completely [bust](#).

However, peering under the hood, Teck Resources's management team has been positioning the company for success beyond coal. In fact, this stock looks like it could benefit immensely from the antithesis of coal: renewable energy.

In the coming years, Teck Resources is ready to become a renewable energy powerhouse.

### Renewables are taking over the grid

In February, I'd [outlined](#) how **Lundin Mining** shares could go on steroids due to its exposure copper. Teck Resources could benefit from the same tailwind.

In a recent **Citigroup** research report, analysts suggested that investors should get ready for “a decade of Dr. Copper on steroids,” highlighting that prices could hit US\$8,000 per tonne in 2022, with room for even more price growth over the next decade.

Why the bold prediction? Simply put, rising demand will be met with shrinking supply — a perfect storm scenario for any commodity. For example, through 2030, the rise of renewable energy is expected to push copper demand up by 3% annually. However, I suspect growth could greatly outpace this prediction.

One of the most heavily cited sources for energy predictions is the International Energy Agency (IEA). Yet for some reason, this group has been incapable of understanding how exponential growth works. Renewables, specifically, are driven by exponential declines in cost. That makes their global rollout quicken in pace over time. If you don't account for exponential growth, your predictions will look silly time and time again.

The similarly named U.S. Energy Information Administration (EIA) has a much better long-term track record of predicting renewables growth, although they too have been prone to underestimation. This organization predicts many renewable sources to grow by around 7% annually. Through 2035, wind is expected to grow by 5.7%, while solar installations should grow by 8.4%.

## What does this mean for Teck Resources?

So, renewable energy is likely to see strong growth for decades to come, often at rates higher than expected. What does that mean for Teck Resources?

In 2018, Teck Resources produced 294,000 tonnes of copper. In 2019, it's expected to produce nearly 600,000 tonnes. That's great news considering copper is a critical component of renewable technologies.

By growing output so quickly, copper has the potential to decrease the importance of the company's coal segment. Over the next few years, management anticipates coal could produce less than 50% of EBITDA, making Teck Resources an emerging renewable energy company.

Apart from copper, the company also has long-life, low-cost zinc operations generating EBITDA margins of 55%. While not as pure-play as copper, zinc is used in a wide array of renewable energy sources from solar cells to wind turbines. There's even the potential for zinc to be used in next-gen batteries.

In total, Teck Resources's zinc and copper exposures are helping it turn away from legacy fuels like coal. The next few decades will be driven by renewables, and this stock is ready to benefit.

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