Global Metals & Mining: Lithium consultant call feedback: 2027 supply growth exposed to risk; Softening China demand sentiment though

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We recently hosted a global independent research and consultancy specialising in the battery raw materials supply chain, with dedicated on-the-ground coverage of China's lithium industry (including recent fieldwork in Qinghai's Qaidam Basin) alongside global tracking of spodumene, brine, lepidolite and African feedstock supply. The discussion covered the 2026/27 demand-supply outlook, the growing divergence between cell-manufacturing capacity and end-use demand signals, the policy-driven risk map across China/Africa, and the resulting impact on pricing. **The consolidated takeaways are presented below. We note views are those of the consultant (unless specified), and not GSe.**

On demand, the consultant flagged a growing divergence between cell-manufacturing supply and end-use demand signals, where China's capital markets have turned cautious on 2027 demand, concerned that domestic BESS growth cannot replicate 1H26 growth without policy catalysts, and that substantial cell inventory is built up and yet to clear through 2H26 (we note our China battery analyst highlights a c.50% of annual installations were historically completed in 4Q). The consultant framed this as softened sentiment rather than fundamental weakness, where major cell manufacturers are likely to keep producing to defend market share. Overseas ESS demand, underpinned by renewables integration, energy-security needs in the ME and LATAM, and AI data-centre build- out, continues to look structurally more resilient than the Chinese order book.

On supply, 2026 remains seen by the consultant as the peak deficit year with the 2027 deficit seen narrowing to ~100kt LCE (~4% of the global market), though remaining skewed to the downside largely given the risk in Chinese mining licences in Jiangxi and Zimbabwe's looming concentrate export ban (1-Jan). In China, 2027 supply growth is underpinned by licensing resolution, though with several major assets not expected back online until 2Q27+. In Africa, the largest swing factor remains Zimbabwe, where the consultant expects a pragmatic resolution (though with risks into 1Q27). The DRC and Sierra Leone present potential upside supply surprise, while Nigeria/Mali supply remains subject to political risk and logistical constraints (however, by 2028 Nigeria could be almost the same size as Zimbabwe).

On pricing, 4Q26 pricing is expected by the consultant to be broadly flat to slightly stronger QoQ, with 2027 prices higher YoY on near-term supply uncertainty before inflecting thereafter on an emerging surplus. A divergence between China's capital markets (bearish on 2027 demand) and producers (still guiding to strong growth) is also compounding uncertainty.

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Key takeaways

The consolidated takeaways are presented below. We note views are those of the consultant (unless specified), and not GSe.

Demand sentiment in China has turned cautious for 2027, reflecting inventory concerns and sentiment rather than fundamental weakness

The consultant's core demand debate centres on a widening gap between cell-manufacturing supply and end-use demand signals (EV sales and ESS installations/shipments). In August, their internal forecasts flipped to a 2027 deficit on the back of higher cell-supply forecasts, though flagged the risk that end-use demand may be running materially below cell-supply, implying an unresolved inventory build (that cannot be entirely explained by supply-chain lag or cell-quality issues). In China specifically, capital market participants (traders, investors) have become bearish on 2027 demand, with the core concern being that domestic BESS growth is unlikely to repeat its elevated 1H26 pace without fresh policy catalysts, with substantial cell inventory built up in 1H26 having yet to clear through 2H26 (we note our China battery analyst highlights a c.50% of annual installations were historically completed in 4Q), muting what would typically be a strong 3Q peak season. Importantly, the consultant characterised this as softened expectations rather than confirmed weak fundamentals, noting that:

- Major cell manufacturers are likely to keep producing to defend market share and squeeze out smaller players;
- Selected major producers have specifically reported more client orders than it can currently serve, with overseas ESS demand holding firm even as domestic buyers wait for policy clarity; and
- China's recent pause on new cell-capacity approvals is a near-term negative optic, but existing cell capacity already runs at roughly ~2x current cell supply, meaning it is not a binding constraint in the short term.

Overseas BESS demand, underpinned by renewable-integration needs in developed markets, energy-security-driven demand in the Middle East and Latin America, and AI data-centre build-out in North America, continues to look structurally more resilient to the consultant than the domestic China BESS order book.



China supply growth remains beholden to mining-license renewals, with several Jiangxi lepidolite assets not expected back online until 2Q27+

The consultant's China supply framework for 2027 is underpinned more by licensing resolution than by new project development (noting China companies have historically overestimated supply):

- **Project A in Jiangxi:** Suspended since Aug-25; a minor, partial resumption occurred mid-2026 on a safety-production license secured without a completed environmental impact assessment (EIA); the mine is now at the EIA public-notice/consultation stage, with full resumption expected in 2Q27 before ramping toward half-year nameplate capacity for the remainder of the year. The project's supply, along with the rest of Jiangxi's low-grade, high-waste lepidolite operations, remains at risk as Chinese regulators appear to be shifting toward more Western-style environmental approval standards.
- **Project B in Jiangxi**: After completing its 2026 quota, the project requires license renewal (no extension, construction or rectification needed) with therefore no impact to 2026 supply forecasts, though is expected to resume in ~2Q27 with ~2-3 quarters of capacity available for the remainder of the year.
- **Project C in Jiangxi:** The two adjacent mines are being merged into a single license with expanded nameplate capacity; existing capacity is not expected to resume until end-2027, with the newly expanded license unlikely to commence before 2028.
- **Project D in Jiangxi:** Two mines are expected to close after completing this year's quota; a newer ~10kt LCE mine remains in EIA approval but is expected to contribute a few thousand tonnes LCE next year, alongside a minor resumption of other previously suspended capacity, though total output (~20kt LCE) is constrained by declining mined ore grade (now under 0.2%).

