BHP Seeks to Boost Escondida Production and Prepares Major Investment for New Concentrator

The mining company's CEO will arrive in Chile at the end of this week to announce, during a meeting with investors and analysts, the construction of a project that would involve over $6 billion.

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BY BUSINESS TEAM

For several years, BHP — one of the world's leading mining companies — has been announcing an investment portfolio of nearly $10 billion for Chile. This amount has often been referenced during discussions on the mining royalty tax to exemplify the potential projects that could be impacted if clear regulatory guidelines were not established. However, the multinational chose to move forward, and it is getting close to making those investments a reality.

This weekend, BHP's CEO Mike Henry and other company executives are expected to arrive in the country. During their visit with investors and financial analysts to the mining sites, they are likely to announce a significant investment in Escondida, the largest copper deposit in the world, where BHP holds a 57.5% stake in partnership with Rio Tinto (30%) and Japan's JECO Corp (12.5%). The project involves a new concentrator plant with an investment that could range between $5 billion and over $6 billion, although the exact amount has not been officially confirmed.

The Australia-based mining company's goal is for Escondida’s production to once again exceed 1.3 million tons of copper. As a reference, in 2023, it produced 1.1 million tons — its highest level since 2020. According to its latest earnings report, BHP aims to reach 1.3 million tons by 2026, the highest level since 2007, when production peaked at 1.4 million tons.

“In November 2024, we will organize an investor visit to our copper assets in Chile to detail our attractive portfolio of organic copper growth in the region,” BHP stated a few weeks ago in its quarterly operational report.

During the visit, it is expected that Henry will meet with Chile's Minister of Mining, Aurora Williams.

BHP’s plans in the country are not limited to Escondida; it also aims to optimize production at its other sites, Spence and Cerro Colorado. The latter has been in a temporary closure process since November 2023 after its extraction permit expired and it was unable to secure authorization to access water resources. Currently, the company is exploring reopening Cerro Colorado, having discovered copper deposits in an area adjacent to the mine. Access to water resources is crucial for this, and given BHP's environmental commitments, the options include constructing a desalination plant or transporting water. If all goes well, the construction phase could begin by 2028.

Escondida’s Best Performance

BHP began its fiscal year 2025 with strong operational performance, reflected in a 4% increase in copper production to 476,000 tons (kt).

According to the company’s report, the rise in copper output was mainly due to higher ore grades and recoveries at Escondida, which recorded an 11% increase, reaching 403,200 tons in the period.

The improved performance of the world’s largest copper mine was driven by a 1% higher feed grade at the concentrator and increased recoveries as mining operations advanced into higher-grade areas. The company estimates that the feed grade for the concentrator in fiscal year 2025 will remain above 0.90%.

However, the production increase was partially offset by lower-than-expected cathode output due to ongoing integration of the FullSaL project. The company anticipates that this project will begin production by the end of fiscal year 2025.

Other Major Mining Investments

If BHP's plans materialize, it would be another significant mining investment announced this year, following Freeport McMoran's (FCX) decision last July to expand the El Abra mine in Chile with a $7.5 billion investment to extend its operational life. FCX holds a 51% stake, with the remaining 49% owned by Codelco.

Meanwhile, the mining arm of the Luksic group, Antofagasta Minerals, is projecting a historic investment amount for 2025. “The exact number is not yet defined, but the 2025 investment amount will be in the range of $3.5

billion, one of the largest ever made by the group. This is due to ongoing projects and investments in sustaining and developing our existing mines," Antofagasta Minerals CEO Iván Arriagada told Diario Financiero in September.
The most recent major sector investment was the construction of Quebrada Blanca Phase 2 by Teck, which began with a $5 billion capital expenditure and ended up costing $8.2 billion.

1.3 MILLION TONS OF COPPER TARGETED BY ESCONDIDA IN 2026.
57.5% OF THE MINE IS OWNED BY BHP.

Codelco-SQM Partnership: Obstacles Threatening Its Launch in Early 2025

Once all hurdles are cleared, the first corporate board of the alliance will be formed, consisting of six directors. Among the names mentioned are Alejandro Rivera for Codelco and Pablo Altimiras from SQM.

