LITHIUM CHARGE

BY ANTHONY FENSOM

The lithium decade has begun.
This bullish statement from lithium analysts comes amid tougher times for Australia, the world’s largest hard rock exporter, as the industry digests a ramp-up in supply. Yet, with recent multimillion-dollar investments by automakers, and signs of a pick-up in China and elsewhere, the new decade is showing greater promise for the clean energy metal.

While the start of 2020 saw improved investor sentiment, the news from Western Australia was less encouraging. An industry that grew from one mine to seven in just a couple of years had suddenly slammed on the brakes amid falling prices.

Galaxy Resources ceased operations at its Mt Cattlin mine in mid December, with Mineral Resources putting its Wodgina operation on care and maintenance a month earlier. Pilbara Minerals reportedly had ‘virtually ceased’ mining at its Pilgangoora operation, while Alita Resources, operator of the Bald Hills mine, entered into receivership in late December.

Bucking the trend, Altura Mining announced in January 2020 that it had shipped a total of 170,000 tonnes of lithium concentrate since commencing production at its Pilgangoora mine in July 2018.

Altura’s Managing Director, James Brown, says the company’s latest record shipment demonstrated the strength of its partner relationships and consistent supply.

‘We have offtake commitments in place for our entire production capacity of 220,000 tonnes, we continue to produce at close to nameplate production rates, and our cost structure places Altura at the lower end of hard rock producers,’ he says.

CONFIDENCE BOOST
Western Australia’s lithium miners received a confidence boost in January, when BMW Group announced a five-year, €540-million (A$877-million) order to acquire lithium hydroxide from Ganfeng Lithium’s Australian mines.

The German automaker plans to double electric vehicle (EV) sales between 2019 and 2021, aiming to have 25 electrified models in its line-up by 2023. The lithium is expected to be supplied by Altura and Pilbara Minerals’ mines.

Adding to the buoyant start to the new year was a reassuring statement from Beijing. The Chinese government said that it would not be cutting subsidies for new energy vehicles (NEVs) any further in July 2020, having introduced such subsidies in 2009.

Chinese NEV sales reached 163,000 units in December 2019, almost double the November figure, bringing the total sales for calendar 2019 to 1.2 million units. This is compared to European sales of an estimated 579,000 units, and an estimated 337,000 in the United States.

The positive data, together with the US–China phase-one trade deal, helped spark a rally in EV-related stocks, including US maker Tesla.

Earlier, a court decision in late December blocking SQM’s planned expansion in Chile, due to concerns over its water usage, helped to alleviate oversupply concerns amid growing environmental pressures on lithium brine producers in South America.

PRICE RECOVERY – WILL THE RALLY LAST?
‘While we were not expecting a price recovery until late 2021 at the earliest, now that supply restraint has started to be seen, we expect a price recovery later in the second half of 2020,’ Fastmarkets analyst William Adams told Investing News.

In its December 2019 Resources and Energy Quarterly, the Australian Government’s Office of the Chief Economist predicted that prices would turn upwards ‘in late 2021 or early 2022’ as consumption catches up with supply.

Australia’s lithium production is seen rising to 289,000 tonnes lithium carbonate equivalent (LCE) in fiscal 2021 from 249,000 tonnes in fiscal 2019.

Global consumption is expected to grow by more than 20 per cent per year to reach 485,000 tonnes LCE by 2021, up from 315,000 tonnes in 2019, ‘based on growing uptake of EVs and improvements in battery capacity’.

Andrew Miller, Head of Price Assessment at Benchmark Minerals Intelligence, has predicted that the lithium market could face a supply deficit in as early as 2022.

Significantly, 115 lithium-ion battery megafactories were in the pipeline as of December 2019 – a significant increase on the 63 EV plants a year earlier – driven by a large increase in Europe as European automakers ramp-up EV output.
NEW PROJECTS
For Australian companies with new projects, the predicted demand growth is extremely positive.

‘Analysts expect demand to rise by 500 per cent over the next five years, and that is going to require new projects,’ says Lake Resources Managing Director Steve Promnitz.

The Argentina-focused company is eyeing a new direct extraction method developed in Silicon Valley to revolutionise the lithium brine industry.

In January, Lake Resources announced groundbreaking results confirming that battery-grade lithium carbonate with 99.9 per cent purity had been produced by its US partner, Lilac Solutions. The company now plans to dispatch samples to potential offtake partners as it works to develop its flagship Kachi project.

For an industry under increasing pressure over water usage, the technology offers a potential solution since no evaporation ponds are required, with brine reinjected into the aquifer once the lithium is removed.

‘Supply chain sustainability has become a key focus in recent times, and this is potentially an enormous boost for the whole lithium brine industry,’ Promnitz says.

Another Australian company eyeing international success is Brisbane-based Sayona Mining.

The company plans on becoming a major miner in the Canadian province of Quebec, pending a successful bid for the North American Lithium (NAL) mine. Sayona plans to supply NAL with spodumene ore from its nearby Authier lithium project to achieve a significant improvement in plant performance and economics.

The company’s plans for its flagship Authier project have also been boosted, following the signing of an agreement with Abitibiwinni First Nation in December and the lodgement of its environmental impact statement for the project in January.

Managing Director Brett Lynch says the company aims to transform from an explorer to world-scale producer ‘within 18 months’, supporting Quebec’s strategy of developing a complete lithium value chain.

‘The timing is perfect for Sayona and Quebec, with our focus on North American battery markets, which are seeking a high-quality, reliable and low-cost supply of this increasingly strategic mineral,’ he says.

‘Lithium is the metal of the 21st century, helping to facilitate the clean energy revolution in transport and electricity. Quebec understands this, and together with Australia’s mining know-how, the potential is enormous.’

With the world rapidly switching to clean energy, Australia’s lithium miners appear to be in the right place at the right time, at the dawn of the new decade. AR&I