China may be making lithium the world’s most strategic commodity

A model stands next to the all-electric I-Car, shown by Chinese state-owned automaker Dongfeng Motor at the Beijing auto show.

China is to provide subsidies of 60,000 yuan — that’s an astonishing $9,800 — for every electric car (and hydrogen ones, too) sold between now and 2015. The announcement this week saw the media concentrate mainly on the reasons for the subsidies — China needing to clean up its atmosphere — but the story has huge implications for one critical mineral in particular: lithium (meaning, the lithium-ion battery which is essential in the making of such cars.)
China aims to put 5 million of what it calls “new-energy vehicles” on the road by 2020, according to the BBC. The broadcaster quoted the state-owned Xinhua news agency as saying that in 2012 there were about 27,800 of the new-energy vehicles (mainly buses) on the country’s roads so that means a huge growth spurt over the next two years.

And for lithium production, too. China does have some lithium-bearing brines (about 70% of the world’s lithium comes from brines, the remainder from hard rock) but not enough. They are looking at finding technology that will recover lithium from seawater; in the meantime, expect to see China securing deals with potential lithium producers around the world.

The problem for China is that it is already the world’s largest consumer of lithium but its own deposits amount to just 9% of known world resources of the mineral. Yet it is obvious that Beijing can see that China’s demand is going to become even greater and they will need more and more lithium—which would explain why an advance of $5 million was given by a Chinese off-take partner to Canadian Lithium (TSX: CLQ). Tianjin Products & Energy Resources Development is clearly anxious to get its hands as soon as possible on the lithium to come from the Val d’Or project in Quebec.

It will also explain why Chinese technicians from Linyi Gelon New Battery Materials Co are arriving in Bolivia to help set up a lithium battery plant (we have also reported the Dutch have similar plans). Xinhua reported that the plant should be in operation by April.
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You can expect to see China targeting South America: Bolivia has 42% of the world’s known lithium, Chile 23%, Argentina 16% and Brazil 7%. Those are brine resources.

Thanks to Euro Pacific of Toronto, I can tell you that China’s largest lithium deposit is lithium-bearing pegmatite at Jiajika in the eastern portion of the Tibet plateau. Lithium-bearing brines are found in the Qinghai-Tibet plateau. There is a zone of lakes there with 30 discrete brine resources.

Meanwhile, I am indebted to the website of Rodinia Lithium (TSXV: RM) for a concise outline of lithium’s story. This company is also targeting Argentina for lithium (with potash as a by-product) and has a lithium target in Nevada, too. You would have to concede that the company’s summation below is a great scene-setter for anyone intending to study the lithium sector:

“Lithium was first discovered and defined in 1817 but was not produced commercially until 1923 by a company called Metallgesellschaft AG. Until now, lithium has been a minor commodity used in small quantities by manufacturers of glass,
grease and mood-stabilizing drugs. In recent years demand has skyrocketed due to the increase in mobile phone, laptops and assorted electronic devices popular with consumers.

“Lithium-ion batteries have become the rechargeable battery of choice and are now almost used exclusively in cell phone and computer batteries with items such as shavers, power tools, and hybrid and electric cars switching over from the nickel varieties.”

Rodinia’s view: The lithium bonanza may just be starting. The green-car revolution could make lithium one of the planet’s most strategic commodities.

Expect to hear much more about lithium here on InvestorIntel.