Technology Metals Report (05.24.2024): China's Plan for Record Cobalt Purchases & U.S. Defense Companies to Source Critical Minerals Domestically

written by Tracy Hughes | May 24, 2024

Welcome to the latest issue of the Technology Metals Report (TMR), brought to you by the Critical Minerals Institute (CMI). In this edition, we compile the most impactful stories shared by our CMI Directors over the past week, reflecting the dynamic and evolving nature of the critical minerals and technology metals industry. Among the key stories featured in this report are China's plans for record cobalt purchases, Stellantis CEO's warning on electric vehicle tariffs, and British Columbia's push for increased critical minerals production. These stories, presented in chronological order, not by importance, provide a comprehensive view of the global trends and challenges shaping the sector.

This week's TMR Report also highlights Europe's new Critical Raw Materials Act aimed at reducing dependency on Chinese mineral supplies, the U.S.'s progress in establishing a domestic rare earths supply chain, and South Korea's efforts to build lithium reserves to support its battery sector. Additionally, we cover Indonesia's bid to attract Tesla for an EV battery plant and the increasing pressures on U.S. defense companies to source materials domestically. These developments underscore the strategic maneuvers and policy shifts essential for ensuring supply chain resilience and technological advancement in the

critical minerals industry. To become a CMI member, click here.

China Plans Biggest Ever Cobalt Purchases For State Reserves: (May 23, 2024, Source) – China is set to make record cobalt purchases for its state reserves in 2024, buying around 15,000 tons of refined cobalt as prices hit their lowest since 2019. The National Food and Strategic Reserves Administration plans to begin purchases soon, with expected prices between 200,000 and 220,000 yuan per ton, equivalent to about $12.5 to $13.8 per pound. The metal, crucial for electric vehicle batteries and aerospace alloys, has fallen to five-year lows due to increased production in the Democratic Republic of Congo and Indonesia, where it's a by-product of copper or nickel mining. Last year, China bought 8,700 tons of cobalt. Western nations view cobalt as critical, seeking to reduce reliance on China's supply chain dominance and avoid future shortages. Earlier this month, a senior US official accused China's CMOC Group Ltd. of using predatory tactics to depress prices by flooding the market with cobalt from DRC mines.

Stellantis CEO: electric vehicle tariffs are a trap: (May 22, 2024, Source) – Stellantis N.V. (NYSE: STLA) CEO Carlos Tavares warns of a fierce competition from Chinese electric vehicle (EV) manufacturers in Europe, highlighting potential job and production impacts. He criticizes the prospective tariffs on Chinese EVs as detrimental, predicting they would not prevent the need for Western automakers to restructure. Tavares argues that these tariffs could escalate costs and inflation in regions imposing them, adversely affecting sales and production. He emphasizes the harsh realities of competing with the cost-effective Chinese market, which could lead to significant industry overcapacity if not addressed. Furthermore, Tavares reveals Stellantis' strategy to counter this threat by collaborating with Chinese firms, like their joint venture with Leapmotor, aiming to integrate into the competitive landscape

rather than merely defend against it.

Feds lean on B.C. to produce more critical minerals: (May 22, 2024, Source) – British Columbia (B.C.) is pivotal in Canada's strategy to produce 31 critical minerals essential for the nation's economic future, including copper, zinc, and nickel. During a live event with Stuart McNish, experts highlighted B.C.'s significant mineral reserves and development potential. Michael Goehring of the Mining Association of B.C. stressed that B.C. supplies 80% of Canada's copper and described the mining sector as a generational opportunity that could lead to extensive job creation. Seventeen critical mineral projects could potentially inject $36 billion into the economy over four years. However, lengthy permitting processes pose significant delays. The geopolitical landscape also adds urgency, as competition with countries like China, which dominates critical mineral supply chains, intensifies. B.C.'s government has responded by accelerating its critical mineral strategy, aiming to boost exploration and secure national security interests.

