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**Markets in Transition | Episode 4**
**Andy Home, Senior Metals Columnist, Thomson Reuters**

**Our *Markets in Transition* series continues this week with Andy Home, Senior Metals Columnist at Thomson Reuters. David Greely sits down with Andy to discuss the many transitions happening in the metals markets today, as well as the big issues that the metals industry needs to be talking about if we're to meet these challenges as we head into London Metals Week.**

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**Andy Home** (00s):

Traditional exchanges do more in the space, but also people playing around with different ideas. A little bit about how we could, I have a credible price, which is based on physical transaction or auction like prices. Still early days there yet, but there is definitely evolution of thinking about how to price some of this stuff.

**Announcer** (20s):

Welcome to SmarterMarkets, a weekly podcast featuring the icons and entrepreneurs of technology, commodities, and finance ranting on the inadequacies of our systems and riffing on ideas for how to solve them. Together we examine the questions: are we facing a crisis of information or a crisis of trust, and will building smarter markets be the antidote?

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**David Greely** (01m 03s):

Welcome back to Markets in Transition on SmarterMarkets. I'm Dave Greely, Chief Economist at Abaxx Technologies. Our guest today is Andy Home, Senior Metals Columnist at Thomson Reuters. We will be discussing the many transitions happening in the metals markets today and the big issues that the metals industry needs to be talking about if we are to meet these challenges as we head into London Metals Week. Hello Andy. Welcome back to SmarterMarkets.

**Andy Home** (01m 29s):

Hey Dave, nice to be back. Thank you for having me.

**David Greely** (01m 31s):

Well, it's nice to have you back and when I was thinking about this podcast series we are doing markets in transition, you know, the metals markets really came to the forefront of my mind, so I am really glad to have you here to share your experience and insight and you know, some of the transitions that have been unfolding in the metals markets have been driven by big events external to these markets, which had the sanctions on Russia, battery metals demands driven by the energy transition to a lower carbon economy, which is in turn creating these competitive tensions between the United States, Europe, and China over the production of these critical minerals and all of these are increasing the demands we place on the metals markets and placing strains on them requiring them to change too. So I would love to talk through some of those with you. A lot of them you've been covering in your reporting over the past year and maybe we could start with the sanctions on Russia because even though the invasion of Ukraine happened a couple years ago and is still going on, this isn't an old story. This week you covered Russian President Vladimir Putin's suggestion that Moscow should cap exports of titanium and retaliation for Western sanctions and I believe he made a similar suggestion about nickel last week. How are these sanctions still affecting the metals markets today and how have markets and market participants had to change their trading practices?

**Andy Home** (02m 57s):

Okay, so yeah, you are right. Let's go back two and a half years or so to the start of the Russian invasion of Ukraine. So what you've seen in the interim period is really western sanctions on Russian metal. The US has led the line on this and pretty much banned most base metals, most industrial metals from entering the United States. Europe has sort of like followed in its way. What we haven't really had up until now is counter sort of measures from Russia itself, right and I think actually, I mean the comments that were made, I think they were made last week and widely reported in Russia. So it was one of these Mr. Putin holds his sort of like mean open studios sort like conferences if you like and he suggested that his ministers might want to consider capping exports of strategic metals to the west.

**Andy Home** (03m 46s):

And he mentioned three, he mentioned nickel, he mentioned titanium and he mentioned uranium. What is Russia got a come full three of. It's a big producer of all three and they are three sensitive points for I think many western countries. Yeah. So funnily enough, you know, there was a great threat of this happening right at the start of the war. So you cast your mind back, right, I mean to 2022, think what happened to nickel, you know, the threat that Russia would stop exporting nickel to the western market really generated what became the monster rally that became the monster short squeeze that resulted in the enemy sort of suspending its contract, right. It didn't happen though. So here we have the suggestion coming again and I think the reaction actually nickel for example, is very telling about what's happening in the nickel market, right?

