

BHP Set to Announce New Concentrator at Escondida: Investment Between \$5 to \$6.5 Billion

Aimed at Sustaining Copper Production and Mitigating the Impact of Lower Ore Grades Starting in 2027.

soyantofagasta.cl

This Sunday, an international delegation comprising analysts and investors from BHP is expected to arrive in the Antofagasta region as part of a visit extending until Wednesday, November 20. The itinerary includes site tours of Minera Escondida in Antofagasta and Spence in Sierra Gorda.

During this visit, the multinational mining company is anticipated to make a major announcement regarding its planned investments in the region over the coming years to sustain its copper production levels.

The purpose of these investments, according to previous evaluations by Minera Escondida, is to address the expected decline in ore feed grades for its concentrator plants starting in 2027. The company has been exploring options to offset this impact, which include the potential construction of a new concentrator to replace the existing Los Colorados facility and the deployment of one or more leaching technologies to enhance recovery rates and unlock primary sulfide resources.

The projected costs for this new concentrator at Escondida are estimated by analysts to range between \$5 to \$6.5 billion.

Ahead of this announcement, Minera Escondida President Alejandro Tapia recently welcomed BHP CEO Mike Henry, along with Catherine Raw, Chief Development Officer, and Brandon Craig, President of Minerals Americas. "Together, we discussed growth plans for our assets and carried out field activities with our teams," Tapia shared on his LinkedIn profile.

Tapia also emphasized, "At Escondida, thousands of us work to lead the copper production that the world needs. We are committed to safety and recognize our positive contribution to the region and the development of the modern world." Tapia is expected to lead the delegation's tour of the operation located 170 kilometers southeast of Antofagasta.

Global Copper Market Faces Shifts: Chinese Importers Reduce Annual Contracts, Increase Spot Purchases

The decline in Chinese demand and the rise of domestic production challenge producers like Codelco, as spot premiums hit historic lows, marking a potential turning point in global metals trade.

By Longino de Iquique

The global copper trade is undergoing a significant transformation, driven by shifts in purchasing patterns among Chinese importers. According to a report by **El Financiero**, Chinese buyers are reducing their reliance on annual supply contracts, opting instead for spot market purchases. This strategic shift, which includes clients of producers like Codelco, reflects a slowdown in Chinese demand following decades of economic boom and an increase in the country's internal production capacity.

The End of a Traditional Model

For years, annual negotiations to set premiums and volumes of refined copper supply were an industry benchmark, especially in agreements with major players like Codelco. However, this model has lost relevance. By 2025, Chinese traders anticipate a reduction in the volumes of annually contracted refined copper, according to statements from six operators present at the Asia Copper Week in Shanghai. Codelco, which has maintained a premium of \$89 per ton since last year, now faces a spot market where current premiums hover around \$50, significantly below traders' expectations for future annual agreements.

Market Pressure and China's Domestic Boom

Negative premiums in the spot market, first recorded earlier this year, have hit Chinese buyers hard. According to the deputy general manager of Eagle Metal International, "many clients lost money this year due to the terms they signed (...) no one believes the spot premium will rise much next year." Moreover, China has accelerated the construction of smelters over the past two years, significantly increasing its domestic supply and reducing its reliance on refined metal imports. This shift has resulted in refined copper imports barely exceeding levels seen a decade ago, raising questions about the need for annual agreements.

Challenges for Codelco and the Global Market

The decline in annual contracts presents a challenge for major producers like Codelco, who face greater uncertainty in a market where floating prices reduce guaranteed profits. Analysts suggest that the Chilean state-owned company could be diversifying its markets toward regions like the United States, seeking to reduce exposure to the fluctuations of the Chinese market. On the other hand, buyers also face risks, as greater reliance on the spot market could leave them vulnerable to potential fluctuations in premiums due to changes in supply and demand.

Moderate Projections for Copper Consumption in China

According to the CRU Group, copper consumption in China is expected to grow by only 2.9% in 2025, compared to the 4.2% projected for 2024. The slowdown in the real estate sector—a key driver of demand—offsets progress in renewables and other industries. Without significant government stimulus, it is unlikely that demand will rebound substantially, specialists from Eagle Metal noted.

