

# Is lead losing its market mettle with EV push?

Demand will rise in the medium term, as lead will still be used in automobile batteries and even in EVs for auxiliary functions

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**W**e live in a VUCA world characterised by volatility, uncertainty, complexity and ambiguity. Different countries enjoy different natural endowments which make the world interdependent for raw materials and finished goods markets. Yet, geopolitics is making the global policy context increasingly complex with countries trying to harmoniously balance the conflict between domestic socio-economic compulsions and international obligations.

No wonder, of late we find the commodity markets buffeted by not only resource nationalism but also 'resource weaponisation'. This means the established value chains for commodities, especially the scarce and critical ones, will not be the same.

China is the mover and shaker of the global industrial metals market. From a lead market perspective, it is necessary to recognise that stringent pollution control measures in China seek to regulate the scrap lead-acid battery

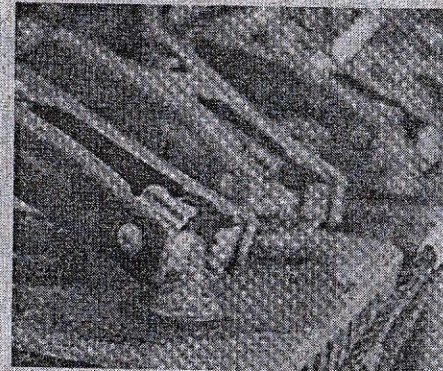
recycling. The new norms are seen impacting the market, worsened by China's power crisis.

Over 80 per cent of modern lead usage is in the production of storage devices (lead-acid batteries). So, the fortunes of the lead market are tied to the automotive industry. Of course, as a metal lead has other applications too, including use in lining tanks that store corrosive liquids, as shield against X-ray and gamma-ray radiation, rolled/extruded products, and so on.

## FORECASTING DEMAND

The International Lead and Zinc Study Group (ILZSG) has projected a deficit in lead market for 2022 and 2023. This year, demand is expected to exceed supply by about 83,000 tonnes. Global supply is set to fall 0.3 per cent to 12.34 million tonnes because of lower output in Russia, Ukraine and Germany. At the same time, global demand is set to rise 0.8 per cent to 12.42 million tonnes following a modest rise in Chinese demand due to lead-acid battery export.

However, ILZSG has forecast that the global deficit will halve in 2023. Next



**CHARGING ON.** Apart from automotive sector, lead is used in a host of other areas

year, supply is seen expanding by 1.8 per cent to 12.56 million tonnes due to new capacities in Australia, India, Germany and the UAE. At the same time, demand is forecast to rise by 1.4 per cent to 12.60 million tonnes.

In its October 2022 commodity market outlook report, the World Bank has said that lead demand is likely to rise in the medium term due to steady new vehicle production and replacement battery use. Lead is used in electric

vehicles (EVs) for auxiliary functions too. There is a view that accelerated growth of EVs may prove negative for a traditional battery metal like lead. The US Administration has said that it wants 50 per cent of new car sales to be EVs by 2030.

Yet, for EVs there are challenges in the availability of critical battery metals such as lithium, cobalt and nickel. Trade disputes, logistical challenges and sustainability concerns may affect the supply chains for these critical metals.

So, in the coming years there is likely to be a battle for critical battery metals. While policies encourage EVs, metal supply risks may push prices up and become a speed-breaker for EV growth. That should help lead. In large and growing automobile markets such as India lead use may continue. More research dollars may uncover new uses for lead. So, let's not write off lead.

Admittedly, the global metals markets are in a state of flux. There will be risks to the forecast due to VUCA conditions.

The writer is a policy commentator and commodity markets specialist.