**Andy Home** (04m 39s):

Two and a half years ago, months to rally as the threat of losing Russian supply this time around. Yeah, yeah, yeah the price, it blipped up a little bit, it went down a bit. It was a sort of collective struggle of the shoulders and you know, that just says, well look, this nickel market landscape has been transformed in that period of time, two and a half years, right. What the market's saying now is, hey, you know, if you stop shipping nickel to us, we don't care because what I mean this has been going on, Indonesia has not only been ramping up huge amounts of nickel production capacity, but it is now exporting and its Chinese who partners are exporting refined nickel to the LME. So read enough Indonesian and by proxy Chinese refined production of nickel has simply displaced Russian in the market. This premium sort of like you know, class 199.8% nickel that trades on the LME that the Russians were such big producers of, yeah, there's five I think new LME brands or Chinese nickel meeting united standards and the first Indonesian one.

**Andy Home** (05m 43s):

So that for me was a fascinating case of sort of like, yeah, I mean I guess you could like stop a cap exports a nickel, the market doesn't care, the market is in oversupply. Okay, the second one on its list, titanium is a much, much more interesting case, right. Here is an interesting fact for you. The only country that has imposed sanctions on Russian titanium is Canada. Europe hasn't and the United States hasn't per se, right. Why is that because the western aerospace industry, and this is what we are really talking about with titanium metal, goes into making our airplanes right by the Ceridian military. It's still at least partly dependent on raw titanium products from Russia to this day, right. So guess what happened when Canada said, Hey, we are going to sash all this stuff and any supplier that's using it, and that may be a Canadian manufacturing company supplying Boeing. Reuters reported that Emmanuel Macron himself personally intervened with Justin Trudeau and said, no, no, no, no, no, we need some waivers on this for our Airbus suppliers and you know what he got it.

**Andy Home** (06m 51s):

And that tells you that there is, and some of these metals were not at a state yet, even after two and a half years of sanctions and war that we can simply cut off, right. I'm not gonna get into the uranium obviously his comments on uranium has sparked a whole different conversation in that market. I regard that more as an energy material market than metals, right? So yeah, titanium remains extremely sensitive to that loss of supply I would suggest from Russia. That's where you saw political interventions at the highest level against the Canadian sanctions and the European Union has still not obviously got any sanctions against Russian titanium. That tells you quite a lot about whether supply chains for Boeing and Airbus are, are sort of getting their, some of their material at least.

**David Greely** (07m 35s):

Yeah, and I want to come back to the nickel piece as well. I think it's a great movement into talking about some of the impacts of the energy transition because there's this energy transition to a lower carbon economy increasing the demand for copper and battery metals like nickel lithium for electric vehicles and I wanted to ask you because that production response that you referred to out of Indonesia out of China was so large in the beginning and really kind of changing the landscape. I wanted to know how do you see the energy transition affecting metals markets today and how do you think we should expect them to be affecting it in the future?

**Andy Home** (08m 14s):

Yeah, I mean that's a really good question. Let's go back about a year or so in time, maybe two years in time and we would have this conversation, right and everyone was super bullish about the battery materials. Everyone's super bullish, everyone's super bullish nickel, everyone's super bullish cohort. If he goes into a battery, we were all super bullish, right. Look where the prices of those commodities are now, right, yeah. Nickel is bummed out to the point that sort of western producers cannot make money at these prices. The lithium production landscape, it's kind of like a war zone. I mean so many people have had to defer contracts, sorry, defer new plants investment or they are winding down, they're even closing plants because their prices are so bombed out. Cobalt exactly the same story. So how have we gone from super bullish to super bearish landscapes, right?

**Andy Home** (09m 03s):

We discussed in Nicholas it's a two year scenario and I think a couple of things have happened, right. I mean obviously let's go with the supply. Everyone's super bullish, what do they do. They pump money into new capacity, right, all over the world. Obviously there is going to be a shortage on, there's gonna be a shortage on Nick. Well there's gonna be shortage as a cohort, right? So we've seen obviously with the time lag of getting new plants up and running or new mines operating this year has seen, I mean the huge supply come on, it started last year, right. Just at the time that things have started changing on the demand side, right and there's been a lot of real doom and gloom out there about end of the EV revolutions or like sales slowdown electric vehicles. I think the answer is a bit more nuanced than that.

