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SK Innovation signs long-term cobalt and nickel contract with Australian battery producer

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Stable supply for up to 13 years



SK Innovation CEO Kim Joon is presenting SK Innovation's business strategy at a press conference held at SK headquarters in Seorin-dong, Jongno-gu, Seoul. Photo = SK Innovation.

[Reporter of Korea Finance News] SK Innovation started to secure raw materials for batteries.

In February, SK Innovation signed a long-term purchase agreement with Australian Mines Limited (Australian Mines Limited.AM), Australia's battery raw material producer, to secure a monopoly on future equity investments.

The domestic electric car battery manufacturer signed a long-term contract directly with overseas raw material producers. This is the first time that SK Innovation will secure stable raw materials in the battery business and prevent manufacturing costs from rising through this agreement.

Under the agreement, SK Innovation will be supplying AM Co., Ltd. with 12,000 tons of cobalt sulfate and 60,000 tons of nickel sulfate from 2020.

This represents 90% of the total purchase of the cobalt-based battery business. The contract period is a basic seven years, and can be extended for an additional six years in the future, providing stable supply for up to 13 years.

SK Innovation plans to reduce the instability of raw material supply and demand through this long-term contract. The goal is to secure core materials stably in the midst of fluctuations in core raw material prices, centered on cobalt, and to prevent cost increases in the future.

Australia's AM, which SK Innovation signed, has the capacity to produce 'battery metal', differentiated from existing metal materials such as cobalt sulfate and nickel sulfate. Anti-oxidation is essential for the production of battery cathode materials. However, existing domestic companies purchase metals that have not undergone the antioxidant process.

However, SK Innovation has signed a contract to secure cobalt sulfate and nickel sulfate, which are raw materials optimized for battery production, so that they can be applied directly to cathode materials without going through this process.

Cobalt is a key material that accounts for about 30% of the cost of cathode materials for EV batteries. Cobalt prices have soared every day due to the unstable situation in the Democratic Republic of Congo, the world's largest cobalt market, and the revision of the Mining Law to secure tax revenues, leading to cost burdens for battery makers.

SK Innovation held 15% of the world's reserves, but turned to the Australian market, the 'blue ocean' of the cobalt market.

Unlike Congo, the largest cobalt market, Australia has an environment that produces cobalt simultaneously as a by-product of nickel mines, so it has a production model optimized for NCM811 technology, the third generation lithium-ion battery that SK Innovation is developing.

Meanwhile, SK Innovation plans to review future equity investments based on the exclusive negotiating rights secured by AM based on the results of the Banking Feasibility Study (BFS) with banks based on reserves and economic feasibility.

By Myung-hwan, reporter ymh7536@fntimes.com

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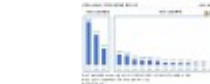
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