

Sluggish EV Sales And China's Currency Depreciation Whack Miners Of Battery Metals

Car makers are rushing to release electric versions of their popular models, but the same can't be said of consumers who are balking at the cost of a change over while fretting over range anxiety and the challenge of finding a convenient charging station.

The net result is that companies mining the metals which go into EV rechargeable batteries have been caught with full stockpiles as demand dries up for lithium, cobalt and graphite.



Oliver Blume, chief executive officer of Porsche AG, speaks beside a Taycan electric automobile as the luxury automaker celebrates its 70th anniversary in Stuttgart, Germany, on Friday, June 8, 2018. Porsche AG named its first car to directly compete

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The flow-on effect of over-supply meeting under-demand is a price crash that is reverberating across the raw materials world, tipping some companies into insolvency and forcing the cancellation of projects.

In Australia, where a lithium-mining boom was unleashed three years ago, a series of mines and processing plants have been deferred while one small lithium producer, Alita Resources, has collapsed into a form of bankruptcy.

Tianqi Lithium, a Chinese company partnering with Albemarle Corporation of the U.S., has placed on hold plans to build the second stage of a lithium hydroxide plant near Perth in Western Australia.

Pilbara Minerals, one of Australia's early movers in the lithium rush, has been forced into a low-priced capital raising as it feels the effect of a sharp fall in the lithium price which is down by an estimated 50% since this time last year.

Graphite Hurt By Currency

Graphite has suffered a similar fall with a compounding factor being the 12% depreciation of the Chinese currency over the past 12-months, partly as a result of the trade war being waged with the U.S.

Syrah Resources, an Australian company with a big graphite mine in the African country of Mozambique, suffered a 30% share price fall yesterday after reporting a "material decrease" in the price of natural graphite, with concern that the fall could worsen.



Stockpiles of lithium ore stand at a Talison Lithium Ltd. facility, a joint venture between Tianqi Lithium Corp. and Albemarle Corp., in Greenbushes, Australia.
Photographer: Carla Gottgens/Bloomberg

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Cobalt, another important battery metal, crashed earlier in the year with a price collapse from \$44 a pound to \$12/lb thanks to falling demand and rising supply, forcing Glencore, a major cobalt producer to say it would close its Mutanda mine in the Democratic Republic of Congo at the end of the year.

Another factor, tied directly to the vehicle market, was a slowdown in demand for EVs after the Chinese Government cut the subsidy it offers car buyers.

EV Sales Drop For The First Time

Earlier this month the research firm Sanford C. Bernstein reported that EV sales globally fell in July for the first time ever with only 128,000 electric cars sold.

Miners have been investing heavily in expanded operations to meet forecasts of strong demand for battery metals from car makers but their supply of raw materials has overpowered a slow uptake by consumers of EVs.

The problem for car makers and miners is that the dream of a future dominated by EVs appears at this stage to rely heavily on the size of government subsidies handed to consumers – and they're shrinking.

Last month, Morgan Stanley, in a research report titled "Battery materials besieged" noted that the latest subsidy reductions in China were the just the latest in a line of cuts that were likely to continue, culminating "in the total removal of subsidies in 2020".