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BY PATRICIA MARCHETTI

Time is running out for the implementation of the partnership between Codelco and SQM to exploit lithium in the Salar de Atacama. According to the agreement, the joint venture is set to begin operations “as of January 1, 2025, or at a later date when all the Pre-Conditions have been met.” However, in practice, several factors are making it difficult to meet this tentative date.

The main challenges include obtaining approval from Chile’s National Economic Prosecutor’s Office (FNE), the indigenous consultation process, and fulfilling the "Pre-Conditions," among which stands out the completion of the investigation conducted by the U.S. Securities and Exchange Commission (SEC) into SQM.

Another issue to resolve is the process being conducted by the Environmental Assessment Service (SEA) to admit the request that Albemarle filed in May, seeking a review of the environmental permits for its own operations and those of SQM after noticing changes in the water levels of the salar that fall outside the variables considered in the original model.

Furthermore, the partnership requires approval not only from the FNE—where sources indicate that approval this year is unlikely—but also from similar regulatory bodies in seven other countries. Given the complexity of these proceedings, a competition law expert indicated that these approvals "may not be resolved until the second half of 2025." The agreement also requires the green light from the Chilean Nuclear Energy Commission (Cchen).

Additionally, it is stipulated that before the official start of the partnership, "Corfo must have completed an indigenous consultation process regarding the administrative measures it must issue in connection with the activities of Codelco and SQM in the Salar de Atacama, which may directly affect indigenous peoples."

This process is currently being carried out in various localities, and Corfo indicated last week that it expects to complete it within 100 days. However, this timeline has not been well received by communities located southeast of the Salar (those most exposed to lithium mining activities), who argue that the accelerated pace "does not align with a consultation that will affect our lives until 2060." Those familiar with the agreement acknowledge that these communities are the only ones truly capable of derailing the entire alliance plan.

Pre-Conditions

Even if the aforementioned issues are resolved, the agreement must clear additional hurdles: the 15 "Pre-Conditions" of the contract. A legal expert in these matters explained that "these are commitments that both parties must fulfill before the agreement can take effect. Although the signatories can waive their obligations or extend the deadlines for compliance, the market would not look favorably upon skipping any of them, especially given Codelco’s involvement in an agreement that underpins the Government’s National Lithium Strategy."

Another complexity, he adds, is that “the investigation by the U.S. Securities and Exchange Commission (SEC) titled ‘In The Matter of Sociedad Química y Minera de Chile SA’ must be substantially concluded.” This is a confidential process conducted by the U.S. agency under the Foreign Corrupt Practices Act (FCPA). Industry executives suggest that it may relate to the incidents from 2017 involving violations of the FCPA.

A local attorney comments that resolving this issue could be "impossible" for the agreement in the short term, potentially taking months or even years, which might necessitate waiving this condition. However, if it is indeed an open case related to corruption, it would be very difficult for the State, through Codelco, to "forgive" this requirement.

Another condition is that "the request submitted by Inversiones TLC SpA—the entity through which Tianqi owns 22.16% of SQM—to the Financial Market Commission (CMF) has not been upheld." This point remains unclear on how it will be addressed given the current situation: the CMF already rejected Tianqi's request to have the agreement voted on at an extraordinary shareholders' meeting of SQM. However, the Chinese company has taken the matter to the Court of Appeals, which has not yet ruled on the legality claim presented by the firm.

The Joint Venture

The merger involves SQM Salar absorbing Minera Tarar, a wholly-owned subsidiary of Codelco. Although one attorney notes that this structure implies that the initial legal name of the alliance will be “SQM Salar,” sources close to the process suggest that an alternative name is being considered.

Regarding the corporate governance of the joint venture—which will have three members from each party between 2025 and 2030—several names are already being discussed. On Codelco’s side, Alejandro Rivera, who resigned from his position as Vice President of Administration and Finance at the state-owned company a year ago, is being considered. Also mentioned is Máximo Pacheco, given his role as the current Chairman of Codelco’s board.

