

# Constructive Dialogue is Everyone's Responsibility

“BHP and Spence have been open from the beginning to facilitate discussions and help the parties involved reach a solution,” Cristian Sandoval, President of Pampa Norte | BHP.

**timeline.cl, November 21**

As a company, we have emphasized Chile as a favorable and attractive jurisdiction for new projects. We have presented the country as a reliable player where investments are facilitated through clear regulations. Our potential future investments are also crucial for the development of Antofagasta and Chile.

However, we are currently facing a situation that contradicts this framework. A public authority has apparently made the decision to order the demolition of the Caitán desalination plant in Mejillones, which supplies 90% of the water used by Spence | BHP. This decision, reportedly based on alleged non-compliance by the facility, could mean the desalination plant ceases to operate.

Authorities undoubtedly have the right to make such decisions. However, this right comes with the unavoidable responsibility to ensure that all necessary information is considered and that all possible solutions are sought. This has not been the case. As a customer of the plant, we have sought to bridge gaps by fostering dialogue and exploring solutions before applying the most drastic measure available, a measure that lacks proportionality. Drastic indeed, as halting the desalination plant would have a severe impact on Spence's operations, affecting 2,300 families in Antofagasta through job losses in a region where unemployment already stands at 8.7%.

It is evident that no private entity should disregard the norms and regulations of the jurisdictions where they operate. However, if discrepancies exist about compliance, the appropriate response should be to foster dialogue and consider corrective measures. Such steps would prevent significant harm to the regional and national economy, as well as to the ports of Mejillones, where Spence is a major client.

We have consistently advocated for addressing the issues at hand through constructive dialogue between all parties. BHP and Spence have been open from the start to facilitate discussions and support the stakeholders involved in reaching a satisfactory resolution. This approach could avert the damage that might otherwise be inflicted on thousands of families reliant on Spence and avoid a significant downturn in productive activity in the bay, which would directly and immediately impact the community of Mejillones.

We remain confident that uniting all stakeholders to resolve this situation is the only way to ensure progress and development in Chile.

# "Stable Country for Investment": BHP to Invest \$14 Billion in Chile

With the aim of increasing its copper production at its mining operations in Chile, BHP will invest \$14 billion.

reporteminero.cl. November 21, 2024

By Javiera Pizzoleo

Increasing copper production is the goal of the Australian mining company BHP. Last Friday, company executives visited the Chilean sites to observe their operations and announced a \$14 billion investment in the country.

In its report Chilean Copper Site Tour, the Australian company stated that Chile is a stable country for investment, highlighting its status as the first South American country to join the OECD, among other favorable aspects.

Brandon Craig, president of BHP Minerals Americas, said the company projects long-term production to stabilize at around 1.4 million tons per year (Mtpa), a 100,000-ton increase from current production levels.

BHP indicated its intention to invest between \$10 billion and \$14 billion to achieve its desired growth goals.

In detail, at Escondida, an investment of \$7.3 billion to \$9.8 billion is planned for new projects starting in 2028. This aims to offset declining ore grades and prepare for the upcoming closure of the Los Colorados plant, which will remain operational until the 2029 fiscal year.

## New BHP Projects

One of the proposed projects is the construction of a new concentrator. Through this initiative, the Australian company expects copper production of 220,000–260,000 tons by 2031–2032.

Additionally, BHP plans to expand Laguna Seca, with a projected output of 50,000–70,000 tpa during the same period.

These two projects require investments of \$4.4 billion–\$5.9 billion and \$2 billion–\$2.6 billion, respectively.

Meanwhile, BHP also plans to invest \$2.8 billion–\$3.9 billion in Pampa Norte (Spence and Cerro Colorado). This aims to boost copper production by 125–155 ktpa.

# Capstone Seeks Partner for \$2.315 Billion Project in Atacama and Hires RBC Dominion Securities

This week, the Canadian firm invited investors to learn about its Chilean operations, including Santo Domingo, Mantos Blancos, and Mantoverde.