Can Europe secure its own critical raw materials?: (May 22, 2024, Source) – Europe's new Critical Raw Materials Act (CRMA) aims to reduce dependency on Chinese mineral supplies by setting benchmarks for domestic sourcing and processing within the EU. AMG Lithium in Bitterfeld-Wolfen, Germany, exemplifies this effort, establishing Europe's first lithium refinery to serve the battery industry independently. The CRMA mandates that by 2030, the EU must extract at least 10% of its raw materials domestically, and a significant portion of processing and recycling must also occur within the bloc. However, concerns persist about the feasibility of increasing mining outputs and the substantial investment needed, amidst fluctuating market prices. Analysts question if the allocated funds will suffice to meet the ambitious targets, especially as Europe seeks to strengthen its supply chains and support its green transition,

while still engaging with Chinese investments.

US on track to establish domestic rare earths supply chain for defence, official says: (May 21, 2024, Source) – The United States is on track to establish a domestic rare earths supply chain by 2027 to support its defense needs, according to Assistant Secretary of Defense for Industrial Base Policy Laura Taylor-Kale. This initiative follows disruptions in global supply chains caused by COVID and aims to reduce dependence on China, the dominant producer. The US has designated Australia, Canada, and the UK as domestic sources under the Defense Production Act, actively investing in Australian rare earth projects. This year, the US extended up to $850 million in support to two Australian-listed rare earths projects. However, the market faces challenges with slumping prices and low profits due to increased Chinese exports. Industry leaders like Amanda Lacaze from Lynas Rare Earths Ltd. (ASX: LYC) emphasize the importance of growing the non-Chinese rare earths market to correct this imbalance.

How China Is Beating the West in the Minerals War: (May 21, 2024, Source) – In recent years, the West has attempted to diminish China's dominance in the critical minerals market, essential for defense and green technologies. However, Chinese firms have only increased their hold, expanding operations and flooding the market with minerals like nickel and cobalt, essential for electric-vehicle batteries and other technologies. This surge in production has driven down prices and forced Western competitors out of the market. For instance, Chinese companies have significantly increased lithium production, causing delays and suspensions in American and Australian projects. Similarly, Chinese dominance in nickel has led to the shutdown of operations in Western countries like Canada and Australia, as these companies cannot compete with the low prices driven by Chinese oversupply. The situation is exacerbated by

China’s strategic investments under the Belt and Road Initiative, which supports these industries with favorable financing, further entrenching their competitive advantage.

Copper Firm Drops China Financing Deal After Canadian Scrutiny: (May 21, 2024, Source) – Solaris Resources Inc., a Vancouver-based copper company, terminated a $130 million financing deal with China’s Zijin Mining Group following extensive Canadian scrutiny. Announced in January, the deal intended for Zijin to acquire a 15% stake in Solaris, but faced a prolonged review as Canada intensifies its regulation of foreign state-owned enterprises investing in its critical minerals sector. Amidst Canada’s stringent policies, which now only allow such investments under exceptional circumstances, Solaris expressed concerns about the undue delay affecting its market value and investor relations. The funding from Zijin was meant to support Solaris’ main copper project in Ecuador and would have positioned Zijin on Solaris’ board. Solaris CEO Daniel Earle criticized Canada’s minerals policy as counterproductive.

Jack Lifton Debunks Market Myth: Lower EV Demand Doesn’t Correlate with Permanent Magnet Demand: (May 21, 2024, Source) – Jack Lifton emphasizes that declining EV demand does not equate to reduced demand for rare earth permanent magnets, vital in the non-Chinese OEM automotive industry, particularly for hybrid powertrains. Despite varying trends in vehicle production, including hybrids alongside electric and internal combustion engines, the demand for these efficient magnets is expected to grow. Companies like Toyota project an equal distribution of EVs, hybrids, and traditional engines in future production, suggesting a continued reliance on these magnets. Meanwhile, U.S. policies and Chinese export restrictions pose significant challenges, with only limited U.S. capacity for rare earth processing and magnet production, primarily aimed at military needs. The sustainability of the U.S. automotive sector heavily

depends on establishing a robust domestic supply chain for these critical components.

South Korea Said to Build Lithium Reserves to Aid Battery Sector: (May 20, 2024, Source) – South Korea is actively bolstering its lithium reserves to support its vital battery and automotive industries, amidst increasing geopolitical tensions and fluctuating market conditions. The country has initiated purchases of lithium carbonate from Chile this year through Korea Mine Rehabilitation and Mineral Resources Corp. (KOMIR). A significant budget of 233.1 billion won ($171 million) has been allocated for securing critical minerals, with a focus on lithium for electric vehicle (EV) batteries. This investment marks a 526% increase from the previous year and is slated for use in 2024. Amid a backdrop of declining lithium prices due to a sharp drop last year and an influx of new supplies reducing prices by over 80% in 2023, South Korea's strategy aims to ensure competitiveness and meet U.S. Inflation Reduction Act requirements, reducing dependence on China for battery materials.

