Underinvesting in the Future

Metals. Energy. Infrastructure.

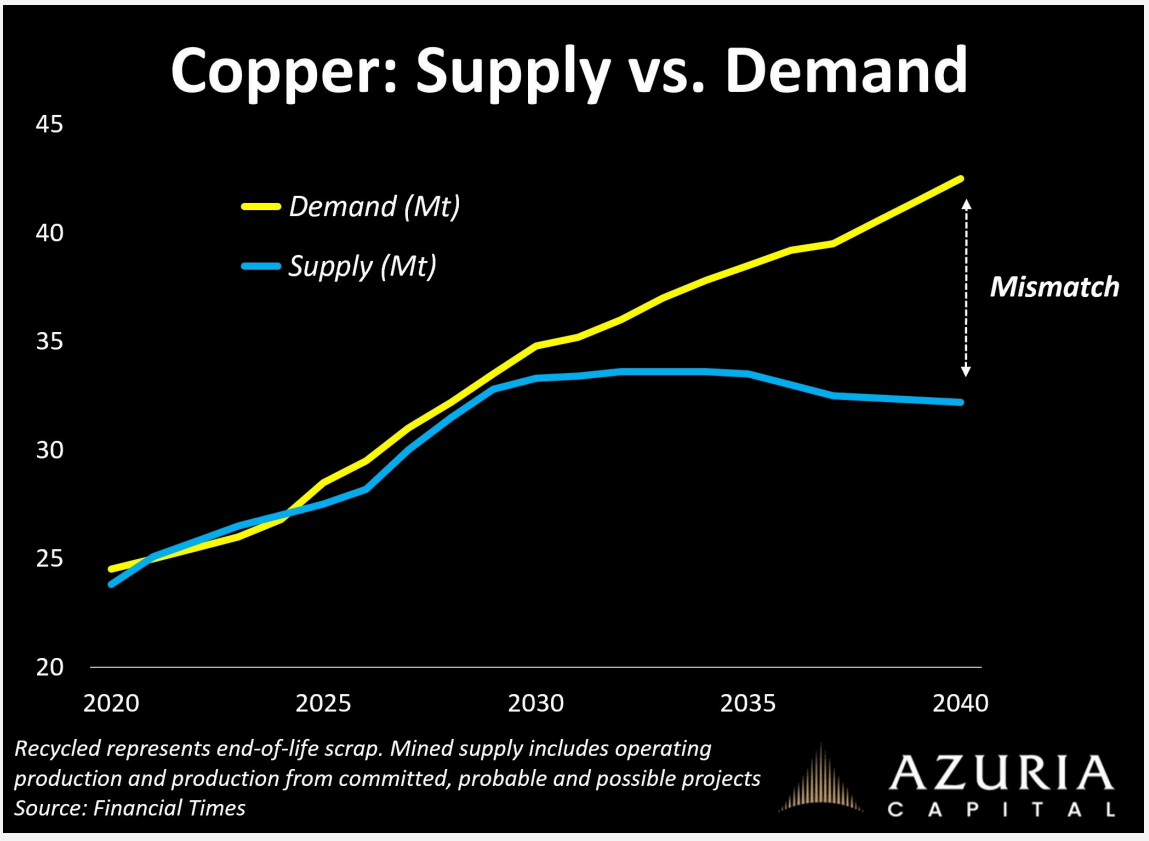
Tavi Costa
28 Mar 2026 at 14:05

I'm sure higher energy prices, higher interest rates, and ongoing wars will go a long way in solving the problem of getting mines to produce the metals we desperately need. The world still underestimates the scale of the problem:

A lack of institutional capital, technical expertise, proper timing, labor availability, and, frankly, a good deal of luck… maybe a lot of it. Whether tensions involving Iran are resolved tomorrow or drag on for months or years is beside the point — the supply of metals remains a structural constraint.

Higher rates may curb demand, but they do nothing to create new supply.
At its core, this is a mining problem. Until it becomes a real priority, persistent price appreciation is unlikely to stop.