**Diario Financiero, November 22, 2024**  
**By Valeria Ibarra**

The Canadian company Capstone Copper is seeking a partner for its Santo Domingo project in the Atacama Region, where it plans to invest \$2.315 billion in a copper, gold, and iron operation. This project is expected to increase the company's copper production by over 60% in the short term, from 270,000 tons to approximately 400,000 tons by the end of the decade. To facilitate this effort, Capstone has engaged the services of Canadian bank RBC Dominion Securities.

This week, the mining firm invited a distinguished group of investors and analysts on a tour of its Chilean operations. The visit included Mantos Blancos, the recently inaugurated Mantoverde mine, its cobalt extraction pilot plant, and critical infrastructure such as its desalination plant serving Mantoverde.

And the Santo Domingo project was featured in the tour. Santo Domingo, considered by Capstone as a cornerstone for developing a world-class mining district in Atacama, aims to produce not only copper but also strategic minerals such as gold, iron, and cobalt. The initiative also includes the development of complementary infrastructure such as a port and a new desalination plant.

One of the project's advantages lies in its synergies with Mantoverde, inaugurated this year and located just 35 kilometers northwest of Santo Domingo. Furthermore, Santo Domingo is near an undeveloped copper deposit owned by Capstone Copper, called Sierra Norte.

These assets will enable the company to create what it refers to as the Atacama District, which, according to its studies, is a "world-class" zone within the mining-rich Third Region of Chile.

Capstone Copper emerged from the March 2022 merger of Capstone Mining and Mantos Copper. It is publicly traded on the Toronto Stock Exchange, and its CEO is John MacKenzie, a former head of Anglo American in Chile. He is part of the team hosting the visiting investors, alongside company president Cashel Meagher, vice

president and head of Chilean operations James Whittaker (former president of Escondida), and vice president of technical services Peter Amelunxen.

Other executives present include Jaime Rivera, manager of Mantos Blancos; Óscar Flores, manager of Mantoverde; and Sergio Gaete, director of the Santo Domingo project.

Beyond its assets in Chile, Capstone Copper also owns Pinto Valley in Arizona, which is the only processing plant currently operational in the historic Globe-Miami mining district, one of the oldest and most productive mining regions in the United States. Additionally, it operates the Cozamin underground copper and silver mine in Zacatecas, Mexico.

## **Profitability of the project**

According to a financial report submitted to Canadian regulators in late October, Santo Domingo is described as “a robust copper, iron, and gold project with a post-tax NPV (Net Present Value, 8%) of \$1.7 billion and a post-tax IRR (Internal Rate of Return) of 24.1%.”

“The total initial capital cost of \$2.315 billion results in a capital intensity of approximately \$21,900 per annual ton of copper equivalent production over the mine’s life,” the company stated in the report.

During the investor presentation, Capstone emphasized that the investment per ton of production is one-third lower than Teck’s Quebrada Blanca 2 (\$33,000 per ton), less than Antofagasta Minerals’ Nueva Centinela (\$26,000 per ton), and closer to Freeport McMoran-Codelco’s El Abra expansion (\$21,000 per ton).

Capstone highlighted that the initial investment would have a post-tax payback period of three years.

The projected annual EBITDA for Santo Domingo averages \$850 million, with an average cost (C1) of \$0.28 per pound during the first seven years of operation. The mine will employ an open-pit production system, with a life span of 19 years and a mineral reserve of 436 million tons (compared to the previous 392 million tons). The ore grade is 0.33% copper, 26.5% iron, and 0.05 grams per ton of gold.

With Santo Domingo, Capstone Copper’s production is expected to grow by over 60% in the short term, reaching 400,000 tons of copper annually.

Additionally, the company noted that the Santo Domingo project’s area of influence includes the communities of Diego de Almagro, Chañaral, and Caldera. “There are no indigenous lands or territories of any kind claimed in the project area,” the company stated.

A critical aspect of the project is that it already has an approved Environmental Qualification Resolution (RCA) since 2015, Capstone Copper emphasized.

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**60% Production increase expected with Santo Domingo.**

**3 Years to recoup the investment.**

**\$850 million Annual EBITDA projected for the operation.**

# Copper Mining Costs in Chile Drop Nearly 5% in First Half but Remain Above 2015-2022 Levels

The Chilean Copper Commission (Cochilco) reported that in the first half of the year, the average cash cost in Chile's copper mining industry dropped by 9.4 cents per pound.

