

Electric Vehicles

BlackRock fund bets big on electric future for lithium

Fund manager Evy Hambro amasses stakes in small miners of metal used in vehicle batteries



A host of small mining companies are racing to bring supply to the market and get their lithium approved for use in electric car batteries © Bloomberg

SEPTEMBER 15, 2017 by Henry Sanderson

BlackRock has emerged as a big backer of lithium start-ups, as the world's largest asset manager bets on the widespread adoption of [electric vehicles](#).

The BlackRock World Mining Trust, which has more than £800m in assets and is co-managed by Evy Hambro, has become the largest shareholder in a handful of small mining companies aiming to produce lithium for use in batteries.

Demand for lithium has surged as the first mass-market electric vehicles such as the [Tesla Model 3](#), [Nissan Leaf](#) and Chevrolet Bolt attract buyers. Growing demand for EVs has sparked a scramble to locate new supplies of lithium and prices have jumped about 26 per cent this year, making it one of the best performing commodities.

“Today the energy space is evolving towards a low carbon footprint and the combustion engine is going to be replaced with an alternative,” Mr Hambro said. “We want to be invested in companies that will be producing the raw materials that will be needed to meet this growth.”

Mr Hambro is one of the world's most influential mining investors and his views are closely followed by the industry.

Blackrock's move parallels a growing investor interest in [lithium](#) as regulators push a transition to electric cars, and battery costs continue to decline. For example, assets in the Global X

Lithium & Battery Tech exchange traded fund have quadrupled this year from \$114m to \$484m, while the Solactive Global Lithium Index, made up of 26 miners and battery makers, has delivered a total return of 51 per cent this year.

Lithium production is currently dominated by four large players, Chile's SQM, [FMC](#), [Albemarle](#) and Tianqi Lithium. But a host of smaller companies are racing to bring supply to the market and get their material approved for use in batteries.

“Those that are first movers and have established supply with good quality customers are going to enjoy strong margins,” Mr Hambro said.

Not everyone is as bullish, arguing that caution is warranted given the strong price appreciation this year for lithium.

Neil Gregson, who manages \$2bn in natural resources equities at JPMorgan Asset Management, said many new projects would struggle to come into production. Incumbent producers would also ramp up supply in response to higher prices, he said.

The scramble for lithium had echoes of the rare earth boom of 2010, Mr Gregson said, when fears that China would cut supplies triggered a rapid rise in prices, before collapsing two years later. A similar boom boosted uranium prices in 2007, leading miners to reopen dormant mines.

“It's obviously a theme that's going to run for some time, but, like uranium and rare earths, they eventually do get overhyped and nine out of 10 projects never see the light of day,” Mr Gregson said.

Over the past year about \$1bn has been raised by lithium developers and explorers, but that funding will need to rise to \$6bn by 2025 to meet demand, according to Simon Moores, of Benchmark Mineral Intelligence in London, which tracks lithium prices.

Mr Hambro has been one of keenest backers of the new producers. The BlackRock fund, also managed by Olivia Markham, is now the largest shareholder in Galaxy Resources, which made its first lithium shipment from Australia this year. It is the second-largest shareholder in Canadian-listed Nemaska Lithium. The fund also owns shares in Australian miner Pilbara Minerals.

In May 2016 BlackRock bought £7.7m in shares of London-listed Bacanora Minerals, which is doing a feasibility study on a lithium project in northern Mexico.

Mr Hambro said his interest in the sector was sparked a few years ago when he worked on a project on batteries with his colleagues from the New Energy fund.

While Mr Hambro's fund holds shares in [Albemarle](#), whose shares have risen 46 per cent this year, the junior lithium development companies are trading at "material discount" to the established producers, he said.

Still, the fund, which has £819.1m in assets under management, sold shares in Argentina-focused miner Orocobre in the first half of this year, according to its financial reports.

Australian-listed shares of Orocobre fell 23 per cent in the first half of this year on a slower-than-expected ramp up of its Olaroz project.

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