Technology Metals Report (03.01.2024): Biden Calls Chinese EVs a Security Threat and the Greenest Car in America May Surprise You?

written by InvestorNews | March 1, 2024

Welcome to the latest issue of the Technology Metals Report (TMR), brought to you by the Critical Minerals Institute (CMI). In this edition, we compile the most impactful stories shared by our members over the past week, reflecting the dynamic and evolving nature of the critical minerals and technology metals industry. Among the key stories featured in this report are President Joe Biden's initiatives to restrict Chinese electric vehicles (EVs) citing national security concerns, the American Council for an Energy Efficient Economy's report naming the Toyota Prius Prime SE as the greenest car in America, and insights into the lithium market with investors remaining keen despite a price plunge. We also delve into the broader context of these developments, including the potential solution to the rare earth crisis through tetrataenite, BYD's exploration for a factory location in Mexico, and the ongoing challenges and opportunities facing the global electric vehicle and critical minerals markets.

This week's report also highlights various strategic collaborations and developments, including the significant challenge posed by China's EV industry to Detroit's Big Three automakers and Australia's navigation of a critical minerals market meltdown amidst declining prices for key exports such as

iron ore, nickel, and lithium. Furthermore, we cover Lynas Rare Earths Ltd.'s (ASX: LYC) call for government vigilance in the volatile nickel market, China's lithium-ion battery industry facing excess inventory and production capacity issues, Energy Fuels Inc.'s (NYSE American: UUUU | TSX: EFR) record net income and uranium production ramp-up, and Mercedes-Benz's adjustment of its electrification goal. These stories underscore the rapidly changing landscape of the technology metals and critical minerals industry, spotlighting strategic collaborations, market dynamics, and the critical role of innovation and policy in shaping the future of sustainable technology and energy.

Biden Calls Chinese Electric Vehicles a Security Threat (February 29, 2024, Source) – President Joe Biden has initiated measures to potentially restrict the entry of internet-connected Chinese electric vehicles (EVs) into the U.S. market, citing national security concerns over their ability to transmit sensitive data to Beijing. The Commerce Department has launched an investigation into these security threats, marking the beginning of a broader strategy to prevent low-cost Chinese EVs from undermining U.S. automakers. This move comes amid growing tensions between the U.S. and China over trade and technology, with Biden emphasizing the need to protect the domestic auto industry from unfair Chinese practices. The investigation, a result of discussions with major automakers and unions, could lead to new regulations on vehicles using Chinese software, which is feared to collect extensive data on American users. This action is part of Biden's wider efforts to bolster U.S. technology restrictions against China and maintain competitiveness in the global auto market.

The 'greenest' car in America might surprise you (February 29, 2024, Source) – A new report from the American Council for an Energy Efficient Economy challenges the common perception that electric vehicles (EVs) are the greenest cars in America by

naming the Toyota Prius Prime SE, a plug-in hybrid, as the top environmentally friendly vehicle. The Prius Prime SE can travel 44 miles on electricity before switching to hybrid mode, combining electric and gasoline power. The report assesses over 1,200 vehicles on their road and manufacturing emissions, including pollutants beyond carbon dioxide. Despite the growing market for EVs, the report emphasizes that a car's green credentials depend on factors like weight, battery size, and overall efficiency, not just its electric capabilities. Plug-in hybrids like the Prius Prime offer a balance for drivers by allowing short electric commutes and longer gas-powered trips, presenting a practical alternative amidst America's evolving charging infrastructure. Critics argue that fully electric vehicles remain the best option for environmental benefits, especially as renewable energy sources increase. However, the report suggests the importance of offering consumers a range of environmentally friendly choices to suit different needs.

Lithium Investors Are Looking Beyond Price Plunge, Chile Minister Says (February 28, 2024, Source) – Despite a recent downturn in lithium prices, investors remain keen on new lithium projects in Chile, as confirmed by the country's Mining Minister, Aurora Williams. This interest is fueled by the long-term prospects associated with the global shift towards renewable energy and electric vehicles, rather than short-term price fluctuations. Chile, home to the world's largest lithium reserves, has seen prices drop significantly since the introduction of a new public-private partnership model aimed at attracting investment while ensuring major deposits remain under state control. Despite this, major international companies like Rio Tinto Group and Tsingshan Holding Group have continued discussions with Chilean authorities, demonstrating a sustained interest in the sector. Chile plans to offer exploration rights in certain salt flats, with the possibility of private investors

gaining either minority or majority stakes depending on the strategic importance of the area. This initiative is part of a broader effort to maintain Chile's status as a key player in the global lithium market, amidst growing competition and as the country also seeks to bolster its position in the copper industry.

