

LG Energy signs second lithium offtake agreement with Australia's WesCEF for North American markets

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Amit Panday

S&P Global

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Under the offtake agreement, WesCEF will supply LG Energy Solution with up to 85,000 metric tons of lithium concentrate

South Korean battery-maker LG Energy Solution has signed a second offtake agreement with Australia's Wesfarmers Chemicals, Energy and Fertilisers (WesCEF) to secure a stable supply of lithium concentrate specifically for the North American market, the company announced Feb. 14.



Source: Getty Images/xeni4ka

Significance: Under the offtake agreement, WesCEF will supply LG Energy Solution with up to 85,000 metric tons of lithium concentrate, which could be utilized in producing about 11,000 metric tons of lithium hydroxide, a crucial raw material for cathodes.

The two companies have been working together since 2022, when they had signed their first, five-year offtake agreement. Under the first offtake agreement, WesCEF was to supply LG Energy with 50,000 metric tons of battery-grade lithium hydroxide.

The new contract replaces the previous one in force, and the offtake amount has nearly tripled from the remaining contract volume (36,000 metric tons) to 100,000 metric tons over seven years, thereby ensuring a more stable supply of US Inflation Reduction Act (IRA)-compliant lithium that will drive the company's business expansion in North America, the South Korean battery-maker said.

It is known that the US IRA, which was signed into law in August 2022 in the US, requires companies to source locally produced electric vehicle batteries and battery components, as well as battery materials that are either extracted and processed in the US or in one of the friendly countries that has a free trade agreement (FTA) with the US, to be eligible for federal tax credits. The IRA aims to onshore the EV battery supply chain to North America while reducing its dependency on mainland China.

Post the implementation of the IRA in the US, several global EV and EV battery-makers with significant exposure to the North American market are working to establish reliable supply chains in the US.

Notably, LG Energy Solution has eight facilities currently operating or under construction in North America, with stand-alone facilities in Michigan, US, and Arizona, US, and six joint venture facilities with major automakers.

LG Energy further said that WesCEF's lithium hydroxide will be produced from the Mt. Holland lithium project in Western Australia. Understood to be one of the largest hard-rock lithium projects globally, the Mt. Holland lithium project is currently under construction, and production is expected in the first half of calendar year 2025. The said project has secured over A\$2 billion from its joint venture partners WesCEF and Sociedad Química y Minera (SQM), with Covalent Lithium acting as the manager appointed by the JV to develop and operate the project.

Moreover, LG Energy and WesCEF are also exploring strategic opportunities for collaboration in upstream minerals and chemical processing, with an intent to build a reliable and stable battery material supply chain where the extraction of critical minerals and their processing is IRA-compliant. "By expanding partnership with a competitive supplier like WesCEF, LG Energy Solution is devoting its efforts to establishing structurally sound and sustainable supply chain for IRA-compliant critical minerals, through which the company will also be able to secure long-lasting

cost-competitiveness,” LG Energy said in a statement on Feb. 14.

LG Energy further disclosed that has also secured a partnership with SQM, a global mining company based in Chile and an investor in the Mt. Holland lithium project, as part of its efforts to enhance its lithium supply chain. It can be recalled that the two companies had signed a new long-term supply agreement for lithium carbonate and lithium hydroxide in 2023.

Commenting on the new offtake agreement with the Australia-based miner, Kang Yeol Lee, senior vice president of Procurement Center at LG Energy Solution, said, “Partnering with major suppliers with great potentials like WesCEF, we will ensure stable procurement of key raw materials, thereby delivering advanced battery technologies at competitive prices.”

CONTACTS

The Americas

+1 877 863 1306

Europe, Middle East & Africa

+44 20 7176 1234

Asia-Pacific

+852 2533 3565

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