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China Battery Materials

LFP Cathode Takeaways from ZE Consulting Conference

CITI'S TAKE

We attended LFP cathode presentations and roundtable discussions at a conference held by ZE Consulting on 14 Oct. Mr. Peter Zhou, Secretary of the LFP branch of the China Industrial Association of Power Sources (CIAPS), Mr. Deng Song, Chief Marketing Officer of Sichuan GCL Lithium Battery Technology, Mr. Huang Zhengyong, Marketing Director of Tinci, and other industry experts attended the meeting. Below are our key takeaways.

Jimmy Feng, CFA[AC]
+852-2501-7588
jimmy.feng@citi.com

Jack Shang, CFA
+852-2501-2441
jack.shang@citi.com

Anna Wang
anna.d.wang@citi.com

Cynthia Wu
cynthia.d.wu@citi.com

Anti-involution – The LFP branch of CIAPS was established in May 2025 and published a proposal on healthy development of China's LFP cathode industry in Aug 2025 after meetings with leading LFP cathode producers (see our note here). It also published the industry average cost of LFP cathode in Nov 2025 (see our note here), implying that most producers were incurring a loss at the time. In Dec 2025, the LFP branch of CIAPS advocated for LFP cathode producers to refrain from expanding capacity until breakeven, and the LFP cathode processing fee started to improve.

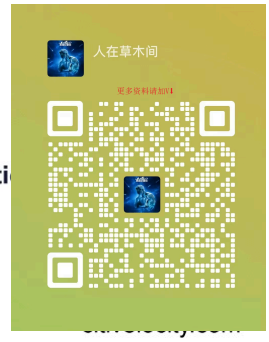
LFP cathode utilization ratio – Mr. Zhou expects China's LFP cathode utilization rate to decrease to 67%/62% in 2027/28, vs. an estimated 80% in 2026, and he believes surplus supply could occur again without restrictions on capacity addition.

LFP cathode demand – Mr. Zhou expects China's LFP cathode demand to reach 7.5-8.0mnt in 2027, up 25-30% YoY, and 9.0-10.0mnt in 2028, up 20-25% YoY, vs. an estimated 6.0-6.3mnt in 2026, up 50-55% YoY. He said the supply of fourth-generation LFP cathode remains tight while low-end capacity is in surplus supply.

Profitability – To improve profitability and enhance competitive advantage, Mr. Zhou believes LFP cathode producers could: 1) adopt an integrated business model with investment in upstream; 2) develop high compacted density LFP cathode that are widely used in super-fast charging batteries; and 3) better manage capacity additions in the LFP cathode industry to avoid significant surplus supply.

Fourth-generation LFP cathode – Mr. Deng expects this round of capacity additions for LFP cathode to be more rational than the previous cycle. However, the supply shortage of fourth-generation LFP cathode could improve in 2027 considering capacity addition, potentially leading to weaker prices, and third-generation LFP

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cathode could be in surplus in 2027. Mr. Huang expects lower cost and price to be key focuses to further enhancing the penetration of fourth-generation LFP cathode.

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