

Investors should focus on battery materials, not EVs – Blackstone Resources CEO

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Investors keen to tap into the electrification of the world's transport networks should look upstream to the battery metals market instead of buying shares in automakers, according to Ulrich Ernst, the chief executive officer of Blackstone Resources.

The electric vehicle (EV) revolution will first emerge as a mixture of differing technologies, from hybrids to all-electric cars powered by an ever-evolving battery-metal-mix of cathodes, Ernst said.

"Battery-metals don't mind what path the EV revolution takes. They don't mind which automaker wins and which one loses. Even the type of technology used is of little relevance," he said.

"Aggregate demand for battery-metals will rise at an exponential rate. And the days of the traditional combustion engine are limited," he added.

Citing data from the Boston Consulting Group, Ernst said that the proportion of vehicles produced that run on gasoline and diesel will fall to just 52% by 2030 from 95% globally in 2017.

“What’s astonishing is that we are now in 2018, and 2030 is only 12 years away,” he added.

The mix of battery metals used in battery cathodes may well change drastically in the years ahead, along with the battery cathodes themselves, according to Ernst.

“Technological progress will drive this shift to make owning a decent electric car like the Tesla more affordable. The exact mix of battery metals and the technology used will change to make all-electric cars more efficient, more powerful, drive longer and speed-up charging times while on the road,” he said.

“What’s astonishing is that we are now in 2018, and 2030 is only 12 years away.”

“The beauty of investing in battery metals is that you don’t have to wait for this point in time to arrive. If you diversify your portfolio of battery metal interests, then the final mix doesn’t matter whether it’s North American cobalt, rare earths from Norway, manganese from Colombia or molybdenum from Mongolia,” he noted.

“So forget about investing in EVs. Battery materials matter more,” he added.

Price moves

“Battery materials matter more,”

Ernst is unfazed by the recent fall back in the cobalt and lithium prices, he said.

“The easing of supply-side tensions in the Democratic Republic of Congo has seen cobalt prices fall 15% and lithium prices fall 20% in the last six months. I think it’s good to see some of this risk premium come out of the battery metal market because it’s the long-term demand-side forces, such as the electric car, which will drive this market forward,” he said.

“Batteries might be falling in price due to efficiency gains made in battery technology. However, battery metals are also rising as a percentage-of-cost of these batteries. And, as the number of EVs dramatically increases, demand-side forces are likely to overwhelm any short-term supply-side relief,” he added.

Metal Bulletin's assessments of low and high-grade cobalt prices, a key raw material used in the production of EV batteries, peaked at 10-year highs in April but slid lower for several months after May. Meanwhile cheap selling from China met weak summer demand elsewhere.

Yet spot prices for high-grade cobalt rose for the first time in 19 weeks on Friday August 31, with sellers successfully hiking their offers in response to an uptick in consumer demand, alongside a more positive backdrop from China.

The high-grade cobalt price rose to \$32.90-34 per lb, in-warehouse, on Friday August 31 from \$32.55-33.55 per lb in mid-week.

The low-grade cobalt price was unchanged at \$33-33.60 per lb inwarehouse on August 31.

Lithium prices meanwhile soared to an average of \$21,760 per tonne in 2017 from around \$9,500 per tonne in the second half of 2015, based on [Metal Bulletin's assessment](#) of spot prices ex-works China. Yet prices have since eased amid an anticipated supply surplus while projects ramp-up and new producers enter the market.

[Metal Bulletin's](#) battery-grade lithium carbonate index was calculated at 85,298 yuan (\$12,492) per tonne, ex-works China on Thursday August 30, down from 159,250 yuan per tonne at the start of the year.

Switzerland-based Blackstone Resources is an independent mining and exploration company with strategic stakes in battery materials projects in Canada, Peru, Columbia, Norway and Mongolia.

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