

Global Metals & Mining

Benchmark Minerals Lithium Outlook
Conference Call Feedback

Industry Overview

We hosted a conference call with Benchmark Minerals' Principal Lithium Analyst Dr. Cameron Perks to discuss the lithium outlook for 2024 and beyond. We highlight the key takeaways below.

Pricing now at a low, may shorten the over-supply period

Benchmark Minerals (Benchmark) expect that current lull in realised prices could amplify the next upswing which could happen quicker than the market expects. CY23 was categorised by inventory building through the supply chain while contract volumes were sufficient for ex-China demand, net result being severe price pressure. Benchmark is now seeing record highs in lithium exports from Africa monthly. In its current models, and with an expected capital intensity of \$50/kg, new supply from DLE & brine are expected to be delayed. On the spodumene side, curtailments of growth plans from Australian producers are expected to continue (and has already begun with Core Lithium and Liontown Resources).

\$28/kg incentive price required to close the 2030 gap

Benchmark expect a \$28/kg incentive price to cause a price reaction sooner rather than later. Capacity utilisation shrinkage likely to follow in response to the current price environment.

African supply is coming, China supply irrational?

Benchmark views Africa as a low-cost source of production. Even if some new producers are reporting higher costs, Chinese ownership means that the degree of vertical integration could limit rational behaviour as prices continue to remain under pressure. Like iron ore in 2015, whereby Chinese domestic iron ore was expected to set a price floor, this was not the case and Benchmark suspects this could also be the case in lithium.

Moving away from capital efficient routes

Benchmark commented that lithium markets are moving away from the most 'capital efficient' location for building refining capacity – China. Fuelled by policies and a view of supply chain security, higher capital and operating costs outside of China are not viewed as a deterrent to this repositioning of refining capacity. In the long term, prices will rebound to facilitate these investments. According to Benchmark, producers of upstream lithium should be focused on gaining exposure downstream in a down-cycle as it expects vertical integration will smooth earnings cycles for producers of raw materials.

Biggest risks to demand are found in chemistries

Benchmark reports that sodium-ion is now the bottom of concerns given the recent pullback in lithium prices. The biggest upside risks for lithium are viewed as the solid-state lithium battery and further policy focused on stoking demand to accelerate global EV penetration rates.

24 January 2024

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Timestamp: 24 January 2024 12:01AM EST

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