**Andy Home** (09m 49s):

I mean look, the energy transition of the vehicle fleet is kind of progressing still at a super-fast rate. Yeah, maybe not quite as fast, I mean as it was a couple of years ago. But it's happening but here's what's changed, right. Two years ago I think the debate was binary. Either we are going to have internal combustion engines or we are going to have battery engines, right. The consumer has decided that there's a third way he wants or she wants a hybrid, a plugin hybrid. You look at what's happening in China, which is still the world's largest market for new energy vehicles, right. Pure electric battery vehicles has seen dramatic growth slowdown, plugin hybrids are just going crazy as a part of the market. Yeah and I think in the west also a lot of people have decided that they are very comfortable with this as a stepping stone technology, right?

**Andy Home** (10m 41s):

But here's the thing, the batteries in them are smaller because obviously you've got a perpetual engine in a hybrid as well, right. Some of the older ones were probably still even using dead acid batteries from the old, you know, manufacturing process. That's where I think the real dent come that was not really expected by anyone to have, right? You go and look over the last even three or four months and look at all the major car companies around the world saying hey, maybe we are going to slow down the battery electric production and maybe we're gonna ramp up hybrids because the customer really seems to like hybrids. This applies even more so in China than it does in the west. I mean this was completely unexpected by the way. They don't use any cobalt. So that's one of the reasons Cobalt crashed out. I mean there's no cobalt in a hybrid battery system.

**Andy Home** (11m 27s):

There is nickel, but again the battery itself is smaller, less nickel, less lithium in it, right. So I think that's what's going on. I mean and that is the nature of all revolutions and this is a revolution, right to try and sort of decarbonize the world's semi fleet or vehicles. It never goes smoothly. It's always going to be a bumpy ride. This was an big unexpected bump, but it's one of those things I guess the customer is always right in the automotive industry. If that's what guys want to buy, that's what guys are gonna make, right, but it doesn't mean that oh we've come to the aim. Oh no this is the aim of the EV story. Not at all. It's just that there is this transition technology, original internal combustion two pure battery that is kind of like turning out to be much bigger and more important than we thought and by the way, don't write off platinum and palladium and catalytic converters either because guess what hybrids use them. So the mix of metals used in this revolution is constantly sort of got a changing dynamic. And again depends in this case customer choice and or new technology, right?

**David Greely** (12m 27s):

And so we have got China changing the demand mix because of what consumers want and that's, you know, as said being reflected increasingly outside of China as well. They have got China increasingly dominating production of these critical minerals with Indonesia and I'm curious when you look at the production side of what's happening in China on a lot of these metals, how do you see that affecting the metals markets today?

**Andy Home** (12m 54s):

As is often the case in industrial policy in China when battery vehicles are declared, the thing to invest in we almost always see is massive over investment in production capacity and we see that aluminum in the past, we have seen it in steel in the past. This is just the way that economy works, right. If the word goes out, battery manufacturing plants are now being supported by your local government. That means easier finance from the banks. You and I Dave would be rushing out to solve like fine other guys, this is the way China works. You always have to factor in this overproduction and excess capacity cycle, right. I think one of the things that we have seen for example in lithium is a massive overdevelopment of their own Pidgeon like resource rate, which is high cost makes sense when the price is high. Much less sense when the price is low.

**Andy Home** (13m 42s):

We've just seen some closures in in that part of the Chinese production sector, right. To some extent you are seeing the same, I mean in nickel, albeit the whole thing is offshore in Indonesia massive overproduction, you build too much capacity too quickly guys. Right and to be fair I think the Indonesian authorities have kind of grasp what's happening here and you see the tightening of new mining licensings being granted in 2024. So relative to the last couple of years. So it's the Indonesians are trying to apply the brakes to this. As I said, for me, I mean it's a classic Chinese, I mean sort of investment policy, you know, they built too much capacity and then the idea is well over a period of time the wheel will fall by the wayside and then we will do a bit of mergers and build some national champions.

**Andy Home** (14m 28s):

I think the problem is compounded though in the battery materials because these are markets, they are still growing up really fast, right. 10 years ago, lithium was priced directly between producers and consumers. It was regarded as a bespoke product. It did not have a mechanism for producers or consumers to hedge forward, right and I would argue that if you look at this boom bust cycle that Lillian's been through, particularly at this is part down to the factors, you don't have a financial sort of framework within which to handle your investment flows, right. It basically you have gone blind, you just sunk a lot of money by digging a hole in the ground or like developing a new grind lake, but you've not hedge production, you couldn't hedge production because there's no mechanism of doing so. That is just starting to change, right, but I think that's really compounded the issues in lithium and we can also have that conversation about nickel.

