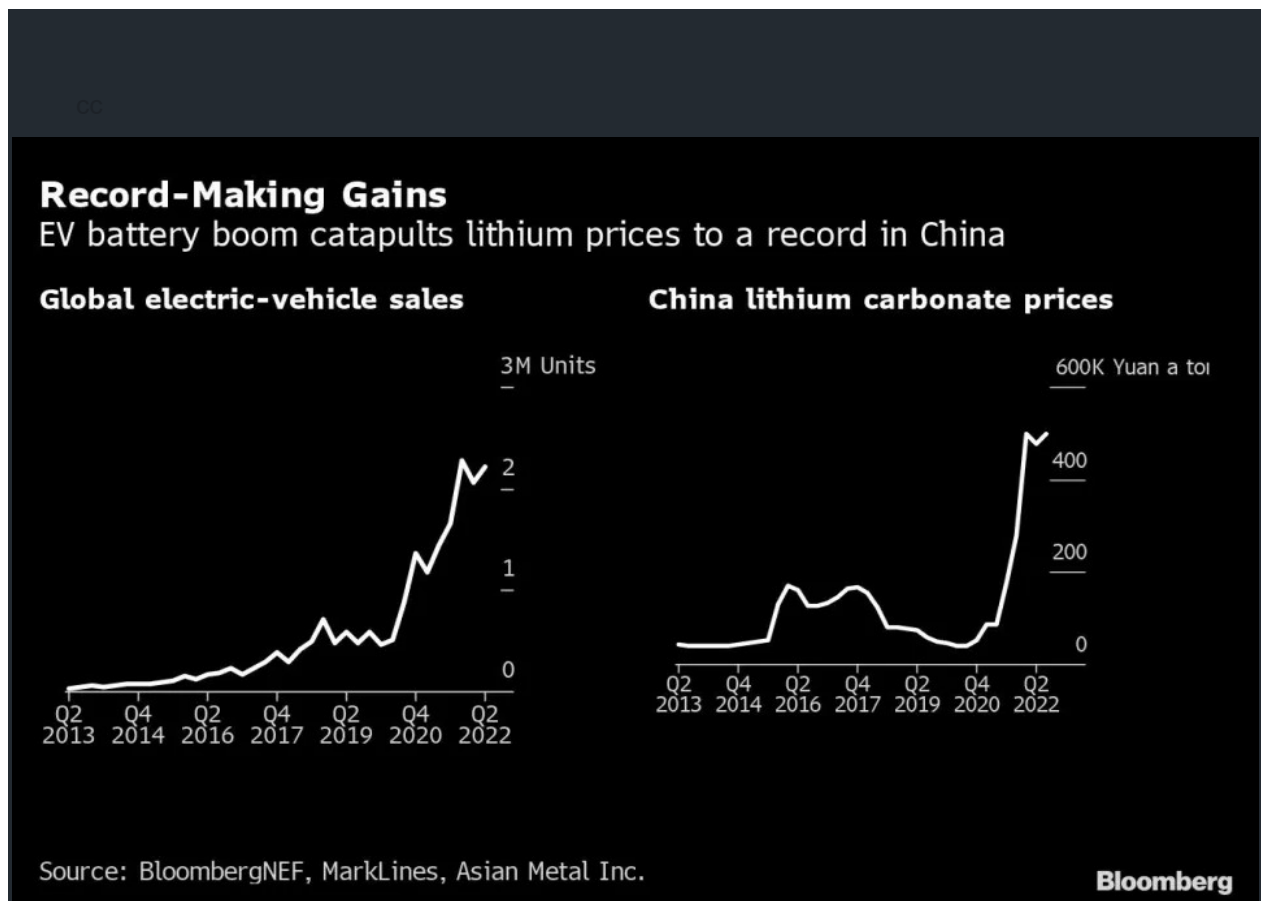


Lithium Smashes New Record as Supply Struggles to Feed EV Growth

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(Bloomberg) -- The surge in prices of lithium, the key battery material used to power electric cars, is seemingly unstoppable.

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Lithium carbonate hit a fresh record of 500,500 yuan (\$71,315) a ton in China Friday, according to data from Asian Metal Inc. Prices more than tripled in the past year, inflating the cost of batteries used in electric vehicles, with recent gains driven by strong demand and disruptions at a domestic producing hub.

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Consumer support for new-energy vehicles has been gathering pace amid a global transition away from fossil fuels. The China Passenger Car Association has raised its forecast for sales of EVs to a record 6 million this year, double the total in 2021, while battery usage in the nation is also expected to almost double, according to Bloomberg Intelligence.

Meanwhile, a power crunch during August in Sichuan province -- home to more than one-fifth of China's lithium production -- caused two weeks of electricity cuts, hampering supply in an already-squeezed market.

"EV production and sales have held steady in recent months," according to Rystad Energy, a research firm, which added there are concerns over whether China's power crisis could return this winter when demand for heating rises. "This could lead to new power shortages and hit lithium operations," it wrote, expecting prices to stay firm around this level through to the end of the year.

China held a meeting to review developments on Thursday and asked the top companies to help stabilize prices, according to the Ministry of Industry and Information Technology. Producers should not collude on pricing and not quote prices that deviate a lot from costs, it said. The government will take steps to encourage exploration, stabilize imports and promote recycling, it added.

On Thursday, Soc. Quimica & Minera de Chile SA, the world's No. 2 lithium producer, predicted a "very tight market" in the years ahead. SQM sees

“slightly higher” prices this quarter from the previous three months and expects prices to stay at similar levels in the fourth quarter, according to a presentation to investors in New York.

Battery-makers and the automobile industry have been rushing to lock in reliable and stable supplies of lithium. Still, the raw-material price hikes are likely to stoke inflation concerns and add cost pressures to the supply chain.

A battery-making unit of China’s top producer, Ganfeng Lithium Co., told customers last week that prices for new orders would be reassessed amid a substantial hike in power-cell costs. The company supplies small polymer lithium batteries for smart wearable products and Bluetooth headset batteries for companies including Xiaomi Corp.

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