

BHP to Invest Up to \$13.7 Billion in Chile, Marking Its Largest Investment in the Country Since Escondida

The world's largest mining company detailed its plans to increase copper production to a large delegation of investors.

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Author: Patricia Marchetti

Not only did investors and BHP's top executives arrive in Santiago this weekend, but so did plans for the world's largest mining company's growth in Chile. As previously reported by *DF*, the Anglo-Australian firm is preparing a mega-investment for its operations, projected to be its largest since launching Escondida in 1990 and the most significant for the sector in recent years: between \$10.1 billion and \$13.7 billion over this and the next decade.

BHP is conducting a tour of its operations from November 18-21, focusing on its growth strategy in the country and copper market outlook. Among the 60-person delegation are Mike Henry, the company's global CEO, and director Caroline Cox.

According to information shared with analysts and the Australian Securities Exchange (ASX), the plan for Escondida, the world's largest copper mine, accounts for nearly 80% of the total investment, reaching up to \$10.8 billion across various projects.

The most significant initiative is the construction of a new concentrator plant to replace the Los Colorados plant and maintain production capacity, with an estimated capital expenditure (Capex) of between \$4.4 billion and \$5.9 billion. The plant is expected to have a production capacity of 220,000 to 260,000 tons of copper per year. A final investment decision is anticipated between 2027 and 2028, with an Environmental Impact Study submission by late 2026 and operations starting between 2031 and 2032.

Before this, the company plans to extend the lifespan of the Los Colorados plant until at least 2029 (beyond the current plan ending in fiscal 2027) with a \$300 million investment, increasing annual production from 130,000 to 145,000 metric tons. Depending on the project's progress, there may be an option to extend the mine's life until 2031.

Once this timeline is met, BHP anticipates a Capex of \$400 million to \$700 million for the plant's decommissioning.

The second-largest investment project for Escondida is the expansion of the Laguna Seca concentrator plant to increase processing capacity by an additional 15 million tons annually. This will require an investment of \$2 billion to \$2.6 billion. BHP expects to submit environmental studies by late 2025, with a final investment decision in fiscal 2027-2028 and production starting in 2030-2031. The project could add 50,000 to 70,000 tons of annual copper output.

Additionally, the company aims to implement proprietary leaching technology, called BHP Leach, for processing depleted primary sulfide ores. This initiative would require an investment of \$900 million to \$1.3 billion and promises to recover approximately 50% of the remaining leachable copper. The project's Environmental Impact Study is scheduled for early 2026, with operations estimated between 2030 and 2032.

Other projects at Escondida include modernizing the camp facilities, building a new warehouse, and extending material disposal areas.

Pampa Norte

For the Pampa Norte portfolio (Spence and Cerro Colorado), the company plans to enhance the current concentrator to improve production and increase throughput from 95,000 to 105,000 tons per day, with an investment of up to \$600 million.

BHP also aims to extend the lifespan of Spence's cathode production until 2031, maintaining an average production of approximately 60,000 tons annually through a \$120 million investment.

At Cerro Colorado, BHP plans to reopen the mine, which ceased operations in 2023 due to water supply shortages. The company announced an investment of \$2.3 billion to \$3.2 billion to restart operations in 2031-2032, following the submission of environmental studies in the second half of 2026.

"Chile, a Stable Country"

In its presentation, the world's largest mining company described Chile as "a stable country for investments," highlighting its "strong institutions supporting a longstanding market economy," as well as monetary and fiscal policy stability.

"After the economic instability caused by the pandemic and social unrest, inflation continues to moderate as the economy recovers," the company noted. It also referred to the mining royalty as "a new royalty structure providing certainty" to the industry.

Since 1990, BHP's assets in Chile have produced approximately 38 million tons of copper to date, representing 7% of global copper mine production.

According to the company's estimates, global copper demand will grow by 70% by 2050, reaching 50 million tons annually.

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- **78% of the total investment will be allocated to the Escondida plan.**
- **\$5.9 billion could be the cost of the new concentrator plant.**
- **\$3.2 billion is planned for reopening Cerro Colorado.**

New Workers' Union Emerges at Escondida and Will "Soon" Begin Collective Bargaining

After the approval of the Statutes, the group thanked its more than 300 members, stating, "We are aware of how difficult the path was for many of you due to the repeated and persistent attacks from the other union."

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Author: Patricia Marchetti

A new workers' union has been formed at Minera Escondida, part of mining giant BHP. Sindicato No. 3, which has over 300 members, announced via a statement that it will "soon formally begin new collective bargaining with the company."

"This important and long-awaited achievement was accompanied by the approval of the Statutes, with 100% of the attendees voting in favor during the electoral process," the leadership added, emphasizing that all legal requirements for the formation of the group were met.