For SQM, the names include Gonzalo Guerrero, the current Chairman of the Board, and Pablo Altimiras, CEO of the Iodine, Plant Nutrition, and Industrial Chemicals Division of the non-metallic mining company.

Another issue to be resolved is the SEA process for admitting the request submitted by Albemarle in May, which seeks to review the environmental permits for its own operations and those of SQM.

Copper Price Falls Below $4 Mark, Heightening Pressure on Fiscal Revenues

The mineral's lowest value since August 8: Signals from China and the United States have impacted Chile’s primary export. The volatility seen in recent weeks is expected to extend through the rest of the year.

MERCURIO DE SANTIAGO
BY TOMÁS VERGARA P.

The price of copper continues its downward trend. Yesterday, the value of Chile’s main export fell to its lowest level in over three months, dropping below the $4 per pound threshold. The mineral was priced at $3.98, accumulating a 7% decline throughout November.

What Explains the Changes?

Several factors are driving the decline. One key reason is the economic weakness in China, the world's largest consumer of copper. Despite recent announcements of economic stimulus measures in China, these have not convinced investors.

Víctor Garay, Market Coordinator at Cochilco, pointed out that there is a weak demand outlook for the commodity in China. “Despite a $1.4 trillion economic stimulus package announced by China, the focus was on restructuring local debt rather than measures that directly boost domestic demand. Persistent economic weakness and the slow recovery in key sectors have dampened expectations for increased copper demand,” Garay explained.

The Role of the United States

Juan Ignacio Guzmán, General Manager of the consultancy firm GEM, highlighted that current signals suggest a potential trade war between the United States and China, which could significantly impact China’s economy. “From that perspective, the market is anticipating that if China’s growth falls short of expectations, or if it even faces a recession risk, the prices of copper and other commodities are likely to trend downward next year, especially once Trump takes office,” said Guzmán.

Since the U.S. election, copper prices have dropped by 8.5%, influenced by other factors as well. For instance, Víctor Garay noted that stable U.S. inflation indicators have also played a role. This stability has lowered expectations for aggressive interest rate cuts by the Federal Reserve, which in turn has strengthened the dollar, negatively impacting copper prices.

Regarding the ongoing volatility in copper prices, Juan Cristóbal Ciudad, Market and Industry Analyst at Plusmining, indicated that such fluctuations are likely to continue until Donald Trump takes office. “This means by late January, or when more concrete economic measures are announced, which will impact interest rates, expected growth, and copper prices,” Ciudad elaborated. He also emphasized the need to monitor China’s stimulus measures and any potential new announcements from the Asian powerhouse.

Fiscal Pressure

One of the concerns related to the drop in copper prices is its potential impact on government revenue. According to Álvaro Merino, Director of Núcleo Minero, every cent drop in the average annual copper price reduces the mining sector's contribution to the state by $60 million, considering both Codelco’s surpluses and taxes from private mining companies.

Merino stated, “This year is nearly set; so far, the average copper price stands at $4.163 per pound. If the remaining period of the year sees an average price of $4 per pound, 2024 will close with an average of around $4.15.” This figure aligns with the estimate in the latest Public Finance Report by the Budget Office.

Taking into account all the factors affecting the metal’s price, Juan Cristóbal Ciudad added that it wouldn’t be surprising if copper prices remained low over the next three months, potentially reaching a first support level of $3.9 per pound before an eventual rebound. “These are short-term fluctuations, but as long as the key trends in electromobility and decarbonization remain, the medium-term fundamentals for copper will be positive, supported by a supply outlook that doesn’t foresee significant expansions,” concluded Ciudad.

Production Costs in Mining Drop but Remain Above Previous Decade's Levels

Alongside the pandemic and conflicts like the Ukraine war, production costs in the local mining industry began to climb but may now be stabilizing.

According to the latest data from Cochilco, as of the end of the first half of the year, the average C1 production cost was $1.9 per pound, marking a second consecutive semester of decline and distancing itself from the peak of $2 per pound.

