Lithium

World's biggest lithium producer urges state help to compete with China

US-based Albemarle cuts expansion plans amid struggles for processor of key mineral for electric cars

Sacks of lithium carbonate at an Albemarle processing facility in Chile © Cristobal Olivares/Bloomberg

Harry Dempsey 10 HOURS AGO

The world’s largest lithium producer, Albemarle, has urged governments to intervene to loosen Chinese dominance of the market for the minerals that power electric cars.

Kent Masters, chief executive of the US-based group, wants more help from countries and car manufacturers to fight Chinese competition after the collapse in the market for lithium, a key component of batteries used in electric and plug-in hybrid vehicles.

“If we’re going to build western supply chains [for electric cars], then action needs to be taken now,” Masters told the Financial Times.

A brutal downturn in the lithium price has made it harder for western groups to compete with Chinese companies because of their cheaper costs, forcing North Carolina’s Albemarle to cut expansion plans.

The price has plunged more than 80 per cent to less than $12,000 per tonne since the start of 2023 because of a global slowdown in electric car sales and a wave of new supply of the mineral.

In addition, US President Joe Biden’s flagship climate change legislation, the Inflation Reduction Act, had failed to reduce the west’s dependence on China for materials such as lithium, said Masters.

“We’re not necessarily getting support from the market or other industry players . . . whether it’s a crisis or not, I’m not sure, but it’s a very important moment in time.

“China is going to control these supply chains or we’re going to build western supply chains to compete.” He added: “I’m not sure it’s clear that the west is building those supply chains out right now.”

Kent Masters, chief executive of Albermarle © Logan Cyrus/Bloomberg

Albemarle announced on Wednesday a second round of cost-cutting plans this year that will involve mothballing a production line and halting expansion at its Kemerton lithium hydroxide refinery in Australia.

The move, which will result in an impairment charge of approximately $1bn and 300 job cuts, reflects China’s big advantage in refining strategic minerals, analysts said.

China processes 65 per cent of the world’s lithium, according to Benchmark Mineral Intelligence, a commodities data group. The Asian nation has an edge because of cheaper construction costs, subsidies and technical knowhow.

The problems of Albemarle, which has struggled to find workers with the skills to run the complex operation at its Kemerton plant, could jolt western government officials into action.

Australian resources minister Madeleine King pledged on Thursday to accelerate planned tax incentives for processing critical minerals.

European companies such as AMG Critical Materials, which is close to building a small lithium refinery in Germany, also believe they can compete with China using the latest technology to lower operating costs.

AMG chief executive Heinz Schimmelbusch said that “frankly we don’t expect big hurdles” in getting the first line of production up and running, given the country’s long history in lithium and chemicals.

The IRA, Biden’s $369bn climate change legislation, has spurred the building of a number of electric car and battery factories in the world’s largest economy.

Masters said the legislation was “important” but “never really filtered down to critical minerals”.

Albemarle has built its strategy on hopes that car manufacturers will pay a premium for lithium that would secure tax credits on their vehicles under the IRA.

Car manufacturers benefit from a consumer tax credit of $3,750 on electric vehicles built in North America if materials above a certain level in the battery are home-produced or come from selected trade partners or recycling.

Albemarle made a $188mn net loss in the second quarter, a stark contrast to net income of $650mn in the same period a year ago.

Analysts at Berenberg said the company might need a $2bn capital injection to avoid breaching its debt covenant next year. Masters, however, insisted it can weather the downturn using its balance sheet.