**Andy Home** (15m 21s):

You know, one of the reasons the London method exchange contract blew up is you had a huge surge of production at that stage in the wrong form of nickel to be delivered against the LME. But again, you get that mismatch of who's producing what for this revolution, what can be traded, how can it be traded and is there liquidity for it to be traded, right and COVID also has come from being a niche market again, very bespoke. So all I mean a very small traded market do something much bigger. These metals are still catching up in terms of their pricing mechanism and that adds, in my opinion to the volatility and that adds to this kind of concept of boom bust cycle. You have been following commodities as long as I have. We know what happens next in lithium, right? At some stage they are going to misjudge another surge of demand. Guess what's gonna happen. It's going to have gonna have another boom here right and that's been the cycle for the last 10 years. It is a new industry still trying to gauge its own demand profile yeah and it's difficult because that demand profile is moving all the time. Yeah,

**David Greely** (16m 20s):

That's a great way to put it. It's investment kind of going blind when you don't have that kind of forward curve to kind of look out and say this is where some prices are. I can start to see where I am investing, I can see where I am able to hedge my risk. The markets, investors, producers, consumers, they just need to kind of, as you said, walk a little bit blindly. So we need to make the improvements in that.

**Andy Home** (16m 41s):

And it's important for sustainable financing in this sector, right. It's like I came to you and I said, could you lend me a billion dollars we are going to do that. I am going to build a copper of mine and we had nowhere to hedge that. Would you give me a billion?

**David Greely** (16m 53s):

Of course not. Not even if I had it

**Andy Home** (16m 55s):

To go and dig a huge hole in the ground. Of course you would have. No one would, no banker in their right mind would say, well I'm giving you all this money to produce something and we, well we don't know where the price is gonna be. I think this is one of the issues you've also had stop start financing is because we simply have an adult market framework within which to allocate capital correctly if you like. Hence the boom bust scenario we are having at the moment.

**David Greely** (17m 19s):

One of the demands we've been putting on the market that doesn't even have these straightforward pricing mechanisms, the desire to be able to price green premiums for producing metals in environmentally responsible ways. You have written a number of times that that remains elusive. Why do you see that green premium remaining elusive? Is it simply the lack of mechanisms or is there also the lack of willingness for consumers to put their money where their beliefs are?

**Andy Home** (17m 44s):

Yeah, no one wants to be the purchasing manager who buys the expensive material, right. But I mean another more fun. He does vary a lot depending on which metal you want to talk about. Let's talk about nickel for example. This is where we have heard a lot about the green premium. I mean partly because of course Western producers want to find a way of differentiating their production against Indonesia, right and I would agree, I mean on more grounds if I want to buy an EV I do want my metals in it to come from environmentally responsible sources. Our problem is what's even green nickel? What is green. Nickel comes a bunch of very smart guys an outfit called benchmark minerals intelligence or like, I mean I intended one of their online webinars about this. They can identify about 70 factors that go into making a metal green. Put it this way, most producers in Indonesia don't tick any of the boxes.

**Andy Home** (18m 36s):

We can talk about the high carbon footprint, we can talk about the deforestation, we can talk about the handling of tailings, we can talk about health and safety. So there has been several like bad incidents at some of those nickel plants, right. Where do you start when the world's biggest producing nation itself doesn't know where it is and a lot of the Chinese companies won't disclose anyway, that's one of the big hindrances. Even if I as a buy want to find green nickel, I don't have disclosure sufficient disclosure from too much of the world's production to even make that choice rate. I think some of the western producers are getting wise to this and are looking at full traceability, which I think may be one issue. The easiest way you could approach green nickel would be carbon footprint because Indonesian is also very high carbon footprint.

