

# BHP Local Procurement: Results and Future Outlook

Opinion Column by Cristóbal Marshall, Vice President of Procurement, Escondida | BHP.

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November 24, 2024.

*"A few weeks ago, BHP reaffirmed its commitment to the economic development of the Antofagasta Region, especially to hundreds of small and medium-sized local supplier companies. To this end, it confirmed the continuity of its Local Procurement Program."*

After nearly five years since the launch of BHP's Local Procurement Program, the accumulated results are remarkable. The initiative includes around 1,700 active local suppliers, with payments exceeding \$370 million. However, it's worth noting that this figure pertains only to the segment of small and medium-sized local enterprises. Escondida, at the level of all local suppliers regardless of size, handles purchases exceeding \$1 billion annually. These numbers undoubtedly confirm that we are a driving force for local economic dynamism and employment.

To better understand the program, it is worth revisiting its origins. The initiative began within BHP operations in Australia 12 years ago and was successfully replicated in Chile in 2019.

While suppliers from Antofagasta have always played a key role in the growth of BHP's operations, the Local Procurement Program was established to include and empower smaller companies, which should also benefit from the business opportunities generated by the mining industry.

The heart of the program lies in a simplified procurement process through a channel specially adapted to the reality of a local SME. It features a fast and straightforward enrollment process and opens hundreds of business opportunities annually under very favorable conditions. Among these is the commitment to a 7-day payment period, even though the law requires payment within 30 days.

In terms of local supplier development, we must think as an ecosystem, fostering future conditions. For this reason, Escondida has invested in the development of new initiatives to position Antofagasta as a world-class hub for innovation and entrepreneurship. Among the most notable is ASTER, a business accelerator created in 2021 in Antofagasta. ASTER has supported over 60 startups focused on mining, providing not only technical support but also over \$1.5 million in funding to scale their technological innovations.

A few weeks ago, BHP reaffirmed its commitment to the economic development of the Antofagasta Region, especially to hundreds of small and medium-sized local supplier companies. To this end, it confirmed the continuity of its Local Procurement Program.

Not only that, but it also reaffirmed that this initiative deserves to be strengthened. Along with changing the program's administrator, we are seeking improvements to the operating model, with greater presence in the city and stronger connections to the local entrepreneurial ecosystem. This is particularly timely as new opportunities emerge from BHP's growth plans in the region.

# **BHP's Expansion Projects in Chile Backed by Strong Copper Market Deficit, Says Brandon Craig, President of BHP Americas**

The mining company recently presented investors with an ambitious 10-year growth plan involving capital expenditures of at least \$11 billion, potentially exceeding \$14.7 billion if the Cerro Colorado restart proceeds.

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November 22, 2024

A significant copper market deficit of 10 million tons anticipated over the next decade is driving global mining giant BHP to advance major projects exceeding \$11 billion, Brandon Craig, President of BHP Americas, revealed to Reuters.

In his first interview since assuming the role, Craig described meeting the global demand for copper—critical for electrification and the energy transition—as "a fairly challenging task." "We believe there is a very high potential for an imbalance between supply and demand, which is why we are pushing so hard in our investment focus," he said.

Craig explained that the capital intensity of developing projects averages around \$25,000 per ton, requiring approximately \$250 billion globally to develop and operationalize projects over the next 10 years.

Decarbonization and the adoption of electric vehicles will be the clear drivers of demand. With this in mind, the company recently presented investors with an ambitious 10-year growth plan involving capital expenditures of at least \$11 billion. This figure could rise above \$14.7 billion if the restart of Cerro Colorado proceeds.

"As we move towards final investment decisions, you'll see these capital ranges progressively narrow. But I think the way to look at it is a number in the range of \$11 billion or more," Craig explained. According to the timeline presented this week, the bulk of the expenditures will come toward the end of the decade.

"You reach peak spending approximately midway through the project. Applying that logic to this period, around 2030-2031—perhaps by the end of fiscal year 2029—you should expect to see the peak capital deployed," he estimated.

