

The Critical Minerals Sourcing and Pricing Credibility Crisis is Upon Us

written by Jack Lifton | July 1, 2024

One would think that we had learned our lesson from the rare earth crisis of 2010-12, and, more recently, the lithium supply crisis, which may have not yet run its course.

Both crises were created when global supply exceeded global demand, but both were also framed with a false hypothesis: that the demand was, in fact, global.

The demand for both came overwhelmingly from China. Chinese domestic needs, when subtracted from “global demand,” and the fact that China’s domestic capability and capacity for processing both rare earths and lithium into end-user-friendly forms constitutes more than 80% of such capability and capacity in the world, created a crisis of supply for the rest of the world, the ROTW.

The market mavens were actually betting on the Chinese raising the prices of both since only they could maintain prices, as their massive production of each was the basis of contractual world pricing.

The fiction that the non-Chinese commodity trading community uses is that their own (opaquely determined) stated pricing is the right price for the rare earths and for lithium.

There is, however, no Commodity Exchange guaranteeing a price for any rare earths by maintaining a physical stock and guaranteeing with it both the agreed price and agreed volume delivery among members. The LME pretends to trade lithium, but

no one I know would depend on that exchange to guarantee price, volume, on-time delivery, or specification. This last requirement, specification of exchange-listed product, is the problem with both the rare earth and lithium.

The Chinese, far and away, the world's largest producers, refiners, and users of REEs and lithium, set the prices and now the specifications to be used in the pricing of those scarce materials.

Now that the USA finally has a rare earth processing company with a long history as a mining company, we will finally be able to discover the price of rare earths produced outside of China.

Interestingly, [Energy Fuels Inc.](#) (NYSE American: UUUU | TSX: EFR) is the only domestic American miner/refiner of rare earths not seeking subsidies for its products.

Interestingly also, in a recent "coverage" of the RE space that was forwarded to me – this research report wildly overestimated the cost of producing one kg of NdPr by Energy Fuels, even though the company has published its cost figures openly.

I believe that manufacturing rare earth permanent magnets (REPMs) domestically in the USA does not need subsidies to compete with the Chinese and Japanese. It needs competent and credible experienced miners, refiners, scientists, chemical engineers, and manufacturing engineers. The US Federal and State governments and their critical minerals "experts," by their inaction and talk, show subject matter illiteracy about the REPM supply chain that is sadly common today.

All these entities, governments, and institutional investors need to speak with experienced, successful business managers with the relevant knowledge.

How are they to be found?

Just ask the [Critical Minerals Institute](#) (CMI).