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Lithium producers optimistic as Fernandez set to take power

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REGIONAL ROUNDUP

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Argentina's lithium producers are cautiously optimistic that President-elect Alberto Fernandez's incoming administration will not restrict capital flows or set other policies that could hamper their ability to supply the electric vehicle battery metal.

Fernandez, a member of the Peronist party that has supported more economic intervention by government, defeated business-friendly incumbent Mauricio Macri in the presidential election on October 27.

The last Peronist president, Cristina Kirchner, imposed strict standards for several industries, including lithium, limitations that slowed Orocobre Ltd's buildout of a lithium project in South America's second-largest economy.

Fernandez so far seems keen not to mimic that approach. He vowed earlier this year to support lithium investment.

The 60-year-old, who was chief of cabinet during the entirety of Néstor Kirchner's presidency and also in the early months of Cristina Kirchner's reign, is set to take office on December 10. His cabinet choices will be closely monitored by all lithium producers and developers in Argentina.

Lithium Americas Corp is developing a lithium project in Argentina's Jujuy province with Ganfeng Lithium Co that is expected to open in 2021.

Speaking on the sidelines of the Benchmark Minerals Intelligence EV supply chain conference in Los Angeles in mid-November, Lithium Americas Corp executive vice-chairman John Kanellitsas said: "We remain committed to advancing our project on our timeline. We're not taking our eyes off the ball."

Orocobre spokesman Andrew Barber said the company looked forward to working with Fernandez.

Lake Resources NL managing director Stephen Promnitz told **Paydirt** it remained business as usual following the "not unexpected" election result.

"It didn't really matter who won, both parties were looking at how they could increase exports from Argentina to overseas markets," Promnitz said.

"One of those exports is oil and gas, particularly their oil shale reserves, and the other is lithium. Lithium has been supported almost regardless of the Federal Government, mainly because of the way things work in Argentina. It's like the US, it depends on the province and the big three – Jujuy, Salta and Catamarca – are all very supportive of lithium brine production.

"Alberto Fernandez actually flagged during the election campaign that he considered it an opportunity for the development of lithium and there was a roundtable meeting in Buenos Aires before the election which was attended by various members of the lithium industry, including our local representatives. That sort of proactive approach is a sign they will continue supporting the lithium industry."

Other executives also noted the three provinces with the largest lithium deposits have long had Peronist administrations that work well with industry.

"Locally and provincially in Argentina, we see no concerns on doing business," Neo Lithium Corp chief financial officer Carlos Vicens said.

Promnitz also noted the appearance of representatives from Catamarca province – where both Lake and Neo Lithium are developing projects – at a mining conference in Melbourne just days after the presidential election, suggesting their attendance was another good sign for Argentina's resources sector.

Speaking to **Paydirt** at the event, outgoing Catamarca governor Lucia Curpacci said the province would continue to welcome Australian miners.

"They have a long history of mining and exploration in Australia and there is a long history of them operating in Catamarca, particularly Galaxy [Resources Ltd] and Galan [Lithium Ltd]," she said.

"Catamarca has no security issues, it is safe to operate in. There are hundreds of professionals and tradespeople to work. Argentina is a federal system and each province has different attitudes to mining. Catamarca is very supportive towards international mining companies."

Argentina became one of the cheapest places to produce lithium from brines when Chile raised industry royalties last year.

That's a benefit for Argentina, where many lithium producers are sending in capital, not looking to pull out, according to Livent Corp chief executive Paul Graves.

"The election really does not change our expansion plans," Graves said.

However, other parts of Argentina's massive commodity sector remain anxious, with sales of corn and soybeans jumping compared to 2018 on worries of possible export tax increases.

– Reuters with Paydirt staff

Argentina is one of the world's lowest-cost producers of lithium from brines

Galaxy Resources Ltd will focus on cutting costs and volumes at its flagship Mt Cattlin lithium mine, Western Australia, in 2020 following weak market conditions in the sector. In an ASX statement, Galaxy said it would implement a lower activity mine plan at Mt Cattlin to maintain positive cash margins and preserve resource life.

Galaxy expects to reduce the amount of material mined by about 40% while forecasting lower output for the full year.

Australian lithium miners have come under pressure in recent months amid plummeting prices for the metal, with demand for the battery component falling after Beijing altered its subsidies to EV makers and a rise in global trade tensions.

Meanwhile, Galaxy is targeting a final investment decision for the first stage of its Sal de Vida lithium and potash brine project in Argentina by mid-2020, with first production in 2022.

Despite near-term headwinds to prices, Galaxy said the current volatility in China new energy vehicle sales is transitory and it was forecasting double-digit growth in global lithium demand over the next decade.

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