Critical Minerals Report (04.12.2026): The Iran War, China's Chemical Leverage & The Real Supply Chain Constraint

written by Tracy Hughes | April 12, 2026

"The bottleneck isn't ore — it's chemicals. And China controls them…" starts Jack Lifton in our conversation earlier today as we co-wrote today's Critical Minerals Report.

From April 5 through this week's developments, the critical minerals narrative continued to advance along familiar lines — alliances, financings, project announcements, and policy coordination: while quietly missing the more consequential shift underway. The system is not constrained by resource availability. It is constrained by the inputs required to process those resources, and that distinction is beginning to surface in ways that the market has yet to fully price.

The most visible geopolitical development was the advancing framework between the United States and the European Union aimed at coordinating critical minerals supply chains to counter Chinese dominance (Source). It reflects a growing recognition that fragmented Western approaches have failed to produce scale, and that coordinated trade, financing, and industrial policy may be required to build parallel supply chains. Germany's concurrent investment into Australian rare earths developer Arafura Rare Earths Limited (ASX: ARU) and its Nolans Project in the Northern Territory reinforces the same conclusion: capital is now being deployed not simply for return, but to buy

independence from Chinese supply chains (Source).

Yet the underlying assumption embedded in these efforts remains largely unchanged—that supply can be secured through access to deposits and project development. That assumption is increasingly incomplete.

The market continues to treat the Iran conflict as an energy story. It is not. The more consequential impact is already moving through the chemical layer of the supply chain. Disruptions to sulfur flows through the Strait of Hormuz—responsible for a significant portion of global supply—are beginning to constrain the production of sulfuric acid, one of the most widely used industrial reagents in the world (Source).

As Jack Lifton, Co-Chair of the Critical Minerals Institute (CMI), put it earlier today, “it is one of the key reagents in all processing of metals, minerals, and the manufacturing of chemicals,” referring to sulfuric acid, before adding that China’s restriction of exports “is going to have tremendous impact on the non-Chinese chemical industry and metal processing industry” .

The timing compounds the impact. Western sulfur supply, derived largely as a byproduct of oil refining, has already been disrupted by instability in the Middle East. The result is a convergence of constraints that moves the bottleneck upstream, away from ore bodies and into processing inputs. This is not a marginal shift. It is structural.

The implications become more acute when applied to the rare earth sector, where much of the current diversification narrative is centered on ionic clay deposits in Brazil and Africa. These deposits are real. The extraction pathway, however, is conditional. “The clays are washed with chemicals,

either ammonium sulfate or magnesium sulfate," Lifton noted. "The overwhelming amount of those two chemicals manufactured in this world is manufactured in the People's Republic of China… and they will no longer export either if your use is extracting rare earths from ionic clays".

That constraint effectively reframes the sector. Without those inputs, the extraction process does not scale. Without scale, projects do not compete. **The industry is not short of resources; it is short of chemistry.**

On April 9, 2026, **USA Rare Earth, Inc. (NASDAQ: USAR)** entered into an investment term sheet for a €40 million investment for a 12.5% stake in Carester SAS, alongside a matching investment from InfraVia Capital Partners, through its InfraVia Critical Metals Fund, combined with long-term supply, offtake, and technology agreements.

The transaction secures access to midstream capabilities—particularly for dysprosium and terbium used in permanent magnets—while positioning the company to evaluate downstream expansion in Europe. It connects U.S. feedstock, European separation capacity, and planned magnet manufacturing into a single supply chain framework, representing a direct response to the processing constraint rather than the resource base.

Against this backdrop, the week's corporate and financing developments take on a different meaning. **US Elemental Inc.**, a U.S.-based lithium developer, is preparing to go public on Nasdaq through a merger with **Constellation Acquisition Corp I**, in a transaction valuing the company at approximately $573 million. The capital raise is intended to advance its Oregon lithium project, which is reported to contain an estimated 21.5 million metric tons of lithium carbonate equivalent (Source).

The structure is straightforward: capital is being deployed into a development-stage asset ahead of production, based on anticipated demand growth rather than operating cash flow. The timing—following a rebound in lithium pricing and renewed policy focus on domestic supply chains—suggests that investor appetite for U.S.-aligned critical minerals exposure remains intact, even as project timelines and execution risks remain substantial.