## **Escondida in the Spotlight**

As BHP's largest asset, the focus is on Escondida—the world's largest copper mine—where plans include extending the life of a concentrator, expanding the Laguna Seca concentrator, building a new concentrator to replace Los Colorados, and adopting leaching technologies.

"Our effort has really been centered on what investments we make at Escondida to offset both an increase in ore hardness and declining ore grade," Craig detailed. While the company previously envisioned Escondida transitioning into an underground mine, Craig dismissed the idea in the medium term.

"At current copper prices, it would not be profitable to develop an underground mine at Escondida," he emphasized, though he acknowledged it could be a possibility in the long term. "If you look 10 or 20 years ahead, you know circumstances will be very different. So it's one of those things you need to evaluate and keep monitoring," he noted.

The investment plan also includes smaller-scale adjustments at the Spence mine and the potential relaunch of Cerro Colorado. However, options for the smaller mine are "less defined." Craig stated that the company had set aside its interest in selling Cerro Colorado, which was closed last year due to water use permitting issues.

Instead, BHP is exploring a leaching solution that uses seawater.

## **Permitting Challenges**

Addressing concerns about the company's capacity to execute all initiatives simultaneously, Craig expressed confidence in BHP's workforce, contractor expertise, and market support. "It's not just about being confident in the ability to execute; it's about doing so on time and within budget, which is equally important," he remarked. "I think the team we have is exceptional. The performance they can deliver is very good. We want to keep driving productivity and business performance hard," he affirmed.

Craig stressed the importance of unlocking permitting processes for investments in Chile. The country's Congress is currently debating two bills aimed at streamlining evaluations. "We will continue to work closely with

the government to make that happen, because the faster we can advance our projects, the more economic value we can generate," he said, noting that faster permitting could accelerate project timelines.

"We have assumed it will take us approximately 12 months to secure an Environmental Impact Statement (DIA). If we could achieve that in half the time, it would be a fantastic outcome for us," he remarked, adding that it is too early to assume the legal adjustments will pass.

Craig emphasized that his role focuses on maximizing the resources BHP holds. "Our default is to take those resources and develop them," he said. "Our core business in Chile is centered on organic growth," he highlighted.

Under British acquisition laws, BHP is barred from making another offer for Anglo American until the end of this month, following a rejection earlier this year. BHP has not ruled out making a new offer.

# BHP: Investors Conclude Visit to Escondida and Spence After Reviewing Growth Plan in Chile

The company's projects in the country amount to over \$13 billion, aiming to advance its global copper development options.

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Between November 18 and 20, BHP hosted a group of investors and financial analysts at its Escondida and Spence operations. The visit provided an opportunity to showcase the company's copper growth plans and highlight the critical role of its operations in Chile, which include expansion initiatives totaling more than \$13 billion.

Key projects presented for Escondida | BHP include the expansion of the Laguna Seca concentrator plant, the construction of a new concentrator, the extension of the operational life of the Los Colorados concentrator, and its eventual demolition. This demolition project will enable access to higher-grade ore resources beneath the plant in the future. The company also shared details on optimizing heap leach treatment through proprietary leaching technologies.

Alejandro Tapia, President of Escondida | BHP, commented, "During this visit, we were able to demonstrate the scale of Escondida as a copper asset. With 26 billion tonnes in resources, we have significant flexibility to continue developing the deposit in the future, alongside a portfolio of projects designed to bolster our productive capacity in the face of upcoming operational challenges. All of this presents a tremendous opportunity to maintain our leadership in copper production while creating social value."

## Pampa Norte

The company also detailed its plans to increase copper production at Pampa Norte. At Spence, efforts are focused on optimizing the current concentrator's performance and extending the cathode production life. For Cerro Colorado, BHP outlined a potential plan to reopen the operation, which has been on temporary closure since 2023.

Cristian Sandoval, President of Pampa Norte | BHP, stated, "At Spence, we are a fully integrated operation, from mine to port, combining technology, sustainability, inclusion, diversity, operational excellence, and, above all, safety. This visit provided an opportunity to show investors how the future of mining is unfolding on the ground. With over 2.4 billion tonnes of copper reserves, we are a vital part of BHP's portfolio and a key contributor to the planet's electrification needs."