Ask yourself… Why would it if none of the fundamental issues been addressed?

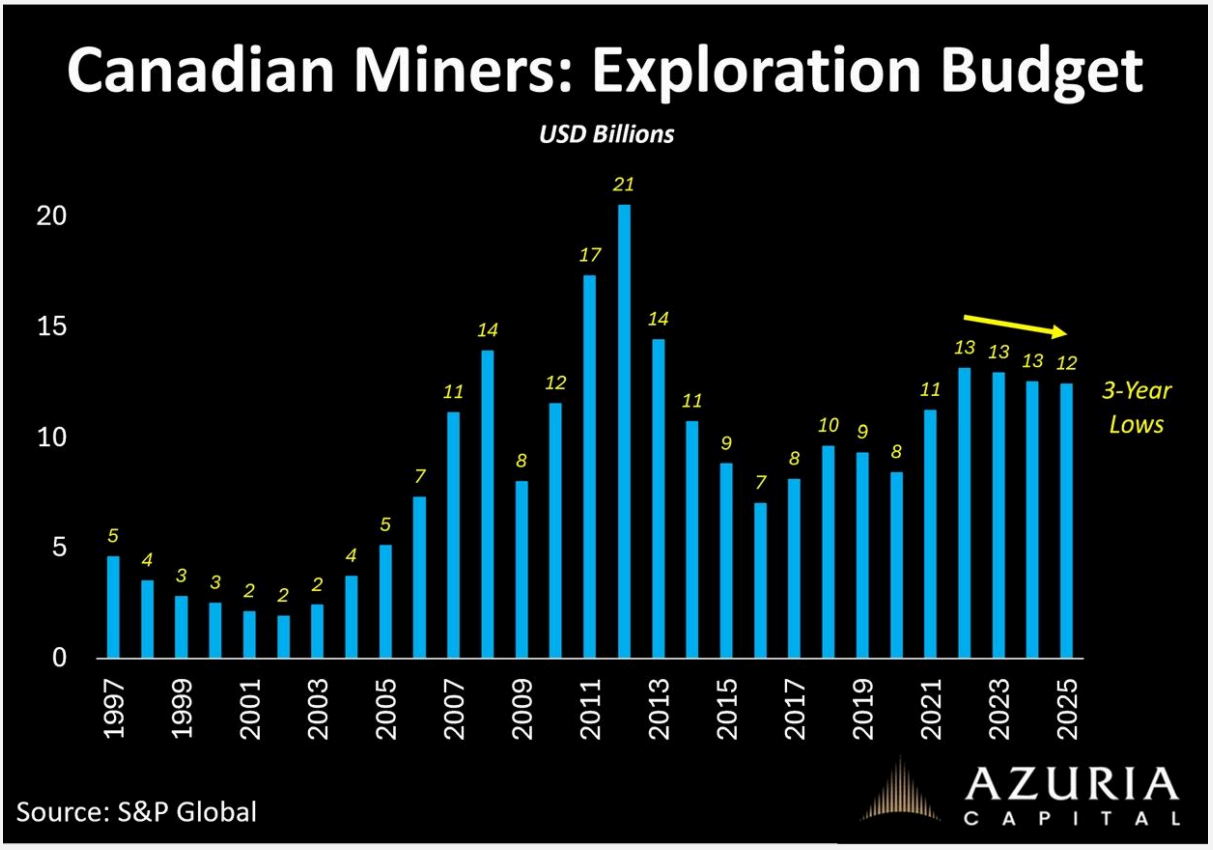


Even more concerning, from a strategic and management standpoint, is the industry's persistent unwillingness to commit capital to exploration — despite price signals that clearly justify it.

Canadian-listed miners — where much of the industry is concentrated — have pushed aggregate exploration budgets to fresh three-year lows.
How can supply meaningfully grow if capital and time are not being deployed to discover the deposits required for the next decade?

This is not cyclical — it is structural.

We are underinvesting in future production. This is a concerning trend — yet perversely supportive for markets, likely translating into higher metal prices and improved mining economics.