Zimbabwe's move to impose lithium export quotas reflects the continued shift toward resource nationalism, as producing countries attempt to capture more value from supply chains (Source). The policy directly affects operators including **Zhejiang Huayou Cobalt Co., Ltd. (SHA: 603799)** and **Sinomine Resource Group Co., Ltd. (SZSE: 002738)**, both of which have established significant positions in Zimbabwe's lithium sector. The intent is clear: restrict the export of raw material, force downstream investment, and retain a greater share of economic value domestically. The result, however, is additional friction in an already constrained system, as supply becomes conditional not just on geology, but on jurisdictional policy.

Brazil's signaling of closer ties with the United States on critical minerals points to ongoing geopolitical realignment, but the underlying direction is more complex than the headline suggests (Source). Brazil's resource base—anchored by **Companhia Vale S.A. (NYSE: VALE)** and expanding lithium and rare earth interests—positions it as a potential supplier, but also as an emerging competitor. The country's long-term objective is not upstream dependency, but domestic industrialization. As Jack Lifton observed, the assumption that resource-rich nations will reliably supply raw materials in exchange for capital or alignment is increasingly outdated. The emerging model is one in which jurisdictions seek to build complete supply chains, even at the expense of near-term export revenues.

This shift is already visible in market behavior. Chile's dismantling of a network that moved an estimated $900 million of copper through informal channels to Peru and China highlights the extent to which demand continues to override formal supply structures (Source). China remains the dominant consumer of global metals, and its purchasing activity—formal and informal—continues to shape flows irrespective of policy alignment.

As Lifton noted, **"the Chinese are world traders… they're all over the world chasing metals and minerals"**. The implication is that supply chains cannot be understood purely through bilateral agreements or policy frameworks; they remain fundamentally driven by demand.

But as Lifton observed, "the days of imperial resource acquisition are over… these friendly nations are beginning to think we've got to take care of number one —- ourselves". The assumption that resource-rich jurisdictions will reliably supply raw materials in exchange for capital or alignment is being tested. Countries are increasingly focused on building complete domestic supply chains, not simply exporting upstream materials.

The behavior of markets continues to reflect this tension. China's electric vehicle exports surged 140% year-over-year, reaching record levels as overcapacity drove product into global markets (Source). "When you overproduce, you have to cut your price… this world is based on trade," Lifton noted. The dynamic is straightforward: excess production seeks external demand, reinforcing China's position as both a dominant supplier and a price setter.

Individually, these developments are constructive. Collectively, they remain downstream responses to an upstream constraint. As Lifton stated, **"those who are telling us they're going to**

produce heavy rare earths… had better tell us where they're going to get the ammonium or magnesium sulfate". Until that question is answered, the narrative of supply diversification remains incomplete.

At the same time, demand continues to accelerate. Big technology companies are now deploying capital into next-generation nuclear energy to support the power requirements of artificial intelligence infrastructure (Source), reinforcing long-term pressure on uranium, copper, and a range of specialty materials. Goldman Sachs' warning on copper reflects the same vulnerability, as geopolitical disruption threatens supply in regions that dominate global production (Source). The system is therefore moving in two directions at once: demand is accelerating, while the inputs required to process supply remain constrained. That gap—not geology—is now the defining risk.

Even discussions around materials such as magnesium reveal the same underlying pattern. **"We gave the magnesium industry to the Chinese… because it was too expensive to produce it here,"** Lifton noted, adding that while production could return, "companies don't produce into a vacuum". Without a buyer willing to support production at a viable price, capacity will not be rebuilt. This is not a resource problem. It is a market structure problem.

The Critical Minerals Institute's 2026 Watchlist update, which added rhenium and indium while elevating tungsten, reflects a growing recognition of these dynamics (Source). The selection highlights materials where supply is concentrated, processing is complex, and substitution is limited.

Individually, these developments are constructive. Collectively, they remain downstream responses to an upstream constraint. As Lifton stated, "those who are telling us they're going to

produce heavy rare earths… had better tell us where they're going to get the ammonium or magnesium sulfate". Until that question is answered, the narrative of supply diversification remains incomplete.

At the same time, demand continues to accelerate. Big technology companies are deploying capital into next-generation nuclear energy to support the power requirements of artificial intelligence infrastructure (Source), reinforcing long-term pressure on uranium, copper, and a range of specialty materials. Goldman Sachs' warning on copper reflects the same vulnerability, as geopolitical disruption threatens supply in regions that dominate global production (Source).