BHP revealed that the execution of these projects at both operations will ensure the maintenance and growth of copper production while adhering to sustainability standards. This includes primarily using seawater and relying entirely on renewable energy. During the visit, the company also emphasized its hallmark operational excellence, safety, and flexibility.

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The visit was led by Brandon Craig, President of BHP Americas; Alejandro Tapia, President of Escondida | BHP; and Cristian Sandoval, President of Pampa Norte | BHP.

# **José Miguel Benavente on Lithium Price Collapse: "If the Price Drops, Everyone Will Exit the Market, Except Us"**

The Executive Vice President of Corfo stated that lithium prices will not return to supercycle levels, predicting an average of \$10,000 to \$12,000 per ton over the next two years. Additionally, he revealed that more than 10 companies will participate in the tender for Albemarle's specialized producer quota. He also provided details about StartupLabs, a government initiative announced during ETM Day 2024.

Pulso, by Sofía Aravena  
November 24, 2024.

Last week, SQM released its quarterly corporate results, revealing that lithium prices had fallen below \$10,000 per metric ton. In an interview with *\*Pulso\**, José Miguel Benavente, Executive Vice President of Corfo, discussed the decline, noting that lithium prices are unlikely to reach the heights of the supercycle in the long term. He also dismissed concerns over Argentina increasing its lithium production, as much of it would be refined in Chile. Furthermore, Benavente announced that the tender process for Albemarle's specialized producer quota will begin in the coming weeks, with multiple companies showing interest.

## **This week we saw a significant drop in lithium prices. How much have SQM and Albemarle's contributions decreased this year?**

"Our revenue depends on these companies' sales. Naturally, as international prices have declined, the income associated with those sales has decreased. It's important to remember that lithium prices are cyclical. In 2021, lithium was priced at about \$7,000–\$8,000 per ton. Now, it's dropped to \$10,000, which some consider a disaster. But think back three years ago—the difference is clear. Five years ago, when Corfo signed its initial contracts with these companies, the price was \$5,000 per ton. Compared to that, \$10,000 is still high. What stands out is that prices spiked dramatically during the supercycle, but that's not going to happen again, at least in the long term. We focus on long-term trends. During the supercycle, we were well-positioned to capitalize, generating massive revenue. In 2022, we brought in \$3.5 billion, and in 2023, roughly \$2.2 billion. Even with this year's lower prices, we expect around \$1 billion in revenue—a significant amount. This long-term outlook keeps us optimistic."

## **What long-term price projections are you using?**

"The same as the Ministry of Finance. In the short term, prices will hover between \$10,000 and \$12,000 per ton. We expect these levels to persist for the next two years. Some suggest we're being conservative, arguing prices will rise due to the growth of electromobility or geopolitical tensions between China and the U.S. What sets us apart is that we produce the world's cheapest lithium. When prices drop, higher-cost producers are forced out of the market, leaving only the most competitive players—like us. This reduces supply and pushes prices back up. Our comparative advantage, based on solar brine extraction, is enormous. We are the lowest-cost lithium producer globally, so if prices fall, others will stop producing before we do."

## **You don't seem worried about the price drop...**

"We earn revenue based on sales, not profits. We receive 40% of sales revenue under our contracts. Whether sales are large or small, we take our share first, before companies cover their costs. These contracts were well-designed."

## **What progress has been made on value-added projects?**

"There have been advancements. We held a tender, attracting multiple bidders. Two Chinese firms won and have formal agreements to become specialized producers. They are moving at different speeds. One has already secured land and will soon decide on investment; the other has yet to finalize a location.

An interesting aspect of these proposals is that their plants are oversized for the lithium volumes specified in the contracts. This is key because it debunks the myth that Argentina will outpace us in lithium production. Argentina producing more lithium benefits us since much of it will be refined in Chile. These companies are building larger plants here to refine Argentine lithium before shipping it to China. Given the proximity of Argentine salaries to our border, it's cheaper for them to export through Chile.

