The Role of Critical Minerals in Clean Energy Transitions

K.C. Michaels and Tae-Yoon Kim, IEA
Paris, 2 June 2021
What is the IEA most well-known for?

- Collective energy security organisation: 31%
- Scenario analysis: 14%
- Policy analysis, including government peer reviews: 24%
- Provider of timely energy data and statistics: 28%
- International co-ordination platform for governments: 3%
What is the IEA – a ‘NATO’ for energy security

• Treaty-based energy security mechanism
  - Collective assistance
    - Each Member has agreed to assist each other in times of energy supply disruption
  - Associated obligations
    - disclose and cooperate on energy data
    - consult with industry
    - peer-review Members’ national policies/legislations at regular intervals

• Concept of energy security has shifted over time
  - In addition to strategic oil stocks, IEA activities now encompass gas security, electricity security, and clean energy transitions
IEA Special Report on critical minerals

• Mandate from IEA Members
  
  “[to] pay closer attention to the security of supplies of the critical mineral resources that will be needed to support the acceleration of clean energy transitions”

• Key highlights
  - Estimates of demand for critical minerals in clean energy transitions
  - Outlook for supply
  - Exploration of energy security implications
  - Need for sustainable and responsible development of minerals

Countries with net-zero commitments account for what percentage of today's total GDP and emissions?

- 30%: 6 responses
- 40%: 4 responses
- 50%: 1 response
- 60%: 7 responses
- 70%: 7 responses
- 80%: 1 response
Context

• Countries accounting for more than 70% of today’s global GDP and emissions have committed to net-zero emissions, implying a massive acceleration in clean energy deployment

• An energy system powered by clean energy technologies needs significantly more minerals, notably:
  ➢ Lithium, nickel, cobalt, manganese and graphite for batteries
  ➢ Rare earth elements for wind turbines and electric vehicles motors
  ➢ Copper, silicon and silver for solar PV
  ➢ Copper and aluminium for electricity networks
The shift to a more mineral-intensive energy system

A typical electric car requires six times the mineral inputs of a conventional car, and an offshore wind plant requires thirteen times more mineral resources than a similarly sized gas-fired power plant.
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• There is no shortage of mineral resources, but recent price rises for cobalt, copper, lithium and nickel highlight how supply could struggle to keep pace with the world’s climate ambitions

• An evolving energy system calls for an evolving approach to energy security; policy makers must expand their horizons and act to reduce the risks of price volatility and supply disruptions
Meeting climate goals will turbo-charge demand for minerals

Mineral demand for clean energy technologies by scenario

Growth to 2040 by sector

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>SDS 2040</th>
<th>NZE 2040</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hydrogen</strong></td>
<td></td>
<td>6x</td>
<td></td>
</tr>
<tr>
<td><strong>Electricity networks</strong></td>
<td></td>
<td>4x</td>
<td></td>
</tr>
<tr>
<td><strong>EVs and battery storage</strong></td>
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<tr>
<td><strong>Other low-carbon power generation</strong></td>
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<tr>
<td><strong>Wind</strong></td>
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<tr>
<td><strong>Solar PV</strong></td>
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Growth in the SDS, 2040 relative to 2020

- **Lithium**: 42x
- **Graphite**: 25x
- **Cobalt**: 21x
- **Nickel**: 19x
- **Rare earths**: 7x

SDS: Sustainable Development Scenario
NZE: Net-zero by 2050 Scenario

As learning and economies of scale bring down other cost components, mineral inputs also account for an increasingly large share of the total cost of batteries and other key clean energy technologies.
Clean energy in the driving seat for mineral demand growth

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Today’s revenue from coal production is ten times larger than from energy transition minerals. However, in climate-driven scenarios, these positions are reversed well before 2040.
Many mineral supply chains lack diversity

Production and processing of many minerals such as lithium, cobalt and some rare earth elements are geographically concentrated, with the top three producers accounting for more than 75% of supplies.
A looming mismatch between mineral supply and climate ambition