But the catalyst is already visible. The Iran war has disrupted sulfur flows through the Strait of Hormuz, a corridor through which nearly half of global sulfur trade typically passes, tightening supply of the feedstock required to produce sulfuric acid—the foundational reagent for copper, nickel, uranium, and rare earth processing (Source). The market continues to treat this as an energy shock. It is not. It is a chemical supply shock moving upstream through the industrial system.

The system is therefore moving in two directions at once: demand is accelerating, while the inputs required to process supply are becoming constrained. That gap — not geology, is now the defining risk. And until it is addressed, the market will continue to price the wrong problem.

It is a shift that sits at the center of the conversation heading into **CMI Summit 5: "The New Critical Minerals Economy,"** taking place in Toronto on May 13–14, where panels will discuss the systems that control their conversion into usable materials.

For more information, contact me at tracy@criticalmineralsinstitute.com or +1 647 289 7714. Have a

great evening. Tracy Hughes

On April 9, 2026, USA Rare Earth, Inc. (NASDAQ: USAR) entered into an investment term sheet for a €40 million investment for a 12.5% stake in Carester SAS, alongside a matching investment from InfraVia Capital Partners, through its InfraVia Critical Metals Fund, combined with long-term supply, offtake, and technology agreements.

The transaction secures access to midstream capabilities—particularly for dysprosium and terbium used in permanent magnets—while positioning the company to evaluate downstream expansion in Europe. It connects U.S. feedstock, European separation capacity, and planned magnet manufacturing into a single supply chain framework, representing a direct response to the processing constraint rather than the resource base.

Do you enjoy the Critical Minerals Report?

Click here to become a **Critical Minerals Institute member** and get each edition delivered straight to your inbox.

InvestorNews Critical Minerals Institute (CMI) Directorial Headline Picks for the Past Week:

- April 10, 2026 – EU and US near critical minerals deal to combat Chinese control, Bloomberg News reports (Source)
- April 10, 2026 – Big Tech puts financial heft behind next-gen nuclear power as AI demand surges (Source)
- April 9, 2026 – Magnesium – The Next Critical Mineral to Ignite? (Source)
- April 9, 2026 – US Lithium Developer to List on Nasdaq in

$573 Million SPAC Deal (Source)

- April 9, 2026 – Chile Uncovers Criminal Networks Shipping Millions of Dollars of Copper to Peru and China (Source)
- April 9, 2026 – China's EV Exports Jump to Record as Oil Shock Entices Buyers (Source)
- April 9, 2026 – USA Rare Earth considers building French magnet plant (Source)
- April 8, 2026 – Lynas says planning 'full suite' of rare earths in Malaysia (Source)
- April 8, 2026 – Zimbabwe to introduce lithium export quotas, sets conditions for resumption of shipments (Source)
- April 8, 2026 – New projects, partnerships and policies are needed to address supply chain risks for rare earth elements (Source)
- April 8, 2026 – Brazil signals closer ties with the US on critical minerals (Source)
- April 7, 2026 – Antimony Ridge Project Gains FAST-41 Transparency Project Status (Source)
- April 7, 2026 – Goldman warns on copper as war threatens global economy (Source)
- April 6, 2026 – German Government Invests In Australian Rare Earths (Source)
- April 5, 2026 – Critical Minerals Institute Unveils 2026 Watchlist: Rhenium (Re) and Indium (In) Added, Tungsten (W) Elevated to Top 5 as Supply Chain Risks Intensify (Source)

InvestorNews.com Media Updates:

- April 09, 2026 – Magnesium – The Next Critical Mineral to Ignite? https://bit.ly/4czZILG
- April 08, 2026 – Truth (and Metals) Collapse in War:

Ecclestone Warns of Dollar Erosion, Gold's Failure, and a Broken Market Playbook https://bit.ly/48jl9y6

InvestorNews (YouTube) Interview Updates:

- April 09, 2026 – Greenland Mines Advances Skaergaard as Critical Minerals Gain Strategic Urgency https://youtu.be/CtUKUDvPiSs
- April 09, 2026 – Fox Tungsten Advances the World's Highest-Grade Tungsten Project with Fully Funded Drill Program https://youtu.be/aidJKYuVI1Y
- April 09, 2026 – Defining Time, Defining Strategy: Cesium's Quiet Rise in the Critical Minerals Economy https://youtu.be/bkiphy-XS0g
- April 09, 2026 – The Honourable Floyd Green Calls on Investors to "Think Critical Minerals. Think Jamaica." https://youtu.be/tILKGgGCXTA