If exploration budgets remain this constrained, we should expect nothing less than an era of marginal discoveries — exactly what the chart below reflects.
There are critical differences from the 1970s, but the shortage of new supply still makes today's backdrop reminiscent of that period.

Back then, weak exploration spending and limited interest in new discoveries ultimately set the stage for one of the longest and most profitable periods in metals markets—though I would argue this cycle has the potential to surpass it. What is often overlooked, however, is what followed.

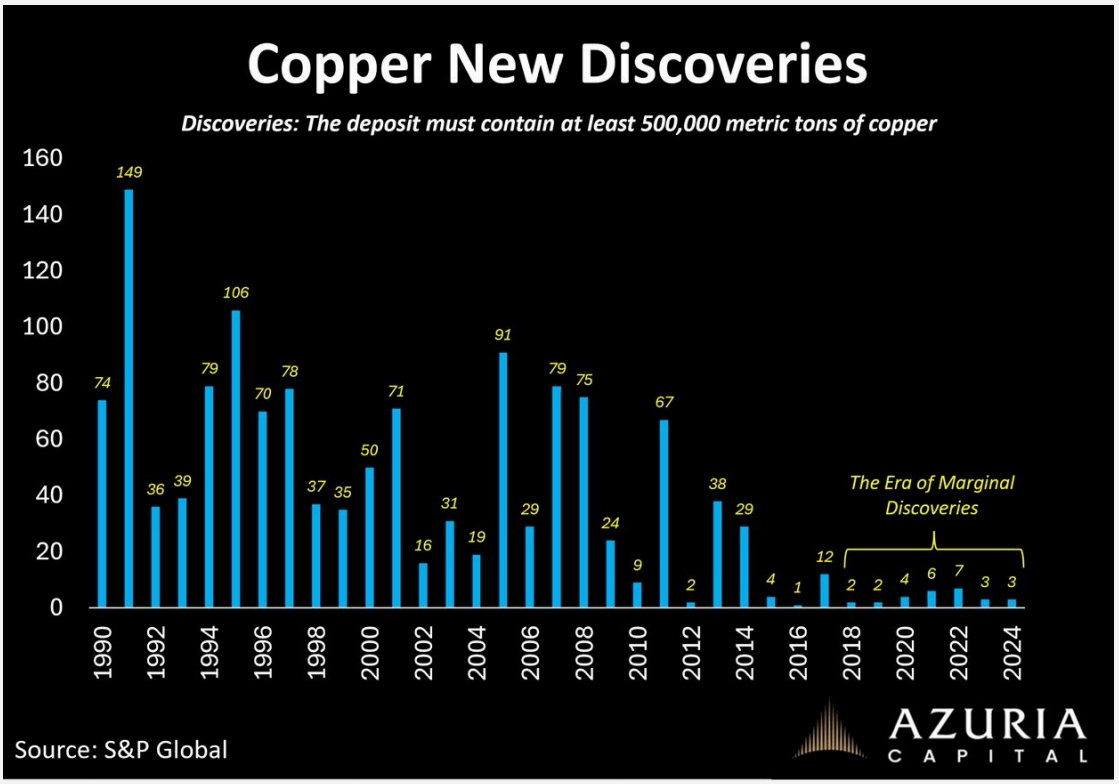
Even after prices peaked in the late ’70s and early ’80s, they remained high enough to justify continued investment. The result?

One of the most prolific discovery periods in history, from the 1980s through the mid-1990s — resources we are still drawing down today. It’s a powerful reminder of how sustained investment can reshape supply for decades.

What concerns me is the timeline. From discovery to production, the process takes, on average, about **15 years** — and that’s with a high failure rate along the way, with most projects never making it to production. We need to see that level of commitment again.

Otherwise, the outcome is straightforward: persistent inflationary pressures, periodic spikes in commodities, and structurally higher prices relative to history — because the root problem remains unresolved.

And the root problem is supply.



Another way to frame this is by looking at aggregate capital spending across miners and adjusting it for gold prices — arguably a more realistic, inflation-adjusted measure. The result is striking.

