

The controversial decree by the Municipality of Mejillones to demolish a desalination plant supplying water to a major mining company

The Municipality of Mejillones has issued an order to demolish the pumping station of a desalination plant operating without legal permits, which supplies water to Spence mine, owned by global mining giant BHP. Mayor Marcelino Carvajal (PPD) has defended the measure, which faces criticism from the company due to its potential impact on jobs and the regional economy. The company stated that “if the desalination plant is shut down, it would have a severe impact on Spence’s operation, affecting 22,300 families in Antofagasta due to job losses.”

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What to know. A few weeks ago, the Municipality of Mejillones issued an exempt resolution demanding the demolition of the pumping station of a desalination plant that supplies industrial water to Spence mine, owned by the Australian giant BHP. The request was made official last Friday, and the company was notified.

- The decision is based on the fact that the facility, operated by Cobra and managed by Caitan SpA, lacks the necessary building permits and occupancy certificates required by local urban planning regulations.
- “Under the instruction of Mayor Marcelino Carvajal, and following a thorough analysis of the records, the demolition decree for the pumping station of the desalination plant was issued and delivered, as it does not comply with the permits established by current regulations,” the municipality stated.

The conflict. Mayor Marcelino Carvajal explained in a municipal council session that, although most of the desalination plant complies with regulations, the pumping station exceeded the authorized limits by being located in a coastal area where the Municipal Zoning Plan prohibits such facilities.

- The municipality insists that Caitan constructed the pumping station in an unauthorized zone, exceeding the originally reported construction limit, which grew from 150 to 400 square meters.
- “We are not going to negotiate with the company; we will proceed with what corresponds legally: demolition,” Carvajal emphasized.
- According to the municipality, the demolition will include specific deadlines and will be supported by a set of technical reports that reinforce the legality of the measure, anticipating possible legal actions from the companies involved. The mayor confirmed that if the company fails to comply with the demolition order within a reasonable period, the municipality could carry out the action and recover costs from the responsible companies.
- During a recent municipal council meeting, the Director of Works, Aaron Oliveros, assured that a resolution requesting the mayor to proceed with the demolition had already been prepared and was awaiting final approval from the municipality’s legal department.
- “We cannot authorize it because it does not comply with the zoning plan. We’ve always said this. That’s why we’re issuing resolutions and asking the mayor to proceed with the demolition, as is our responsibility,” Oliveros stated.

BHP's response. Last Thursday, Cristian Sandoval, President of Pampa Norte BHP, argued that the municipality's decision contradicts Chile's image as "a reliable actor where investments are facilitated with clear rules."

- He questioned that "an authority who—according to public statements—appears to have made the decision to order the demolition of Caitan's desalination plant facilities... Due to alleged non-compliance, this could mean the plant would cease operations," Sandoval wrote in *Timeline*.
- The executive noted that the company has sought dialogue before applying such a "drastic measure."
- "We call it drastic because if the desalination plant is shut down, it would severely affect Spence's operations, impacting 22,300 families in Antofagasta due to job losses."
- Although he stressed that this does not excuse non-compliance with regulations, Sandoval again called for dialogue and potential corrective measures to prevent "significant harm to the regional and national economy, as well as the ports of Mejillones, where Spence is one of the main clients."
- Institutionally, Spence has previously distanced itself from the irregularities, stating that the plant is owned and operated by third parties.

The mayor's response. Last Friday, in an interview with *Timeline*, Mayor Carvajal defended the decision in light of Sandoval's criticism.

- He said he was willing to engage in dialogue with the parties involved, but only under his conditions. He added that he would not speak with the company while it maintained "that attitude," referring to the company's decision to take the case to court after being fined approximately CLP 4.5 million by the municipality.

Sanctions and next steps. The resolution stipulates that, in addition to demolition, the company will face financial penalties determined by the local police court.

- Experts note that this measure, involving key infrastructure for one of the world's largest mining companies, highlights the tension between local regulations and large industrial projects, especially considering the water crisis affecting several regions of the country.

Teck Increases Capital by \$280 Million in Quebrada Blanca to Finance Working Capital

■ Regarding Codelco's stake in the mining operation, the company clarified that it holds "a non-financial 10% stake, so it does not contribute capital."

