Initiative Involves $37 Million Investment:

Codelco - Rio Tinto Partnership Progresses with Copper Exploration Project in Atacama

The project, named "Minera Dionisio," aims to assess the potential for copper extraction in the Atacama region.

El Mercurio de Santiago
November 14, 2024
By Tomás Vergara P.

Exactly one year ago, mining giants Rio Tinto and Codelco sealed an agreement in Tokyo to jointly develop mining exploration activities in Chile. This came after the London-based, publicly traded company acquired a 57.74% stake in Agua de la Falda S.A. (ADLF) from Pan American Silver, while the Chilean state-owned company holds the remaining 42.26%.

This week, the alliance took a significant step forward as Nuevo Cobre—a subsidiary that serves as the vehicle for this partnership—submitted an Environmental Impact Statement (DIA) for an exploration project called "Prospección Minera Dionisio."

The project involves a drilling program aimed at reducing geological uncertainties related to potential copper mineral concentrations within Nuevo Cobre's holdings located in the Atacama Region, specifically in the mountainous area of Diego de Almagro. The site is situated near Potrerillos, where Codelco operates its Salvador division, which will supply the necessary water for the exploration activities.

According to the project proposal, this initiative is tied to a potential copper deposit that could lead to a future mining development project. The total estimated investment is $37 million.

The exploration phase will include 365 drillings across 199 platforms, with an average depth of 500 meters. The activities are projected to span a period of 2 years and 7 months, covering the construction, operation, and closure phases. During peak operations, up to 250 workers per shift will be employed at the site.

Both companies declined to provide further details about the project, which is still pending approval from environmental authorities.

Beyond Copper: Rio Tinto's Global Ambitions

Rio Tinto, based in London, already has a significant presence in Chile, holding a 30% stake in Minera Escondida—the world's largest copper mine—alongside BHP (57.5%) and Japan's JECO Corp. (12.5%).

In addition, Rio Tinto is one of the largest mining companies globally, with over 57,000 employees and interests in major copper deposits like Mongolia's Oyu Tolgoi. This mine produced 168,100 metric tons of copper and 177,300 ounces of gold last year, with the potential to ramp up to 500,000 tons of copper annually.

In its latest financial report, Rio Tinto disclosed an exploration project portfolio spanning 18 countries and focusing on eight key minerals. Chile is prominently featured for copper exploration, but also for lithium. The company is currently one of six contenders vying to partner with Chile's state-owned Enami in developing the Altoandinos salares project.

There are also indications that Rio Tinto was involved in Codelco's search for a partner for its project in the Maricunga salt flat.

Rio Tinto's Lithium Expansion

Rio Tinto's ambitions extend beyond copper. Just last month, it completed a $6.7 billion acquisition of Arcadium Lithium, a lithium chemicals producer. Arcadium was formed earlier this year through a merger between Allkem and Livent, producing 75,000 metric tons of lithium carbonate equivalent, with plans to more than double capacity by the end of 2028.

Arcadium's operations span Australia, Canada, the United States, and Argentina, positioning Rio Tinto as a major player in the global lithium market. According to Cochilco's 2023 report, following the Arcadium acquisition, Rio Tinto will control about 8% of global lithium production, trailing only Albemarle and SQM, which hold 31% and 23%, respectively.

Lithium
Following the Arcadium acquisition, Rio Tinto will hold nearly 8% of global lithium production.
Rio Tinto holds a 30% stake in Minera Escondida, the largest copper mine in the world.

Court Rejects Tianqi's Third Attempt to Halt Codelco-SQM Agreement

■ Court of Appeals denies injunction request filed by Chinese firm. SQM calls the action "baseless" and "improper."

Diario Financiero
November 14, 2024
By Patricia Marchetti

In what feels like déjà vu, Tianqi faced another setback in the Santiago Court of Appeals, which denied the injunction requested by the Chinese company in its third attempt to suspend the agreement between Codelco and SQM, pending the resolution of the illegality complaint filed by the firm.

In its latest effort to challenge the October 29 pact between the state-owned enterprise and the non-metallic mining company, Inversiones TLC SpA—the entity through which Tianqi controls 22.16% of SQM—warned of an "imminent risk" of "irreversible consequences for Tianqi and other minority shareholders." The firm argued that the partnership “essentially constitutes a public-private association” rather than a “merger” as classified by the Financial Market Commission (CMF).

According to Tianqi, the partnership should have been approved in an extraordinary shareholders' meeting, a request that the CMF rejected, stating that such operations fall under the board’s jurisdiction. However, the court found no grounds to justify Tianqi's request.