Despite this trend, Ronald Monsalve, Mining Market Analyst at Cochilco, cautioned that there is currently no evidence suggesting a lasting change. "These fluctuations can only be assessed after observing more periods," he said.

While higher copper production and exchange rates are positive news for costs, Monsalve stated, "We don't foresee a return in the short to medium term to the levels seen between 2015 and 2021." The reduction in the first half of 2024 was attributed to favorable market factors, including lower material costs, freight rates, energy, and fuel prices. Additionally, the increased exchange rate and higher copper output had a positive impact on this measurement.

Monsalve also emphasized that recent trends show smaller mining companies are positioned in the higher cost quartiles and experience greater fluctuations. "This is partly due to the limited benefits of economies of scale, which means changes in cost-driving variables disproportionately affect them," explained the analyst.

In November, copper prices have accumulated a 7% decline.

According to official statistics for the second quarter of this year:

Debt of State-Owned Companies Reaches Record Levels, Surpassing US$34 Billion

Among the liabilities of state-owned companies, Codelco accounts for 56.3%. This stock is not included in the gross public debt of the Central Government. Analysts and the Fiscal Council (CFA) are focusing on monitoring these accounts.

MERCURIO DE SANTIAGO
J. P. PALACIOS

It’s not just the gross debt of the Central Government that has been on an upward trend in recent years. A similar pattern can be observed in the debt stock of state-owned companies.
According to data from the Budget Office (Dipres), as of June 2024, the liabilities of state-owned companies recorded gross debt equivalent to 11% of GDP, amounting to $32.28 trillion (or US$34.86 billion, based on the average exchange rate in June).
Compared to the end of 2023, the latest debt figure represents an increase of $3.94 trillion (13.8%).
The debt of state-owned companies as of June also represents the highest amount and percentage relative to GDP on record (see chart).
The State currently controls 27 companies, most of which are part of the Public Enterprise System (SEP), which oversees the State’s interests, ensuring that each company efficiently and transparently allocates public resources and protects its assets. Codelco, Enap, TVN, and Enami are not on this list, as they have a more direct relationship with the Budget Office and ministries.
Experts are warning about the fiscal risks associated with the increasing debt of state-owned companies, attributing it primarily to the financial situation of Codelco. By the second quarter of this year, the long-term debt of the state-owned mining company totaled US$19.64 billion, representing 56.3% of the total liabilities of state-owned enterprises.

The Codelco Factor

Tomás Flores, senior economist at LyD, warns about the rising figures recorded during the current administration. “The financial liabilities of state-owned companies reached US$34.86 billion, which implies an increase of 10.3% compared to what was observed at the beginning of this government,” he says. Flores emphasizes that “this increase is mainly due to Codelco, whose credit rating was downgraded by Feller two weeks ago due to the substantial debt increase in that company.”
Former Budget Office director Matías Acevedo shares a similar view regarding the impact of the mining company on state-owned corporate debt. “The financial debt of state-owned companies reached its highest level as a percentage of GDP since 2010, rising to 11% of GDP, increasing by nearly US$3.5 billion in just six months this year. This increase continues to be driven by the rise in Codelco’s debt, which also experienced a credit rating downgrade this semester. Moody's projects that financial debt will continue to grow in the future,” he states.
Acevedo also highlights that State-guaranteed debt for its companies has increased by approximately US$2.1 billion. In this scenario, the economist believes it is “important that the Treasury does not withdraw profits to mask its fiscal results at the end of the year.” He warns that doing so “only promotes greater debt for the companies, which ultimately leaves them more vulnerable to future investments.”
Juan Ortiz, senior economist at the Economic Context Observatory (Ocec) at Diego Portales University (UDP), also raises concerns about the increase in State-guaranteed debt. “The rise is striking, reaching 2.4% of GDP as of June. This debt remained below 2% of GDP in recent years, only occurring in exceptional cases where financial assets were insufficient to guarantee the debt of public companies at a reasonable financial cost,” he explained.

