

Aug 9, 2017

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BHP to build world's largest nickel sulfate plant as EV market eyed

The Australian

BHP Billiton's resurgent nickel division will build the world's biggest nickel sulfate plant, as it looks to tap into what could be a game-changing new source of demand from the electric vehicle sector.

The nickel division, which only a few years ago was facing closure, will instead pump \$US43.2 million into a downstream processing plant at Kwinana, south of Perth, as part of a broader plan to reposition the business around the burgeoning lithium-ion battery market.

BHP Nickel chief Eddy Haegel told The Australian he believed that demand from the battery market could account for about 90 per cent of BHP's nickel output within five or six years, up from about 10 per cent presently.

The battery sector, he said, was willing to pay for the quality of the material out of BHP's Nickel West business, opening up a potentially lucrative market for a nickel industry that has been swamped by weak prices for several years.

While excitement around the potential of lithium-ion batteries and energy storage systems such as those being built by Tesla has already inspired a boom in lithium and graphite stocks, Mr Haegel noted that lithium-ion batteries included far more nickel than lithium.

"Lithium-ion batteries are growing at spectacular rates, the role of nickel is significant in lithium-ion batteries and the concentration of nickel is increasing because it increases energy density and gives greater range," Mr Haegel said.

The new sulfate plant will produce 100,000 tonnes a year of nickel sulfate hexahydrate, and will be bigger than any other similar facility currently in operation around the world. The company will also contemplate a doubling in output once the first phase is complete.

Nickel sulfate is a powder material that is particularly amenable for use in batteries, and consistently fetches a

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material price premium to typical nickel metal cathode and concentrate.

Importantly for Australian nickel sulphide producers like BHP, Western Areas and Independence Group, the nickel pig iron produced by the likes of The Philippines and Indonesia and the production from the big nickel laterite projects are generally not suitable for use in batteries.

The nickel price has been in the doldrums for several years, with the low-grade nickel pig iron keeping a lid on prices, but BHP and others are now expecting demand from the batteries industry to help unwind that.

“We have the largest nickel powder producer in the world; we are in a country with a free-trade agreement with the three major growing countries of China, South Korea and Japan,” Mr Haegel said.

“We can get significant leverage from doing this at the refinery because of all the installed infrastructure already there. We believe we can be highly competitive in this space and that’s why we’re making this investment.”

Nickel West has been rejuvenated in recent years. Its future looked to be under a cloud not long ago when a sales process failed to identify a buyer and it appeared to be an orphan when it was left out of the South32 spin-off of BHP’s other non-core assets.

It was slated for closure by 2019 but a series of improvements have improved the viability of the business, with Mr Haegel now increasingly confident Nickel West will continue out to 2040.

He said the business had benefited from being given free rein by BHP.

“We operate differently. We’ve been given a licence to go downstream, which is not a core strategy for BHP, so there’s been allowances made to recognise that this is a different business and that’s been very helpful for our ability to turn this business around,” he said.

Western Areas managing director Dan Lougher told The Australian he was also seeing substantial interest from potential customers from the battery industry.

He said the potential from batteries would offer a further positive catalyst for a nickel market that was already structurally poised for improvement

"It's certainly going to help it," he said.

"The market dynamics are going to change anyway, because stainless steel isn't going away, we're not getting any new production lines and almost all of the nickel laterite mines are struggling."