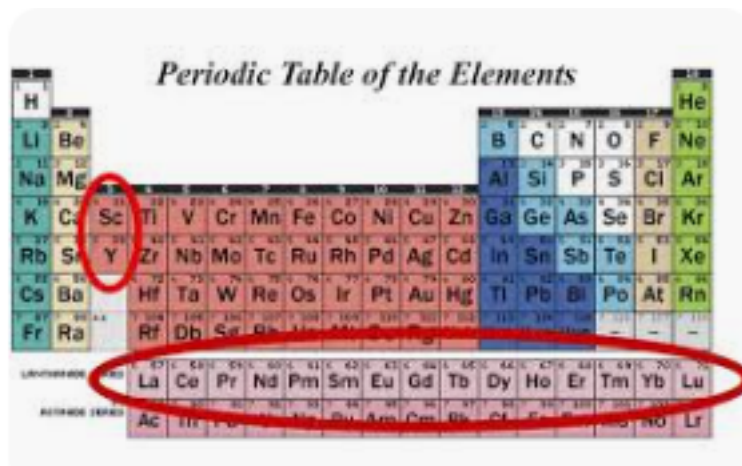




# AZ GLOBAL

AZ Global's Almost Daily Newsletter, February 26, 2025



## **Rare earths and critical minerals**

These two groups of minerals are in the news, as the US seeks to make a deal with Ukraine whereby America gets access to Ukraine's "rare earths" in return for continued support. Indeed, in comments to the press in the last 24 hours, Mr Trump has specifically mentioned rare earths as being the target of the deal.

Ukraine does not have any significant reserves of rare earths, apart from a small deposit of scandium. Even the USGS says so. What it does have is very good reserves of minerals and metals such as lithium and titanium. Both of these are critical minerals, but they are not included in any list of rare earths.

To put it simply, rare earths are a subset of the Periodic Table, They don't change. Rare earths have grown in importance recently as technology gets smaller, lighter and faster, but they can be used in anything from fighter jets to vacuum cleaners. Critical minerals are classified as such according to their role in various strategic, defence, or technology applications. For instance, if Mr Trump were to ban electric vehicles, the US would have far less need for lithium. Mobile phones in 5 or 6 generations might need new minerals that aren't on the list today. Governments modify their list of critical minerals according to changing circumstances. The list of critical minerals in one country may not be the same as in another country.

China holds the largest reserves of rare earths, and has been throwing its weight around, blocking the export of some items. Perhaps Mr Trump is seeking to dilute China's strength in this sector, but if he is, he's being sold a pup, as we say in Australia. Perhaps it's no wonder Mr Zelensky is keen to fly to Washington and sign the deal.

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### ***He would say that, wouldn't he***

According to the Chinese media, Russian President Putin has made a statement that the improving relations between his country and the USA will lead to him being able to export more aluminum to America.

Yeah, right, that will definitely happen... not.

The US is about to commence its latest round of tariffs on friendly nations, forcing US citizens and businesses to pay 25% more for their imported aluminum. We can only imagine the uproar from America's friends if they get gazumped by Russian metal.

Canada is by far America's largest supplier. What sense does it make to to an American factory to buy metal from Russia when Canada is right next door?

Interestingly, the country that would be most hurt by Russia selling metal to America is China. In 2024, China imported more than 1 million tonnes of aluminum from Russia, greatly contributing to the metal balance in the Middle Kingdom. China has plenty of other options of course, but the Russian metal sits at the bottom end of the market. Since the Ukraine war and the sanctions on Russia, China has been creaming its neighbour, selling alumina to them at a premium, and taking metal at a discount. If Russia were to be free to sell metal internationally, it would be to places where they get better value. By the way, that won't be Europe, where the anger towards Russia is still very much alive.

My guess is that some token deal will be made, where a few FCLs of P1020 get shipped to America, allowing politicians to claim a great victory.

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### ***Xinjiang makes new record***

Xinjiang province in China's far northwest gets into the Western newspapers for all the wrong reasons. China's management of ethnic minorities in that province and elsewhere comes in for a lot of criticism. I have been to Urumqi, the capital city of Xinjiang, and it's like two different cities occupying the same space.

But Xinjiang has been leaping ahead in the aluminum industry. It wa the first province to see the initial expansion back in 2010, and now is leading the country in terms of the rollout of green and renewable energy for the aluminum industry.

Although Yunnan province has the biggest footprint in terms of lower-carbon metal (China keeps claiming that its metal is "green" - by definition is it not green), Xinjiang has seen the biggest improvement. Lower carbon aluminum production in Xinjiang increased by over 200% in 2024, which is the highest increase across any province. According to our data, lower-carbon aluminum production in Xinjiang was about 397,000 tonnes in 2024, an increase of 270,000 tons over 2023. Xinjiang is blessed with unique wind and solar resources. In 2024, Xinjiang's new energy installed capacity reached 100 million kilowatts, accounting for 55% of Xinjiang's total power installed capacity.

