



Lithium - An Emerging Market Finding Its Balance

The lithium market is undergoing a significant transformation. In our previous article, we examined the lithium market's journey towards stabilization, highlighting supply-side adjustments and regional demand fluctuations. While the market transitions from surplus to a more balanced state, the road ahead is shaped by evolving policies, government stimulus, and the growing influence of Energy Storage Systems (ESS).

In this second article, we take a closer look at the latest innovations and financial products in the lithium futures market. From physically deliverable futures contracts to new trading platforms, these developments are redefining the industry's long-term trajectory and addressing key challenges.

Lithium Futures – an evolving offering

As of 2024, lithium futures trading has expanded significantly, with contracts for lithium carbonate, spodumene, and lithium hydroxide now available on several major exchanges worldwide.

1. Lithium Carbonate Futures

Lithium carbonate, a key raw material for lithium-ion batteries, is traded on the following exchanges:

- CME Group (COMEX): Launched in May 2021, CME's cash-settled lithium carbonate futures were the first lithium-related futures contracts globally. They

have experienced steady growth in trading volumes, as market participants need to hedge against volatile prices.

- Guangzhou Futures Exchange (GFEX): In July 2023, GFEX introduced physically delivered lithium carbonate futures, denominated in Chinese yuan. These contracts gained traction quickly, reflecting China's dominant role in the global lithium market.

2. Spodumene Futures

Spodumene, a lithium-bearing mineral, is now traded on:

- CME Group (COMEX): In October 2023, CME launched cash-settled spodumene futures, the first futures contracts targeting lithium ore. These contracts are targeted to miners and processors in the lithium supply chain.

3. Lithium Hydroxide Futures

Lithium hydroxide, essential for high-nickel batteries, is traded on:

- CME Group (COMEX): Launched in May 2021, CME's cash-settled lithium hydroxide futures have experienced significant growth, driven by rising demand for high-nickel batteries.
- London Metal Exchange (LME): Introduced in July 2021, LME's lithium hydroxide futures have struggled to gain traction in an increasingly crowded space.
- Singapore Exchange (SGX): In September 2022, SGX launched cash-settled lithium hydroxide futures.

The latest addition to the Lithium Carbonate World

The global battery metals market has recently gained a new tool for price transparency and risk management with the introduction of physically deliverable lithium carbonate futures contracts, launched by Abaxx Technologies Inc, on 7th March 2025. The contracts, denominated in US dollars, represents one metric ton of lithium carbonate and will be deliverable at ports in Singapore, Rotterdam, and Baltimore. This is the first physically deliverable lithium carbonate future outside of China.

Market Challenges and Price Transparency

Despite its rapid expansion, the lithium market has long struggled with the absence of standardized pricing benchmarks and transparent trading mechanisms. It has long relied on private negotiations and long-term contracts, lacking the open and transparent price benchmarks seen in other commodities such as crude oil or copper. This has made price discovery challenging, as market participants struggle to obtain

consistent and reliable price references, which are based on market surveys and private transactions. As a result, the pricing mechanisms in the lithium market remain less transparent and more fragmented compared to established commodity markets.

Further challenges remain. The lithium supply chain is highly concentrated, with Australia, Chile, and China dominating global production. This concentration poses risks, as geopolitical tensions, trade restrictions, and environmental regulations can disrupt supply and lead to price volatility. This is particularly true of processing, with China controlling around 70% of world capacity.

The Role of Financial Innovations in Supporting the Green Transition

As battery metals continue to fuel the clean energy revolution, the establishment of transparent and efficient markets will be vital to supporting the industry's sustainable, long-term growth. Emerging financial tools and market mechanisms, such as physically deliverable futures contracts, are playing a crucial role in this transformation, by improving supply chain resilience and providing innovative solutions to manage price risk.

Moreover, the development of regional trading hubs, such as Singapore and Rotterdam, enhances the global liquidity of lithium futures, making it easier for participants to access these markets.

Conclusion

The lithium futures market is evolving rapidly, driven by the need for price transparency, risk management, and supply chain resilience. The introduction of new tools and existing cash-settled contracts on exchanges further contribute towards a more transparent and efficient market.

As the lithium market continues to grow, financial innovations will play a critical role in supporting the green transition, enabling market participants to navigate the challenges of a rapidly changing environment.

The road ahead may be complex, but with the right financial tools and market mechanisms, the lithium industry is well-positioned to meet the demands of the clean energy revolution.

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