Navigating the Climate Change Storm of ESG Withdrawal and Climate Change Commitment (February 28, 2024, Source) – Recent decisions by JPMorgan, State Street, and Pimco to exit Climate Action 100+ (CA+), amid political pressures, have sparked debate over the fate of global ESG initiatives. Nevertheless, CA+'s extensive network, including over 700 members and its collaborations with high-emission companies for a low-carbon transition, exemplifies the resilience of ESG efforts. Despite these withdrawals, the broader commitment to ESG principles, especially in the extractive industries with initiatives like Copper Mark and Responsible Steel, remains robust. This commitment is further reinforced by regulatory measures against greenwashing and heightened public activism for environmental protection and equitable benefits. These trends underscore that, far from diminishing, ESG remains a crucial driver of corporate strategy and societal expectations, suggesting a sustained impact on global business practices.

Tetrataenite as a solution to the rare earth crisis (February 28, 2024, Source) – The rare earth crisis, pivotal for modern technologies such as electric motors and wind turbines, stems from the scarcity and environmental impact of mining rare earth elements like yttrium and neodymium. As demand for these materials grows due to their importance in reducing fossil fuel reliance and combating climate change, shortages are anticipated. A potential breakthrough in 2023 by an international research team suggests tetrataenite, a meteorite mineral with similar magnetic properties to rare earths, as a

solution. Unlike its natural slow formation in space, the team discovered a method to synthesize tetrataenite on Earth rapidly using common materials like iron, nickel, and phosphorous, potentially offering an alternative to address the rare earth crisis.

Chinese automaker BYD looking for Mexico plant location, executive says (February 28, 2024, Source) – Chinese electric vehicle manufacturer BYD is scouting locations in Mexico for a new factory, targeting the local market to enhance its share, as stated by BYD Americas CEO Stella Li. With an annual production capacity of 150,000 cars, the company plans to finalize the plant location by year-end. Recently surpassing Tesla in global EV sales, BYD's expansion into Mexico signals a potential competitive challenge to U.S. auto companies, amidst concerns from the Alliance for American Manufacturing about low-cost Chinese cars impacting the U.S. auto sector's viability. BYD's strategy focuses on serving the Mexican market, particularly eyeing central and southern regions for factory sites. The company's cost competitiveness is attributed to early investments in EV technology and extensive vertical integration. BYD also announced the launch of its Dolphin Mini EV in Mexico, priced significantly lower than the cheapest Tesla, aiming to make electric cars accessible to more Mexican consumers. However, challenges remain, such as the limited network of charging stations in Mexico.

China's Electric Vehicles Are Going to Hit Detroit Like a Wrecking Ball (February 27, 2024, Source) – China's electric vehicle (EV) industry, led by automakers like BYD, poses a significant challenge to Detroit's Big Three (Ford, General Motors, and Stellantis). Despite recent profits and optimistic forecasts for 2024, these American giants are struggling with their EV sales goals amidst the rapid emergence of affordable and efficient Chinese EVs. BYD, in particular, has sold millions

of electrified vehicles, expanding its global manufacturing footprint to meet increasing demand. The competitive pricing and technological efficiency of Chinese EVs underscore China's evolving industrial capabilities, transitioning from basic manufacturing to complex, high-tech production including cars and batteries. This shift represents a broader challenge to American automakers, who must navigate a changing market landscape while addressing structural vulnerabilities in their business models, heavily reliant on sales of trucks and SUVs to a niche market. The U.S. government faces a delicate balance of supporting domestic industries through subsidies and trade restrictions while fostering a competitive environment that encourages innovation and adaptation to the global shift towards electrification.

Australia's Precarious Position: Navigating a Critical Minerals Market Meltdown (February 26, 2024, Source) – Australia is at a critical juncture, facing a significant downturn in the prices of key exports such as iron ore, nickel, and lithium, which underscores the country's vulnerability due to its heavy reliance on these commodities and its dependence on China, its main buyer. The global implications of this market meltdown are profound, with the economic viability of mining and refining operations being challenged, as demonstrated by Lynas Rare Earths Ltd.'s (ASX: LYC) struggles at its Kalgoorlie ore processing plant. The decline in the nickel industry has uncovered manipulations of market prices, reflecting China's strategic dominance over the global supply chain for rare earth elements and other critical minerals. In response, Australia is attempting to reduce dependence on Chinese processing by offering subsidies to local mining and processing operations, while also dealing with the economic repercussions of collapsing metal prices. This situation necessitates a strategic reevaluation of Australia's role in the global minerals market,

exploring options like underwriting national processing facilities to enhance the value of its mineral exports and diversify its economic base amidst changing global trade dynamics.