The Future of Copper Trade

Discussions in Shanghai during Copper Week reflect a market in transition, with China focusing on its internal capabilities and international producers adapting to a new dynamic. This shift not only redefines traditional trade relationships but also underscores growing uncertainty in the global copper market, where players must find a balance between China's domestic supply and opportunities in other markets.

The impact of these transformations will continue to be a central issue for the copper industry, marking a turning point that could reshape the strategies of major producers and buyers worldwide.

According to Cochilco, the investment portfolio for the 2023-2033 period amounts to \$65.7 billion, less than 60% of the \$112 billion projected in 2013. Consequently, the production forecast for 2034 stands at 6.43 million tons, compared to the 8 million tons projected in 2013 for the late 2020s.

Among the reasons for the decline in the investment pipeline are legal uncertainty and permitting issues.

Addressing these challenges and stimulating investment is crucial to avoid further production drops. Otherwise, there could be negative impacts on fiscal revenues, employment, and production linkages.

Mining investors seek the most profitable options, and in Chile, all new projects are reporting lower ore grades. In 2022, Chile's average grade was 0.59%, while in Africa it is not uncommon to find grades exceeding 5%. This has led to the Republic of Congo overtaking Peru as the world's second-largest producer. Thus, any delays in project approvals in Chile may shift investments toward more competitive countries.

Mining is not just about copper or other minerals; it is an ecosystem that benefits the entire country through revenue and the well-being it generates. Additionally, mining drives other economic sectors such as industry, trade, and business services through production linkages.

According to estimates from the Central Bank of Chile, a 3.3% increase in mining GDP would result in a 0.59 percentage point rise in overall GDP, with direct impacts (0.46pp) and indirect effects (0.12pp). This impact could be even greater when considering investment expenditures linked to the construction sector. Furthermore, technological advances in the mining industry contribute to national development by fostering worker training and the incorporation of advanced technologies, among other benefits.

The geopolitical relevance of mining is also crucial, supporting the livelihood of many cities in the north of the country, as it operates in desert regions far from major urban centers. Additionally, Chile faces a unique opportunity to be a key supplier of the minerals needed for the global energy transition.

Despite lower ore grades, Chile's geology continues to offer positive prospects, with better opportunities projected for medium-sized mining projects. Thus, it is essential to enhance the country's attractiveness through institutional improvements, providing greater legal certainty and addressing permitting issues.

Although two bills have been announced to accelerate investment, it is important to note that without broad support, they could take years in Congress. This means that solutions may remain elusive for some time, adding to the time required to implement these laws if approved.

In summary, copper production is systematically declining. While various issues contribute to this trend, including those faced by Codelco, the real concern should be the stagnation in production. The decrease in ore grades, leading to higher costs, is due to aging mines, which should be countered with increased investment. For years, the industry has urged authorities to support investment by addressing issues such as permitting. As it was once said: mining does not fail Chile; let Chile not fail mining.

EnergyX, Teague Egan's Startup Eyeing Lithium Exploitation in Chile

The firm, founded by the well-known investor and entrepreneur, has secured preliminary approval for a \$690 million loan from Exim Bank to develop its Black Giant project in northern Chile. “If everything goes according to plan, and we obtain one of the CEOLs and the necessary permits, we could begin commercial lithium production in Chile by 2027,” Egan reveals to Pulso.

Pulso, A report by Fernando Vega

EnergyX, a company founded by Teague Egan in 2018 and headquartered in Puerto Rico, is making significant strides in the lithium sector with its sights set on Chile. With mining properties in both Chile and Texas, where it also operates a research center in Austin, the company is aiming to carve out a prominent place in the booming electric vehicle (EV) market. EnergyX integrates its proprietary direct lithium extraction (DLE) technology with the development of its own mineral deposits.

In a meeting with the Chilean Undersecretary of Mining, José Inostroza, on June 6, the company highlighted its investment plans in Chile. This includes a pilot plant near Antofagasta and plans to conduct environmental studies for its Black Giant lithium project, located near the Punta Negra salt flat. The project could potentially generate 45,000 tons of lithium annually, with an estimated investment of over \$1 billion. “If everything aligns and we secure one of the CEOL (Special Lithium Operating Contracts) and the necessary permits, we could begin commercial lithium production in 2027,” Egan told Pulso from Los Angeles, USA.

