

To: All members, warehouse companies and their London agents and other interested parties

Ref: 23/149

Classification: Brands

Date: 17 August 2023

Subject: **UPDATE ON EVALUATING COARSE NICKEL POWDER AS A DELIVERABLE SHAPE**

Summary

1. This Notice provides an update on the LME's evaluation of coarse nickel powder as a potential LME Nickel deliverable shape. Market participants were broadly supportive of the introduction of coarse nickel powder; however, feedback also highlighted challenges around the acceptability of coarse nickel powder packaging solutions. The LME is now committing to undertake more detailed work on packaging solutions before progressing the proposal further.

Background

2. In March 2023 the LME Group published its Action Plan to strengthen its markets. This included various initiatives to rebuild liquidity in the LME Nickel contract, attracting additional brands, and reviewing contract specifications. As part of this, the LME committed to evaluating coarse nickel powder as a deliverable shape, which could potentially broaden the stock of eligible material supporting LME Nickel.
3. Over the past year, the LME has undertaken extensive global market engagement on this topic through multiple rounds of discussion with the LME Nickel Committee, the Warehousing Committee and bilateral discussions with participants across the nickel value chain.
4. The discussions centred primarily on the shape's overall physical market relevance, characteristics of readily available supply, acceptability by consumers, and suitability for handling and long-term LME storage.

Analysis

5. Feedback received suggested that, although adding the shape would likely not meaningfully increase liquidity or stocks in the near term, it was generally viewed that broadening contract specifications may enhance the contract's relevance as the nickel powder segment of the market grows. Overall, market participants welcomed greater delivery optionality, particularly for times when availability of deliverable material may be constrained.
6. There was clear feedback, primarily from warehouse operators, that coarse powder would have to be packed and stored in producer-sealed steel drums, since alternative forms of packaging commonly used (reinforced bags) would introduce elevated handling and storage risks for powder, in contrast with non-powder forms of nickel stored in bags.



7. Subsequently, the LME sought feedback from market stakeholders regarding the acceptability of coarse nickel powder packaged in drums. Feedback indicated that drum packaging is not currently used in the coarse nickel powder market and is widely considered uneconomical and impractical. Importantly, many downstream consumers noted their inability to handle steel drums in their operations, potentially undermining fungibility with other LME Nickel shapes.

Next steps

8. Before progressing the proposal to list coarse nickel powder as a deliverable shape, the LME is committed to undertaking further work to identify appropriate packaging solutions for long-term LME storage, which is accepted by LME warehouse companies and the broader industry. In parallel, the LME will also evaluate mechanisms that may allow coarse powder stored in drums to be repacked into bags for delivery.
9. The LME will work with nickel producers and consumers to ensure that any solution can be incorporated into business processes as seamlessly as possible. The LME will continue to work closely with key coarse nickel powder market stakeholders on resolving the risks identified over the coming months.
10. The LME is committed to rebuilding liquidity in LME Nickel and will continue to work with the physical market to increase the amount of Class I material eligible for delivery.

Hugo Brodie
Head of Product Development

cc: Board directors
All Committees