Auto OEMs are heading to Indonesia to secure nickel for their EV batteries, but what about North America & Australia?

written by Matt Bohlsen | May 1, 2023

In recent months the rush to secure nickel has begun, with Indonesia taking the main stage. What does this mean for the nickel market? And what about Western sources of nickel, have they been forgotten?

The nickel rush to Indonesia

Recent news highlights the rush and includes:

- February 1, 2023 – Reuters – "Exclusive: President Jokowi "confident" Tesla will invest in Indonesia."
- March 30, 2023 – Reuters – "Ford in $4.5 billion deal for EV battery materials plant. Ford has joined PT Vale Indonesia and China's Zhejiang Huayou Cobalt's as their new partner in a $4.5 billion nickel processing plant in Indonesia…."
- April 17, 2023 – Reuters – "Volkswagen to partner on Indonesia EV battery ecosystem……Volkswagen…….will work with Vale, Ford, Huayou (Cobalt), French miner Eramet and several Indonesian firms like Merdeka Gold Copper, the parent company of Merdeka Battery, and energy firm Kalla Group."

As many readers would know, Indonesia has the world's largest nickel reserves and is working to develop the downstream to produce batteries and EVs. Indonesia does NOT have a free trade agreement with the USA, meaning nickel coming from Indonesia would not qualify for the Inflation Reduction Act ("IRA"). As a result, Indonesia is currently pushing for a limited free trade deal with the US on critical minerals.

Will Tesla invest next in Indonesia or will they choose North America or Australia? The latter two are safer and qualify under the IRA

Source: iStock

What does this mean for the nickel market?

The boom in interest in Indonesian nickel means we will likely see a burst of investment into Indonesian nickel miners and an

increase in nickel supply out of Indonesia. We already saw this when on March 28 it was reported that "Merdeka Battery Plans Indonesia's 2nd-Largest 2023 IPO……. Merdeka Battery is tapping into the surging global demand for electric cars by refining its nickel into battery materials." Interestingly the largest 2023 IPO in Indonesia looks like being another nickel company, with the IPO of Harita Nickel at about US$659 million.

Market experts are mostly forecasting a nickel surplus in 2023, mostly Class 2 nickel used in stainless steel. The Class 1 nickel market, used in EV batteries, looks much tighter. Later this decade it is looking like we will see significant Class 1 nickel deficits as the EV boom continues to gain traction.

What about Western sources of nickel, have they been forgotten?

The short answer is yes, to some degree. Due to the problems or permitting it appears the auto OEMs are choosing Indonesia over North American or Australian nickel supply. Ford is a classic example. On March 26, 2023, Ford (NYSE: F) CEO Jim Farley stated: "Batteries are the constraint……Both lithium and nickel are really the key constraining commodities. We normally get those from all over the world – South America, Africa, Indonesia. We want to localize that in North America, not just the mining but the processing of the materials." Then on March 30, 2023, Ford announced their $4.5 billion deal for EV battery materials plant in 'Indonesia'.

What is going on? Ford says they want to "localize that in North America" and 4 days later their actions are to invest US$4.5 billion in Indonesia!!! North American and Australian junior nickel & cobalt miners must be shouting out loud – "What about us?"

One great example would be Jervois Global Limited (ASX: JRV | TSXV: JRV) with their Idaho Cobalt Project shutdown announced on March 29, just weeks before production began. Admittedly their operation is a cobalt-copper project, but it still paints a similar picture. Another would be Australia's Ardea Resources Limited (ASX: ARL) with their massive nickel and cobalt resource (one of the largest in the Western world with 5.9 million tonnes of contained nickel and 384,000 tonnes of contained cobalt), still on hold for several years waiting for funding. Western junior miners face a much tougher road to make it to production and they are not getting anywhere near the same support as the refiners or battery factories.

USA, Canada, and Australia have numerous nickel and cobalt projects just waiting for funding or permitting. These obstacles remain despite all the rhetoric of sourcing from home.

Closing remarks

Congratulations to Indonesia. They now look like getting huge funding and support from Western OEMs to develop nickel and cobalt mining and refining in 'Indonesia'.

Commiserations to most western nickel and cobalt junior miners as they get nothing. The exception to date would be Talon Metals Corp. (TSX: TLO) who got a nickel supply agreement from Tesla and a US$114 million U.S. government grant. It should be noted that Vale Canada signed an off-take deal with General Motors (NYSE: GM) in 2022.

If the West truly wants a safe independent supply chain then it needs to fix the mining problems, namely permitting is too slow and funding is too little. There has been much talk about getting this fixed, but time is running out as China dominates and now Indonesia moves to become a key part of the EV supply

chain.

Come on western governments, auto OEMs, support your local nickel & cobalt miners as we have seen happen with lithium in the past year.

It is a win-win situation for all.