**Andy Home** (19m 22s):

They are coal powered for the most part. But he doesn't really resolve your issues around say what about the deforestation where you built this mine. Look at other metals it becomes slightly easier I would suggest, right? So when you look at aluminum, which tends to produce in western nations because it is a lot of power to generate its biggest impact you like, is the emissions itself produces therefore the lowest emission at aluminum could be generally said to be relatively green. Yeah, that's a one dimensional issue, right. We don't cut down forests to build out aluminum smelters. We don't displace people, right. I think in copper, again, I think copper may be where green premium is most advanced as a concept and that may come down to also it has a high recycling component which can be very green indeed, right. Nickel is simply not there.

**Andy Home** (20m 12s):

And such as the growth of Indonesia as the world's biggest producer through frankly there's a bit of an ESG horror story at one end of the spectrum, what's going on there? It's just really hard to know what's green and what's not green. So you can't understand what you mean who's going to pay a premium. The industry itself has a lot more to do. Now I am fully aware that the Indonesians are fully aware that this is an issue for them, right? They are I think belatedly trying to sort like get their own traceability programs going from mine to smelt to etc., etc., but obviously they build so much capacity in the space over a couple of years that we have only just started at the beginning of the journey. I suspect other metals becomes easier. Yeah. When you look at a medium, one of the problems here we have is that one of the largest producers of low carbon, a medium is of course Russia.

**Andy Home** (21m 03s):

Which brings us back to our first point is, well we really don't want to be buying rationale aluminum dewy guys. It's a really complex universe at the moment. So I do have a lot of sympathy for buyers who really are trying to sort right, understand their supply chains. Yeah, I think consumer company like Apple has led the way, but let's be blunt about it, apple doesn't use as much metal as say Ford or General Motors, right. So it has the luxury of being able to sort of look at quite small quantities of metals and then look at like a recycling options to source those in a way that some of the bigger users, I mean simply don't have that luxury at the moment.

**David Greely** (21m 39s):

I think listeners will have noticed throughout this conversation that talking about metals is really talking geopolitics as well, right? It's western producers, it's China and Indonesia, it's Russia, you know, of course this week there is a new effort by the US and Europe headlines that they're trying to join forces to break China's grip on critical minerals. The US has been trying to support its own critical minerals production and security for some time now through the Inflation Reduction Act programs. And I wanted to ask you, what do you make of these new efforts by the US and Europe and how do you see them affecting metals markets?

**Andy Home** (22m 16s):

A man of my age grew up in a world where geopolitics was defined by energy, by oil more than anything else. As we decarbonize and we switch away from oil, we can only do so by using metal. So maybe we shouldn't be surprised that geopolitics is still energy, but just



energy metals. Now listen, I think there's a three prong tactic here from the likes of the United States. The first is obviously to use tariffs wherever possible to keep out material from China and other hostile nations if you like. The second obviously is massive investment in domestic supply chain and the third is to team up with like-minded countries, I would call it the NATO to sort of try and woo third countries to supply us, not them as it were. You have hit a really interesting thing about where the investment is going in the United States, they are trying to create a supply chain in some cases from scratch.

**Andy Home** (23m 15s):

That means build the mines, right, build the power plants, ESG compliant mines. Then you have got to build like, I mean what smelters are treated and refineries are treated and then like ISIS sort of make it into product. I think that's kind of like variable success factors and it's part of that chain. So one of the issues you have and a lot of money has been sort of like granted towards me building new mines, lithium and nickel, but that money doesn't sort of resolve the problems you have bringing a new mine on, which are quite often environmental opposition, maybe Native American Indian opposition because it may well be on their land, right? You have the whole pile of money and we're ready to go. But that doesn't sort of help you through permitting process, which is notoriously a long timeframe in the United States. So yes, you look at the list of projects that are due to receive it, these are good projects but each one of them has its own environmental sort opposition dimension.

**Andy Home** (24m 12s):

The more interesting part of the US investment is probably going into the bit that we don't discuss so much as we should do, which is really can you change demand. So maybe we can't produce enough lithium or enough nickel enough cobalt to make this sort of battery, but maybe we should allocate money to research facilities to say make us a different battery please. One that we could be using in 10 years' time and I think that could like, I mean obviously really generate good rewards for a relatively small outlay. I also think sort of recommend a gradual build out of recycling capacity as another part of the US investment program where little money can take you a long way. I think the most difficult bit is building new mines and new smelters even though we all accept the need that ideally, you know, we would like to have these for our own sort of like security or supply.