The leadership board consists of:

- Marcelo Fonseca, President
- Pedro Marín, Secretary
- Tamara Orrego, Treasurer
- Nathalia Vergara, First Director
- Maribel Rojas, Second Director

"The new board deeply thanks all members for their loyalty and trust, and for believing in this noble project. We are aware of how difficult the path was for many of you due to the repeated and persistent attacks from the other workers' union at the company. Even so, you remained steadfast in your convictions," the leadership stated.

At the end of October, Sindicato No. 1 of Minera Escondida filed three complaints with the Labor Court of Antofagasta, accusing the company of unfair and anti-union practices. One of these involved "the unusual hiring of new personnel, which has increased the number of members in the intercompany union," referring to the newly formed union. They also accused the company of promoting this group.

Following the formation of the new union, BHP commented: "In line with labor regulations and our internal policies, at Escondida, we respect union freedom. As we

have done with other representative workers' organizations, we will remain consistently open to dialogue based on mutual respect and the pursuit of agreements."

BHP evaluates initiatives that could involve disbursements of over US\$14 billion:

The largest copper producer in Chile designs a plan to sustain current volumes

The resources will be mainly allocated to Escondida, the world's largest mine. The reopening of Cerro Colorado is also being considered. The company paid US\$1.12 billion in taxes in the first half of the year.

El Mercurio de Santiago. November 19, 2024

Author: Tomás Vergara P.

Anglo-Australian miner BHP, the controlling company of Escondida, anticipates global copper demand to grow by around 70% by 2050, exceeding 50 million tons.

As the largest copper producer in Chile, surpassing Codelco, BHP paid US\$1.12 billion in taxes in the first half of the year alone. The mining sector is closely watching the executive team's visit to Antofagasta in the coming days. A key update is that BHP projects investments in Chile ranging between US\$10.3 billion and US\$14.04 billion for its three operations in the country: Escondida, Spence, and Cerro Colorado (see infographic).

During an investor tour in Antofagasta, executives shared more details. According to their statements, BHP aims to maintain a production threshold of 1.4 million tons of copper per year throughout this decade.

Focus on Escondida

This year, Minera Escondida has achieved an annual production increase of 11%, exceeding 928,000 tons by the end of September. However, the company anticipates a significant decline in the second half of the decade due to the extraction of lower-grade ore in its operations.

To address this, BHP's investment program unveiled yesterday includes four projects for Minera Escondida.

One project involves the temporary expansion of the Los Colorados concentrator. This infrastructure would later be demolished as it sits atop a higher-grade mineral deposit

crucial for expanding the current open pit. The area spans 200 hectares, with over 100 buildings and about 30,000 tons of structural steel.

Simultaneously, one of the most ambitious projects in the portfolio is the construction of a new concentrator plant to replace Los Colorados in the long term. This initiative involves an investment of between US\$4.4 billion and US\$5.9 billion, with environmental permitting to start in 2026 and operations expected by the early next decade. The project aims to use less water and achieve a higher copper recovery rate, with a processing capacity of approximately 125,000 tons per day.

Another development is the expansion of the Laguna Seca concentrator, leveraging existing facilities to boost productivity and recovery rates. Permit processing is expected to begin in 2025, with an investment exceeding US\$2 billion and operations projected to start between 2030 and 2031.

Additionally, BHP plans to implement a new copper leaching technology at Escondida, a process that involves recovering metals from mineralized rock using water and sulfuric acid. This initiative represents an investment of up to US\$1.3 billion.

Reopening Cerro Colorado

Another highlight from BHP's presentation on Monday is the planned reopening of Cerro Colorado, a mine located in the Tarapacá Region.

Operations ceased at the end of 2023 after its environmental license and water extraction permits expired. The company detailed that studies are ongoing, and activities are being conducted to support the permitting process. BHP plans to begin environmental permitting in 2026, aiming to restart operations in early 2031, with an estimated annual production of 85,000 to 100,000 tons of copper.

The associated investment is estimated between US\$2.3 billion and US\$3.2 billion, with a potential second exploitation phase starting five years later.

For Spence, located in Antofagasta, the plans include debottlenecking and expanding the existing concentrator to enhance throughput and mineral recovery, along with adopting leaching technology to extend the lifespan of cathode production processes.

On the global stage, BHP has announced various investments and partnerships, such as the collaboration with Lundin Mining in Argentina to develop the Filo del Sol and Josemaria projects.

New Union at Escondida Aims to Negotiate in December

The organization was formed with about 300 members and seeks to challenge the dominance of Union No. 1.

El Mercurio de Santiago. November 19, 2024

Author: Tomás Vergara P.

