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All aboard Europe's lithium bandwagon

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Aug 9, 2020 – 11.25pm

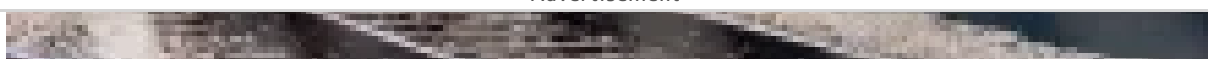


London | A gang of Perth mining juniors is clambering aboard Europe's lithium bandwagon, shrugging off the global price doldrums and betting that European governments and car makers will deliver an electric vehicle and battery bonanza.

The fundamentals for a European lithium boom seem in place. Coronavirus has put barely a dent in the European car makers' sales of, and ambitions for, electric vehicles - and soon they will need more battery-ready lithium than the world can supply.



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Rolling them out: Electric cars ready to leave VW's German plant. **Getty**

Meanwhile, the pandemic has steeled the Continent's resolve to shuck off its dependence on China for lithium supplies. And that's revved up the European Union's drive to support mines and processing plants - the missing links in a fully domestic supply chain.

ASX-listed Perth-based players such as European Metals Holdings, [Vulcan Energy Resources](#), European Lithium and Infinity Lithium are all hoping to get lithium mining and processing projects shovel-ready within the next few years – and EU taxpayer money is coming to the party.

“Europe is the place where lithium demand is going to grow the fastest of anywhere in the world, and it has no domestic supply whatsoever,” says EMH executive chairman Keith Coughlan. “The supply-demand equation is as simple as that.”

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Almost nobody has been putting money into new lithium projects – the price is just too low, having plunged between 50 and 60 per cent in the past two years. But Europe is the exception, and the honeypot.

The numbers tell the story. “Volkswagen alone will need 125,000 tonnes of lithium carbonate equivalent by 2025 – that’s 40 per cent of the world lithium supply,” Coughlan says.

S&P Global Market Intelligence expects global lithium demand to increase by 91 per cent from 2019 to 2024, reaching 536,000 metric tonnes of lithium carbonate equivalent.

Electric vehicles are expected to account for nearly three-quarters of that demand increase. Global passenger electric vehicle sales are expected to rise to 6.2 million units in 2024, about three times higher than in 2019.

Market watchers have focused on this year's [sales slump in China and North America](#), but the EU has quietly gone the other way: there was a 69 per cent year-on-year surge in European passenger electric vehicle registrations in the first five months.

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plants are being built pretty much everywhere in Europe,” says Ryan Parkin, CEO of Infinity Lithium.

Capacity is mushrooming in Britain, Sweden, France, Poland and Germany. The European Commission reckons the bloc's output will vault that of both the US and non-Chinese Asia by 2024, for a 15 per cent share of world production.

“Many of the projects and facilities are not operating commercially yet, but are likely to be fully operational within five years,” says IHS senior market analyst Lukasz Bednarski.

Vulcan CEO Francis Whelan says Europe could be producing more than 500 gigawatt hours of lithium ion battery cells by 2029, needing more than 500,000 tonnes of battery-quality lithium hydroxide.

“That is greater than the entire global market for all lithium chemicals today, which is about 350,000 tonnes. And Europe has zero domestic supply,” he says.



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The thing is, there's plenty of lithium in the ground all across Europe – and now the Australians are coming to help the Europeans get it out. And they also want to convert it into battery-grade lithium, cutting out the processing superpower, China.



Vulcan wants to use geothermal energy to extract lithium hydroxide from brine in southern Germany. Its untested process is a little further behind, but could be up and running by 2024.

European Lithium has a hard-rock project in Austria that hopes to produce up to 10,000 tonnes of lithium hydroxide annually by 2022, although its most recent update said COVID-19 had slowed progress. Perth mining player Tony Sage is the non-executive chairman.

Savannah Resources has a hard-rock resource in Portugal, and is looking to have the spodumene concentrate converted in China. The company is London-listed but both CEO David Archer and technical director Dale Ferguson are Australian.

Even if all these players pull it off within the next five years, that would potentially satisfy only the tip of the anticipated iceberg of European demand.

“If you have three European projects up and running in 10 years time, they’ll still only be supplying 10 per cent of that demand, although they should have the ability to scale up,” Parkin says.



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Some of the companies, notably Vulcan and Infinity, have had their share price pick up since June. Many are now courting the European investor base: their shares trade in London or Frankfurt, and Infinity is even contemplating a possible listing



"To secure money from the EU, the due diligence has been a long and very strict process, there are a lot of boxes to tick. Some projects have been rejected," says Parkin.

"You also need to show you're involved in technology innovation. You have to show you're doing things differently."

That also means doing things the green way, which is becoming de rigueur in Europe.

"It's not enough to have a big lithium resource, you have to prove you can convert the feedstock in a greener way," says Parkin.

"We have EU support because we have modified our process enough to be sustainable and green. We're using better reagents and less transport, and producing less and benign waste, so that continual replanting of tailings areas is proposed."

Coughlan agrees: "We won't get EU support if we're not a good green corporate citizen. We can't sell to someone like Volkswagen if we don't have good green credentials."

"Our hard-rock is not spodumene, it's different, it's not as energy-intensive to extract lithium from it. The roast is a lot lower temperature, we don't use sulfuric acid, our reagents are benign and recyclable."

Of course, the Australian players will be talking up their prospects. But even those sitting on the sidelines seem to think there's something in all this.

"Lithium prices have been falling for almost two years now, which is hindering supply, hindering expansions, hindering investments into new projects," says Jacqueline Holman, senior pricing specialist at S&P Global Platts.



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