The contracts remain in force. If either company fails to meet its commitments by December 2026, we'll revoke their specialized producer status and award it to another contender."

#### **There was some controversy with BYD. What happened?**

"Here's the issue. When we auctioned off SQM's contract, which expires in 2030, BYD wanted to extend its contract under new terms. We declined because we don't retroactively change the rules. Chile respects the rule of law. BYD, like all other companies, must meet the December 2026 deadline for construction."

#### **What about Albemarle's quota?**

"It includes a specialized producer clause, and the tender process for this will begin in a matter of weeks. Based on lobbying disclosures, over 10 companies are expected to participate. The goal is to foster industrial integration, and some proposals are quite innovative.

BYD and other participants from the first auction can compete for this quota as well. While it may be less appealing due to the smaller lithium volume, the longer contract period could attract bidders. The winner will be the company that offers the most added value, invests the most, and creates the most jobs. These rules are clear to all."

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### **StartupLabs: The Plan to Support Science-Based Startups**

Last Friday, Corfo unveiled a new public policy to establish a national network of hubs for science-based startups. This initiative aims to promote dynamic and innovative entrepreneurship in Chile, seeking to become a catalyst for the success of startups in this field.

The plan, announced during ETM Day, involves designing, implementing, and providing physical meeting spaces equipped with laboratory infrastructure and other facilities, as explained by José Miguel Benavente.

#### **How was this public policy designed?**

"In my previous role, we identified a gap in supporting a particular type of dynamic entrepreneurship in Chile—not because there weren't good ideas, but because this type of entrepreneurship requires additional resources. Many of the projects that participate in Startup Chile are algorithm-based, which is less costly. Their primary value lies in the brainpower of the entrepreneurs.

In contrast, certain companies in sectors like biotechnology, mining support, or pharmaceuticals require extensive equipment and laboratories to conduct testing. For these ventures, public policy must provide spaces with the necessary infrastructure tailored to science-based startups.

This idea arose from a prior diagnosis, and it isn't limited to Santiago. We've mapped three or four locations across Chile with critical mass to support these initiatives. This solution aligns with public policies successfully implemented in developed countries."

#### **This project has been in the works for a long time.**

"I brought the initial diagnosis with me, working alongside a couple of researchers. We formalized it into public policy and studied best practices worldwide. We examined practical examples to understand how to organize these initiatives.

Now, the project has been officially launched and is being implemented. We're collaborating with Territoria and Fundación Chile. The building, fully equipped, is expected to be operational by May or June next year. Work is already underway, but equipping it is a particular challenge due to the need for sophisticated, highly sensitive equipment."

#### **What is the significance of these public policies?**

"Why did we choose CleanTech for the Metropolitan Region? Because we noticed companies leveraging natural resources to develop science-based solutions.

Unlike traditional startups in Chile, which often need to seek clients abroad, science-based startups typically require fewer clients. They are fundamentally different from algorithm-driven ventures, which can be adjusted daily. These projects are longer-term, more expensive, and require specialized skills. However, their potential impact in terms of sales, job creation, and the establishment of a new productive sector is enormous."

**What are the objectives of this public policy?**

"The main goal is to close the gap in support for science-based startups in Chile. A secondary objective is to create a network of StartupLabs across the country.

In this administration, we aim to launch at least three or four calls for proposals in the first quarter of next year for hubs in different regions. These hubs will compete for selection, with each receiving a budget of \$9–10 million. This initiative will create a network of laboratories with these unique characteristics."

# Mejillones Officially Requests Demolition of Pumping Station at Desalination Plant Supplying Spence

INDUSTRY. Mayor Carvajal issued the decree, arguing that the plant's facility does not have the permits required by law.

