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Copper Thefts Threaten US Critical Infrastructure

Federal Bureau of Investigation
Intelligence Assessment (Unclassified)
Prepared by
FBI Criminal Intelligence Section
September 15, 2008



Electric utility substation

Scope Note

The assessment highlights copper theft and its impact on US critical infrastructure. Copper thefts are occurring throughout the United States and are perpetrated by individuals and organized groups motivated by quick profits and a variety of vulnerable targets. Information for the assessment was developed through May 2008 from the following sources:

- FBI
- Open sources

Source and Confidence Statement

Reporting relative to the impact of copper thefts on US critical infrastructure was derived from the FBI and open sources. The FBI has high confidence that the FBI source reporting used to prepare the assessment is reliable. The FBI also has high confidence in the reliability of information derived from open-source reporting.

Key Judgments

- Copper thieves are threatening US critical infrastructure by targeting electrical sub-stations, cellular towers, telephone land lines, railroads, water wells, construction sites, and vacant homes for lucrative profits. The theft of copper from these targets disrupts the flow of electricity, telecommunications, transportation, water supply, heating, and security and emergency services and presents a risk to both public safety and national security.¹
- Copper thieves are typically individuals or organized groups who operate independently or in loose association with each other and commit thefts in conjunction with fencing activities and the sale of contraband. Organized groups of drug addicts, gang members, and metal thieves are conducting large scale thefts from electric utilities, warehouses, foreclosed or vacant properties, and oil well sites for tens of thousands of dollars in illicit proceeds per month.²
- The demand for copper from developing nations such as China and India is creating a robust international copper trade. Copper thieves are exploiting this demand and the resulting price surge by stealing and selling the metal for high profits to recyclers across the United States. As the global supply of copper continues to tighten, the market for illicit copper will likely increase.³

Transformer



Transformers contain approximately 50 lbs. of copper with the potential to yield \$200 for copper thieves and if stolen, result in thousands of dollars in damages, replacement costs, and environmental clean-up.

Copper Thefts Threaten US Critical Infrastructure

Copper thieves are threatening US critical infrastructure by targeting electrical substations, cellular towers, telephone land lines, railroads, water wells, construction sites, and vacant homes for lucrative profits. Copper thefts from these targets have increased since 2006; and they are currently disrupting the flow of electricity, telecommunications, transportation, water supply, heating, and security and emergency services, and present a risk to both public safety and national security.

- According to open-source reporting, on 4 April 2008, five tornado warning sirens in the Jackson, Mississippi, area did not warn residents of an approaching tornado because copper thieves had stripped the sirens of copper wiring, thus rendering them inoperable.
- According to open-source reporting, on 20 March 2008, nearly 4,000 residents in Polk County, Florida, were left without power after copper wire was stripped from an active transformer at a Tampa Electric Company (TECO) power facility. Monetary losses to TECO were approximately \$500,000.
- According to agricultural industry reporting, as of March 2007, farmers in Pinal County, Arizona, were experiencing a copper theft epidemic as perpetrators stripped copper from their water irrigation wells and pumps resulting in the loss of crops and high replacement costs. Pinal County's infrastructure loss due to copper theft was \$10 million.

Criminal Groups Involved in Copper Thefts

Copper thieves are typically individuals or organized groups who

operate independently or in loose association with each other and commit thefts in conjunction with fencing activities and the sale of contraband. Organized groups of drug addicts, gang members, and metal thieves are conducting large scale thefts from electric utilities, warehouses, foreclosed and vacant properties, and oil well sites for tens of thousands of dollars in illicit proceeds per month.



Sawzalls, bolt cutters, wire cutters, and various hand tools are used in the commission of copper theft.

- According to open sources, as recently as April 2008, highly organized theft rings specializing in copper theft from houses and warehouses were operating in Minneapolis, Minnesota. These rings or gangs hit several houses per day, yielding more than \$20,000 in profits per month. The targets were most often foreclosed homes.⁴
- Open-source reporting from March 2008 indicates that an organized copper theft ring used the Cuyahoga County Sheriff's foreclosure lists to pinpoint targets in Cleveland, Ohio. Perpetrators had 200 pounds of stolen copper in their van, road maps, and tools. Three additional perpetrators were found to be using the US Department of Housing and Urban Development's list of mortgage and bank foreclosures to target residences in Cleveland, South Euclid, Cleveland Heights, and other cities in Ohio.⁵

Global Demand Increasing

China, India, and other developing nations are driving the demand for raw materials such as copper and creating a robust international trade. Copper thieves are receiving cash from recyclers who often fill orders for commercial scrap dealers. Recycled copper flows from these dealers to smelters, mills, foundries, ingot makers, powder plants, and other industries to be re-used in the United States or for supplying the international raw materials demand. As the global supply of copper continues to tighten, the market for illicit copper will likely increase.