One day prior to the court’s ruling, SQM submitted a brief urging the appellate court to dismiss Tianqi’s latest request. “This improper petition represents nothing more than the third attempt to suspend the effects of the contested resolution. Yet it fails to provide any new substantial evidence that would allow the court to alter a decision that is already final and binding,” said Diego Marcelo Contreras, the company’s legal representative.

In addition to describing Tianqi's latest attempt as “baseless,” SQM emphasized that the request lacked any new evidence, dismissed the notion of potential harm due to delay, and argued that there were no grounds to suggest that the CMF acted unlawfully.

“Tianqi does not present any new act that falls under the hypotheses of paragraph 9 of Article 67. Instead, it merely repeats the generic argument, previously presented multiple times before both the Court and the CMF, that the merger should be fully reassessed,” criticized the non-metallic mining company.

SQM also argued that there is no risk of delay in implementing the partnership agreement. It pointed out that Tianqi could have challenged Official Letter 27,980 dated February 29, 2024, but failed to do so. Even if the Court of Appeals were to accept Tianqi’s claim, the agreement would simply be subjected to a shareholders’ meeting, without affecting the actions taken in the meantime. Moreover, the company highlighted that the conditions for implementing the partnership have not yet been fully met.

The mining firm further asserted that there is no "serious presumption" of illegal action by the CMF. It argued that Tianqi “has not demonstrated why, in this case, the general rule assigning management to the board should not apply, and instead an exceptional rule requiring certain decisions to be made by the shareholders’ meeting should be enforced.”

The document stressed that the partnership does not involve the divestment of assets by SQM Salar. On the contrary, it integrates assets from Minera Tarar SpA (a Codelco subsidiary) into its holdings, including contracts with Corfo that extend SQM Salar's operations in the Salar de Atacama until 2060.

The hearing on the case, initially scheduled for October 30, was suspended by the Fifth Chamber of the Court of Appeals and is expected to resume next week.

Chile Ranks as the Second Most Viable Country for Regionalization, According to Clapes UC:

"Permitting" is the Main Barrier Preventing Chile from Capitalizing on U.S. Companies' Nearshoring Opportunities

U.S. companies are seeking to relocate to the region due to geopolitical tensions and the anticipation of tariffs under Trump.

El Mercurio de Santiago
November 14, 2024
By Catalina Muñoz-Kappes

Chile is among the countries that stand to benefit the most from the regionalization of production chains—commonly known as nearshoring—according to a study by Clapes UC. However, the country needs to overcome obstacles like regulatory permitting and improve its logistical infrastructure to fully leverage these opportunities.
A study conducted by Clapes UC, led by Felipe Larraín, the center's director and former Minister of Finance, along with researcher Carmen Cifuentes, places Chile as the second most viable country for nearshoring among Latin American and Caribbean nations, surpassed only by Uruguay. The ranking, published in *Americas Quarterly*, is based on indices measuring logistics performance, rule of law, political stability, property rights, and financial development. Following Uruguay and Chile, the list includes Costa Rica, Brazil, and Panama.

The Trump Effect

International trade frictions, driven by geopolitical conflicts, have prompted companies to consider relocating their production chains closer to final markets like the United States, explains Larraín. The expectation that President-elect Donald Trump will impose tariffs on imported goods will further accelerate this trend.
“In an ideal world without frictions, companies set up where it is most efficient. But if they face geopolitical conflicts and higher tariffs, they become more interested in relocating. The question is, where? Not just any country in Latin America, but those with free trade agreements with the U.S. that can shield them from increased tariffs and protectionist measures likely to be enacted by the Trump administration. This is where Chile has a unique opportunity,” says Larraín.
Chile's advantage lies in its Free Trade Agreement (FTA) with the United States, positioning it favorably compared to other countries. The Inter-American Development Bank (IDB) projects that nearshoring could boost exports from Latin America by approximately $78 billion, with around $20 billion of that total potentially benefiting countries like Brazil, Argentina, Chile, and Colombia.

