



Is Now the Right Time to Buy Lithium Stocks?

Description

Timing is critical. You may have spotted a major trend in the market, but if you're too early or too late to invest in it your portfolio could underperform. Many investors spotted a trend in lithium mining stocks a few years ago, when the sales of electric vehicles (EVs) was ramping up. Now, lithium trades at a record high, while lithium stocks have collectively outperformed the stock market.

Some believe the trend could continue for decades, while others believe the prices are overblown and due for a correction. If you're looking to bet on this trend, here's what you need to know.

Energy transition

What we know for sure is that the transition to cleaner energy is gathering steam. In recent years, governments have raised their targets for net-zero emissions. That means several major countries have implemented incentive schemes for electric vehicles and grid-scale battery storage.

The ongoing energy crisis and conflict in Ukraine has intensified this shift. Two million EVs were sold across the world in the first quarter of 2022 — 75% higher than the previous year, according to the International Energy Agency (IEA). The agency expects EV sales to hit a “record high” by the end of the year. Meanwhile, the IEA expects grid-scale battery storage capacity is expected to expand 44-fold between 2021 and 2030.

Both these transitions require lithium — a key component of electric batteries. Unfortunately, there's a supply shortage of this critical material.

Lithium shortage

Battery demand has outpaced lithium production. By 2025, the world will need 1.4 million tonnes of lithium to meet forecasted demand for EVs and grid-scale batteries. Supply, meanwhile, will only be 1.8 million tonnes that year. By 2030, demand will hit 4.6 million while supply will approach just 3.5 million.

Put simply, we don't have enough lithium to meet the world's energy goals. Experts believe the value of lithium could skyrocket due to this persistent supply crunch. However, that doesn't necessarily mean it's a good time to buy lithium stocks.

Time to buy?

Lithium mining is likely to be a lucrative endeavour for the next decade. However, that doesn't mean lithium mining stocks are attractive right now. **Lithium Americas** ([TSX:LAC](#)) is worth \$3.6 billion right now. However, the company hasn't [produced revenue](#) yet.

So far, the company has raised funding through a combination of equity and debt to finance production facilities in Argentina and the United States. However, there's no way to predict what the price of lithium will be and how rapidly the company can ramp up production by next year, which is why the current [valuation](#) is purely speculative.

Investors looking to make a bet on Canadian lithium stocks may want to wait for more clarity on production and revenues. Or you could bet on well-established lithium mining stocks across the border in America.

Either way, this is a trend that should be on your radar for the foreseeable future.

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