**df.cl**

**November 21, 2024**

Amid efforts by major mining companies to keep costs in check, the Chilean Copper Commission (Cochilco) reported that in the first half of the year, the average cash cost in Chile's copper mining industry dropped by 9.4 cents per pound, reaching \$1.906 per pound.

Compared to the first half of 2023, when cash costs averaged \$2 per pound, this represents a 4.7% decrease. However, costs remain higher than the 2015-2021 average, during which prices ranged from a low of \$1.228 in 2020 to a high of \$1.535 in 2015.

It is worth noting that in 2022, cash costs surged to \$1.672 per pound, almost 25% higher than in 2021. Subsequently, in 2023, costs rose by over 15%, reaching \$1.934 per pound.

Cochilco's calculation, which includes 21 major copper mining operations in Chile, covers 94.1% of the national copper production for the first half of 2024. Production during this period totaled 2,435 metric tons of fine copper, an increase of 96 metric tons compared to the same period in 2023.

Overall, 13 mining operations reduced their cash costs, while eight reported increases. "In the last semester, cost reductions were more pronounced in smaller operations," stated Cochilco.

According to the report, the cost decline was primarily driven by favorable market factors, including reductions in material costs, freight rates, energy, and fuel expenses, as well as a currency exchange rate increase. "The 17% rise in the exchange rate contributed to lowering production costs during the first quarter," the agency noted.

# Investments in Desalination Plants Coming in 2025

The industry will see significant activity next year, experts agree, as several desalination plant projects advance to their final stages. Regulatory challenges persist and will remain key topics of discussion (Special Edition: Sustainable Mining and Industry 4.0.)

**Diario Financiero. November 22, 2024.**  
**By Francisca Orellana**

Mining has become a priority industry for desalination plants, with ongoing investments expected to increase its importance, thanks to the goal of reducing continental water use to just 5% by 2050, according to the National Mining Policy.

"2025 will be a very active year for the industry. We will see the completion of the Collahuasi desalination plant project in Tarapacá, which will mark a milestone in the region. The Northern District project by Codelco and the Centinela seawater pipeline in Antofagasta are also progressing. In the central zone, the expansion of the Los Pelambres plant will continue, along with the commissioning of the Aguas Pacífico plant to supply desalinated water to Anglo American in Valparaíso," says Patricio Martiz, director of the Latin American Association of Desalination and Water Reuse (Aladyr).

Hernán Aravena, vice president of the Chilean Association of Desalination and Reuse (Acades), notes that there are currently 24 plants in operation in Chile with a capacity of over 20 liters per second, "of which 11 serve the mining sector, providing 8,000 liters per second, representing nearly 80% of Chile's installed desalination capacity."

He highlights that, according to the Acades-CBC survey, six additional plants are under construction for mining and multipurpose use, representing an investment of \$4.438 billion. Five of these will supply large-scale mining, adding an additional 3,900 liters per second of desalinated water. Thirteen plants dedicated exclusively to the industry account for \$8.895 billion.

As of September, mining represented 33% of spending for the 2024-2028 period, "being the most significant sector, with expenditures of \$21.33 billion during that time," says Aravena. He adds that for 2025, they project "an increase in investment compared to spending in 2023 and 2024, strongly driven by AMSA projects such as Nueva Centinela, Pelambres, and Zaldívar," without considering recently announced investments by BHP.



## **Challenges**

Nicolás Calderón, associate partner for climate change and sustainability services at EY, says Chile is well-positioned and advancing in seawater use projects for mining, "with a level of development that can be considered advanced compared to other countries." He points out that the trend is toward greater adoption and expansion of these technologies in the future, though he emphasizes that regulatory and permitting challenges remain, along with energy use considerations: "Most mining operations are at high altitudes, and pumping water from sea level requires significant energy expenditure."

# Karachi, the rare fish of the Chilean highlands threatened by the lithium industry

■ This unique species inhabits the Ascotán salt flat, one of the areas prioritized by the government for private white mineral projects.

