MSE Market Commentary

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The Regulated Market in Critical Minerals

Why Access and Bankability Have Become the Real Scarcity

The structural shift underway in rare metals and rare earth elements is frequently described as a supply problem. It is more precisely a market architecture problem — and the distinction matters for every board making capital allocation decisions in this space.

The China-Centric Baseline

The numbers are not in dispute. China controls approximately 70% of global rare earth mining and between 90 and 95% of separation and processing capacity. For heavy rare earths — dysprosium, terbium — Western dependence is projected to remain above 90% through 2030 even under optimistic Non-China development scenarios. Gallium sits at approximately 98% Chinese production share. Germanium and indium are structurally similar.

Export control measures introduced by China in 2023–2025 have already demonstrated the consequences: documented supply disruptions at OEM level, including verified production risks in the automotive sector in 2025. These were not price events. They were access events. The distinction is critical.

Demand is not waiting for supply to resolve itself. Rare earth elements are growing at 6–11% CAGR to 2030 depending on the vertical; gallium at 7–10%; lithium at 18–19% in volume terms despite recent price softness. The physical deficit in Non-China processing capacity is structural and will not be arbitraged away by spot market mechanisms.

Why a Western Cartel Will Not Emerge

The response from Washington, Brussels, Tokyo, and Seoul has been substantial in ambition. The EU Critical Raw Materials Act sets binding 2030 benchmarks: minimum 10% of consumption extracted domestically, 40% processed within the EU, 25% recycled, and no more than 65% dependence on any single third country for each strategic material.

Some observers have drawn analogies to OPEC — a coordinated Non-China supply bloc managing access and price. This will not happen. Antitrust frameworks on both sides of the Atlantic legally preclude quota coordination between companies or states. WTO obligations create additional barriers. Political heterogeneity across the Non-China producer base — Kazakhstan, Australia, the MENA region, India, Latin America, Southeast Asia — makes synchronized production policy practically impossible.

The Architecture That Is Actually Forming

What is forming instead is a regulated market — a precise term worth defining. Pricing remains market-based and index-referenced. But access and financing are increasingly shaped by a state-constructed framework: dependency KPIs, fast-track permitting for strategic projects, co-investment platforms such as the Minerals Security Partnership, long-term offtake structures with price corridors, strategic reserve programmes, and ESG and traceability standards as conditions of market entry.

The US Department of Defense — MP Materials agreement is the clearest precedent: $400 million equity, a ten-year magnet offtake, and a price floor for NdPr. Australia has committed $1.2 billion to a Critical Minerals Strategic Reserve launching in 2026. These are not administrative price controls. They are instruments that make Non-China projects financeable at a system level while preserving competitive pricing. The practical result: a Non-China project without a bankable offtake — formula pricing, defined corridors, credible counterparty — will increasingly struggle to attract project finance on competitive terms regardless of the quality of the underlying asset.

The Commercial Gap This Creates

The state framework defines the architecture. It does not execute it. Individual Non-China producers — particularly in Kazakhstan, Australia, and across MENA — are asset-rich and commercially fragmented. OEM and Tier-1 buyers need compliant, traceable, financeable supply. Banks and export credit agencies need bankable structures.

The gap between these three groups is the commercial opportunity. It requires an integrator who can aggregate fragmented Non-China supply into a financeable portfolio, structure offtakes that satisfy both OEM procurement standards and project finance requirements, deliver end-to-end traceability and QA/QC aligned to CRMA and G7 access standards, and manage logistics and working capital without taking naked price exposure onto the balance sheet.

Boards that understand this architecture will prioritise execution capability and bankability infrastructure over volume commitments. The scarcest input in Non-China critical minerals is not ore. It is a compliant, traceable, delivered supply that a bank will finance and an OEM will sign.

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