Canada's Challenges and Opportunities in the Battery Manufacturing Sector

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Introduction

Over the last three years, Canada has solidified its position as a major player in the battery manufacturing sector through several strategic investments. The combined efforts of the federal and provincial governments in Ontario and Quebec have made investment exceeding 30 billion dollars, highlighting their devotion to fostering the future of battery manufacturing in Canada. Due to a vast wealth of resources in Canada, noteworthy industry giants like Northvolt, Stellantis, LG, Ford, and Volkswagen have made significant commitments to establish manufacturing facilities as they recognize the immense potential of this rapidly expanding sector. Yet, despite these achievements, opportunistic investments and abundance of resources, challenges persist, and change is needed to bring raw materials to market and support the transition to green technology.

While Canada's commitment to climate change initiatives is evident, obstacles such as slow environmental permitting processes, insufficient infrastructure funding and a fractured relationship with First Nations are hindering critical mineral projects. Canada cannot be a leader in Battery Manufacturing if putting a mine into production takes up to 20 years. One would think that Canada would understand the value of its resources and the role mining played in not only building this country but the role they will have in the future. It is truly in the best interest of our country to streamline the permitting process, create jobs and become a leader in in this sector if we truly want to transition to carbon neutrality.

Permitting

The Federal Government's ambitious carbon reduction goals have underscored the necessity for a more efficient permitting process. Cumbersome bureaucratic procedures and regulatory red tape have emerged as primary barriers impeding the progress of critical mineral projects. It is imperative to address these regulatory challenges now, if for no other reason than to support the investments made in the

manufacturing sector. If Canada wants to be a leader in the fight against climate change, they will have to be proactive and find ways to cut out inefficiencies in the system and streamline the process to bringing critical mineral projects into production.

Going forward, there needs be a focus on environmental regulations and community opposition to mining projects as they pose the most significant obstacles to the development of critical mineral projects in the country. Striking a balance between economic development and environmental sustainability is crucial. Addressing these concerns through responsible mining practices and stakeholder engagement is essential for the long-term success of the industry. One way to achieve this is to engage more with indigenous communities and allow for the incorporation of traditional knowledge and practices into project planning. In turn it will help foster mutual respect and understanding, while also ensuring that the rights and interests of indigenous peoples are respected and upheld.

Since the implementation of the online claim staking, it has become near impossible for first nations to keep up with the growing workload. While being asked to help push projects forward, our governments need to recognize the issues caused by online staking and provide support. This concern has been raised by various first nations groups around the country including the Wabun Tribal Council who just this week at the Prospectors & Developers Association of Canada (PDAC) annual conference, was awarded the Skookum Jim award for “exceptional achievement” in the Canadian mining industry. The award was given for their exceptional work in the mining sector using the “Wabun Model” implemented in 2018.

By proactively addressing environmental concerns and working collaboratively with indigenous communities, Canada can secure the long-term success and sustainability of the sector, while also contributing to the overall well-being of the communities and ecosystems in which these projects operate.

Infrastructure

Another glaring issue facing this sector is infrastructure deficiencies as in Inadequate transportation networks and energy supply. Limited access to critical minerals due to logistical constraints can disrupt the supply chain, leading to delays and increased costs for mining operations. This, in turn, can affect the feasibility and competitiveness of these projects. Look no further than what is happening in the ring of fire as an example of how a road is preventing the advancements of several projects in the region. While advancements are being made on this particular project, it underscores the issues highlighted above.

Canada’s electrical grid also faces a significant challenge of its own as the electric vehicle (EV) manufacturing sector continues to grow and the adoption of Electric vehicles increases. The demand for electricity will undoubtedly rise as more EVs hit the roads, requiring a robust and sustainable approach to managing the grid effectively. Canada will need to invest in upgrading and modernizing its electrical grid infrastructure. This includes expanding charging infrastructure, implementing smart grid technologies, and integrating renewable energy sources. If these investments are not made now, the targets for carbon neutrality on the timeline set forth will not be achieved.

Investments

While both the Provincial and Federal governments have put up money to bring manufacturing to Quebec and Ontario, the funding for mineral exploration has been sub par at best. Ontario has the Junior Mining and Exploration grants, but they only give a few hundred thousand to each applicant, which in terms of exploration doesn't go very far when you consider the tens of millions it takes to prove out a compliant resource. Part of the problem lies in the fact that funding for critical mineral projects is almost exclusively reliant on public and private money, which leads to our next point.

Canadian mining and exploration companies are largely publicly owned and listed on the TSX, TSXV, CSE and the OTC markets. These companies rely on raising money through private placements but as we've seen in the last three years, investors are shying away from this sector in favour of more stable industries. What once was the darling of the stock market is now plagued with issues of naked short selling, shorting, algorithmic trading, and outright market manipulation. Shame on regulators for allowing it to get to this point and It's time for our elected officials to step in and save the Canadian mining sector.

Terry Lynch and Eric Sprott have been leading the fight against naked short selling for the last few years with the "Save Canadian Mining" movement, however we have yet to see any meaningful action being taken to alter the course. Naked short selling is no doubt part of the problem but the issues facing the Canadian markets are much broader. Market manipulation takes many forms that independently create a hostile environment for investors. Spoofing, algorithmic trading, the use of social media to distort facts and the overall lack of action by IIROC have poisoned the mining sector and is making it hard for companies who are listed to raise funds for exploration.

Sadly, instead of targeting these manipulative practices, the exchanges have instead focused their attention on marketing and advertising companies who are trying to help bring attention to a sector which once thrived in Canada. While transparency is important and all affiliations should be disclosed, should the exchanges really be targeting the companies helping to promote critical resource development? Or should they be working with groups like Save Canadian Mining who are actively pushing to create balance and fairness in the Canadian Mining Sector? It's time for our politicians to step in and force the regulatory bodies to make changes before its too late.

Sentiment

While the government might be ready to turn the page, are Canadians on board? On one hand, electric vehicle sales continue to grow year over year but recent data suggests that Canadians aren't particularly eager to buy one. With government targets of 100% of vehicle sales to be EV's by 2035, Canada will have to work extra hard to not only solve the aforementioned issues but they will need to incentivize and educate consumers. While there may already be subsidies to encourage consumers, the price of EV's is still rather high, range is limited, batteries have trouble in colder climates and the cost to replace batteries cost more than a compact Internal Combustion Engine Vehicle. If the government wants Canada to be a leader in this space, then our political parties are going to have to set aside their differences and work together to lay the foundation. If EV's are going to be the future they need to be affordable and it needs to make sense.

Conclusion

In conclusion, Canada set the bar high with the 2030 Emissions Reduction plan to produce 40% less CO2 than what was produced in 2005 and be net-zero by 2050. Investing in the future is a positive step in the right direction but its going to take a lot more than pulling out a check book. Its going to require a change in ideology and approach taken by not only our governments but the corporations looking to bring their projects into production. Communities need to be given a reason to support these projects beyond the economic benefit of jobs and our leaders need to work together to ensure the future and sustainability of this growing sector.