Today's investment plans are geared to a world of gradual change; given long leads times for new projects, an accelerated energy transition could quickly see demand running ahead of supply.
Critical minerals do not undermine the case for clean energy

Even though mineral extraction is relatively emissions-intensive, on average the full lifecycle emissions of an EV bought today are around half those of a conventional car.
Recycling becomes a significant source of supply

By 2040, recycled quantities of copper, lithium, nickel and cobalt from spent batteries could reduce combined primary supply requirements for these minerals by around 10%
IEA plan of action: a comprehensive approach to mineral security

Building on the IEA’s leadership role in energy security, these six key areas of action can ensure that critical minerals enable an accelerated transition to clean energy

1. Ensure adequate investment in diversified sources of supply
2. Promote technology innovation at all points along the value chain
3. Scale up recycling
4. Enhance supply chain resilience and market transparency
5. Mainstream higher environmental, social and governance standards
6. Strengthen international collaboration between producers and consumers
Strong linkage between ESG and supply security

The majority of current production volumes come from regions with low governance scores or high emissions intensity.
Environmental and social impacts must be carefully managed

Selected environmental and social challenges related to energy transition minerals

<table>
<thead>
<tr>
<th>Areas of risks</th>
<th>Description</th>
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<tbody>
<tr>
<td>Climate change</td>
<td>With higher greenhouse gas emission intensities than bulk metals, production of energy transition minerals can be a significant source of emissions as demand rises</td>
</tr>
<tr>
<td>Land use</td>
<td>Mining brings major changes in land cover that can have adverse impacts on biodiversity and communities</td>
</tr>
<tr>
<td>Water management</td>
<td>Mining and mineral processing require large volumes of water for their operations, and pose contamination risks through acid mine drainage, wastewater discharge or the disposal of tailings</td>
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<tr>
<td>Waste</td>
<td>Declining ore quality can lead to a major increase in mining waste (e.g. tailings, waste rocks); tailings dam failure can cause large-scale environmental disasters (e.g. Brumadinho dam collapse in Brazil)</td>
</tr>
<tr>
<td>Governance</td>
<td>Mineral revenues in resource-rich countries have not always been used to support economic and industrial growth and are often diverted to finance armed conflict or for private gain</td>
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<tr>
<td>Health and safety</td>
<td>Workers face poor working conditions and workplace hazards (e.g. accidents, exposure to toxic chemicals)</td>
</tr>
<tr>
<td>Human rights</td>
<td>Mineral exploitation may lead to adverse impacts on the local population such as child or forced labour</td>
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Mineral development is generating increasing volumes of residues

As ore grades decline and volumes increase, policies and industry standards will be increasingly important to ensure that waste is managed sustainably.
Artisanal and small-scale mining (ASM) poses special challenges

- Regulatory protections at ASM sites are often ineffective or non-existent
  - Unsafe working conditions
  - Lack of personal protective equipment
  - Inadequate safeguards against the worst forms of child labour

- Efforts to formalise ASM activities may improve health and safety conditions and reduce human rights concerns, particularly for child labour
  - Despite promising results, long-term viability of this model remains unclear

- Stronger commitment to formalisation needed both from industry and from governments
The role for international and regional coordination

- International co-ordination already plays a vital role in encouraging companies to identify and address risks across their entire supply chains

- Multilateral efforts to enhance capacity building and knowledge sharing can be particularly effective at addressing key resource gaps between countries
  - Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development (IGF)
  - Energy Resource Governance Initiative (ERGI)
  - Extractives Industries Transparency Initiative (EITI)

- Despite many success stories, the proliferation of international initiatives increases the risk of duplication and inconsistency
  - A high-level forum for co-ordination could play a key role in standardising environmental and social standards while ensuring security of supply
In what areas is international co-operation most needed? (i.e. technology R&D, regulatory policy, due diligence etc.)