Minera Escondida, the world's largest mining operation, boasts one of the strongest labor organizations in the industry: Union No. 1. During this year's negotiations, each member received benefits exceeding 33 million Chilean pesos, a record amount in the country.

However, the company now faces a new front as a new operators' union, the "Union No. 3 of Workers of Minera Escondida," has been recently formalized.

This organization already includes 300 members, including maintenance staff, and approximately 60 members who have left Union No. 1. Currently, Minera Escondida employs around 2,800 operational workers, a figure that rises to over 3,700 when including supervisors and staff.

The new entity is expected to formally initiate collective bargaining with the company as early as December, according to the union's president, Marcelo Fonseca. Workers transitioning from the other organization are not allowed to participate.

"Our goal is to achieve improvements in production bonuses, management incentives, and better retirement packages for workers," says Fonseca, who also explains that this group plans to negotiate every 24 months, seeking annualized bonuses surpassing those achieved by Union No. 1.

Although no specific figures have been set for the upcoming negotiations, the 33 million pesos in benefits received by Union No. 1 (over 36 months) would equate to approximately 22 million pesos over a 24-month period.

Fonseca emphasizes, "We are a union focused on dialogue rather than confrontation. We believe good leaders achieve strong agreements without conflict. With ideas to enhance productivity and production, we aim to secure greater economic benefits for workers. Strikes, for us, should be the last resort for any union."

This new union was formed as a response to Union No. 1's strong opposition to workers operating as a negotiating group in 2018. Since then, they have been working toward this goal and recently received advice from lawyer Álvaro Le Blanc, who served as

Regional Secretary for Labor and Social Security during President Sebastián Piñera's second term.

When asked about the new development, the company stated: "In line with labor laws and our internal policies, at Escondida I BHP we respect union freedom, and, as we have done with other worker organizations, we will remain open to dialogue based on respect and the pursuit of agreements."

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Union No. 3 already includes around 60 members who have left Union No. 1. The president is Marcelo Fonseca (third from left to right). Union No. 3 of Minera Escondida.

If the "green economy" boost is deactivated:

What impact will the new White House have on lithium and Chilean miner SQM?

The policies of the elected president threaten the so-called "white gold" on several fronts.

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Author: Marcos Barrientos Dörner

The year 2025 will mark the start of the Year of the Snake in China. Known as the most enigmatic animal in the zodiac, it heralds a time of uncertainty—something that aligns with what Donald Trump's return and a new trade war could mean for the Asian giant. What happens in China is critical for SQM, as it is a key destination for its lithium exports. However, a Trump administration wouldn't just impact lithium through a potential trade war; other policies could also pose challenges.

"If Trump dismantles the Inflation Reduction Act (IRA) and other measures aimed at boosting the green economy in the U.S., it would spell serious trouble for lithium prices," warns Gustavo Lagos, an academic at the Catholic University of Chile.

A 5% reduction in global electric vehicle adoption by 2025 could trigger a bearish scenario for SQM, adds Jefferies. The firm projects the stock price could plummet to \$22 per share, compared to the \$38 at which its ADRs closed this Friday on the New York Stock Exchange.

That said, some believe the blow may already be priced in. "The impact would be somewhat contained, considering that at current levels (of lithium prices), nearly 18% of producers are already unable to cover their costs," says Miguel Leiva, Vice President of Research at Credicorp Capital.

End of subsidies

On Thursday, Reuters reported that Trump's team is planning to eliminate the consumer tax credit for electric vehicle purchases—one of the hallmark measures of the IRA.

"Lower tax credits could affect lithium demand and prices," warns Bank of America.

This measure would not be the only one to impact "white gold." Political uncertainty and risks to the electric vehicle supply chain are also expected to rise. BloombergNEF has lowered its forecast for electric vehicle adoption in the U.S. by 2030 from 48% to 33% under a new Trump era.

These factors could lead to downward revisions of the expected rebound in lithium prices. On Friday, lithium traded at \$10,450 per ton, while analysts' consensus points to \$18,000/ton by 2027.

Bci warns that lower lithium prices would have a financial impact on SQM. In a conservative scenario, the company's EBITDA (earnings before taxes, interest, depreciation, and amortization) projection for 2025 could drop by 6.8%, to around \$1.6 billion. In a pessimistic scenario, it could fall by 13%, to \$1.5 billion.

For other analysts, SQM's stock decline since 2022 already factors in the most challenging scenario. "We believe lithium prices already reflect, to some extent, a tougher U.S. trade policy toward China, considering that this year, the U.S. significantly raised tariffs on batteries and electric vehicles," says Leiva from Credicorp Capital.

Bci adds that China still has "ample room" for stimulus measures that could mitigate the impact on commodity prices.