The lithium miners are making a comeback as the EV boom begins

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The lithium miners are making a comeback and investors are again flocking to the sector with most lithium stock prices recovering sharply the past month. As a result today I review the lithium sector and briefly cover 5 of the most promising lithium miners.

A series of recent events has lifted sentiment and stock prices for the lithium miners. These are:

- Lithium prices appear to have finally bottomed as supply stalls and demand picks up again.
- Lithium demand forecasts continue to increase. Benchmark Mineral Intelligence is forecasting a **more than 6x increase in lithium demand this decade**. My model suggests we may see a 9.9x increase this decade, assuming electric car sales hit 70% market share by 2030.
- **Lithium supply continues to decrease in 2020.** The past 3 year lithium bear market has reduced lithium supply with several lithium producers going bankrupt (Tawana Resources (later Alita Resources), Nemaska Lithium, Altura Mining) and most reducing production and scaling back CapEx for future expansion.
- EV sales are surging globally. **Record global electric car sales were reported for Sept. 2020**, up 91% YoY, with 4.9% market share (3.4% YTD). In Sept. 2020, Europe sales surged **166% YoY** reaching 12% market share. For Oct. 2020, China electric car sales rose **120% YoY**. Also in Oct, 2020, **Germany electric car sales hit a record and reached a staggering 18% market share**.

- UBS recently forecast that electric cars' market share would reach **17% by 2025 and 40% by 2030**. My models are forecasting 20% by 2025 and 70% by 2030.
- The **UK ban on new gasoline and diesel cars and vans from 2030** was announced last month.
- In the US President Biden was elected with his pro-green (including EVs) plan for the USA. Biden wants to ensure the U.S. has **a carbon pollution-free power sector by 2035**, which means Li-ion energy storage should do very well as solar and wind require energy storage.
- In the USA a new trade group called Zero Emission Transportation Association (ZETA) is calling for reduced emissions and **100% EVs by 2030 in the USA**.
- Tesla (TSLA) plans to rapidly accelerate production and is currently building/expanding 3 new factories in 3 countries (USA, China, Germany) with plans to produce **20 million EVs pa by 2030**. That would be **a 54x increase on 2019, or a 40x increase on the 2020 target.**

Lithium deficits are forecast from 2022/23 growing significantly towards 2030



Source

5 pure play lithium miners with potential to do well this decade as lithium demand booms

1) Jiangxi Ganfeng Lithium [SHE: 002460] [HK: 1772] (GNENF)

Ganfeng Lithium is in the top 3 global lithium producers. Ganfeng is the most vertically integrated lithium producer with JVs in lithium mines, lithium conversion and chemical production, some battery products (including solid state batteries), and battery recycling. No other lithium company

globally has expanded their lithium assets portfolio and off-take/equity agreements as much as Ganfeng has the past 5 years. Examples of this include JVs and off-take deals with Mineral Resources, Pilbara Minerals, Lithium Americas, Bacanora Lithium, International Lithium as well as local sources in China. Ganfeng will most likely become the new lithium super power this decade.

2) Galaxy Resources [ASX: GXY] (OTCPK: GALXF)

Galaxy Resources is an Australian pure play lithium miner with 3 lithium projects globally – Mt Cattlin (Australia), Sal de Vida (Argentina), and James Bay (Canada). Mt Cattlin is already producing lithium spodumene and the later two projects are still under development with SDV being quite advanced. This means Galaxy Resources has enormous potential to expand lithium production this decade.

3) Pilbara Minerals [ASX: PLS] (OTCPK: PILBF)

Pilbara Minerals owns the massive Pilgangoora Lithium-Tantalum producing mine in Western Australia. The mine is only operating at Stage 1 capacity, but there are plans for Stage 2 and eventually Stage 3 expansions. Pilbara Minerals has top notch off-take and/or equity partners. These include General Lithium, Ganfeng Lithium, Great Wall Motors, POSCO, CATL and Yibin Tianyi. Finally, it is looking possible that Pilbara Minerals may swoop up the Altura Mining asset next door as part of a liquidation deal.

4) Lithium Americas [TSX: LAC] (LAC)

Lithium Americas is likely to be the next significant lithium brine producer. Partnered with industry leader Ganfeng Lithium (51% share) at their Caucharí-Olaroz Project in Argentina construction is fully funded and well underway with lithium production forecast to begin by early 2022. Added to this is

their 100% owned Thacker Pass lithium clay project in Nevada, USA.

5) Neo Lithium Corp. [TSX: NLC] [GR: NE2] (OTCQX: NTTHF)

Neo Lithium looks set to possibly be the next major lithium brine producer following Lithium Americas. Neo Lithium 100% own their Tres Quebradas ("3Q Project") lithium project in Argentina. The 3Q Project is widely regarded as one of the best, if not the best, undeveloped lithium projects globally. This is because the lithium grade is very high and the impurities very low, and they own 100% of a very large salar. Management is top tier and Neo Lithium look well placed with their strategic equity partner CATL (the world's largest Li-ion battery manufacturer) to make it to production by late 2022 or 2023. You can read more in my very recent article on Neo Lithium here.

The above 5 lithium miners are set to do well, but in a market where lithium demand increases 3-9 fold in a decade all the quality lithium miners can do very well indeed. This includes the leading diversified chemicals companies that sell lithium (Albemarle (ALB) and SQM), US lithium producer Livent (LTHM), and a list of other lithium miners as well as the lithium junior miners yet to make it to production.

A booming Li-ion battery market from the booming electric vehicle (EV) and energy storage (ES) markets should create an incredible tailwind for lithium stocks this decade.

Electric vehicles sales are forecast to surge from end 2022 as purchase price parity with conventional cars kicks in

Source

Closing remarks

Assuming the EV boom continues to take off and we get rapid adoption of EVs and/or lithium-ion based energy storage, then the demand for lithium will increase several fold this decade. This will more than likely cause lithium prices to rise and huge opportunities for existing lithium miners to expand production as well as lithium juniors to succeed to be the next wave of producers needed from 2025 to 2030.

After the past 3 year lithium bear market (due to short term lithium oversupply and a trade war/Covid-19 induced EV sales slowdown) it is understandable that investors remain a bit cautious; however just imagine any mining sector facing a 3x-9x surge in demand in only a decade. This is what we call a mining super-cycle.

Hold on to your lithium miners and enjoy the ride as the EV boom begins!