

# A new cloud over Dept Of Energy Scam At Li-Cycle

By [JUSTIN O'CONNOR](#)

With its nearly \$1 billion Rochester Hub project on a construction pause as the company works on financing, Li-Cycle Holdings Corp.'s support for aspects of a presidential executive order that may end electric vehicle subsidies and federal climate regulation could be a harbinger of even more challenges for the project.

Toronto-based Li-Cycle recovers critical minerals from lithium-ion batteries and reintroduces them to the supply chain. The company has plans to build the first commercial hydrometallurgical resource recovery facility in North America at Eastman Business Park, but the project has been paused since 2023 amid soaring costs.

Li-Cycle has since made some progress toward financing it, including securing a \$475 million loan from the U.S. Department of Energy that comes with significant hurdles the company must clear this year.

A couple of weeks ago, Li-Cycle and Ajay Kochhar, its president and CEO, [said](#) a new [executive order](#) signed Jan. 20 by President Donald Trump titled "Unleashing American Energy" constitutes a "comprehensive policy shift" that aligns with Li-Cycle's mission to establish so-called "urban mining" for domestic battery resources and to bolster U.S. energy independence.

However, Kochhar and the company's statement failed to touch on other aspects of the executive order with significant implications for the company, and Li-Cycle did not respond to the Rochester Beacon's questions on these aspects of the presidential directive.

## **Contradictory position**

Li-Cycle lauded Trump's executive order for incentivizing energy exploration and production within the U.S. and calling for a review of regulations that may impede domestic energy resource development.

In a [blog post](#), Kochhar emphasized that the firm's Rochester Hub project can play a key role in bolstering the domestic battery supply chain by producing critical battery minerals.

"Critical minerals are essential to America's national security and key to reducing the country's reliance on foreign entities for its energy needs," Kochhar wrote. "As a resource recovery company with recycling operations and a key flagship project in the U.S., Li-Cycle's business model supports American energy independence and is, we believe, a key enabler of the Administration's goals."

Other major aspects of the executive order, however, were not mentioned by Kochhar or the company, and they may have big implications for Li-Cycle.

For one, the company was silent on how the executive order might impact the domestic electric vehicle market. The order calls for elimination of the so-called “electric vehicle mandate” and directs agencies to consider the termination of subsidies for EV companies and purchases.

Li-Cycle’s business is embedded in the electric vehicle market; its largest single source of revenue last year was from an EV and battery manufacturer, and its total revenue primarily came from just eight key companies, including original equipment manufacturers for electric vehicles, according to its latest [quarterly filing](#) with the Securities and Exchange Commission. It supported about 13 prominent EV manufacturers last year, according to a [press release](#).

In another recent SEC [filing](#), the company identified “a decline in the adoption rate of EVs, or a decline in the support by governments for ‘green’ energy technologies” as potential risks to its prospective investors. The company says the Rochester Hub project is expected to meet the battery needs of about 203,000 electric vehicles annually.

Cutting EV incentives has cratered the market in other countries. At the end of 2023, Germany slashed its subsidies with less than one week of public notice. By July 2024, EV sales had careened down by 37 percent year over year, and they had fallen 69 percent by August, according to the [MIT Technology Review](#) and [Carscoops](#). Subsidy cuts have also hurt sales in Sweden and New Zealand in recent years.

It was Li-Cycle’s role in the EV market that led the Energy Department to extend the loan that is expected to, in large part, finance the Rochester Hub’s construction.

The [loan](#) came from the agency’s Advanced Technology Vehicles Manufacturing program. Under former President Joe Biden, the department targeted the program at strengthening domestic EV production with the aim of making half of all new vehicles sold zero-emissions by 2030. This retooling of the loan program was mandated by the Infrastructure Investment and Jobs Act of 2021 and the Inflation Reduction Act of 2022.

Trump’s executive order already has led DOE to halt expansion of the loan program. It revoked the Biden-era 2030 goal, and the department withdrew a rule that would have broadened the ATVM program to include the production of more types of heavy-duty electric vehicles shortly after Trump signed the order.

The executive order also explicitly directed all agencies to pause the disbursement of funds appropriated under the IIJA and IRA for a 90-day review.

Li-Cycle said in a [press release](#) that its loan facility with the Energy Department is closed and binding, and that it looks forward to continuing to work with the agency, but to what extent the federal government will voluntarily comply with contract law is unclear. Some of Trump’s executive orders already appear to illegally bypass Congress or federal rule-making procedures, the New York Times [reports](#).

