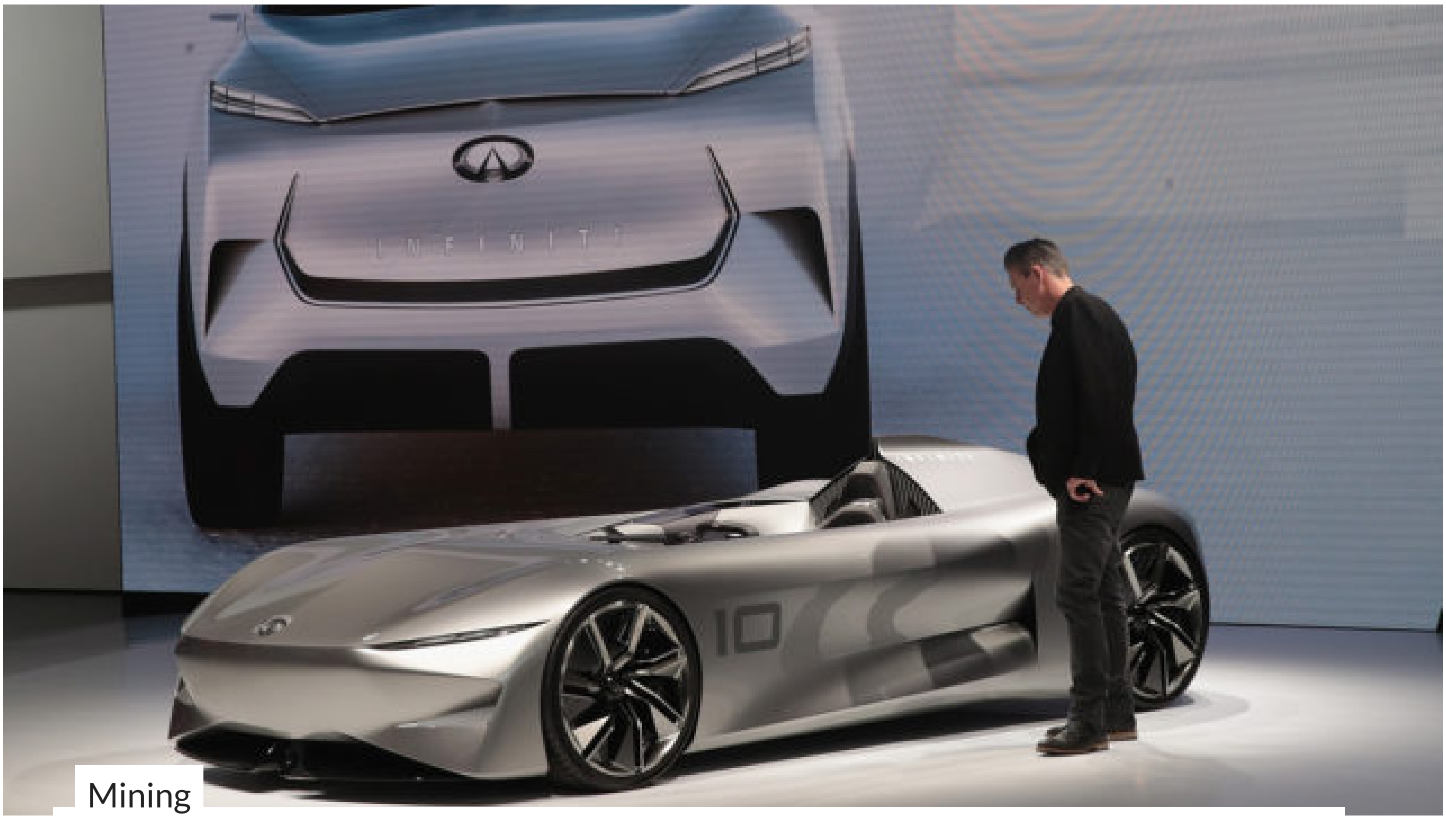


Mining

The lithium industry needs a $17b injection to meet 2025 demand – here come the deals

8 hours ago | **Angela East**

Corporate deals in the lithium industry are heating up at a time when there is a predicted multi-billion-dollar cash injection needed to ramp up supply to meet rapidly growing demand.

One expert says at least US$12 billion ($17.3 billion) needs to be invested in new lithium projects by 2025 if the industry is to have any realistic hope of matching supply with demand.

US lithium expert Joe Lowry told delegates at the Latin America Downunder mining conference in Perth that the 'Big Four' global lithium producers – SQM, Albemarle, Jiangxi

Ganfeng Lithium and Tianqi – could not alone meet 2025 lithium demand.

"Overall, the industry faces a lack of financing and needs to inject more than US$12 billion within five years to have a chance of meeting demand," he said.

