

Should Big Oil Get Into The Lithium Business?

By [Irina Slav](#) - Jun 26, 2023, 5:00 PM CDT

- ▶ **Exxon recently stated that it had acquired drilling rights for an area in Arkansas with the potential for substantial lithium reserves.**
- ▶ **Last week, Reuters reported that lithium producers were sounding the alarm of short supply.**
- ▶ **Oil majors could persist with their lithium ventures because of their transferable expertise.**

In March 2021, Schlumberger [announced](#) a pilot project led by its subsidiary Schlumberger New Energy. The project was supposed to test a new method of extracting lithium much more quickly and efficiently.

Also in 2021, a joint venture between All-American Lithium and an Occidental Petroleum subsidiary [received](#) a package of patents for new lithium extraction technologies and processes.

Fast-forward three years and Exxon has also joined the lithium show. The supermajor last month [said](#) it had acquired drilling rights for an area in Arkansas with the potential for substantial lithium reserves. Big Oil is quietly going into lithium.

“It’s a natural evolution for oil companies. Lithium brines are an obvious one as unlike charging networks and wind farms, where they have no skills besides project management, they are skilled at subsurface pumping and fluids.”

That’s according to the chief executive of a mining investment fund dubbed TechMet, which has invested in a lithium venture owned by Schlumberger. [S peaking](#) to the

Financial Times this month, Brian Menell also said that several oil industry majors were “putting a lot of time and attention into how they can become big in lithium.”

Lithium is key for the production of EV batteries. Yet production is lagging behind projected demand and warnings about the threat of shortages looming over the success of the energy transition have become increasingly frequent.

Just last week Reuters [reported](#) that lithium producers were sounding the alarm of short supply. They cited factors such as mine permitting, inflation, and workforce shortages as causes of the supply and demand imbalance.

"You could end up in a crisis situation where the battery companies don't have the security of (lithium) feedstock," the CEO of Australia-listed lithium miner Lake Resources said on the sidelines of an industry event as quoted by Reuters.

"There's a disconnect between the panic that we're seeing here, and the frenetic activity of trying to secure supply within the industry," Stu Crow also said. There could hardly be a better time for new players to enter the lithium field.

Yet it seems entering the field is one thing but scoring a goal is quite another. Take Schlumberger's case, for instance. The company, which recently renamed itself SLB,

holds the rights to lithium production next to an Albemarle project in Nevada.

The sales pitch was that SLB can extract the lithium from the underground brine accumulations more efficiently and with lower water use. Yet it says the mining major is preventing it from unleashing the potential of its new extraction technology by effectively acting as a monopolist, per this [report](#) from the Nevada Independent. There has been no news about the project since October last year.

Exxon also seems in no rush to get drilling in Arkansas and Chevron is still at the stage of [considering](#) investing in lithium. That could be because they are watching the progress of technology. And investing in it.

Earlier this month Reuters [reported](#) that there was race on among miners, oil companies and tech startups. The race among these unlikely competitors was for the best direct lithium extraction technology—the kind of technology that, according to forecasters, is set to become the dominant way of extracting the metal from the Earth's crust. If all the current problems that the lithium extraction business is facing right now get resolved, of course.

Goldman Sachs called DLE a game-changer. The FT noted it could become the equivalent of fracking, reducing extraction times from months to days and improving recovery rates from 40-60% to 60-80%. The only issue is that the technology has not been utilized at a large scale so far. That and the potential profitability of such ventures.

The FT reports that the lithium market could grow to \$150 billion annually by 2030. That may sound like a lot but it's small potatoes compared to the \$2.6 trillion that is the annual size of the oil market.

Still, oil majors could persist with their lithium ventures because of their transferable expertise that is noted in all reports on the topic and for reputational purposes. In times when most of the media and public attention the oil industry draws is of the negative kind, investing in a technology that is supposed to accelerate the energy transition should draw some positive attention, theoretically.

Practically, a lot of climate activists are against mining—the activity that is absolutely essential for the transition. Even the head of the United Nations is [against](#) mining. And the entry of Big Oil in lithium is unlikely to prompt any praise. This sort of attitude certainly makes the situation with the transition quite complicated.

For investors, it's also complicated. DLE technologies hold a lot of promise. They take up less space than the current technology that uses massive evaporation ponds and extract the lithium by applying a membrane between the brines and the surface.

There is just one problem or rather, two. One is the higher water consumption. The other is that DLE technologies have never been [deployed](#) on a commercial scale. No wonder Big Oil is being cautious with its DLE investments.

By Irina Slav for Oilprice.com

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