Pursuit of a CEOL

Egan has expressed ambitious plans for Chile, having secured preliminary approval from the Export-Import Bank of the United States (EXIM) for a \$690 million loan to support the Black Giant project. “We have the financing, the technology, the expertise from top-tier mining professionals, and ownership of the mining concessions. We have thoroughly reviewed every requirement to obtain a CEOL and are confident that we meet them all,” says Egan, who has made over 20 trips to Chile to advance the project.

The Chilean government, as part of its National Lithium Strategy, received 81 expressions of interest from companies across various countries to develop lithium projects in 16 different salt flats. However, it has currently prioritized just six for granting initial operating permits.

Navigating Regulatory Challenges

EnergyX is developing parallel projects in both Chile and the United States to mitigate risks. Egan notes that while South America's lithium resources are among the best globally, there are uncertainties surrounding permits and regulations. “In the U.S., the resource may be of lower quality, but there is less regulatory uncertainty; if you meet the requirements, as Chile's CEOL stipulates, you get the permits,” he states.

This approach comes after a setback in Bolivia in 2022, where EnergyX was disqualified from a bidding process to exploit lithium in the Uyuni salt flat due to late submission of documents. “We built a pilot plant in Bolivia, and technically, it was very successful. It was one of the first plants of its kind to operate 24/7 for six months. However, in the end, the Bolivians awarded the contract to a Russian firm due to geopolitical reasons,” Egan recounts.

A Project in Exploration

The current status of the Black Giant project in Chile is focused on exploration rather than immediate extraction. Egan explains, “We have the camp set up with 60 people on site conducting drilling to better understand the mineral composition beneath the surface.”

EnergyX, listed as Energy Exploration Technologies Inc. with the U.S. SEC, has raised over \$130 million globally from traditional investors. Its Chilean subsidiary, EnergyX Chile Spa, had a capital of \$6 million as of December

2023. Egan emphasizes the firm's mission to accelerate the global transition to sustainable energy through more affordable lithium-based energy storage solutions.

Strategic Expansion and Technology Licensing

In addition to developing its own resources, EnergyX is exploring opportunities to license its DLE technology to other companies. However, Egan admits that this is a challenging endeavor. "These are lengthy sales cycles because they involve multi-million or even billion-dollar investment decisions," he explains. Nonetheless, they are actively engaged in discussions with major players such as Posco, Exxon, and Rio Tinto.

In August, EnergyX made a \$150 million offer to acquire the assets of Australian mining company Galan Lithium, which was swiftly rejected. Egan highlights the rapid progress being made in Argentina, which has tripled its lithium production capacity over the last two years, making it the fourth-largest producer globally, following Australia, Chile, and China.

Outlook and Future Plans

Despite the hurdles, Egan remains optimistic about the future of lithium demand. The Black Giant project, alongside EnergyX's broader strategy, aims to position the company at the forefront of the lithium industry as global demand continues to surge, driven by the push towards electrification and renewable energy.

As Egan concludes, "There's no doubt that the demand for lithium will keep growing. Our goal is to be at the center of this transition by securing both technological and resource-based leadership in the market."

Storm Clouds Threaten Chilean Economic Growth in 2025

In addition to existing economic challenges, such as sluggish investment recovery and more persistent inflation than anticipated, the impact of policies promised by Donald Trump could pose further threats. The risk of a global trade "war" and the weakening of emerging market currencies like Chile's could impose new constraints on the country's fragile economic outlook for next year.

Pulso, By Julio Nahuelhual

At the beginning of April, Finance Minister Mario Marcel confidently declared, "In 2025, we will have a more stable economy, which will be better than in 2024." His optimism reflected the government's positive outlook after a surprisingly strong start to the year in terms of economic activity, defying analysts' predictions. This was driven by a record increase in copper prices and significantly improved growth forecasts in the Central Bank's March Economic Policy Report (Ipom).

