

BHP faces 30% cost hike, delay at Saskatchewan potash mine

JEFFREY JONES > ESG AND SUSTAINABLE FINANCE REPORTER

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BHP blamed the cost increase at its Jansen potash mine on 'inflationary and real cost escalation pressures, design development and scope changes, and our current assessment of lower productivity outcomes over the construction period.'

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Australia's BHP Group Ltd. [BHPLF](#) -1.05% decrease said inflation and other pressures could lead to a cost overrun of as much as 30 per cent at its multibillion-dollar Jansen potash mine in Saskatchewan.

BHP also said it is pushing back the project's scheduled startup by at least six months. It said it remains committed to completing the mine.

The rising costs and delay at Jansen were the sole shortcomings in a fiscal fourth-quarter operational update that showed record copper and iron-ore production elsewhere in its global business.

BHP said the first phase of the Jansen project could cost US\$7-billion to US\$7.4-billion, up from its initial estimate of US\$5.7-billion.

It blamed the projection on “inflationary and real cost escalation pressures, design development and scope changes, and our current assessment of lower productivity outcomes over the construction period.”

Some of that stems from disruptions of the COVID-19 pandemic on supply chains, and the resulting inflation as the world’s economy fired up after the health restrictions.

The company also dealt with the impact of severe weather on above-ground installations at the site, which contributed to lower productivity.

Startup of the major fertilizer mine, located about 150 kilometres east of Saskatoon, is now expected in mid-2027. It was previously scheduled for the end of 2026.

The company said the first phase of the mine is 68-per-cent complete. To date, it has spent US\$4.5-billion on that portion and US\$400-million on the second phase. When complete, Jansen will be one of the world’s largest potash mines.

BHP also said it may delay the second phase of Jansen to 2031 from 2029, citing the potential for more potash supply coming onto the market in the medium term.

Based on consensus potash price estimates, BHP’s investment in Jansen should generate an internal rate of return of 12 per cent to 14 per cent, an expected payback period of seven years from first production, it said.

BHP’s cost overrun and delay represents a setback for the company, but could be positive for global potash prices in 2026 and 2027, owing to tighter-than-expected supplies, Bank of Nova Scotia analyst Ben Isaacson said in a research note.

Analysts at Jefferies said they believe the fundamental outlook for potash, a major Western Canadian export, to be “very challenging.”

Apart from Jansen, BHP said it produced more than two million tonnes of copper, a company record as it concentrates on expansion output of the metal for electrification and digitization of economies, as well as other needs.

In Chile, the company's Escondida mine produced the most copper in 17 years, and its Spence operation ran at its highest volume, it said. The company's Copper SA operations in Australia also produced record amounts in the last three months of the fiscal year ended June 30.

Iron-ore production in Western Australia, meanwhile, overcame the impact of a pair of tropical storms in the third quarter to produce 290 million tonnes in the last three months of the year.

BHP pointed out that demand for its commodities has remained resilient. It said that reflects China's still-robust domestic demand and the country's ability to expand overall exports despite the decline in shipments to the United States.

Meanwhile, demand for copper and steel are benefiting from accelerated investments in renewable energy, power grids, machinery exports and sales of electric vehicles, it said.

"While slower economic growth and a fragmenting trading system remain potential headwinds, stimulus efforts by China and the USA would help to mitigate the near-term impact," BHP said.

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