Diario Financiero
November 29, 2024
By Valeria Ibarra

As if the nearly \$9 billion investment required for Quebrada Blanca 2 (QB2) wasn't enough, the main partners in the mining company—Canada's Teck, with a 60% stake, and Japan's Sumitomo Group, with 30%—approved a capital increase of \$280 million on November 15. According to the company's statement to Diario Financiero, this funding is intended "to finance working capital" for the mining operation located at 4,400 meters above sea level, 240 kilometers southeast of Iquique.

"The capital increase executed in November 2024 is part of the financial structure agreed upon by the shareholders of Compañía Minera Teck Quebrada Blanca to fund the working capital of the operation," said Teck in response to inquiries regarding the capitalization.

The company also explained that although Codelco now holds a 10% stake in Quebrada Blanca—acquired from Enami in September for \$520 million—the Chilean state-owned company "has a non-financial 10% interest, so it does not contribute capital."

Mining executives associated with the company noted that the start-up phase of Quebrada Blanca 2, launched in late 2023, has faced production challenges during ramp-up, with congestion reported at the concentrator plant. Once fully operational, QB2 is expected to double Teck's consolidated copper production. The project is one of the largest undeveloped copper resources globally, with an initial lifespan of 27 years, utilizing only approximately 18% of the mineral reserves in the area, leaving significant potential for future growth.

In the third quarter of 2024, Quebrada Blanca produced 52,500 tons of copper, surpassing the 51,300 tons reported in the second quarter. The operation aims to achieve an annual production between 285,000 and 315,000 tons by late 2024 or 2025.

QB2 encompasses an open-pit mine, a concentrator plant, a tailings deposit, linear infrastructure, and port facilities. The processed copper concentrate is transported through pipelines approximately 165 kilometers to port facilities, where it is shipped to global markets.

This new phase incorporates leading sustainability practices. Notably, it is the first mining operation in the Tarapacá Region to use 100% desalinated seawater for all production processes. Additionally, a deal with AES Andes will ensure 100% renewable energy supply starting in 2025.

QB3

Teck has not ruled out a potential next phase, Quebrada Blanca 3 (QB3).

"The optimization and debottlenecking of Quebrada Blanca, our short-term copper project, represents an extremely low capital cost option to potentially increase QB production by 15%-25%, with an estimated attributable capital cost of \$100-200 million," Teck stated.

\$520 MILLION

PAID BY CODELCO FOR ENAMI'S 10% STAKE IN QUEBRADA BLANCA.

Sierra Gorda SCM Celebrates 10 Years of Operations, Led by the Minister of Mining

VISIT. Aurora Williams highlighted the company's impressive productivity despite its low-grade ore, its innovative approach, and commitment to green copper production.

El Mercurio de Antofagasta
November 29, 2024
By Cristián Venegas M.

Yesterday, Minister of Mining Aurora Williams visited Sierra Gorda SCM to participate in the tenth-anniversary celebrations of the copper mine operated by Polish company KGHM. During her visit, the minister toured the "Catabela" open pit, the mine maintenance workshop, and the industrial warehouse at the concentrator plant alongside General Manager Tomasz Piwowarczyk and other senior executives.

As she was guided through the facilities by company executives and workers, the minister discussed the achievements and challenges of low-grade mining—Sierra Gorda SCM's ore grade averages 0.389%—a significant topic for the industry given the steady decline in average mineral grades across Chile in recent decades.

Despite these challenges, Sierra Gorda SCM is considered a success story. Today, it ranks as the 11th largest copper producer and the 6th largest molybdenum producer in Chile. According to its 2023 sustainability report, the company processed an average of 130,121 metric tons of ore per day, yielding 150,198 tons of fine copper and 2,982 tons of molybdenum.

A Leading Performer

Commenting on the company's strong performance, Tomasz Piwowarczyk emphasized the importance of showcasing Sierra Gorda SCM's remarkable efficiency and growth. "Over the past 10 years, we have achieved significant milestones despite the challenging characteristics of our deposit. Today, thanks to teamwork and the dedication of every worker, we are one of the most productive mining operations in Chile and globally," he stated. For years, Sierra Gorda SCM has maintained one of the lowest C1 costs (a measure of direct processing and commercial sale expenses) in Chile, placing it in the first quartile of cost efficiency. According to McKinsey's benchmark data, Sierra Gorda SCM operates the fourth most productive hard rock mine in the world and the most efficient concentrator plant in Chile, ranking in the top quartile for productivity across Latin America. These accomplishments are the result of continuous improvement efforts that have increased the concentrator plant's design capacity by over 20%.

