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China Rushes to Dominate Global Supply of Lithium

Beijing's race to control supplies of lithium, used in powering electric cars, is leaving its rivals far behind.

By Yigal Chazan
February 23, 2019

China is increasingly dominating the supply of what's been described as "white petroleum," the soft, silvery metal lithium, seen as key to the momentum-gathering electric vehicle (EV) revolution.

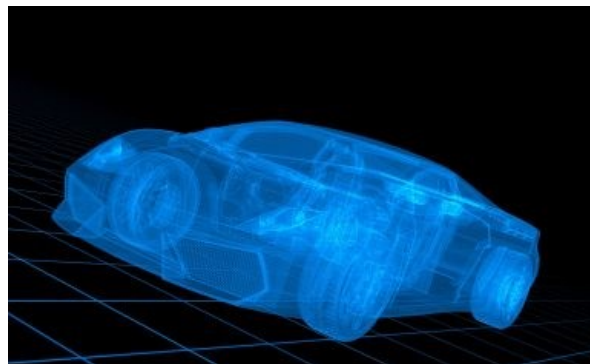


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Discoveries of lithium in North America and Europe may loosen China's tightening hold on the market in time, but the race to find and exploit new deposits is also throwing up other concerns, namely the risk of oversupply or even a glut and political risks that may affect countries with some of the biggest reserves and production.

Lithium is one of the main components of rechargeable lithium-ion batteries used in smartphones, laptops, and EVs, with demand for the latter anticipated to surge over the next decade or so as manufacturing costs fall and environmental concerns rise. China, eager to reduce oil imports and address chronic air pollution, is driving production of EVs, accounting for 37 percent of passenger EVs sold globally since 2011, [according to Bloomberg](#). The [agency forecast in 2017](#) that by 2040 more than half of all new car sales will be electric vehicles.

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Beijing government subsidies and quotas for EV sales appear to have incentivized efforts to corner the electric vehicle supply chain. [Reuters reports](#) that Chinese entities now control nearly half of global lithium production and 60 percent of the electric battery production capacity. By 2030, [Goldman Sachs predicts](#) China could supply 60 percent of the world's EVs.

In recent years, China, the biggest global consumer of lithium, has been snapping up stakes in mining operations in South America and Australia, the principal global sources of the metal – derived from brine flats in South America and spodumene ore in Australia. In South America alone, China has [reportedly invested \\$4.2 billion](#) in lithium deals in the past two years. It has also been tightening its grip on the supply of cobalt, another important lithium-ion battery component.

Beijing's buying spree has worried electric battery- and EV-makers in Japan, South Korea, and Europe. But China has not had it all its own way. In a recent reversal of fortunes, a German company beat off a Chinese challenge in Bolivia – which has one of the world's largest reserves of lithium – to secure a deal to build a plant mining the country's biggest deposit. Most of the output will go to Germany, which lobbied heavily for the deal that includes the construction of a rechargeable battery plant.

Yet, not to be outdone, and in a measure of its determination, Beijing quickly sought to secure a foothold in Bolivia with a mining venture in another promising prospect in the country. The Chinese ambassador to Bolivia described the preliminary deal as "historic." That came just weeks after one of China's leading miners, Tianqi, completed the

purchase of a 24 percent stake in neighboring Chile's lithium producer SQM, fending off local opposition to the deal – centered on concerns it would unfairly favor the Chinese in the contest to secure resources for EVs.

China's increasing domination of the global lithium supply appears to have prodded the Europeans and the Americans, whose EV markets are still very much in their infancy, to explore closer to home. **Deposits in Germany, the Czech Republic, Portugal, and Sweden** have been the focus of attention, while some within the industry have expressed hopes that Canada might have sufficient volumes to meet demand in North America.

But the race for supplies has sparked concerns about the pace of production output. Extraction has been fueled by soaring lithium prices, which **more than tripled in the three years to 2018** to over \$20,000 per tonne. The data and analytics company **GlobalData predicted in September** that EV demand will double global lithium production from 26,700 tonnes in 2018 to 58,300 tonnes in 2022. In August, Macquarie Research suggested that the market was **“sleepwalking into a tsunami of oversupply.”** Then in late November, Moody's Investor Services **warned of excessive production** in the early years of the next decade, due to factors including a “heavy concentration” of new mines.

Oversupply left its mark last year when lithium prices in China nearly halved, a problem compounded by the government's removal of some subsidies on EVs, which slowed sales. Some analysts believe the market will recover in the medium to long term as demand increases, but the risk is that the slough may discourage investment in new production, leading to shortages when prices pick up. Yet that may not be the only break on supply.

President Mauricio Macri of Argentina, a top lithium producer, has opened up the country's economy, introducing market reforms and easing regulations, but his attempts to repair the economic mismanagement of his predecessors are misfiring, plunging the county into a financial crisis that forced him to go cap in hand to the IMF. His ratings have shrunk, raising the prospect of a populist victory in elections later this year. That might make life difficult for mining investors, especially if his reformist agenda is reversed.

While Bolivia has barely begun to export its lithium, it has huge potential as a supplier – potential being the operative word. The country's left-wing leader, Evo Morales, recognizes the value of the resource to Bolivian economic prospects. But if he is re-elected in October, investors may be put off if interventionist policies introduced in other sectors are extended to lithium production.

It is unclear how China will deal with such challenges, but given its relentless pursuit of lithium, and the strategic importance it attaches to the metal, solutions will no doubt be found. In many ways, China's embrace of green transport is a good thing, as it expands interest in the sector and spurs competitor nations to try to catch up in terms of their share of lithium supply and the rechargeable battery market. The danger is that they continue to lag behind, leaving China with a monopoly over what could soon become a mainstream transport sector.

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