Additionally, experts have positioned the executive order within a presidential climate agenda that is aimed at expanding domestic fossil fuel production and curbing the shift to renewables and electrification, which runs counter to Li-Cycle’s stated priorities.

In its [2023 Sustainability Report](#), the company noted that it is committed to “contributing to the shift towards global decarbonization,” and Kochhar said Li-Cycle’s focus is in part on “supporting the global shift towards electrification.”

Li-Cycle is also part of the [United Nations Global Compact](#), a corporate sustainability initiative that calls on participating businesses to align operations with universal principles on labor, human rights and the environment—including by taking steps to mitigate climate change.

One of the most significant aspects of the executive order, buried 51 paragraphs deep, directs the head of the Environmental Protection Agency to review the “legality and continuing applicability” of the [endangerment finding](#), which is the agency’s interpretation of the judicial ruling that allows it to regulate greenhouse gas emissions that contribute to climate change.

The finding is the backbone of almost all federal climate policy, and its revocation may end federal climate regulation, though the New York Times [writes](#) that legal experts say the chances of a repeal are slim.

Nonetheless, with the hub project in limbo, Kochhar says the executive order has positive takeaways, and the company says it aligns with its goals.

“Li-Cycle is excited to see the positive implications of this Executive Order on the domestic critical mineral production industries,” the company says.

### **Capital needs**

Li-Cycle is attempting to claw its way back toward restarting the hub’s construction, even as the state of its overall financial health appears to be precarious.

The \$475 million DOE loan is central to the financing plan. However, that money comes with a catch.

Before any loan disbursements can be made, the company has to pay off its debts and raise reserve money—\$265 million in total. This has to be completed by Nov. 7, the last date for the first advance of loan funds. The company projected last November that it would need to secure an additional \$486.7 million in financing on top of the loan to build the hub.

“Li-Cycle will require significant additional capital in order to satisfy the funding condition to draw on the DOE Loan Facility and to restart the Rochester Hub project,” the company said in a Jan. 16 [prospectus supplement](#) accompanying a \$15 million public offering. “The Company can provide no assurance as to when, if ever, or how much, if any, funds will be available or received from the DOE Loan Facility. The Company also requires capital to fund existing and remaining capital commitments related to the Rochester Hub, as well as for general business operations.”

The prospectus supplement included a number of risk advisories that shed some light on the company’s struggles. It states there is substantial doubt about Li-Cycle’s ability to continue operating for another year without threat of liquidation.

Li-Cycle had just \$22.6 million in cash and cash equivalents by the end of 2024, and it has bled cash since its inception and expects to continue doing so, according to the prospectus supplement. In the nine-month period ended Sept. 30, its net loss and cash flows used in operating activities totaled \$88.4

million and \$92.5 million, respectively. Total revenue was only \$21 million. The company says it requires additional financing to support even its current operations.

“There are no assurances that Li-Cycle will be able to address its liquidity needs, including by raising sufficient capital when needed and may therefore need to significantly modify or terminate operations or dissolve and liquidate its assets under applicable bankruptcy laws or otherwise,” the filing says.

The company also said it may not be able to service its debts, including [convertible notes](#) from Glencore Limited with mandatory redemption provisions that could be triggered by certain events occurring.

“We may not have sufficient available cash or be able to obtain financing at the time of a mandatory redemption,” the filing says. A failure to redeem the convertible notes when required under the agreement would constitute a default, which could also lead to issues with the company’s other debt agreements.

On top of all of this, Li-Cycle is also facing a full deck of legal actions filed by contractors, shareholders and an insurer, mostly related to the hub’s construction process or the pause.



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Staring down these challenges, the company implemented a cash preservation plan beginning on Nov. 1, 2023, that includes reducing corporate support staffing, pausing production at its Ontario location, slowing down operations at other locations (which it calls “spokes”) to reduce expenses, and reviewing existing plans for bringing on additional capacity at its spokes.

Since the construction pause, Li-Cycle has repeatedly reaffirmed that resuming the hub project is its core aim.

It announced last month: “Our two main goals for the Company are clear: we are focused on securing a full financing package to underpin the restart of construction of the Rochester Hub and starting to draw on the DOE loan, alongside implementing initiatives to enhance Spoke performance and improve cash flow to establish a self-sufficient Spoke business.”

Reaching the finish line will take creative maneuvering. Li-Cycle did not respond to an interview request on its risk advisories.

*Justin O'Connor is a Rochester Beacon contributing writer.*