

**Commodities**

## Western nations join forces to break China's grip on critical minerals

Coalition of 14 governments announces financing network for projects to provide raw materials required by tech industry



A nickel processing plant in Sorowako, Indonesia where Chinese investment has helped the Southeast Asian nation gain an effective monopoly in the metal © Antara Foto/Jojon via Reuters

**Jamie Smyth** and **Myles McCormick** in Houston and **Harry Dempsey** in London 11 HOURS AGO

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Western nations are directing their development finance and export credit agencies to work with private industry to support critical minerals projects, in a drive to break China's chokehold over a sector that is essential for high-tech industries.

The Minerals Security Partnership, a coalition of 14 nations and the European Commission, will unveil a new financing network at an event in New York on Monday as they try to ramp up international collaboration and pledge financial support for a huge nickel project in Tanzania, backed by mining company BHP.

A joint statement due to be published on the margins of the UN general assembly says the network will "strengthen co-operation and promote information exchange and co-financing". It lists 10 [\*\*critical minerals\*\*](#) projects that have already attracted support from MSP partner governments.

Representatives of BlackRock, Goldman Sachs, Citigroup, Rio Tinto and Anglo American are scheduled to attend the meeting, amid a push to attract private investors and miners to invest further in the sector.

Jose Fernandez, US under-secretary of state for economic growth, said a further 30 critical minerals mining projects are being evaluated by the MSP, as western governments race to secure the raw materials needed to make everything from electric vehicles to advanced weapons.

“What China is doing is following the playbook of the monopolist to drive out competition,” said Fernandez, who accused Beijing of engaging in “overproduction and predatory pricing” to retain its grip on global supply of critical minerals.

“We realise we can't solve this problem with any one single country, we are stronger together,” he said in an interview.

The US and China have become embroiled in a tit-for-tat trade war in which Washington has imposed export curbs and other restrictions on semiconductors and other advanced technologies.

China has retaliated by restricting exports of some minerals, including antimony, an obscure metal used in armour-piercing ammunition and night vision goggles.

Chinese companies control 90 per cent of the world's processing capacity for rare earths and more than half the processing capacity for cobalt, nickel and lithium minerals that are used to make batteries for EVs.

“They were the only game in town — we're changing that,” said Abigail Hunter, executive director at the SAFE Center for Critical Minerals Strategy, an NGO that has partnered with the US state department to promote investment in critical minerals supply chain.

Hunter said the aim was to give “lower income countries in particular the alternative to China when it comes to financing”.

The US International Development Finance Corporation will publish a letter of intent to provide debt financing to a mining project in Tanzania that would loosen China and Indonesia's hold over supplies of nickel, a key battery ingredient.

The Kabanga nickel project is being developed by Lifezone Metals, a company based in the Isle of Man that is 17 per cent owned by BHP.

The project is a challenge to Chinese-backed investment in Indonesia that has reshaped the nickel market, turning the Southeast Asian nation into an effective monopoly with 55 per cent global share of output, up from 16 per cent in 2017.

The DFC declined to say what size of a loan it would provide the project.

“What we’re really focused on is making sure that the private sector has a fair shake and has the tools necessary to provide the financing and investment to spur the growth of this industry,” said Scott Nathan, DFC chief executive.

China has steamed ahead of the west on critical mineral projects, benefiting from subsidies, easier access to financing, superior processing technology, lower costs and tolerance for laxer environmental standards.

Private investors believe surging demand for the raw materials needed to drive the energy transition will create a profitable and more stable market. But they say further support and public-private co-operation is needed to coax greater amounts of capital.

“Investors wouldn't be looking at these things if there weren't potential returns, but it is difficult. And the question is whether we can thread the needle,” said Dominic Raab, former UK deputy prime minister and head of global affairs at Appian Capital Advisory, a major investor in critical minerals.

“I think we’ve started to put the bones of a plan together. But we haven’t got the scale of it yet. And we’ve got to show the staying power.”

The US, Australia, Canada, Estonia, Finland, France, Germany, India, Italy, Japan, the Republic of Korea, Norway, Sweden, the UK, and the EU are members of the MSP.

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