**Andy Home** (25m 04s):

There's a lot of folk out there who will like we picket every sort of meeting. You have to say, not in my backyard, right weird enough. The places where the money will have early are probably better and longer lasting success is the bits we don't really discuss about. It's the bits going into research is the bits going into guys looking at new ways of making batteries, making a new applications and thinking differently about how we use the materials. Yeah, Europe is by the way is a way behind the United States on this. Don't be surprised there is 27 countries that have to be corralled into some of agreements on anything they do, right but in principle they do have recognized that they have to sort of do more and recycling against same rule supply. You look at sort of Rio Tinto which has found a fantastic lithium deposit down in Serbia, right?

**Andy Home** (25m 51s):

Two thirds of the country I just read in the poll are against development of that mine. So you can throw as much money as that project and subsidy as you want, but if you cannot persuade the Serbian people to have it, it's probably not gonna happen. But equally sort of that sort of money you put it into an existing recycling soil like a circuit to make it more efficient. Yeah, you could start moving the dial that way. Well I think both the US and the Europe have realized, you know, in the timeframes we are looking at here, we're gonna need some help from our friends. French shoring is the you know the new hot word here and you gave some fascinating so right flashpoints developing around the world as we try and compete with China or loosened China's grit on a resource it already has. I would cite DRC the Congo, which has a lot of cobalt, has a lot of copper and even has a lot of lithium and there's a fascinating sort of great game being played out there at the moment I think, right?

**David Greely** (26m 47s):

This is why I love talking with you Andy, I thinking of a hockey metaphor. If we need to be skating to where the puck is going, not where the puck is, right? Like thinking about getting into recycling, what's the next generation of batteries instead of trying to you know, take what'll be a decade plus build out to get to where the market currently is.

**Andy Home** (27m 05s):

That's why I think is as I said the under-discussed component of the US federal investments here. That makes complete sense to me. Let's not just be, oh we need this much li and we need this much nickel. Let's look at whether we do in 10 years' time in 15 years. That's where as I said, I mean the awards are not so substantial, they don't grab the same headlines maybe as some like X gets so to sort of

like, I mean there so much money to build a lithium mine, whatever, it's a full supply chain concept going on here and I think that's where the US is more thought out than maybe people give it credit for because getting new mines up and running in the states is still a really hard thing. I mean you know, however much money you kind of like throw at the project, if the locals don't want it, you probably shouldn't build it.

**David Greely** (27m 51s):

And I wanted to move from geopolitical flashpoints to market flashpoints. You had brought up earlier in the conversation, you know the nickel strains and the chaos on the LME when Russia first invaded Ukraine, you know the spike in nickel prices and everything else. When you look at all these demands that are being placed on our metals markets right now and all the strains are these changes that are happening in the metals markets, where do you see the pressure points and where might we have problems next?

**Andy Home** (28m 19s):

Well I think we are in a better position in terms of financial life framework if you like than we were a couple of years ago. There are now pretty liquid, fully functioning and trading. So cobalt and lithium contracts on the CME, which is something we didn't have a couple of years ago. There is obviously lithium pricing is still like an tends dominated by an exchange in China, but at least we have a credible alternative. Now I think also one of the things you are looking at lithium's a great example. I think it's fair to say that traditional lithium producers have not exactly rushed, sort of open the door to sort of exchange pricing of their product, right? The whole thing is we don't make a commodity, we make something bespoke. It's chemically unique, it's not a commodity. The problem is the underlying price behaves like a commodity, my friends, right?

**Andy Home** (29m 07s):

So I've seen one producer in particular is trying a different pricing mechanism and they're doing it through an online trading platform and essentially is basically like tendering specific sort of like a mean or parcels or material, whether it be raw material carbonate hydroxide and using that, the awards of that bidding process, if we can get enough traction on that, you could create an index which is actually based on your product, your non commoditized product. So I think there's experiments like that going on. I'm completely agnostic. I mean it may work, it may not work. Something similar is happening on nickel. We talked about the green premium. There's another outfit called Metals Hub, which is allowing grade one nickel to be transacted on its platform and in some cases if the producer wants to put ESG credentials on it, that will trade as well. If it trades at a premium, that will be picked up again.