The Alert Raised by the Fiscal Council (CFA)

In its latest semi-annual report presented to Congress, the Fiscal Council (CFA) urged the Executive to monitor the increase in public debt — including that of state-owned companies — which is not reflected in the Central Government's gross debt figures.

The Council stated that although the prudent level of 45% of GDP for total fiscal debt has not yet been exceeded, it "recommended greater transparency regarding other forms of public debt that are not currently accounted for under that definition."

In this regard, the CFA proposed that the Ministry of Finance and Dipres include the monitoring of different types of liabilities currently reported on their public debt website, which presently only covers debt contracted by the Treasury in the local or international financial market.

In its recent report, the Fiscal Council clarified that "this recommendation has not yet been adopted" by the authorities representing the Executive.

"This increase is mainly due to Codelco, whose credit rating was downgraded by Feller two weeks ago."
Tomás Flores
LYD ECONOMIST

"It is important that the Treasury does not withdraw profits to mask its fiscal results at the end of the year. That only promotes greater debt for the companies."
Matías Acevedo
FORMER HEAD OF DIPRES

"The rise in State-guaranteed debt is striking, reaching 2.4% of GDP as of June. This debt remained below 2% of GDP in recent years."
Juan Ortiz
UDP ECONOMIST

NET DEBT
The net debt of these companies reached 9.6% of GDP.

Experts warn that a significant part of the debt incurred by state-owned companies is due to the financial situation of the mining giant, Codelco.

Peru Inaugurates the Chancay Megaport, a Beacon of China's Influence in the Region

After 13 years of construction, Peru’s major port opens its doors with the presence of Xi Jinping at the APEC summit. Amid a diminishing U.S. presence in Latin America, Beijing is filling the void with investments in infrastructure.

Pulso
BY BASTIÁN DIAZ

After years of delays, technical issues, promises, and the infusion of millions of yuan, Peru finally celebrated the inauguration of its new “Chancay Multipurpose Port Terminal” on Thursday. With the capacity to accommodate vessels carrying up to 18,000 TEUs (containers), this infrastructure project is set to transform the regional economy and enhance the significance of Peru's coastlines.

Seventy kilometers south of Chancay, at the Presidential Palace in Lima, a ceremony took place with Chinese President Xi Jinping in attendance, along with 16 other dignitaries from APEC member countries. With primarily Chinese capital backing the project, Xi emphasized that the port would serve as "a path to prosperity" for Peru.

However, skepticism remains—especially from the United States—regarding China’s intentions in Peru. Just as it has done in Asia and Africa with its “Belt and Road Initiative,” China under Xi has been constructing bridges, power plants, and various infrastructure projects around the world, particularly in developing countries. According to The Wall Street Journal, “China has less of a reputation as a debt collector in Latin America than in other developing regions, partly because Beijing has slowed down commitments to new projects and adjusted its financing methods for existing ones.”

To celebrate the inauguration of the Chancay port, Xi Jinping published an op-ed in the state-run newspaper *El Peruano*, reiterating that this infrastructure would be "a true path to prosperity" that would strengthen development between China and Peru, and more broadly, between China and Latin America.

Regarding the port, Xi highlighted its potential benefits, stating, “With the first phase of this project, the maritime travel time from Peru to China will be reduced to 23 days, cutting logistics costs by over 20% and generating annual revenue of $4.5 billion for Peru, along with over 8,000 direct jobs.” This would enable Peru to "establish a model of multidimensional, diversified, and efficient connectivity linking the coast to the interior of the country.”

While additional phases of the project are still pending, Xi stressed the need to “successfully complete the construction and operation of this port, making it a true pathway to prosperity that promotes shared development between China and Peru, and between China and Latin America.”

This marks Xi’s first visit to Latin America since the COVID-19 pandemic, underscoring the significance of this project to the Chinese leader, who had largely avoided international travel since 2020. The inauguration symbolizes Beijing's growing economic influence in the region, solidifying its role as the primary economic partner for most South American countries.