However, as the months passed, the outlook began to cloud over. Not only did the projected scenario for this year worsen, but hopes that the final year of Gabriel Boric's government would be the best economically also began to fade.

"Despite doomsday predictions of only 1.5% growth, we project a 2.6% expansion in 2025. We will continue on this path, recovering the drive and dynamism that our country deserves," President Gabriel Boric announced in a national address nearly two months ago while unveiling the 2025 budget.

Yet, the zero growth reported in September, coupled with an unexpected inflation spike of 1% in October, served as a "cold shower" for Marcel's expectations. He announced that this week he will lower his original growth forecast of 2.6% for this year. This slowdown is also beginning to affect projections for 2025, amid persistently weak investment and stubborn inflation. While the Finance Ministry maintains a growth projection of 2.7% for next year, the market has already adjusted downward, forecasting a 2.1% expansion according to the latest Central Bank Economic Expectations Survey. The Ministry was also forced to reduce the planned increase in the 2025 Budget and announce spending cuts for the end of 2024.

The Trump Effect

Adding to the delicate internal situation of the Chilean economy is the uncertainty in global markets caused by the potential effects of Donald Trump's election in the United States and his economic campaign promises.

Trump's controversial proposal to raise tariffs by up to 20% on general imports and set a 60% rate on Chinese goods presents one of the greatest threats to emerging economies like Chile's, according to analysts. These experts also emphasize the importance of local factors in slowing growth.

"Trump's reelection generates uncertainty, especially in developing economies like ours," explains Sebastián Izquierdo, academic coordinator at the Center for Public Studies (CEP). "The potential implementation of an ultra-protectionist agenda, with 60% tariffs on Chinese goods, could trigger a trade war. In the context of a weakening Asian economy, this could have a significant impact on emerging countries, particularly those more open to trade and reliant on commodities, such as Chile, whose primary trade partner is China, followed by the United States."

Economist Patricio Rojas believes that the outlook for 2025 will be shaped by the same local challenges observed this year. "Chile's economy will likely see low dynamism, especially in private investment and consumer spending, which will grow only slightly more than the GDP. We expect growth to hover around 2%-2.2% in 2025," he predicts. Rojas also suggests that Trump's election confirms a global scenario with interest rates that will not drop significantly, a strong dollar, and a Chinese economy growing less in 2025 than in 2024.

"In this context, expectations for copper and lithium prices are negative for 2025, which will put further pressure on fiscal accounts. The local outlook for next year remains highly dependent on domestic factors rather than international ones," Rojas adds. The higher dollar, coupled with increased electricity tariffs impacting inflation, alongside expansive fiscal spending, will force the Central Bank to exercise greater caution in lowering interest rates, potentially affecting the monetary stimulus planned for 2025.

Economic Growth and the Presidential Campaign

The deterioration of the international environment and Chile's slow economic growth have sparked discussions on implementing pro-growth measures. However, economists believe it is unlikely that any significant initiatives could be introduced to stimulate next year's growth.

"It's hard to see how the government could implement anything substantial at this point to boost growth," says Alejandro Fernández, economist at Gemines. "The administration's economic preferences and biases are already well known in the market, and after almost three years in office, it's unlikely that anything significant will change." Nonetheless, Fernández expects that restoring higher growth rates will become a key topic in next year's presidential campaign. Sebastián Izquierdo from the CEP agrees: "Like in the U.S., next year's elections in Chile will focus heavily on economic concerns. We'll see whether this translates into bold, creative measures, given the lack of fiscal flexibility."

Natalia Aránguiz, from Aurea Group, recalls that the current government came into office with a social and redistributive agenda that sidelined issues like economic growth, investment, and job creation. "Expecting a sudden shift towards pro-investment and growth measures would be inconsistent with the administration's original vision," she says.

Patricio Rojas also notes the government's lack of urgency on the growth front and stresses the need for specific, quickly implemented measures to boost investment and employment, particularly in sectors like construction.

"Given the high unemployment rates and lack of economic dynamism, the economy will undoubtedly be a focal point in the upcoming presidential elections," Rojas concludes.