Indonesia minister says Musk to consider offer to build EV battery plant in country: (May 20, 2024, Source) – Indonesia's Coordinating Minister of Investment announced that Elon Musk is considering an offer to build an electric vehicle (EV) battery plant in Indonesia following a meeting with President Joko Widodo. The discussion occurred in Bali, where both attended the World Water Forum. Minister Luhut Pandjaitan highlighted that Indonesia, rich in nickel—a critical component for EV batteries—is keen to develop its EV sector and has been attempting to attract Tesla for several years. In addition to the EV battery plant, Widodo proposed Musk invest in an AI center and for SpaceX to construct a launchpad on Biak Island in Papua. Furthermore, Musk recently launched SpaceX's Starlink satellite internet service in Indonesia, aiming to enhance

connectivity, particularly in remote and underdeveloped regions.

Made in the USA: Defense companies tense as Congress pressures them to buy domestic: (May 17, 2024, Source) – The 2025 defense authorization act draft is raising concerns among U.S. defense companies due to its emphasis on domestic sourcing of critical materials, previously sourced notably from China. Lawmakers are pressing for the utilization of domestic resources, particularly for materials essential in military technologies like lithium-ion batteries and rare-earth elements. This shift is prompted by strategic considerations and the recent surge in imports from China, which increased from $2 billion in 2020 to nearly $12 billion in lithium-ion batteries alone by 2023. Despite these pressures, defense industries face challenges due to the lack of additional funding for domestic sourcing, leading to potential increased costs for taxpayers. The draft bill encourages the Pentagon to develop and conserve domestic sources more aggressively and strategize for national emergencies. However, industry leaders, including Eric Fanning of the Aerospace Industries Association, caution that such significant changes require time and financial investment, suggesting a need for supportive public-private partnerships.

Investor.News Critical Minerals Media Coverage:

- May 22, 2024 – The Critical Minerals Institute Masterclass: Brazil's Ionic Clays and Their Impact on the Global Rare Earth Supply Chain https://bit.ly/4bLn3Ha
- May 21, 2024 – Jack Lifton Debunks Market Myth: Lower EV Demand Doesn't Correlate with Permanent Magnet Demand https://bit.ly/4aw5Ikk
- May 21, 2024 – Investor.Coffee (05.21.2024): Investors

Brace for Significant Economic Updates https://bit.ly/3Vbt1vD

- May 19, 2024 – Political Instability and Investor Reassurance: The Recent Attack in the DRC https://bit.ly/3WNAn9H

Investor.News Critical Minerals Videos:

- May 23, 2024 – Power Nickel's Terry Lynch on the Strategic Advancements and High-Grade Discoveries that Propel the Nisk Project Forward https://bit.ly/3wCCQJD

Critical Minerals IN8.Pro Member News Releases:

- May 24, 2024 – Obonga: High Resolution Magnetic Geophysics Survey https://bit.ly/4bVdMMV
- May 23, 2024 – Elcora Announces Share Consolidation https://bit.ly/3UNai7W
- May 23, 2024 – Panther Metals PLC Placing https://bit.ly/44VKbAq
- May 23, 2024 – Environmental Permitting update for Caldeira Rare Earth Project in Minas Gerais https://bit.ly/3KbMOEC
- May 23, 2024 – Zentek and DCL Supply Ltd. Sign Distribution Agreement for ZenGUARD Enhanced Air Filters https://bit.ly/4dQGsZ6
- May 22, 2024 – Appia Announces Significant Results from Two Additional Exploration New Targets Electra and Maia at

PCH Project https://bit.ly/3US2phR

- May 21, 2024 – Investor Presentation via Investor Meet Company https://bit.ly/3URRg0f
- May 21, 2024 – Power Nickel’s Lion Discovery Makes an Enormous Roar – 15.4 Metres of Over 9.5% Copper Equivalent https://bit.ly/3QSjxme