The port, designed by Chinese contractors and majority-owned by China Ocean Shipping Co. (Cosco), offers strategic, economic, political, and potentially military advantages for Beijing. In an interview with Reuters, Cosco’s Head of Corporate Affairs, Mario de las Casas, confirmed that the port is "part of the new Silk Road" and is not just a vital hub for commerce but also serves China's geopolitical interests.

As early as September 2023, then-Peruvian Transport Minister Geiner Alvarado expressed enthusiasm for the infrastructure’s scale and importance: "The Chancay port will position Peru as the first logistics hub on the Pacific coast of Latin America, boosting the economy, increasing exports, and creating new business opportunities. This mega-project is also generating thousands of jobs for the local population,” he noted.

Last week, celebrations in Chancay began with the arrival of the first Chinese vessel at the megaport. The ship, hailing from Taicang, delivered equipment for the automated operation of the port. The "Cosco Shipping Honor" brought with it forklifts, spare parts for smart vehicles, and hydraulic filters—components crucial for the project’s completion. Following the "Shipping Honor," four more ships are expected at Chancay. According to de las Casas, the “Cosco Tengfei” is due to arrive this month, carrying a diverse cargo that includes electric vehicles, agricultural machinery, and hydraulic excavators.

Despite the enthusiasm from both Chinese and Peruvian officials, there are concerns from the United States. For years, American officials have warned about the implications of growing Chinese influence in Latin America, particularly the potential for the Chancay port to accommodate Chinese military vessels.
General Laura Richardson, head of the U.S. Southern Command, voiced this concern to the Financial Times, stating, “It could be used as a dual-use facility, being a deep-water port. The Chinese Navy could absolutely use it—it’s a textbook move we’ve seen in other countries, not just in Latin America.”
Similarly, Evan Ellis, a researcher at the U.S. Army War College, expressed concerns in an article for the China & Latin America Network (RedCAEM), suggesting that the megaport could compromise Peru’s national security. “In peacetime, a future Peruvian government would face significant challenges in denying Cosco permission to accommodate ships from the People’s Liberation Army Navy (PLAN). In times of conflict, Cosco’s ability to handle and dispatch military cargo could be leveraged to support the PLAN, especially if a political crisis in Peru destabilizes government control,” Ellis argued.
What is already clear is that China has outpaced the United States in the region, at least in terms of being the primary economic partner for most large economies, with the exception of Mexico and Colombia. With its Belt and Road Initiative, Beijing has managed to engage nearly every country in Latin America and the Caribbean in a program that excludes Washington.
As highlighted by *Diálogo Político*, if in 2000 only 2% of Latin America’s exports went to China, by 2008 trade between the two regions was growing at an annual rate of 31%. Additionally, China has free trade agreements with Peru, Chile, Costa Rica, and Ecuador and has initiated bilateral talks with Uruguay.
Currently, Beijing is a leading buyer of Argentine lithium, Venezuelan crude oil, and Brazilian iron ore and soybeans. China's investments in the region, totaling $286 billion (including metro lines in Bogotá and Mexico City and hydroelectric dams in Ecuador), are approaching the scale of its projects in Africa, albeit with a revised lending model and fewer negative reactions.
This month, Xi is touring South America to attend various summits, including the Asia-Pacific Economic Cooperation (APEC) forum in Lima, Peru, and the G20 summit next week in Rio de Janeiro. These events are likely to underscore what some see as the marginalization of the United States by China in the region. Though President Biden is also expected to attend, his influence may be overshadowed following Donald Trump's recent electoral victory. Xi, who has visited the region more frequently than both, is promoting an economic model that challenges the postwar order led by the U.S., which, according to Ryan Berg from the Center for Strategic and International Studies, is increasingly seen as an outdated relic of colonialism.
The sustained attention of Xi in the region “is symbolic, and countries in the Global South need that recognition,” noted Álvaro Méndez, a researcher at the London School of Economics studying China’s influence.
With Trump’s focus on curbing immigration during his first term, some Latin American countries may face tough decisions if pressured to limit their ties with China. Michael Shifter, a Latin America scholar at the Inter-American Dialogue, warns that Trump's promise to raise tariffs on foreign goods could push some nations further into Beijing’s orbit.