"This requirement is exacerbated further by known and emerging failures in lithium start-ups which have demonstrated a lack of necessary skillsets – high profile failures that have discouraged sector investment.

"There will not be any significant lithium chemical oversupply anytime soon. While there have been many optimistic supply forecasts, recent results speak for themselves."

Pfft. What lithium glut?

Lowry took aim at Morgan Stanley and other analysts that **previously predicted a flood of new lithium supply would hit the market** this year causing an oversupply and pushing down the price.

He dismissed the forecasts of oversupply as a myth.

"The 'myth' is driven by reports from 'big bank' analysts and supported by statements by Chilean regulator, CORFO, after its revised agreements allowing Albemarle and SQM to produce more material from the Atacama brine resource," Lowry said.

"The reality is increasing production quickly is not so easy."

Last year there was about 270,000 tonnes of lithium demand and Lowry estimates that will rise to about 1 million tonnes in 2025.

"It's pretty much not argued anymore that e-mobility is happening — whether it's EVs or scooters or ferries in Scandinavia, the transition to e-mobility is on," Lowry said.

"My numbers are actually some of the lower numbers out there."

Battery-related lithium demand in 2018 accounted for 60 per cent, up from 25 per cent five years earlier.

"So this market is becoming a battery-related market. There's really no question about that," Lowry said.

But new lithium supply is hard to bring online and SQM, Albemarle, Jiangxi Ganfeng Lithium and Tianqi are likely only be able to maintain their 68 per cent market share, according to Lowry.

"Almost every lithium project that has ever started with optimism has taken three or four years longer to reach full capacity and that's what we're seeing," he said.

"That means there's a lot of juniors or smaller companies around the world that need to get financed and need to get moving."

Deal-making steps up a gear

Close on the heels of Wesfarmers' seminal $776m bid for **Kidman Resources (ASX:KDR)**, **Galaxy Resources (ASX:GXY)** has **tipped $22.5m into more junior producer Alliance Mineral Assets (ASX:A40)** to become its largest shareholder.

The cash injection gives Galaxy a roughly 11.5 per cent interest, and a blocking stake, in Alliance, managing director Mark Calderwood told *Stockhead*.

Galaxy's investment was part of a larger $32.5m placement at 20c per share, which also included $10m from a subsidiary of Jiangxi Special Electric Motor Co.

Jiangxi has about a 9.9 per cent stake in Alliance.

"I guess from [Galaxy's] point of view it's stopping us from being a target for someone else to come and grab, and we were the cheapest lithium miner in the market," Calderwood said.

"Both Jiangxi and Galaxy are a lot bigger than we are, they're both experts in their sectors so that's good for us and it enables us to be cooperative in the future.

"Both parties have either a blocking stake or almost a blocking stake."

READ: 'Underpriced' Alliance won't go cheaply as lithium M&A hits the spotlight

Australia's downstream gaining momentum

Right now, Australia has absolutely zero per cent share of the global lithium chemical market, but the Galaxy-Alliance deal is another step towards building the country's downstream industry.

"I think [Galaxy] has desires to go further downstream as well, and Jiangxi [Ganfeng Lithium] already has that joint venture with Jiangxi Special Electric Motors, which is downstream, but there's other things we can do as well," Calderwood said.

The battery supply chain is a $2 trillion market opportunity, and a report released at the start of 2018 gave Australia about **18 months to two years to get cracking on building its downstream industry**.

Over a year into that deadline, the federal government has **established a new Future Batteries Industries Cooperative Research Centre (FBI CRC) in Western Australia**.

PRIMER: Here's everything you need to know about lithium stocks

The research partnership of 58 industry, academic and government partners will address industry-identified gaps in the battery industries value chain.

The goal is to expand battery minerals and chemicals production and develop opportunities for manufacturing batteries in Australia.

Good time to invest

Lowry says rapidly rising demand and the difficulty in bringing new lithium supply online supports his "thesis" that the market is going to outgrow supply.

"Anyone who is interested in investing in the lithium market has a great opportunity now because share prices are very, very depressed," he said.

"If you look at the market caps of some of the Australian companies, even the 'Big Four' companies, their market caps are very much down from where they were a couple of years ago.

"So if you're interested in lithium, I would tell you now's a good time to get in."

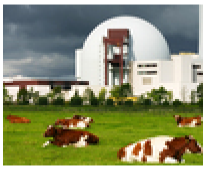
MORE FROM STOCKHEAD

Legend’s Fraser Range project just keeps getting bigger with more...

13 May

These are the ASX small caps that equity analysts talk most about

13 May



Uranium stocks guide: Here’s everything you need to know

14 May

This crypto exchange CEO reckons Bitcoin's boom is due to a...

14 May

ABOUT US

MEET THE TEAM

CONTACT US

ADVERTISE