



Is Now the Right Time to Buy Battery Stocks?

Description

Electrification of vehicles is on the rise as the largest economies in the world work towards net zero carbon emissions by 2030 to 2050. The transition to electric vehicles (EVs) is creating a market for lithium-ion batteries. McKinsey [expects](#) global battery demand to grow nearly 30% to 4,500 gigawatt-hours (GWh) per year by 2030. The growing demand could boost the battery value chain tenfold to \$410 million in revenue per year in the 2020–2030 period.

The growth potential of Canada's battery supply chain

However, growth in the battery market could face delays due to several macro challenges (the pandemic and Russia-Ukraine war) and technical challenges (environmentally friendly and economically feasible ways to extract lithium).

As the industry overcomes the lithium challenge, the global lithium-ion market is [expected](#) to increase at a compounded annual growth rate (CAGR) of 13.1% to \$135.1 billion by 2031. And Canada is a leader in battery manufacturing because of its rich natural resources in battery metals (cobalt, graphite, lithium and nickel) and easy access to the North American automotive market.

Two battery-related mining stocks to hold till the end of the decade

There is significant demand for EV batteries, but not enough lithium. With lithium supply at a tight spot, it could become the next oil for the auto industry. Even after the EV boom fades, lithium-ion batteries will need replacing, keeping the demand going. Hence, battery-grade [lithium stocks](#) make good long-term investments.

Lithium Americas stock

Lithium Americas ([TSX:LAC](#)) has gained traction in the last two to three years due to the growing

demand for battery-grade lithium. The company has three mines, two in Argentina and one in the United States. The stock's major attraction is the Thacker Pass Project, which is believed to have the largest lithium resources in the United States.

According to third-quarter cost estimates, it will take \$2.3 billion and \$1.7 billion to develop the Thacker Pass Project Phase 1 and Phase 2, respectively. Each phase is estimated to produce 40,000 tonnes of battery-grade lithium carbonate per annum, with Phase 1 production expected to commence in the second half of 2026.

While all the mining statistics look good, how does it impact you as an investor? The Thacker Pass project is the golden goose with its large reserves. Lithium Americas is separating the Argentina and United States operations to unlock value for shareholders.

Moreover, automakers are spending millions of dollars to secure raw material supply. **General Motors** locked in its raw material supply with a US\$650 million investment in LAC. Under the deal, GM will get exclusive access to Phase 1 production and the first right-of-offer in Phase 2. If GM does not need the lithium, LAC can sell it to other automakers. The miner gets an assured customer for its output, and the automaker gets surety of lithium supply.

LAC stock has significant potential to grow multifold as the development of the Thacker Pass project unfolds.

Sigma Lithium stock

Sigma Lithium ([TSXV:SGML](#)) is at a later phase of production of battery-grade lithium. It is on track to start producing battery-grade environmentally and socially sustainable lithium concentrate in April 2023, with cash flows expected in the second quarter of this year.

Over the last two years, Sigma stock surged 1,250% as it made progress on its lithium deposit exploration and development in Brazil. The expansion of Grotta do Cirilo could potentially make Sigma the fourth-largest lithium producer in the world. While many investors may think it is too late to jump in the stock price rally, there is more growth left for this stock as EV production slowed due to several macro headwinds. When EV production returns in full swing, the stock could surge further.

What to expect from battery-grade lithium stocks?

LAC and SGML are at different stages of mining battery-grade lithium. The demand for lithium would likely remain as long as the EV revolution exists. These stocks could see significant growth in the next five-to-seven years as they ride the EV wave. In the long term, lithium prices might stabilise as supply increases from mining investment. Now is the time to buy these battery-grade lithium stocks before EV demand normalizes.

At the same time, do not put all your money into one secular trend. Diversify your portfolio into other [large-cap stocks](#) that have cash flows coming in. Here are some of the [best Canadian stocks](#) to buy.

CATEGORY

1. Investing

2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:GM (General Motors Company)
2. NYSE:LAC (Lithium Americas Corp.)
3. TSX:LAC (Lithium Americas Corp.)
4. TSXV:SGML (Sigma Lithium)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. cleona
2. pujatayal

Category

1. Investing
2. Metals and Mining Stocks

Date

2025/08/11

Date Created

2023/02/06

Author

pujatayal

default watermark

default watermark