InvestorNews.com News Release Updates:

- April 10, 2026 – Neo Successfully Commissions Heavy Rare Earth Separation Production Line in Europe https://bit.ly/4mpqQR1
- April 9, 2026 – Volta Files Technical Report for Springer REE Deposit, Confirming a Top-10 North American Rare Earth Resource* https://bit.ly/4cyg9rU
- April 9, 2026 – Nord Precious Metals Announces Unit Financing https://bit.ly/4mmdMvv

- April 9, 2026 – Silver Bullet Mines Corp. Updates its Acquisition of Mining Equipment https://bit.ly/3O7huwC
- April 9, 2026 – Rockland Resources Completes Expanded 5,300-Metre Drill Program at Cole Gold Mines Project, Red Lake, Ontario https://bit.ly/47RxV6P
- April 9, 2026 – American Rare Earths Defines Wyoming-Led Pilot Plant Pathway to Accelerate Pre-Production Rare Earth Oxide https://bit.ly/4caIHpZ
- April 9, 2026 – ReeXploration Intersects Widespread Bedrock Radioactivity in Maiden Uranium Drilling Program at Eureka Project, Namibia https://bit.ly/4cdjknH
- April 8, 2026 – Nord Precious Metals Retains Engineering Support for Tailings Reprocessing at Castle Mine Project https://bit.ly/4mhoSlz
- April 8, 2026 – Stakeholder Gold Corp. Confirms 2026 Drill Program at Ballarat Property, Targeting Significant Gold and Copper Anomalies https://bit.ly/3Qs3Ftd
- April 8, 2026 – Deep Sea Minerals Corp. Establishes Cook Islands Subsidiary to Advance Concession Application Process https://bit.ly/41ha6BM
- April 8, 2026 – Resolution Secures White House FAST-41 Status for Antimony Ridge, Advancing U.S. Critical Minerals Strategy https://bit.ly/4c7iXeg
- April 8, 2026 – Volta Metals Amends Previously Announced Non-Brokered LIFE Offering and Files Amended Offering Document https://bit.ly/48zaz69
- April 7, 2026 – DoW Accepts Ucore's Phase 1 Final Report and RapidSX(TM) Techno-Economic Assessment https://bit.ly/4t0BS1A
- April 7, 2026 – American Rare Earths Awards Whole of Property Development Assessment for Halleck Creek https://bit.ly/4c9pAgd
- April 7, 2026 – Homerun Resources Inc. to Participate in Water Tower Research Insights Conference on April 14, 2026

https://bit.ly/3NRJIeJ

- April 7, 2026 – Volta Metals Announces Non-Brokered LIFE Offering https://bit.ly/4c81FxA
- April 7, 2026 – Allied Critical Metals Intersects Over 200 Metres of Breccia-Hosted Tungsten Mineralization at New Venise Target, Expanding Growth Potential at the Borralha Project https://bit.ly/4e6cDGj
- April 6, 2026 – Deep Sea Minerals Corp. Appoints Former Department of Energy CFO, John G. Vonglis as Strategic Advisor https://bit.ly/47IBr3m
- April 6, 2026 – Antimony Resources Corp. (ATMY) (ATMYF) (K8J0) Initiates Technical and Environmental Studies Towards Permitting the Bald Hill Antimony Project https://bit.ly/4siN34z

About the Critical Minerals Institute (CMI)
The Critical Minerals Institute (CMI) is a global brain trust for the critical minerals' economy, serving as a hub that connects companies, capital markets, and policymakers. Through CMI Masterclasses, the weekly Critical Minerals Report (CMR), bespoke research, and board-level advisory services, CMI delivers actionable intelligence spanning exploration finance, supply chains, and geopolitics.

CMI also convenes the flagship Annual Critical Minerals Institute Summit. The next event, **CMI Summit 5 – "The New Critical Minerals Economy"**, will take place May 13–14, 2026, at the historic National Club in Toronto, Canada.

For more information, visit CriticalMineralsInstitute.com or contact CMI Membership Director Chrissy Hessam at Chrissy@CriticalMineralsInstitute.com.


The New Critical Minerals Economy
CMI
Critical Minerals
INSTITUTE
May 13-14, 2026
Toronto, Canada