**Andy Home** (30m 05s):

So I think you are starting to see both traditional exchanges do more in the space but also people playing around with different ideas. A little bit about how, you know, we could, I have a credible price which is based on physical transaction or auction like prices still early days there yet, but there is definitely evolution of thinking about how to price some of this stuff. Maybe just a simple exchange price is not enough or maybe an exchange. Let's say look at the London Message exchange. The LME does grade one standard nickel if you like, if you want premium, if you'll get a premium for your green product, you will not achieve it by selling it basis me, but you might achieve it in a physical marketplace or an electronic marketplace. And I think that's sort of a very interesting development. Want to keep an eye on, I watch and wait myself with interest to see whether any of these ideas will really catch on.

**David Greely** (30m 57s):

And of course London Metals Week is this week. So thanks for taking the time to be with us ahead of it. And I just wanted to ask you before you go, what do you think the industry needs to be discussing and preparing for if our metals markets are to navigate all these transitions we've been discussing? Well

**Andy Home** (31m 15s):

We are talking about the London Metal Exchange. So the first thing the LME needs to sort out is itself as usual, several weaknesses I think in the LME way of doing business were revealed by the nickel crisis of 2022. The LME to fair to it has taken several measures to sort particularly to prop up that contract. But I think one of the bigger issues the LME has, and I wrote about this recently, is the enemy has a surprising share of its own liquidity. The way that this Victorian market has slightly strangely evolved, I mean it's a prompt state, state market you can trade 80 day between here and three months forward. Business is structured not directly into a central like a mean electronic marketplace, but can come via two tiers of brokers. What is found and he found during the nickel crisis is when he was trying to understand who was doing what in his own contract.

### **Andy Home** (32m 09s):

Too much of what was being done was taking place in dark liquidity pools sitting right close to the LME but not on the LME operated by many of its own members, right. So you know that dark pool is a dark pool, it's called that for a reason. You can't see into it. So the LME is kind of going on this drive to say, come on guys, really if you want to trade here, we would really, really like you to trade on the central electronic venue. If we possible, let's try and capture more liquidity. So that's a very specific question for the LME itself. As always, the enemy guides its own path on the rest of the world. I think broadly the market's kind of been a bit shell shocked this year. We had a huge monster rally in the second quarter led by copper. The whole thing there spectacularly unraveled.

### **Andy Home** (32m 52s):

I think the first and foremost thing is people want to get a sense of where they are, but some of the stuff we have been discussing, Dave, I mean what actually is going on in the battery sector, right? Who's winning, what materials are doing well? Are we producing too much nickel. Are we producing too much code? Well, are we not producing enough for something else? These very basic questions are still big questions. I mean in this revolution right there is an issue around a geopolitics as well. So like what happens if, you know what happens if Russia stops all of its exports? I don't think it will happen. What would happen if it did? What would happen if China stopped some of its exports. I mean they have given enough warning signs for some of the minor metals. Yeah, they threw Antimony on the list off. Maybe you need a US to check who you are exporting it to, right?

### **Andy Home** (33m 36s):

So I think all that's going on as well. Really next week I think this will be a case of the market will come in a confused state of mind to LME week and be seeking some sort of clarity on what on earth is going to happen to like just the price of copper. This is something that's basic as that. What do we actually think here is going on? It's copper a, you know, a buy here, is it a sell here and I'm not sure the market at this moment in time is completely sure of the answer to that and I would expect maybe some sort of resolution. This is not what normally happens during NME Week somehow amid all the cocktail parties in the champagne people come out feeling either, Hey, maybe we should sort like be big bullish here or the other way around. Let's see what happens this year. I guess bullish, if I had to say, you know, the energy transition hasn't stopped, but it's just not gone the way people thought it would go and China is also remains a big, big question mark in design, right you know, it's still the biggest consumer of most of these metals working out exactly where China is at the moment is a whole different set of problems.

### **David Greely** (34m 39s):

Thanks again to Andy Home Senior Metals Columnist at Thomson Reuters. We hope you enjoyed the episode. We will be back next week with another episode of Markets in Transition. We hope you will join us.

### **Announcer** (34m 51s):

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