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# Investment and Uncertainty With Time to Build:

Evidence from Entry into U.S. Copper Mining

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## Abstract:

The standard real-options model predicts that increased uncertainty discourages investment. When projects are large and take time to build, however, that prediction can be reversed. We investigate the investment/uncertainty relationship empirically using historical data on opening dates of new U.S. copper mines — large, irreversible projects with substantial construction lags. Both the timing of the decision to go forward and the price thresholds that trigger that decision are assessed. In particular, we build upon a reduced form analysis to construct a structural model of entry. We find that, in this market, greater uncertainty encourages investment and lowers the price thresholds for many mines.

**Keywords:** Investment, Entry, Uncertainty, Real options, Copper mining, Structural estimation

**JEL classifications:** G11, L72, Q39

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