Minister Williams' Remarks

After the tour, Minister Aurora Williams praised Sierra Gorda's achievements over its decade of operation. "They've taken on a significant challenge: producing green copper from low-grade ore. Their mining operations rely entirely on seawater, and all energy is sourced from 100% renewable sources. They've also introduced various innovations that allow them to maintain excellent productivity under these conditions," she noted. Williams highlighted several innovations, including an autonomous robot that performs over 14,000 physical inventory counts in the warehouses, advanced mineral exploration technology, and an anti-collision system for shovels that reduces operational risks. Additionally, she praised innovations in tailings management, such as the use of a thickener system.

The minister also pointed out the mine's proximity—less than 5 kilometers from the town of Sierra Gorda—as both a challenge and an opportunity. "There's a long-standing belief that mining should integrate with local communities, and in this case, the proximity makes it even more essential. Through the Trainee Program, they've incorporated women and local residents, many of whom now hold key roles as operators and administrative staff," she explained.

Experts and Industry Leaders Anticipate New Business Opportunities in Northern Chile

"Small Mining Boom": A Glimmer of Hope for the Struggling Real Estate Investment Sector

First-home and rental housing projects in various northern cities are expected to arise from the economic impact of substantial mining investment plans.

El Mercurio de Santiago
By Marco Gutiérrez V.

"We are experiencing a small mining boom." This phrase was repeated twice yesterday by Jorge Selaive, Chief Economist at Scotiabank, during his presentation at a real estate seminar held at the ESE Business School of Universidad de los Andes.

The significant wave of mining investments planned for the coming years in Chile offers a hopeful outlook for the struggling real estate sector, particularly for new projects in the northern region of the country. Investing in real estate in the north is "evident," Selaive emphasized. This sentiment was echoed by various real estate industry representatives attending the seminar.

The Numbers Behind the Boom

According to the latest survey by the *Corporación de Bienes de Capital* (CBC), private and public investment scheduled in Chile from 2024 to 2028, involving projects with defined timelines, is projected to reach \$63.867 billion. Of this, mining will lead with \$21.330 billion, accounting for 33% of the total.

The CBC further highlighted that in Antofagasta and Tarapacá, mining projects dominate the investment portfolio with 62% and 82%, respectively. Additionally, according to the latest data from Cochilco, mining investments are expected to total \$65.712 billion by 2032, involving 49 projects.

In contrast, private housing investment is projected to decline by 6.4% in 2024, following a 2.5% drop in 2023, according to the Chilean Chamber of Construction.

Industry Perspectives

Given this scenario, the real estate sector sees mining investments as an opportunity to launch new projects, especially in northern Chile, focusing on both first-home buyers and residential rentals.

"These mining projects, which involve substantial and long-term investments, gradually translate into housing demand—whether for purchase or rental—creating a need for real estate development to meet this demand. With the level of mining investment we're observing, there should be a significant positive impact in the north," said Slaven Razmilic, Executive Director of the Association of Real Estate Developers (ADI).

Isabel Palma, Commercial Manager at Inmobiliaria FG, acknowledged the potential. "The 'mini mining boom' in the country opens new opportunities. In areas like La Serena, for example, when there are positive expectations in mining, many workers in Antofagasta or nearby regions buy homes for their families there. This creates a positive ripple effect on the housing market."

Palma also pointed out that the boom generates a thriving rental and investment market in cities closer to mining operations.

José Miguel Simian, Director of the Real Estate Studies Center at ESE Business School, concurred with Selaive's view. He recalled that the mining boom from 2004 to 2013 spurred significant construction and development in Antofagasta, Iquique, and Copiapó. "Housing prices surged in those areas and later impacted

'bedroom communities' like Coquimbo and La Serena, where many mining workers' families reside," Simian noted.

Simian predicts that the real estate effect could extend even to Santiago, given the rotational work system in mining, which allows workers a week off after every week on-site.

Christian Fariña, Commercial Manager at Icuadra, expressed caution, noting that despite the optimism, launching new projects in northern Chile comes with challenges. "Even if we decide to invest, we know we won't lay the first stone for at least two years due to permit issues."

Despite the optimism surrounding the economic boost from mining, real estate companies remain concerned about the high stock of unsold homes.