- Open-source reporting from February 2007 indicates that the global copper supply tightened due to a landslide at the Freeport-McMoran Copper and Gold mine in Grasberg, Indonesia in October 2003 and a worker's strike at the El Abra copper mine in Clama, Chile in November 2004. These events contributed to copper production shortfalls and led to an increase in recycling, which in turn created a market for copper.⁶
- Open-source reporting from October 2006 indicated that the demand for copper from China increased substantially due to the construction of facilities for the 2008 Olympics.⁷
- Open-source reporting indicated that from January 2001 to March 2008, the price of copper increased more than 500 percent.⁸ This has prompted unscrupulous and sometimes unwitting independent and commercial scrap metal dealers to pay record prices for copper, regardless of its origin, making the material a more attractive target for theft.

Copper Wire



Copper wire containing insulation is often transported to burn sites where the insulation is burned off in a steel drum leaving behind just the copper wire.

Outlook

The global demand for copper, combined with the economic and home foreclosure crisis, is creating numerous opportunities for copper-theft perpetrators to exploit copper-rich targets. Organized copper theft rings may increasingly target vacant or foreclosed homes as they are a lucrative source of unattended copper inventory. Current economic conditions, such as the rising cost of gasoline, food, and consumer goods, the declining housing market, the ease through which copper is exchanged for cash, and the lack of a significant deterrent effect, make it likely that copper thefts will remain a lucrative financial resource for criminals.

Industry officials have taken some countermeasures to address the copper theft problem. These include the installment of physical and technological security measures, increased collaboration among the various industry sectors, and the development of law enforcement partnerships.⁹ Many states are also taking countermeasures by enacting or enhancing legislation regulating the scrap industry—to include increased recordkeeping and penalties for copper theft and noncompliant scrap dealers. However, there are limited resources available to enforce these laws, and a very small percentage of perpetrators are arrested and convicted. Additionally, as copper thefts are typically addressed as misdemeanors, those individuals convicted pay relatively low fines and serve short prison terms.

This intelligence assessment was prepared by the Criminal Investigative Division of the FBI.

¹ WAPT.com, "Copper Thieves Silence Tornado Siren," 8 April 2008, available at www.wapt.com.

² The Orlando Sentinel, "Theft Causes Power Outage," 21 March 2008, available at www.orlandosentinel.com.

³ Murphree, Julie. "Copper Theft in Arizona at Epidemic Levels," *Arizona Farm Bureau: Arizona Agriculture*, March 2007, Vol. 60, No. 3, available at www.azfb.org.

⁴ Tevlin, Jon. "The New Underground Currency," *StarTribune.com*, 12 April 2008, available at www.msnbc.msn.com.

⁵ The Plain Dealer, "Copper Theft Ring Worked From Foreclosure Lists, Cleveland Heights Police Say," 28 March 2008, available at www.cleveland.com.

⁶ According to an extensive study sponsored by the Chief Security Officer web site (www.csoonline.org) – Scott Berinato. "Copper Theft: The Metal Theft Epidemic." 1 February

2007, http://www.csoonline.com/read/020107/fea_metal.html.
⁷ Xinhau News Agency. "Beijing to Spend More on Infrastructure for Olympics," CHINA.ORG.CN, 9, October, 2006, available at www.china.org.cn.
⁸ NYMEX Daily Spot Settlement Price, <http://www.nymex.com> (accessed on 9 March 2008).
⁹ US Attorney Anti-Terrorism Advisory Council Meetings with industry and law enforcement 25 April 2008 and 29 July 2008; LexisNexis; (U) Hassan, Anita. "Jackson Lee Says She Will Introduce Legislation That Enlists Help of FBI," *The Houston Chronicle*, 6 September 2008.

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