**Diario Financiero, November 22, 2024**

In the Chilean highlands, at an altitude of 3,700 meters above sea level, swims the *\*Orestias Ascotanensis\**, also known as the "karachi," a small fish endemic to the springs that feed the Ascotán salt flat in the Antofagasta Region. This area is one of six prioritized by the government to promote private lithium projects.

The *\*Orestias Ascotanensis\**, measuring 6 cm and listed as "endangered," has been the subject of various scientific studies due to its rapid genetic adaptation to a hostile environment. It thrives in waters with high concentrations of heavy metals, fluctuating salinity, intense solar radiation, reduced oxygen, and drastic temperature changes ranging from 26°C during the day to below freezing at night.

However, as reported by Reuters, local basin communities warn that mining activity has decreased the fish population due to water extraction from the salt flat. They also express concern about the potential impacts of lithium extraction.

Miguel Allende, director of the Genome Regulation Center and a full professor at the University of Chile, told DF that "any intervention in the salt flat poses a very high risk to the survival of the karachi. We are concerned and hope awareness can be raised about the fact that this is a unique species."

Regarding the drying up of springs where the fish lives, the Doctor in Molecular Biology noted that it may be due to natural factors but also highlighted a correlation with water extraction for mining activities.

Addressing the plans under the National Lithium Strategy, he added: "Ascotán is the most threatened salt flat because it has very few springs. However, it is large and could potentially be shared. The optimal way to balance resource exploitation and environmental protection would be to establish protected zones far from mining activities, where watercourses remain untouched."

*Initiative Begins Key Voting This Week:*

## **Electric Companies Toughen Stance on Potential Effects of Subsidy Bill: Could Increase Costs for Business Clients**

**They Warn About Effects Associated with Modifying Existing Contracts.**

**El Mercurio de Santiago By Tomás Vergara P.**

After the approval of one of the key pillars for financing the electricity subsidy, which focuses on increasing the emission tax, companies in the sector have raised their criticisms.

The Association of Power Generators argued that this measure could result in more costs than benefits.

“This will not only fail to discourage the available energy supply based on coal, which will continue to be dispatched, but it will also impact energy costs for free-market customers, who drive a significant portion of the country’s economy, with corresponding effects on the economy and final consumers,” said Camilo Charme, Executive Director of Generadoras.

In this regard, Enel Chile CEO Giuseppe Turchiarelli stated that the increase in this tax would mean payments of US\$ 15 million, which he described as “a significant impact” for the company.

“I believe an alternative method must be found to fund the subsidy. Clearly, the VAT on the revenues from the stabilization law makes absolute sense,” added Turchiarelli.

Turchiarelli also warned about the “small business fund” included in the bill, asserting that it “puts at risk the certainty of contractual agreements... I understand the need, I can share that, but evidently, these are not measures that can be managed because they affect the company.”

One of the advocates for raising the emission tax is Deputy Jaime Mulet (FRVS), who highlighted the vote on Wednesday, commenting that “the companies that will pay the tax are the ones that have benefited from the increase in tariffs. These are the ones with contracts indexed to coal, gas, and the dollar. I think that is the cost they must pay as well.”

## Beneficiaries

On Wednesday, Energy Minister Diego Pardow acknowledged that state funding alone is enough to subsidize electricity for 2.1 million households but not for other measures, such as solar panels.

Marco Antonio Sulantay, President of the Mining and Energy Commission, pointed out that the subsidy should be financed solely through fiscal resources.

“There is self-restraint here, meaning that resources are generated within the system itself. It’s exactly like saying the government invites you to dinner, but you have to pay the bill. We need to legislate responsibly, and that means making a project that generates resources only from VAT surpluses,” Sulantay explained.

Humberto Verdejo, an academic at the University of Santiago, cautioned against overstating the subsidy’s benefits. “Now, the cost of drinking water is going up, so people may begin asking for more coverage for water services, where you have 850,000 beneficiaries, and with what you have today, you can reach 2.1 million in the case of electricity,” Verdejo said.

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**The cost per ton of emissions will rise to US\$ 10, double the current rate.**