

As Carmakers Invest More In Environmentally Conscious Materials, Supply Of Key Material Chinese Phosphate Is At Risk

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>As the market for electric vehicles (EVs) expands, there is an ever-growing need to develop cost- and energy-efficient batteries.

For decades, companies - North American companies in particular - placed their bets on lithium-ion batteries, which rely heavily on lithium, cobalt and nickel.

Due to concerns ranging from supply chain troubles to cost and efficiency, engineers and companies are now turning away from cobalt- and nickel-based lithium-ion batteries in favor of lithium iron phosphate (LFP) batteries. Cobalt and nickel are scarce, expensive and controversial raw elements to mine compared to iron-phosphate chemistry.

According to a recent research report by Wood Mackenzie on power and renewables, lithium iron phosphate is on course to be the leading battery chemistry for EVs by 2028, replacing their nickel and cobalt-based lithium-ion predecessor. LFPs are safer, less expensive than alternatives and last longer.

China has long been investing in the LFP market. Today, 44% of EVs sold in China use LFP batteries compared to 3% in the U.S. and Canada. China currently has 95% of LFP cell production and also has access to a large percentage of the raw materials needed to manufacture LFP batteries. The industry in the country has benefitted from low-cost manufacturing processes, abundant raw materials and poor environmental governance.

However, as more countries invest in LFPs, there will be a need for LFP production outside of China. This is especially true for Western carmakers that have environmental concerns.

Why Chinese LFP Production Might Be Unsustainable

LFP batteries use phosphoric acid, a byproduct of phosphate ore. Phosphate can be processed into phosphoric acid in two ways: the wet process or the pyrogenic (Turner) process. China currently uses the Turner process.

The Turner process is power- and waste-intensive. While the wet process has a historically higher cost, it is preferred in the Western world because it is more environmentally conscious. Another major difference between the processes is the wet process requires higher-quality phosphate ore; while there is capacity of phosphate ore around the globe, there are fewer sites with high-quality ore, especially that needed for specialty applications such as batteries.

As auto producers invest more resources into sound environmental, social and governance (ESG) practices, it seems unlikely that the Turner process will continue to dominate the LFP market. It makes sense for the West to develop a substantial phosphate and phosphoric acid production industry that uses the wet process to offset the supply chain pinch from China.

Canada-Based Arianne Phosphate Can Help Fill The Phosphate Gap

[Arianne Phosphate Inc.](#) (OTCMKTS: DRRSF) is a phosphate mining company that might help meet the growing demand for phosphate used in batteries and fertilizer. The company's Lac à Paul project in Quebec, Canada, is a response to the growing global demand for phosphate, which is increasing by 2% to 3% each year from agricultural demand- and claims to well-exceed that with battery demand.

The Canada-based company reports that it adheres to stricter ESG aligning with North American and European agendas and is setting itself apart from Chinese competitors.

One major edge Arianne reports is that its mine is an igneous deposit that can produce a concentrate higher than most of the world's phosphate, which is otherwise housed in sedimentary rock. This allows Arianne to produce a high-purity and low-contaminant phosphate concentrate ideal for use in batteries and can be used in the wet manufacturing process.

As European and North American companies pivot away from their overdependence on Chinese suppliers, miners like Arianne Phosphate might be well-positioned to help fill the supply gap.

[Arianne Phosphate Inc.](http://www.arianne-inc.com) (www.arianne-inc.com) owns the Lac à Paul phosphate deposit in Quebec, Canada. Fully permitted and shovel ready, the asset is among the world's largest greenfield deposits, capable of producing an environmentally friendly phosphate concentrate. Due to the nature of its high-purity, low-contaminant product, Arianne's phosphate can be used to produce fertilizer as well as meeting the technical requirements of specialty applications such as the lithium-iron-phosphate (LFP) battery. The Lac à Paul deposit is rare due to its geographic location and geological structure. Arianne Phosphate is listed on both the TSX-V: DAN and the OTCQX: DRRSF.

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Contact Details

Brian Ostroff, President
brian.ostroff@arianne-inc.com
Company Website <https://www.arianne-inc.com>

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