

Money talks

Stockmarket listings of fossil fuel and electrification mineral companies

Investors in mining are backing electrification resources over fossil fuels. In the year to October 2021, just one fossil fuel company listed on the ASX, while 42 companies listed that target electrification minerals copper, nickel, lithium cobalt, graphite and rare earths. Over half the companies aim to mine in Western Australia, with another seven headquartered in WA.

Briefing note

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INTRODUCTION

The Australian Government insists that fossil fuels have a bright future and that Australia will continue to explore for and extract them. The Government's Technology Investment Roadmap highlights potential technological advancements that will support fossil fuel production, such as carbon capture and storage (CCS) and hydrogen production.¹

Investors in Australia's mining sector are betting the government is wrong. Their focus is firmly on companies that produce the minerals that will be in demand if the world moves to replacing fossil fuels with renewable energy and increased electrification eg copper, nickel, lithium, cobalt, graphite, rare earths.

Companies list on the stockmarket to raise capital to fund their operations and increase their profile. Investors purchase shares in those companies if they expect the company to prosper and return money on their investment.

This briefing note tallies up new listings on the Australian Stock Exchange (ASX) over the year to 31 October 2021, comparing how many fossil fuel companies have listed compared to resource companies focused on electrification minerals.

NEW LISTINGS

In the last twelve months, only one company has listed on the (ASX) that is focused on fossil fuels, while forty-two have listed that are focused on developing electrification minerals.

The single fossil fuel focused company is Tamboran Resources (listed July 2021) focused on gas fracking projects in the Northern Territory.²

Table 1 lists the forty-two electrification minerals companies. Most are focussed on copper or nickel with smaller numbers focussed on lithium, cobalt, graphite and rare earths:

¹ Australian Government (2020), *Technology Investment Roadmap*, <https://www.industry.gov.au/sites/default/files/September%202020/document/first-low-emissions-technology-statement-2020.pdf>

² Tamboran Resources (2021) <https://www.tamboran.com/>

Table 1: Companies listing on the ASX focussed on electrification resources

Listing date	Company	Copper	Nickel	Lithium	Cobalt	Graphite	Rare Earths	Area
1	Nov-20	Duke Exploration	Y					QLD, NSW
2		Native Mineral Resources	Y	Y				WA, QLD
3		Metal Hawk		Y				WA
4	Dec-20	Rincon Resources						WA
5		Desert Metals	Y	Y				WA
6	Jan-21	BPM Minerals		Y				WA
7		Australian Gold and Copper	Y					NSW, (WA HQ)
8	Feb-21	Mamba Exploration	Y	Y				WA
9	Mar-21	Kincora Copper	Y					NSW
10	Apr-21	TechGen Metals	Y					NSW (WA HQ)
11	May-21	Black Canyon	Y		Y			WA
12		Qmines	Y					QLD
13		Nickel X	Y	Y				WA
14		Global Lithium Resources		Y				WA
15		Lithium Energy		Y		Y		QLD, Argentina (WA HQ)
16	Jun-21	Lunnon Metals		Y				WA
17		Arcadia Minerals	Y	Y	Y			Namibia (WA HQ)
18		Australian Rare Earths					Y	WA, SA
19	Jul-21	Lode Resources	Y					NSW
20		Askari Metals	Y					WA
21		29 Metals	Y					WA, QLD, Chile
22		Charger Metals	Y	Y	Y	Y		WA, NT
23		Resources Base Limited					Y	VIC
24		Balkan Mining and Minerals		Y				Serbia
25		Western Mines Group		Y				WA
26		M3 Mining	Y					WA
27	Aug-21	Cannon Resources		Y				WA
28		Tambourah Metals		Y				WA
29		Kuniko	Y	Y	Y			Norway (WA HQ)
30	Sep-21	Midas Minerals	Y	Y				WA
31		Culpeo Minerals	Y					Chile (WA HQ)
32		Legacy Minerals	Y					NSW
33		Copper Search Limited	Y					SA
34		Widgie Nickel		Y				WA
35		Revolver Resources	Y					QLD
36		Dalaroo Metals	Y	Y				WA
37		Forrestania Resources		Y	Y			WA
38	Oct-21	Recharge Metals	Y	Y				WA
39		West Cobar Minerals	Y					NSW (WA HQ)
40		iTech Minerals	Y			Y		SA
41		Alvo Minerals	Y					Brazil
42		NickelSearch		Y				WA

Note: Some companies listed as electrification-focussed may also target minerals not closely related to electrification, eg gold. ASX Listings from 1 October 2020 to 31 October 2021. Sources lpowatch.com.au, company websites

