

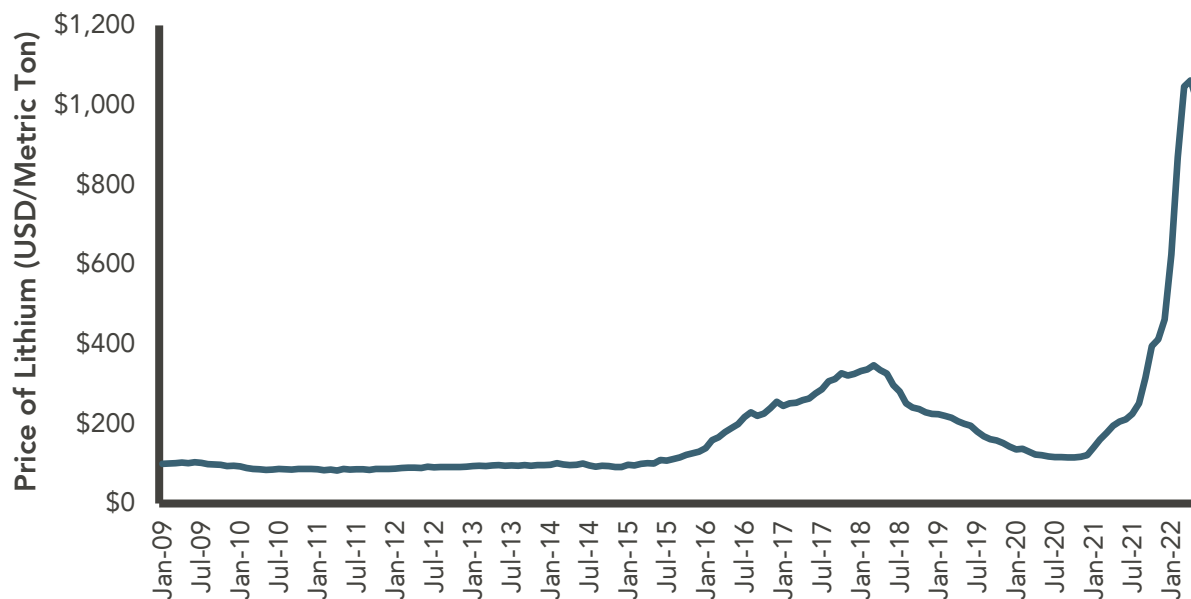
Chart of the Week

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High on Lithium

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▾ The price of lithium has skyrocketed amid EV-fueled demand



Sources: Bloomberg, McKinsey & Co. as of May 31, 2022

Electric vehicle (EV) sales have seen significant growth over the past several years. Recently, elevated demand has contributed to a rampant increase in lithium prices, a primary input to the batteries that power EVs. As the global transition to a clean energy economy continues, the demand for lithium is expected to rise exponentially, to the point of creating a supply shortage in the coming years. While the metal itself is not in short supply, there are limitations to the extraction process and investment in the space has yet to catch up with the rise in demand.

In the last two years, lithium prices have soared more than 700% as sales of EVs have hit record-breaking numbers. Demand for lithium, according to McKinzie & Co., is expected to increase more than sixfold to 3.3 million metric tons in 2030 from 0.54 million metric tons in 2021. Supply is currently projected to reach 2.7 million metric tons by 2030, leaving 0.64 million in demand unaccounted for. The lithium mining industry today resembles an oligopoly, with only a handful of companies responsible for the majority of global supply. Going forward, this could change as further investment is made into the space, which could in turn help normalize price levels. While mining is often thought of as the polar opposite of sustainability, lithium mining actually helps further green energy initiatives, and lithium-related investments may serve ESG-focused investors well over time. ▀

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