**MERCURIO DE ANTOFAGASTA**  
**November 23, 2024**

The conflict over the desalination plant in Mejillones, owned by Caitán and supplying Spence | BHP, has escalated to a critical stage. On Thursday, the municipality formally requested the demolition of the pumping station, citing the absence of construction permits and a certificate of occupancy for the facility. The company was notified of the decision the same day through a resolution signed by Mayor Marcelino Carvajal.

"Under the instruction of Mayor Marcelino Carvajal, and after a thorough analysis of the evidence, the municipality issued and delivered the demolition decree for the pumping station at the desalination plant, as it does not comply with the requirements established by current regulations," municipal authorities stated. They reaffirmed their commitment to dialogue, respect, and the peaceful resolution of conflicts, emphasizing the principle of equal treatment under the law for all entities, whether public or private.

"We urge the community to remain informed through official channels and reiterate that our decisions are always based on the protection of the common good and adherence to regulations," the municipal statement added.

## Spence Pushes Back

On Thursday, Cristian Sandoval, president of Pampa Norte | BHP, criticized the municipality's decision, claiming it damages Chile's image as "a reliable actor where investments are facilitated by clear rules."

In a column published in *Timeline*, Sandoval questioned the municipality's actions, alleging that "a local authority—who has publicly stated their intent—seems to have decided to order the demolition of Caitán's desalination plant facilities (...) due to alleged non-compliance, which could mean the plant would cease operations."

Sandoval said the company had sought dialogue to resolve the matter before such drastic measures were taken.

"And we call it drastic because halting the desalination plant would have severe repercussions for Spence's operations, impacting 2,300 families in Antofagasta due to job losses," he warned.

While he acknowledged the importance of adhering to legal norms, Sandoval again called for dialogue and corrective measures "to prevent significant harm to the region's and country's economy, as well as the Mejillones ports, where Spence is one of the main clients."

## "Pouring Gasoline on the Fire"

Mayor Carvajal was quick to respond. Speaking to *SoyAntofagasta*, the mayor stated, "You can't put out a fire by pouring gasoline on it. The BHP executive's remarks are entirely inappropriate, especially since the decree hadn't even arrived yet. The decree allows 90 days to respond, and I am not mistaken in applying the law. I'm not halting the region's development or depriving people of their livelihoods. Their arguments are weak."

Carvajal emphasized that the municipality has a duty to act to avoid penalties. "We will not allow a large company to disregard regulations simply because we're a small municipality. We respect businesses, but we also demand respect in return. We haven't made any mistakes—we're simply asking for compliance with the law, which this company has failed to meet."

The mayor explained that Caitán initially claimed the project would span 150 square meters but ended up building over 400. "Additionally, they built very close to the edge of the estuary, a zone under the Navy's jurisdiction, and even constructed a pumping station that exceeded the established limits," he said.

"Upon inspection, we found that this water absorption facility, which should have been small, exceeded the established limits. So why request a permit for 150 square meters and then build 400? That's the first mistake," he added.

Carvajal identified a second error: the project's non-compliance with urban planning regulations. "Our technical team, supported by the Ministry of Housing and Urban Development, determined that a demolition order was



necessary. This has caused controversy, but it's not a measure against the mining company. It's a measure against a company that failed to follow the rules," he stated.

The mayor criticized the use of the media to create pressure. "I find it inappropriate for them to use the press to generate pressure. My intention is not to halt projects, but we must act in accordance with the law. If regulations are respected in Santiago or Viña del Mar, why shouldn't they be respected here? I am the mayor, and municipal authority must be respected. If they want to take legal action, so be it. But this matter could escalate from dialogue to a legal battle if not addressed properly. I'm open to discussion, but at the right time and with the appropriate parties," he said.

Finally, Carvajal declared, "We will not allow large companies to turn a blind eye. Even though this is a small municipality, the rules are clear and must be followed. If Caitán or BHP want to resolve the issue, our doors are open—but only under the established legal terms."

# Mejillones Municipality Issues Demolition Order for Desalination Plant

The municipality notified the company Caitán of the decision, directed by Mayor Marcelino Carvajal, citing non-compliance with the permits required under current regulations due to irregularities in the construction of its machine room.

