

The Next OPEC-Like Cartel Could be in Battery Metals

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The world's largest nickel miner, Indonesia, is considering the idea of forming a cartel to manage the supply of nickel and some other key battery metals, similar to what OPEC does for oil. As demand for battery metals such as nickel, lithium, copper, and cobalt is expected to soar in the coming decades to meet the surge in battery demand for electric vehicles and energy storage, the idea that some resource-rich countries would take advantage of their mineral deposits and look to control part of the future market doesn't sound outrageous.

"I do see the merit of creating Opec to manage the governance of oil trade to ensure predictability for potential investors and consumers," Indonesia's Investment Minister Bahlil Lahadalia told the [Financial Times](#) in an interview published this week.

"Indonesia is studying the possibility to form a similar governance structure with regard to the minerals we have, including nickel, cobalt and manganese," Lahadalia added.

Indonesia has not yet contacted other nickel-producing countries to discuss the idea of a cartel, the investment ministry told FT, adding it was still working on a governance structure of a future alliance that it could propose to other producers.

Easier Said Than Done

Yet, replicating an OPEC-like cartel for the so-called energy transition metals is easier said than done. Unlike the oil resources of OPEC's producers, the mining operations in Indonesia and other major nickel producers are controlled by various private companies or Chinese entities. Moreover, the biggest producers and holders of nickel deposits are a diverse group of countries with very different political and market conditions and unlikely to have common ground and interests in forming a cartel. Apart from Indonesia, producers of nickel include Russia, Canada, Australia, and the United States, although the U.S. doesn't have a lot of resources or output compared to Indonesia, the Philippines, Russia, or Australia.

Indonesia and Australia hold the world's largest [nickel reserves](#), each with around 21 million tons, according to the U.S. Geological Survey. Indonesia, however, is the top nickel producer, followed by the Philippines and Russia.

But Russia accounts for almost [20% of the global supply](#) of Class 1 nickel, which is the grade needed for batteries, according to the International Energy Agency (IEA).

Nickel is found primarily in two types of deposits – sulphide and laterite. Sulphide deposits – mainly located in Russia, Canada, and Australia – typically contain higher-grade nickel which is more easily processed into Class 1 battery-grade nickel. Indonesia, as well as the Philippines, have the laterite deposits of nickel, which is lower-grade and requires additional energy-intensive processing to become battery-grade nickel, the IEA said in a July 2022 [report](#), Global Supply Chains of EV Batteries.

“Although Indonesia produces around 40% of total nickel, little of this is currently used in the EV battery supply chain. The largest Class 1 battery grade nickel producers are Russia, Canada and Australia,” the IEA said.

Indonesia aims to develop its downstream nickel industry and banned exports of nickel ore in 2020. This move prompted [an EU complaint](#) with the World Trade Organization (WTO) against Indonesia's decision to ban exports of raw materials used in the production of stainless steel.

Imagine what reaction an Indonesia-led cartel for battery metals would receive in the EU, the U.S., Canada, and Australia, for example.

The Indonesian ban has also prompted Chinese firms to invest in Indonesia's nickel supply chain. Chinese companies have invested and committed some [\\$30 billion](#) in the Indonesian nickel supply chain, with Tsingshan's investments in the Morowali and Weda Bay industrial parks being the most prominent examples, the IEA [said](#) in a report on the role of critical minerals in the energy transition.

Unlike OPEC producers, it's not one state-owned entity in Indonesia that controls the production of nickel. Tsingshan of China and [Brazil's Vale](#) are major producers of nickel in Indonesia.

Moreover, a unit of China's battery giant CATL signed earlier this year a [\\$6 billion agreement](#) with Indonesian firms to cooperate on the Indonesia EV Battery Integration Project, which includes nickel mining and processing, EV battery materials, EV battery manufacturing, and battery recycling.

Environmental Concerns

Indonesia and its policies will be [pivotal](#) for the quality and quantity challenges in nickel supply, according to the IEA.

Most of the nickel production growth in the coming years is set to come from the regions with vast amounts of laterite resources, such as Indonesia and the Philippines, according to the IEA. These resources need more energy and emission-intensive processing to produce battery-grade nickel. High Pressure Acid Leach (HPAL) is gaining traction as a way to produce Class 1 products from laterite resources, and several such projects are being

developed in Indonesia. But such projects have track records of large cost overruns and delays and require additional costs for acid production facilities.

There are also concerns about the environmental impact of HPAL as it often uses coal or oil-fired boilers for heat, thus emitting up to three times more greenhouse gas emissions than production from sulphide deposits, the IEA says.

Due to concerns over the environmental impact of the nickel industry in Indonesia, dozens of U.S. and Indonesian environmental organizations sent in July an [open letter](#) to Elon Musk and the shareholders of Tesla, urging them to “Terminate Tesla’s planned investment plan in Indonesia’s nickel industry due to potentially devastating impacts on the environment and the lives of Indonesian people.”

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