

Australia's Precarious Position: Navigating a Critical Minerals Market Meltdown

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Australia, often celebrated as the world's quarry, finds itself at a critical juncture as the prices of iron ore, nickel, and lithium, three of its most significant exports, have [plummeted](#). This decline has not only exposed the inherent vulnerabilities of relying heavily on these commodities but has also highlighted the country's dependence on China, its largest buyer. This situation is further compounded by the realization that the wider global implications of such a downturn are largely overlooked by many in the field.

Jack Lifton, the co-founder of the [Critical Minerals Institute](#) (CMI), points out that the economic feasibility of mining and refining operations is predicated on the massive demand from major players. The recent challenges faced by Lynas Rare Earths Ltd.'s (ASX: LYC) [Kalgoorlie ore processing plant](#) exemplify the precarious nature of these operations. The plant, initially constructed to comply with Malaysian regulations against importing radioactive materials, now struggles with the fallout from BHP Group's (ASX: BHP | NYSE: BHP) decision to shut down local nickel operations, a key source of sulphuric acid, due to dwindling demand.

The repercussions of these developments are far-reaching. The collapse of the nickel industry, for instance, has revealed a manipulation of market prices reminiscent of supermarket-style scandals, but on a much grander scale. This, coupled with

China's strategic dominance over the global supply chain for rare earth elements and other critical minerals, poses a significant threat not just to Australia but to the global balance of power in the minerals market.

China's strategy has been multifaceted, involving not only the subsidization of production costs at every step but also a willingness to absorb the environmental costs associated with such operations. This approach has allowed China to assert near-monopolistic control over the processing of about 80% of the world's rare earths, and critical components like lithium, gallium, and germanium. The implications of this dominance are profound, affecting everything from the global race to combat climate change to the strategic military balance between major world powers.

Australia's response to this challenge has been twofold. On one hand, it has attempted to leverage its rich deposits of critical minerals by offering subsidies to mining and processing operations in a bid to reduce dependence on Chinese processing facilities. On the other hand, the Australian government has had to contend with the immediate economic fallout from the collapse of metal prices, including providing emergency corporate aid and grappling with the loss of thousands of jobs as companies reassess the viability of their operations.

The situation is further complicated by China's apparent readiness to use its economic power to coerce or punish countries that challenge its interests, as seen in the imposition of trade restrictions and embargoes on Australian exports following diplomatic tensions.

As Australia navigates this precarious situation, several paths forward emerge. One involves underwriting the construction of national processing facilities to add value to its mineral

exports, potentially offering a cleaner alternative to Chinese-processed materials. This approach, however, would require a significant shift from recent trends towards privatization and might necessitate substantial investment to make Australia a competitive player in the global market for processed minerals.

Ultimately, Australia's challenge is not just about responding to immediate economic pressures but about rethinking its strategic position in a rapidly changing global market. The country's ability to adapt to these changes, diversify its economic base, and negotiate the complex interplay of global trade and politics will determine its future role on the world stage.

To stay up to date with the Critical Minerals Market, [click here](#) to join the [CMI](#). A complimentary resource library that tracks the critical mineral lists from the USA to Australia to the UK may be [accessed here](#).