Timeline.cl  
November 22

The Municipality of Mejillones issued a demolition order on Friday for the desalination plant operated by the company Caitán, citing irregularities in the construction of its machine room.

Speaking with *\*Timeline\** earlier today, the mayor of Mejillones, Marcelino Carvajal, defended the decision amid criticism from Cristian Sandoval, President of Pampa Norte | BHP, expressed in a column published by this outlet. Carvajal asserted that the move was not “arbitrary.”

He stated that he was open to dialogue with the relevant parties but insisted discussions must take place on his terms. Furthermore, Carvajal said he would not engage with the company as long as it maintained “this attitude,” referring to Caitán’s decision to challenge a previously issued fine of approximately CLP 4,500,000 in court.

Despite the ongoing legal dispute, the mayor proceeded with the demolition order on Friday.

“Today, under the instruction of Mayor Marcelino Carvajal, and following a thorough review of the case, we proceeded to issue and deliver the demolition order for the pumping station of the desalination plant, as it does not comply with the permits required by current regulations,” the municipality stated in a press release.

The municipal government explained that Caitán had constructed the machine room of its desalination plant in an area not authorized by the local zoning plan. Furthermore, the construction exceeded the originally approved footprint, increasing from 150 to 400 square meters.

Providing additional context, the municipality pointed to the death of a diver at the plant, which prompted two inspections by the Department of Municipal Works.

During the second visit, the company was fined approximately CLP 4,500,000 for these irregularities. “The company refused to pay this fine and opted to take the matter to court,” the municipality reiterated.

“This administration reaffirms its commitment to dialogue, respect, and the peaceful resolution of conflicts. We also uphold the principle of equality before the law for all parties, whether public or private,” the statement concluded.

# Escondida Workers Bring Allegations Against BHP to Congress

The Board of Union No. 1 of Minera Escondida met with Congressman Luis Cuello Peña, president of the Labor Commission, to report serious labor violations by Minera Escondida, owned by BHP.

**reporteminero.cl**  
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On Thursday, November 21, the Union No. 1 of Minera Escondida held a critical meeting with Congressman Luis Cuello Peña, president of the Labor Commission, to address severe anti-union practices and violations of Chilean labor laws by Minera Escondida, a company owned by BHP.

The meeting, which took place at the National Congress in Valparaíso, was attended by the Board of Union No. 1, accompanied by their legal advisor, Marco López. Congressman Cuello was joined by his chief of staff, Cecilia Olguín.

The union's president outlined a series of allegations, stating that the company has fostered a climate of fear among workers through arbitrary dismissals and harassment policies. He highlighted cases involving employees on medical leave, including César, a worker on psychiatric leave who took his own life after being terminated under Article 161, citing alleged "company needs."

The union leader also accused Minera Escondida of promoting a "puppet union" to undermine legitimate union activity. According to the union, dismissed workers have been rehired on the condition that they join this alternative organization. "It's a strategy to hollow out our union and block our actions," he stated.

## "We Need Safe and Fair Working Conditions"

Additional allegations include serious irregularities affecting pregnant workers. According to Tapia, these workers are exposed to hazardous contaminants and lack proper breastfeeding rooms. He further alleged that, in some instances, female truck operators are forced to use the dump truck bed as a bathroom due to inadequate facilities, contrasting sharply with the treatment of supervisors in similar conditions.

Congressman Cuello expressed his concern over these allegations and pledged to bring visibility to the case.

"The company is employing a strategy to hollow out the union and obstruct its operations. This must be addressed in the Labor Commission," he stated. He invited the union to present its grievances during a special session of the commission in the coming weeks.

Tapia underscored the urgency of political support: "We have exhausted all legal avenues, and there are no results. We need safe and fair working conditions for those employed by this company. This is not just a union struggle; it is a fight for dignity."

Union No. 1 of Minera Escondida reaffirmed its commitment to exposing these violations and pursuing concrete solutions to protect workers' rights. "We will not relent until these practices are exposed and respect for Chilean regulations and labor dignity is demanded," concluded the union president.