How is China’s EV demand affecting the costs of energy storage systems in the US and Canada?

Highlights from the Battery Price Forecast 2024 webinar
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Key takeaways

- The supply chain for US and Canadian stationary batteries isn’t stand-alone but part of the global supply chain. Market fluctuations abroad affect battery pricing for grid storage projects in the US.
- Sluggish EV demand in China and an oversupply of lithium on the global market are driving down the price of lithium-ion batteries used in energy storage systems (ESSs).
- Lithium prices are the lowest they’ve been in years, but experts predict prices will rise in 2025. The best time for US and Canadian utilities to act on ESS projects is now.
- The Asia-Pacific battery market will remain dominant in 2024, but lower battery costs and tax incentives will fuel market growth in the US and Canada.

The mismatch between lithium supply and demand has resulted in growing pains for the global battery market. In China, economic factors, coupled with a slower-than-expected demand for EVs, have led to a lithium surplus and declining prices. The effects have caused changes throughout the global battery market, including in the US and Canada.

Wondering how the battery market will affect your ESS project?

Our battery experts have the insights you need. Fill out the form below to start a conversation about your plans and how we can help.

In this recap of the E Source webinar Battery price forecast 2024: How EV demand in China affects

battery costs for US stationary storage projects, we'll explore the factors affecting global lithium pricing and battery costs. We'll also describe what utilities can expect from the ESS market in 2024.

How has lithium battery pricing recently changed?

Global demand for batteries has increased fivefold in the last five years. Battery manufacturers worldwide have increased the production of lithium-ion batteries used in ESSs to meet growing consumer demand for EVs. However, production has outpaced demand, creating a lithium surplus on the global market and a steep decline in lithium prices.

The drop-off in lithium demand caused concern in the investment community. In 2023, investors began betting against lithium in the short term, resulting in further lithium price cuts on the global market.

What's happening in China, and how is it affecting the US and Canadian ESS market?

In 2023, China's EV demand grew slower than the battery industry had expected. Sluggish EV adoption in China meant the market's lithium supply was much greater than demand, causing lithium prices to fall. Other factors in China are helping to keep lithium prices low, including:

- The government phasing out EV subsidies
- A major Chinese battery manufacturer cutting lithium battery prices for car manufacturers
- Post-pandemic economic instability
- New production facilities adding to the lithium surplus
- Investors betting against lithium in the short term

As the world's largest battery market, what happens in China will affect the global market. China's lithium surplus and low prices have left battery prices in the US and Canada at their lowest point in years. US and Canadian utilities now have a rare opportunity to advance their planned ESS projects at much lower costs.

What's the ESS forecast for 2024?

Moving into 2024, industry experts predict that the Asia-Pacific battery market will continue to grow and remain dominant. They also expect the market in the US and other Western countries to continue to trail behind the Asia-Pacific market.

Want more advice on where the battery market is headed?

E Source Battery Next delivers the information you need for modeling, long-term ESS planning, and EV forecasting. Learn more about this research and advisory service.

But battery demand in the US and Canada will continue to grow. We expect tax credits from the Inflation Reduction Act to fuel a 34% growth in the US battery market in 2024. We also predict 24% growth in the Canadian market.

While the prices for ESSs will reach a low point in 2024 due to the factors we've mentioned, we predict

there’s a looming supply squeeze, which will result in prices rising again in 2025. For this reason, US and Canadian utilities looking to capitalize on ESS progress would be wise to act now.

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