Barriers to Overcome

However, there are hurdles Chile needs to address to become more attractive to investors. The primary challenge is what Larraín refers to as “permisología” (permitting).
“Investment flows to countries with political stability, strong logistical indices, and respect for property rights. The issue of 'permisología' is hurting us because foreign investors will ask: ‘If I locate my factory here, how long will it take to get it up and running?’ And we hope they don’t look at the time it takes to approve a large-scale mining project. This is yet another reason to be concerned about permitting,” Larraín notes.
Improving logistical infrastructure is another priority. “Peru is a competitor, and it’s gaining an edge with the Chancay Port—a highly automated, technologically advanced logistics port, likely more efficient than Chilean ports,” he warns.
In this regard, Larraín emphasizes that a large-scale port is crucial for Chile to remain competitive in logistics, given its status as a highly open economy. “There is significant work to be done in logistics if we want to stay competitive globally,” he concludes.

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Felipe Larraín, DIRECTOR OF CLAPES UC

Energy Ministry Proposes Massive Solar Panel Program for Households in Electric Subsidy Plan

The government aims to submit amendments to the subsidy bill next week to mitigate tariff increases. So far, 1.8 million households have applied, with a third phase to launch in December. However, if fewer clients apply than anticipated, resulting in excess funds, Minister Diego Pardow proposes redirecting those resources to a solar roof program that could benefit 100,000 middle-class households in its first year.

Pulso
November 14, 2024
By Víctor Cofré

The bill for subsidies to cushion electricity rate hikes will begin detailed discussions next week, with the government preparing amendments. Some of these changes have already been announced. For instance, the controversial FET charge (Electricity Tariff Stabilization Fund), initially set to collect $1.8 per kWh from Small and Medium Distributed Generation (PMGD) as a key financing mechanism, will be reduced to $1 per kWh for the first year, $0.8 in 2026, and $0.6 in 2027. This adjustment lowers the contribution from these companies—which had criticized the changes to industry regulations—from a total of $450 million to $180 million over three years. The remaining $450 million needed for the subsidy will be raised through a temporary surcharge on the carbon emissions tax, increasing from $5 to $10 per ton of CO2 equivalent, along with additional VAT revenue from the rise in electricity tariffs.

But another significant discussion will begin to take shape next week. What happens if fewer households than anticipated apply for the subsidies, leading to excess government revenue? Energy Minister Diego Pardow has outlined the government's proposal: use those extra funds for a large-scale solar panel installation program targeting residential customers across Chile.

"The new approach is that, if there is excess revenue, it will be transferred to an implementing agency that will focus on installing solar roofs. The funds will not be returned to companies, the Treasury, or general revenues," Pardow explained to *Pulso*. To understand why such a surplus might occur, it's necessary to review the subsidy figures.

Subsidy Figures

In April 2024, a law was published in the Official Gazette that normalized electricity rates, which had been frozen since 2019. To offset the resulting increases, which have already impacted inflation rates, the government proposed a subsidy that both ruling and opposition lawmakers called to expand. As a result, Congress and the government decided to triple the initial coverage and extend subsidies to all households within the bottom 40% of the Social Registry of Households (RSH). The potential target group is estimated at 4,723,542 households. However, applications have been lower than expected. In the first round, 1,611,610 households applied, and the second round saw 308,769 applicants. In total, as of last week, when the second round ended, 1,920,379 households had applied—well below the anticipated 4.7 million.

This discrepancy will reduce the required resources, leading the government to lower its revenue target from the initial $900 million to about $650 million. This is also why the government has adjusted the most contentious part of the plan by gradually reducing the charge on PMGD, which are primarily controlled by foreign companies that had protested against the extra fee.

The lower-than-expected application numbers may be due to limited outreach or a requirement that might have deterred some applicants: they needed to be current on their utility bills. However, a third extraordinary application phase will take place in December, especially considering a significant tariff increase expected in January. In this new round, applicants will not be disqualified for overdue bills, and additional outreach efforts will be included. The final number of applicants will determine the total amount needed for the government to subsidize the steep tariff increases.

"We are a pragmatic government with a parliamentary minority, and we said: let's find a way to reorganize the financial structure of this project based on the evidence we have," Pardow said. The evidence comes from the