Rare earths leader Lynas warns govt on nickel fallout (February 26, 2024, Source) – Lynas Rare Earths Ltd. (ASX: LYC), a leading rare earths producer, has highlighted the importance of government vigilance in response to the nickel market's volatility and its broader impact on the mining sector. The company reported a 74% decrease in net profit to $39.5 million for the half-year ending December 31, attributing this decline to subdued prices for critical minerals, largely due to China's dominance in supply. Despite the market challenges, Lynas, the largest producer of rare earths outside China, emphasizes its strategy of being a low-cost producer to sustain profitability even in a weak market. Lynas is expanding its operations, including projects in the United States, and making contingency plans for potential disruptions in supply chains, such as sourcing sulphuric acid due to the possible closure of BHP's nickel refinery. The company's experience underscores the interconnected nature of the minerals industry and the need for strategic planning and government engagement to ensure resilience and competitiveness, especially in securing sovereign supplies of critical minerals.

China's lithium-ion battery industry faces excess inventory, production capacity as EV market downshifts: industry analysts (February 25, 2024, Source) – China's lithium-ion battery industry, pivotal in the global EV market, is navigating through a phase of excess inventory and production capacity due to decreased demand for electric vehicles. Analysts predict a challenging year ahead, with companies facing losses amidst a price war triggered by overcapacity. The situation has led to significant price drops in lithium carbonate and battery cells,

exacerbated by reduced subsidies for EVs. With production far exceeding installation into products, further price declines are expected. The market is undergoing a clearing phase, with expectations of breaking even next year. Investment in new capacity is likely to decelerate. Despite a forecasted slowdown in domestic EV sales growth, the global lithium market faces a ballooning excess supply, raising concerns over the long-term growth prospects for lithium. Top battery and lithium mining firms may only see profitability by 2025, as the industry grapples with these challenges.

Energy Fuels Announces 2023 Results: Record Net Income and Earnings per Share, Uranium Production Ramp-Up, and Near-Term Production of Separated Rare Earth Elements (February 23, 2024, Source) – In 2023, Energy Fuels Inc. (NYSE American: UUUU | TSX: EFR) announced significant achievements including a record annual net income of nearly $100 million and the commencement of uranium production across three mines, aiming for a production rate of 1.1 to 1.4 million pounds per year by mid-to-late 2024. The company highlighted a strong balance sheet with over $220 million in liquidity and no debt. Revenue was primarily driven by uranium sales, with significant contributions from rare earth elements (REE) and vanadium. The sale of the Alta Mesa project funded investments in uranium and REE production. Energy Fuels is preparing for the near-term production of separated REEs, anticipating to become a leading producer outside of China. With a focus on growth, the company is also exploring expansions into additional uranium and REE sources, aiming to significantly increase production capabilities while capitalizing on market opportunities in both sectors.

Mercedes-Benz delays electrification goal, beefs up combustion engine line-up (February 22, 2024, Source) – Mercedes-Benz announced a postponement of its electrification target by five years, aiming for electrified vehicles to comprise up to 50% of

its sales by 2030, a shift from the initial 2025 goal focused mainly on all-electric cars. This adjustment reflects a broader trend among automakers recognizing the slower-than-anticipated adoption of electric vehicles (EVs), as investments in EV technology and capacity have surpassed current demand. CEO Ola Kaellenius highlighted that even in Europe, a complete switch to electric vehicles by 2030 is unlikely, noting that EVs currently represent a small fraction of total sales. Mercedes-Benz reassured investors and customers of its commitment to refining its combustion engine vehicles alongside its EV ambitions, with plans for a significant lineup refresh by 2027. The announcement, coupled with a €3 billion share buyback program, positively impacted the company's stock, which saw a 5.9% increase. However, challenges such as economic slowdowns, supply chain issues, and geopolitical tensions have led the automaker to anticipate lower sales and reduced profitability for 2024.

Investor.News Critical Minerals Media Coverage:

- February 28, 2024 – Navigating the Climate Change Storm of ESG Withdrawal and Climate Change Commitment https://bit.ly/3SXymnP
- February 26, 2024 – Australia's Precarious Position: Navigating a Critical Minerals Market Meltdown https://bit.ly/3uWQoOZ

Investor.News Critical Minerals Videos:

- February 29, 2024 – PDAC President Raymond Goldie Bolsters

Toronto’s Status as Global Mining Investment Capital in Lead-Up to PDAC 2024 https://bit.ly/42VBDss

Critical Minerals IN8.Pro Member News Releases:

- March 1, 2024 – Voyageur Pharmaceuticals Ltd. Announces Closing of Private Placement https://bit.ly/432eRzi
- February 29, 2024 – Ucore Rare Metals to Present at the 2024 PDAC Conference https://bit.ly/3TglcUa
- February 28, 2024 – First Phosphate and Craler Sign MOU for the Development of Global Logistical Competencies to and from the Saguenay-Lac-St-Jean region of Quebec, Canada https://bit.ly/49xD5DI
- February 27, 2024 – American Rare Earths to present at two leading industry conferences in March PDAC and International Battery Seminar https://bit.ly/49uaFuu
- February 27, 2024 – Nano One Commences Feasibility Study for First Commercial LFP Plant and “Design-Once-Build-Many” Growth Strategy https://bit.ly/3TaFtum
- February 27, 2024 – Media Advisory – Neo Performance Materials Inc. Fourth Quarter 2023 Earnings Release & Conference Call https://bit.ly/3uSkeUQ
- February 26, 2024 – Appia Reports High-Grade Total Rare Earth Oxide Results up to 22,339 ppm or 2.23% on Diamond Drill Hole #1 Within Target IV at PCH IAC Project, Brazil https://bit.ly/48DKQHe
- February 26, 2024 – Kraken Energy Commences Drilling at Harts Point & Provides Corporate Update https://bit.ly/49r02bS

Riding the EV Revolution Rollercoaster Amid the West's Electric Car Climbdown

written by Tracy Weslosky | March 1, 2024

Embarking on the electric vehicle (EV) revolution journey has felt like being on a rollercoaster filled with surprising developments, especially when we consider the insights from Jack Lifton, the Co-Chairman of the Critical Minerals Institute (CMI), who recently shared his thoughts on the opinion published in The Telegraph titled The West's humiliating electric car climbdown has begun. Lifton's sharp analysis pierces through the prevailing chatter, offering a lucid view of the EV market's complex trajectory. He navigates us through the shifting sands of government and auto manufacturers' strategies, the intensifying competition from the East, and the shifting tides of consumer demand. Lifton's insights serve as a guiding light for deciphering the intricate forces shaping the EV landscape.

The recent shifts in the electric vehicle (EV) industry, as observed by Jack Lifton, Co-Chairman of the Critical Minerals Institute (CMI) and a notable expert in the field of technology metals, illuminate the complex interplay of government policy, market dynamics, and consumer preferences. Lifton's insights provide a nuanced understanding of the challenges and potential misalignments within the EV sector, particularly as it pertains to the impact of government strategies, competition, and market dynamics, and the role of consumer demand in shaping the

industry.

Impact of Government Strategies on the EV Market

Lifton critiques the effectiveness of state-led industrial strategies in the rapidly evolving EV market, highlighting the retreat of major manufacturers like Renault and Volvo from their ambitious EV initiatives. This move, compounded by a reduction in government support, raises questions about the foresight and adaptability of such strategies. Lifton notes, “It shows that, as always, the invisible hand of the market rules… the automotive companies have suddenly discovered the market’s supply demand… government doesn’t dictate markets.” This observation underscores the limitations of state intervention in forecasting and influencing market demands and suggests a need for more market-responsive approaches.

Competition and Market Dynamics

The competition from Chinese manufacturers has significantly influenced the trajectory of the Western electric vehicle industry. Lifton points out the stark reality facing Western EV manufacturers, stating, “The cost of making electric vehicles in the United States is too high… People are buying a Chevrolet EV for $50,000. That car cost $100,000 to make.” This price disparity, alongside the aggressive expansion of Chinese EV manufacturers into global markets, underscores the challenges Western companies face in maintaining competitiveness. The scenario posits a crucial reflection on the sustainability of the current business models and the need for innovation and efficiency improvements.

The Role of Consumer Demand in Shaping EV Industry

Lifton’s commentary on the shift in consumer preference back to petrol models reveals a significant misalignment between the production of EVs and actual market demand. He remarks on the sudden interest in hybrids by companies like General Motors, indicating a rapid strategic pivot to align with consumer preferences for efficiency and practicality. Lifton argues, “Hybrids… maximize the efficiency of electric and internal combustion and therefore will allow us to have the longest supply of fuels.” This perspective highlights the importance of flexibility in product offerings and the need to closely monitor and adapt to consumer demand trends.

Jack Lifton’s insights offer a candid reflection on the electric vehicle industry’s current state, pointing towards a future where adaptability, market intelligence, and innovation are paramount. His observations remind us that success in the EV market is not solely about ambitious government strategies or manufacturing prowess but about understanding and responding to the nuanced dance of supply, demand, and the global competitive landscape. As we consider the path forward, Lifton’s analysis underscores the importance of striking a balance between visionary goals and the pragmatic realities of consumer needs and market dynamics. The electric vehicle revolution is far from over, and its success will hinge on the industry’s ability to navigate these challenges with agility and foresight.