The copper and nickel focus of many companies in Table 1 reflects the extent of these resources in Australia. Geoscience Australia estimates that the country has economic demonstrated resources of:

- 93 million tonnes (mt) of Copper spread across 181 deposits,
- 21mt of nickel in 95 deposits,
- 5.7mt of lithium in 11 deposits and
- 1.4 mt of cobalt.³

To put this in context, in 2020 the world consumed 25mt of copper, 2.4 mt of nickel and 0.5 mt of lithium.⁴

The single listing of a fossil fuel company occurs despite recent high prices. Coal prices have been at all time highs and gas prices at ten year highs.⁵ Furthermore, there are none planning to in the immediate future as reflected by the ASX's list of upcoming listings.⁶ Investors appear to see the price rises as temporary and the long term future for new fossil fuel companies as unattractive.

It is possible that the nature of electrification mineral-focused companies makes them more likely to list on the ASX than fossil fuel companies and that the patterns of listings shown above is not reflective of a large shift. Comparison over time is difficult as data access is limited.

However, some insight into this question can be found by looking at companies that listed in 2011 and are still listed today. Some companies may have delisted,⁷ changed their business focus or merged with other companies, meaning this is not a perfect comparison. Nonetheless of the companies listed in 2011 that are still listed today, six are focussed on developing fossil fuels versus ten on electrification minerals.⁸ This

³ Geoscience Australia (2020) *Australia's Identified Mineral Resources 2020*, p10, <https://www.ga.gov.au/scientific-topics/minerals/mineral-resources-and-advice/aimr>

⁴ Australian Government (2020), *Resources and Energy Quarterly September 2021*, <https://publications.industry.gov.au/publications/resourcesandenergyquarterlyseptember2021/documents/Resources-and-Energy-Quarterly-September-2021.pdf>

⁵ Trading Economics (2021) *Natural gas*, <https://tradingeconomics.com/commodity/natural-gas>, Trading Economics (2021) *Coal*, <https://tradingeconomics.com/commodity/coal>, (accessed 25 Nov 2021)

⁶ ASX (2021), *Upcoming floats and listings*, <https://www2.asx.com.au/listings/upcoming-floats-and-listings> (accessed 11 November 2021)

⁷ Delisted means the company is not listed on the stockmarket anymore. This could be because the company has closed down, went bankrupt or become a private company.

⁸ ASX (2021) *Company Directory*, <https://www2.asx.com.au/markets/trade-our-cash-market/directory>. Company websites.

suggests that substantially more investment was going into fossil fuel listings relative to other miners a decade ago.

Another trend clear from Table 1 is that Western Australia is at the forefront of new mining development. Over half of the 42 companies (24 or 57% of the companies) have a focus on minerals in WA, while another seven are headquartered in WA but focus on resources in other jurisdictions. This reflects WA's extensive mineral resources and the fact that it is already a major mining centre. WA has 90% of Australia's nickel resources and most of Australia's lithium resources.

CONCLUSION

Stockmarket listings give an indication of areas where investors and entrepreneurs think the future is bright. It is one thing to say the world is going to electrify and the future of fossil fuels is poor. It is another when investors are putting hundreds of billions of dollars into these companies.

This is not to deny that the fossil fuel industry is still very significant. Australian oil and gas producers like Santos and Woodside are capitalised at tens of billions of dollars and the multinational oil producer, Chevron, which has a large Australian presence, is capitalised at over USD200 billion. The electrification minerals companies mentioned here are small, typically valued in the order of tens or hundreds of millions.

However, the focus on electrification minerals seen in recent listings mirrors trends seen in large mining companies. The major companies are developing or buying electrification mineral resources. For instance, BHP (capitalised at \$190 billion) and an Andrew Forrest-backed company entered a bidding war to buy a Canadian nickel explorer.⁹ Rio Tinto (\$160 billion) plans to develop a US\$2.4 billion lithium mine in Serbia.^{10 11}

As the old saying goes, 'money talks'. And on the ASX the money is talking about a future without fossil fuels.

⁹ Ker (2021) *BHP pips Forrest in Canadian nickel battle*, <https://www.afr.com/companies/mining/bhp-raises-forrest-in-canadian-nickel-battle-20211020-p591js#:~:text=BHP%20pips%20Forrest%20in%20Canadian%20nickel%20battle>

¹⁰ Sekularac and Vasovic (2021) *Rio Tinto-led plan for lithium mine sparks protests in Serbia*, <https://www.afr.com/companies/mining/rio-tinto-led-plan-for-lithium-mine-sparks-protests-in-serbia-20210827-p58mcl>

¹¹ Capitalisation data accessed 25 November 2021.