On brine, the consultant's recent site visits to Qarhan Salt Lake, Qinghai Salt Lake Industry and Lanke Lithium reinforced that China's brine resource, while large (the consultant noted the Qaidam Basin holds 70-80% of China's proven salt-lake lithium reserves), is structurally inferior to South American salars, where average Mg/Li mass ratios across major Qinghai salt lakes exceed the 50:1 threshold generally considered ultra high for salt-lake development. Industrial-scale output only became viable following breakthroughs in Direct Lithium Extraction (DLE) / adsorbent technology, which lifted total process recovery from ~50% to ~70-80%. The consultant noted potential future projects in the region may be impacted by brine quality, grades, and brine-extraction quotas tied to potash development schedules.

On the policy backdrop, the consultant noted China's new resource policy (effective 1-Jul 25) was the proximate trigger for last year's licensing disruptions, but also pointed to a simplification of the exploration-to-mining license conversion process (benefiting emerging assets) and a broader anti-involution push toward industry consolidation, which they see as net supportive of faster permitting for compliant, larger-scale operators over time.

Africa remains the largest source of incremental supply, though Zimbabwe's looming concentrate export ban remains the single biggest swing factor

Africa was flagged as the region with the greatest combination of supply upside and policy risk. Downside risk to the consultant's current 2027 supply forecast is largely dependent on African supply uncertainty.

- **Zimbabwe**: From 1-Jan 27, Zimbabwe is set to ban spodumene concentrate exports, requiring in-country conversion to lithium sulfate. Only one company currently has an operating/ramping up sulfate plant, while one plant remains under construction and another has only cleared land. The consultant's base case is a pragmatic negotiated outcome i.e. higher taxes/royalties or partial government equity stakes in exchange for export quotas, though flagged the possibility of a short, disruptive stoppage to exports through the 1Q27 as negotiations play out (though site level production may continue to build stockpiles subject to the length of disruption), noting the government has limited incentive to extend any shutdown given the revenue at stake. Even in a scenario where Zimbabwean supply continues to flow fully, the consultant's base case still sees the broader spodumene market in deficit, given Chinese conversion capacity is running well ahead of available feedstock.
- **DRC and Sierra Leone**: Flagged as the two most likely sources of upside supply surprise. The Manono project (DRC) is expected to ramp up quickly (capacity ~120-130ktpa LCE) with the consultant more conservatively modeling ~40kt LCE in 2027 largely on challenging logistics and unresolved questions over government mandates. The Sierra Leone project is viewed as the most tangible near-term surprise candidate to African supply additions, with the consultant's satellite images showcasing construction as largely progressed ahead of 2Q27 guided commissioning timelines.
- **Nigeria**: Contributing a mix of Western- and Chinese-backed concentrate projects plus artisanal/DSO supply (ore grades of ~1-1.2%), concentrated in the comparatively secure Nasarawa region, with northern states flagged as higher risk. Shipment-capacity constraints (~100-120kt/month in normal conditions, falling to ~70-80kt in the rainy season, implying a maximum annual run-rate of ~1.2Mt of concentrate, or ~160kt LCE) are seen as the binding constraint on how much Nigeria can scale near-term. It was noted that by 2028 Nigeria production could be almost the same size as Zimbabwe.
- **Mali, South Africa, Ghana, Ethiopia**: Insurgent attacks on fuel supply and transport routes are seen remaining an ongoing threat to logistics and output in Mali. Projects in South Africa, and Ghana are considered smaller to the overall market, while Ethiopia may also face government risks.

The consultant's broader framing is that Africa, much like China, is now a story of policy and execution risk more than geological constraint, and that as the market grows in absolute size, individual project disruptions (a single ~20-30kt LCE mine, for example) matter progressively less to the overall balance.

Pricing: 2027 deficit narrows but risk is skewed to the upside on supply disruptions driving higher YoY pricing forecasts, with the long-term incentive price nudged higher

The consultant's quantitative base case sees the market moving from a peak deficit in 2026 to a smaller ~100kt LCE deficit (~4% of the market) in 2027, though potentially reaching a deficit of ~500kt LCE in a downside scenario through currently identifiable risks (Zimbabwe, Jiangxi licensing, DRC execution, Nigeria logistics, Mali), while demand forecasts have historically proven conservative; the consultant however noted a high degree of uncertainty across both supply and demand outlooks. Near-term, they expect 4Q26 pricing to be relatively flat to slightly firmer QoQ in a balanced-to-tight market, noting that the normal Sep/Oct seasonal peak has been somewhat distorted this year by ESS-driven demand pulling installation activity earlier into 2H26, a dynamic that could leave 1Q27 demand comparisons also looking softer. The consultant flagged a clear divergence between China's capital markets (increasingly bearish on 2027 demand) and producer guidance (still pointing to strong growth), which is itself contributing to near-term price uncertainty. Supply-chain inventory was estimated at ~100kt LCE currently, though remains difficult to verify given data confidentiality and differing tracking methodologies across agencies. The consultant also flagged a methodological nuance, where current balances are modelled annually, but a shift to quarterly modelling could reveal the market flipping into surplus partway through 2027, shaping the near-term pricing profile.

The consultant is optimistic on the LT industry and price outlook, and expects spodumene, particularly from reliable, high-quality jurisdictions such as Australia, to remain the most responsive source of incremental supply, sees potential for the market to swing back into surplus in the early-to-mid 2030s on a business-as-usual basis (absent further supply discipline), but ultimately expects a structural deficit to re-emerge over the very long term as the market scales.