first two rounds: the initial 1.6 million and the 300,000 in the second. The number of applicants in the third round remains uncertain, but the government has chosen to plan for a maximum rather than a minimum.
"In situations like this, it’s logical to structure the project's finances based on the most demanding scenario. That's what any responsible government would do because otherwise, in January, we'd have to present another bill. That would be difficult to justify to the public," Pardow explained.
Pardow continued: "The legitimate question is, what happens if you design the project for 1.6 million applicants, but the actual number ends up closer to 300,000? That would result in excess revenue." The chosen solution was an idea proposed by PPD lawmakers: redirect that surplus to a program focused on installing solar roofs for households across the country, with an emphasis on the middle class, since it requires co-financing by homeowners. "These programs are more aimed at the middle class than at the most vulnerable sectors," the minister noted.
Pardow has already run the numbers. "If you budget for 1.6 million applicants but only receive around 300,000, you would have enough funds to install solar roofs for 100,000 households," he stated. This would be in the first year, followed by another 50,000 in the second year and around 25,000 in the third year. In total, 175,000 homes would be equipped with solar panels in a market where currently only about 5,000 are installed annually.
"It's a good idea because it aligns with energy transition goals and advances distributed generation, making it quite a programmatic initiative," Pardow concluded.
Current Subsidy Process: Households that applied—totaling 1.9 million families—will receive monthly discounts on their electricity bills for the first half of 2025, covering the billing period from January to June. The amount received will depend on the number of household members. Single-person households will receive discounts of around $7,000 per month, increasing to $9,000 for households with two or three members, and approximately $12,000 for households with four or more members.

Advanced Chile-EU Agreement Clears Final Hurdle and Is Ratified by the Senate

■ Now it awaits ratification by the parliaments of the EU member states. Four countries have already completed the process.

Diario Financiero
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By R. Carrasco and A. Santillán

The Advanced Framework Agreement between the European Union (EU) and Chile (AMA) completed its legislative process in Chile on Wednesday, following approval by the Senate chamber.
With 38 votes in favor, one abstention, and none against, the agreement was ratified both in general and in detail.
The agreement establishes an updated institutional framework that deepens bilateral relations, joint dialogue, and cooperation on political matters. It also addresses new challenges in international trade, incorporating new areas and providing Chilean products with improved access to the European market, among other benefits.
“This AMA solidifies a political relationship that is especially relevant in the current international context,” emphasized Foreign Minister Alberto van Klaveren. He added that it strengthens ties with a long-standing ally of the country.
The minister further explained that after receiving approval from Chile’s Congress, the next step is to await ratification from the parliaments of the 27 EU member states for the agreement to come into effect. However, he noted that four countries have already completed this process: the Czech Republic, Poland, Estonia, and Denmark.
“The process is moving along quite quickly, and we hope it will be fully completed in the coming years. This is a complex ratification process that will, of course, require the full attention of our Foreign Ministry,” the minister stated.
The text had already been ratified by the European Parliament in February.

Key Provisions

The new agreement will expand the coverage of products benefiting from tariff reductions by the EU, increasing from 94.7% to 99.6%.
Additionally, it will broaden recognition of geographical indications for Chilean agricultural products and include chapters dedicated to gender and trade, small and medium-sized enterprises, sustainable food systems, digital commerce, energy, and raw materials.
The agreement also establishes a bilateral, independent, and impartial Investment Court to adjudicate disputes between foreign investors and the host state of their investment.
The AMA incorporates new priorities that have emerged from the evolving international agenda, including gender equality, international and cybersecurity, public safety, cybercrime, sustainable development, innovation, climate change, ocean governance, disaster risk reduction, labor and social issues, youth policies, digital governance, human rights, corporate social responsibility, as well as concerns related to the elderly, persons with disabilities, space exploration, and public health, among others.

The AMA establishes a bilateral, independent, and impartial Investment Court to resolve disputes between foreign investors and the host state.

Chancay Drives Major Investments in Logistics and Urban Development

■ Logistics parks, hotels, and commercial areas have emerged around the Chinese project set to open this Thursday.

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By J. Antonio Albuquerque

This Thursday marks the inauguration of the port of Chancay, as part of the Asia-Pacific Economic Cooperation (APEC) Forum taking place in Lima, Peru. The megaproject, led by China's Cosco Shipping, involves a $3.5 billion investment and aims to significantly boost trade between South America and Asia.

The construction of this port has spurred further developments in the surrounding area, particularly in the creation of complementary logistics parks.

Currently, there are three key projects under development: Chancay Park, spearheaded by Roquel Global, a subsidiary of Volcán Compañía Minera; the Ancón Industrial Park, which is being promoted in collaboration with Proinversión Perú; and Inka Park, led by Colombian businessman Orlando Sarmiento.

Sarmiento outlined to DFSUD that his venture involves a logistics park spanning over 700 hectares, featuring “a technology zone, a commercial area, a business center, a hotel, and a hospital.”

The initial phase of this project is backed by Peruvian and Colombian capital, with an initial investment of $125 million. However, by 2035, total investments are projected to exceed $500 million.

Currently, stakeholders are awaiting the launch of the Urban Development Plan (PDU) for the city to proceed with construction activities.

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