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### ***Alcoa comes out against tariffs***

Alcoa's CEO Bill Oplinger has come out against the new tariffs that are due to come into place

next week.

Mr Oplinger made his comments at a conference in Florida. He warned that the tariffs could lead to the loss of 20,000 direct jobs in the USA and another 80,000 indirect and support jobs.

Mr Oplinger pointed out that the decision to restart capacity requires a time frame that is much longer than the likely 4 years of these tariffs. He also reminded his audience that aluminum requires low-cost electricity, the lack of which has cost the USA capacity since the start of this century.

He called for Canada to be exempted from the tariffs.

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### ***Delicate dance***

The US Aluminum Association has come out with a document that very carefully puts a case for exempting Canada from import tariffs.

It seems that in today's America, dissent is frowned on. Consider the case of media companies who didn't change the name of the Gulf of Mexico to the new name selected by their new president. Those companies have now been banned from covering Mr Trump or attending White House press conferences.

In an environment like that, how do you tell Mr Trump he's wrong to not exempt Canada? By praising him loudly, but quietly pointing out a possible improvement to the new tariffs.

The complicating factor for the AA is that their members range up and down the production line - from those who see advantages in the tariffs to those whose businesses will be severely hurt.

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### ***Putting a positive spin***

The publicity departments in various quarters were cranked up last week, as EGA signed an MOU with Indonesia's INALUM for the future development of aluminum smelting in Indonesia.

The headlines looked great, but the PR people couldn't help but be honest. "However, the project has yet to be realised due to high electricity costs and limited access to low-carbon energy, essential for producing green aluminium."

That was the real point of the PR, to get the Indonesian government to get going on providing the necessary infrastructure and policies to allow the alliance to do more than talk. In response, the Indonesian government pushed back, saying it needed to see more commitment and investment from the private sector.

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### ***War stories emerging***

Local newspapers in the USA are already carrying stories of small aluminum businesses being in trouble.

I have just finished reading one of those stories, about an extrusion plant in Ohio. Some 85% of their metal comes from Canada, as illustrated in the above photo.

Not only is the cost of production rising, their company is also losing export sales. This story is being repeated all over the country.

This particular factory took the same attitude as expressed in many other boardrooms. "We will figure something out. We will find new markets, reduce costs and hope that the situation normalises after a while."

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### ***Dead car problem***

It's well documented that it has been a dog-eat-dog world in China's EV market. Over the last few years, a huge number of start-up companies put vehicles into the market. Soon there were so many brands on the market, a price war broke out. That drove some smaller brands and companies to the wall.

Many Chinese EV owners are now realising that the failure of the company also means the failure at the back-end. And I am not just talking about spare parts, though that is a problem as well.

When these smaller companies finally died, those companies' servers also got shut down. For the owners of the cars, that meant a loss of GPS functionality, mobile phone connectivity and a host of other features. Even the radios died eventually. For a market that is driven by features, this is a dire situation. One Chinese diver put it simply: "The car works fine. But the drive is boring."

The image above is from the South China Morning Post, and shows a typical Chinese dashboard nowadays.

### ***"Anything you can do, we can do too..."***

Elon Musk may have a stranglehold on low-earth satellites and internet coverage, but that is soon to be challenged, if the Chinese can maintain their pace of deployment.

China has been busy since August last year launching communications satellites to provide their own coverage. China now has 72 such satellites in the air, but the long-term plan is to build that out to 14,000. (It's hard enough to see the sun in Beijing on bad pollution days - 14,000 obstructions won't help.)

Starlink currently has a fleet of 7000 "birds" in the air, with a long-term aim of getting to

42,000. The main difference will be in the geography. The article that I saw in Caixin doesn't mention the scope for Chinese satellites, but I doubt it will be over any country that isn't a member of China's Belt & Road plan.

A second difference will be the central server. Do you want your personal satellite communications listened to/read by the CPC or by Elon Musk's people?

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### ***Post-holiday recovery is better***

In recent years, China has struggled to get back in to gear following the annual Spring Festival holiday. In years gone by, workers have finished up to 3 weeks early, and have not returned to full employment for 203 weeks following the resumption.

But this year has been different.

From our contacts with the industry around the country, the message has been reasonably consistent - factories are returning to work with full or close-to-full order books, There are those who are still struggling, but not as many as in previous years.

Primary metal operating capacity in China has picked up, even since the end of January. The primary industry is getting very close to that 45 million tonne capacity ceiling.

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### ***Metal Prices at close***

Aluminum prices at the close tonight, in comparison to the last newsletter:

ChangJiang Price: 20520 RMB/t; **Fall 80 RMB/t;**

SHFE Active Price: 20615 RMB/t; **Fall 85 RMB/t.**

Alumina prices at close:

Shandong 3220-3370

Shanxi 3240-3380

Henan 3240-3430

Guizhou 3340-3560

Guangxi 3260-3460

Inner Mongolia 3270-3370

Chongqing 3260-3470

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