Capex, when adjusted for gold, is down roughly 83% from its prior peak in the 2011 cycle.

This is why, when I hear confident calls that mining equities have already peaked, I struggle to take them seriously. Not out of arrogance — but from studying how this industry actually behaves over time.

Mining is inherently cyclical — and self-correcting.

Prices rise, margins expand, capital floods in, production increases, supply catches up, and the cycle peaks.

But that's not where we are today.

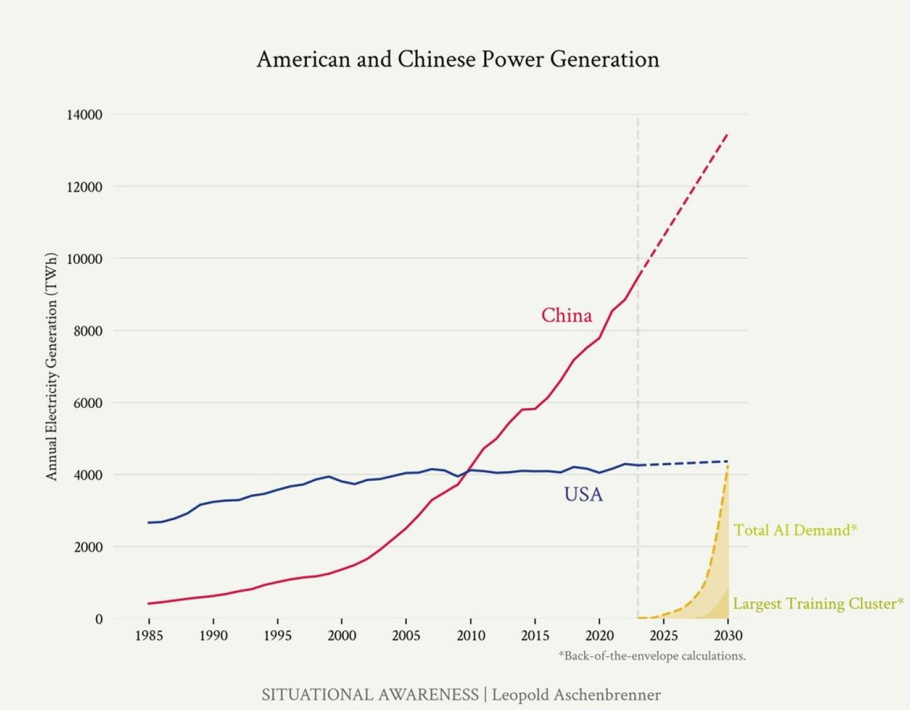
The level of conservatism we're seeing now is not indicative of a peak — it's characteristic of **a major bottom.**

Lastly, after stepping back and looking at the big picture in this industry, I think it's critical to highlight another powerful dynamic shaping the future: deglobalization and AI.

The next chart is remarkable — one of the most important I've seen in a long time. The AI story has been widely discussed, so I'll keep this simple:

AI alone could drive incremental electricity demand equivalent to adding another U.S. economy over the next five years. That is staggering. But there's another element here that, in my view, is even more consequential. Look at the gap between the US and China.

If deglobalization is indeed here to stay — and I believe it is, given the unprecedented levels of global debt, which historically tend to increase geopolitical tensions rather than reduce them — then onshoring and the push for domestic industrial capacity are only likely to accelerate.



China's line in that chart moves almost in a straight line higher for a reason: it has been the manufacturing hub of the world.

Now consider what happens if G7 economies — or even a broader set of countries — decide to rebuild that capacity domestically. If onshoring accelerates meaningfully, how does electricity demand evolve across those regions?

Yes, in theory, it's a redistribution — China's demand moderates while demand rises elsewhere.

But here's the critical point: most countries lack the electrical, industrial, and manufacturing infrastructure required to support that transition.

Which means one thing: a massive buildout lies ahead.
And that buildout comes down to three words: **Metals. Energy. Infrastructure.**

Sincerely, Tavi Costa | Chief Executive Officer
Azuria Capital LLC