



China's rare earths grip 'a threat'; Mining

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Body

An Australian miner racing to break China's global stranglehold of rare earths says the Asian powerhouse is manipulating resource prices, posing an "existential threat" to Western countries.

Chinese Premier Li Qiang capped his visit to Australia last Tuesday at a lithium processing plant in resource-rich Western Australia, marking China's push to retain control of the world's critical minerals and rare earths.

Around the same time, the boss of \$2.7 billion ASX-listed Iluka Resources, Tom O'Leary, was warning participants at a global mining conference in Japan about the "uncomfortable reality" behind China's superiority.

"China's dominance of the rare earths supply chain has led to market failure, and this presents an existential threat to manufacturing in Western and like-minded countries," O'Leary said.

Beijing's monopoly of rare earths is being leveraged to control prices, O'Leary maintains. He said that significant price swings on the Asian Metal index over the past three and a half years indicate the price is being manipulated by China.

"Most telling is the price fall, from the peak in early 2022, which occurred almost immediately following what was effectively a Chinese government directive to its rare earth firms to 'jointly guide product prices to return to rationality'," he said.

Independent forecasters point to a future supply squeeze and rising prices, yet Asian Metal index prices for rare earths remain at historic lows. At today's index prices, no producer, regardless of location, is making any money, O'Leary said.

China makes more than 90 per cent of the world's rare earth oxides and monopolises the global supply of two heavy rare earth elements - dysprosium and terbium. It can extract profits anywhere along the supply chain.

Both elements are used to make high-strength magnets for thousands of defence applications, electric motors and drivetrains in wind turbines.

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Governments around the world are scrambling to counter China's monopoly and secure the materials needed to power the clean energy economy and the planet's energy transition.

Iluka is building a refinery - backed by the Australian government to the tune of \$1.25 billion - in Eneabba north of Perth that will produce enough separated light and heavy rare earth oxides to meet more than half of the West's forecast demand by 2030.

Julian Kettle, senior vice president of metals and mining at analytics firm Wood Mackenzie, said taxpayers will end up underwriting the refining and processing being built to counter China.

Most of the value in minerals is extracted by miners, rather than refiners. "What that means is that you require higher prices to make the subsidy numbers work. The taxpayer always pays," Kettle said.

"There needs to be a different conversation with China. We can't keep China bashing," he said.

China's reserves of heavy rare earths will run out within 11 years at current demand levels, data from Adamas Intelligence suggests.

That timeline may be driving an aggressive push by Beijing to sign binding offtake agreements with smaller miners and increase Chinese ownership of Australian **resource** companies such as Northern Minerals.

Treasurer Jim Chalmers earlier this month ordered Chinese funds that own shares in Northern Minerals to significantly reduce their stakes in the rare earths prospector, as the Australian government sharpens its focus on supply chain security.

Kim Beazley, chairman of the US Asia Centre think tank in Perth and former defence minister, said a miner such as **Iluka** could potentially change the game if it can supply half of the West's demand for rare earths within the next six years.

"That's it. Finished. Strategic game over [for China]," he said.

"If we are going to get these precise rare earths - terbium, dysprosium and a couple of others - that are critical to making magnets ... that is what gives us a reasonable chance, or the Americans a reasonable chance, of independent survival."

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