

Argus White Paper: Rare Earths



US-China trade issues still loom over the rare earths market

China's rare earths market is expected to see little impact in the short term from the interim trade agreement between the US and China as Beijing will maintain its tariffs on US rare earths feedstock imports.

The two governments on 13 December reached an interim trade agreement, but rare earths have long been excluded from Washington's tariff list given its dependence on China's supplies. The US imports 70-80pc of its rare earth oxides and metals from China.

Beijing, for its part, will maintain the 25pc tariff on US imports of rare earth ores and concentrates and mixed carbonates. Although Beijing raised the tariff on these materials to 25pc from 10pc on 1 June, China's imports rose sharply by 50pc from a year earlier to 41,288t in 2019 because of firmer demand from domestic rare earth separation plants and magnetic material manufacturers.

The de-escalation of the US-China trade war was expected to stabilise global financial markets and prevent China's economy growth from slowing further, in turn stabilising rare earths demand. However, the outbreak of the coronavirus has taken the market's gaze away from the US-China trade dispute.

Coronavirus outbreak in China adds to the uncertainty

Lower spot supplies and ore import shortages from Myanmar (Burma) have amid the coronavirus crisis have tightened heavy rare earths supplies and bolstered prices. Limited supplies of ion-absorption rare earth ores in south China resulting from stricter environmental inspections this year are also expected to support the medium and heavy rare earths markets.

Most separation plants in Ganzhou city in south China's Jiangxi province halted operations in January and postponed resumption until late February. Current operating rates remain below 50pc, pressured by limited ore supplies from lower ore output in south China and import restrictions from Myanmar amid the coronavirus outbreak. Ganzhou is a major producing region for medium and heavy rare earths, accounting for 65-70pc of China's total output.

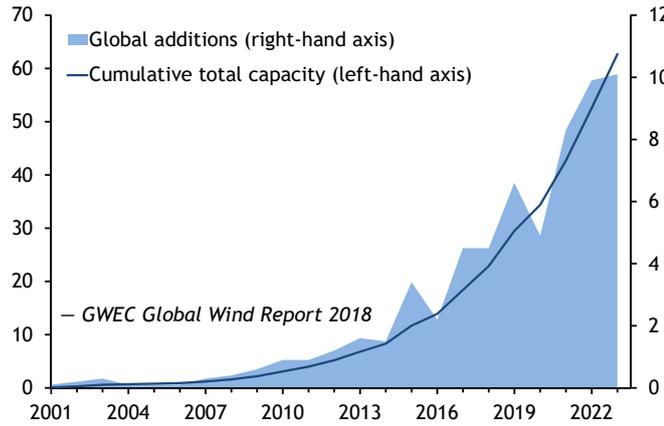
Renewable energy a bright spot on the horizon

Global offshore wind installations reached 27,213MW by the end of 2019, according to Global Offshore Wind Report 2019 by World Forum Offshore Wind (WFO). 5,194MW of offshore wind capacity went into operation during the last year, making 2019 a new record year in terms of new global offshore wind installations with a 24% growth as compared to 2018.

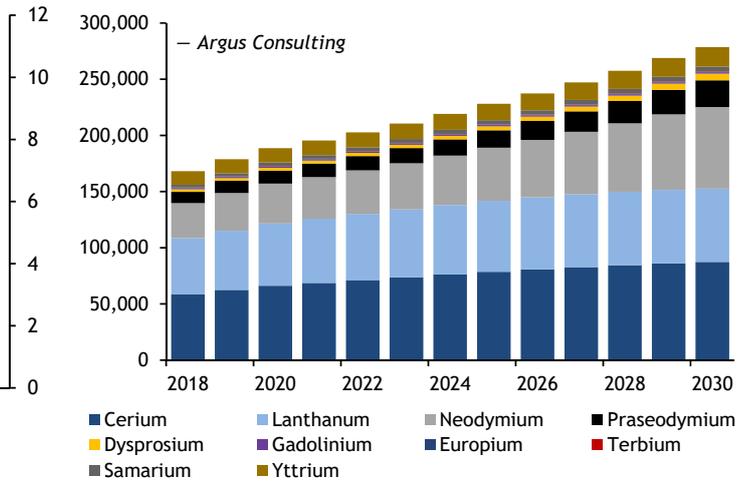
Worldwide, 16 new offshore wind farms went into operation during 2019 in China, UK, Germany, Denmark, Belgium, and Taiwan, making 146 offshore wind farms now up and running around the globe. The UK remains the world's biggest offshore wind market with 9.7GW of total installed capacity. Germany retains its second place with a total of 7.5GW of operational capacity. China, currently in third place, has 4.9GW of installed offshore wind power.

Looking at offshore wind farms under construction, China leads the way with a total capacity of 3.7GW currently under construction. The Netherlands is the second-largest market for offshore wind projects under construction with 1.5GW. The disruption in the German offshore wind market caused by regulatory framework changes is reflected in the comparatively low capacity currently under construction of only 220MW.

Offshore wind capacity additions, 2010-2022



Rare earth consumption by element, 2018-29



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