

DIEGO HERNÁNDEZ, DIRECTOR OF GRUPO MÉXICO:

"I would merge the Ministries of Economy and Environment to ensure projects thrive and are done right"

To avoid ideological debates on projects like Dominga, the veteran mining leader also proposed integrating Environmental Tribunals into the Judiciary.

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By PATRICIA MARCHETTI

Diego Hernández has held roles across all sectors of mining: former president of Sonami and the Mining Council, former CEO of Codelco, Antofagasta Minerals, and BHP Base Metals. Today, as director of Grupo BAL (Peñoles/Fresnillo Plc), he tackles every topic head-on, even proposing solutions to gridlocked debates that reveal deeper issues, such as Dominga.

All this in the context of an economic situation in Chile that, in his view, has served as a "reality check" for the current administration in La Moneda regarding the mining sector's critical role in Chile's development.

"The Dominga case clearly illustrates what happens when projects are tainted by local politics, and technical criteria are pushed aside. Another issue is that institutions handling environmental matters must avoid a militant stance; they should simply apply regulations and stick to that," he says.

- Are you referring to the Environmental Evaluation Service or the Environmental Tribunal?

"Both. Twenty-five years ago, Chile had no environmental awareness or technical capacities in this area. Today, most people interested in these issues—welcome as that is—are young and often adopt a more radical approach, making decisions less objective."

- How do you address this?

"What I would do, considering the discussion around reducing ministries, is follow the example of other countries: create a Ministry of Economy and Environment. Combining them would mean the ministry's goal becomes the country's development, ensuring projects move forward and are done properly rather than blocking them. This would prevent ideological bias and better uphold the spirit of the law within a single institution."

- Any examples of this model?

"Years ago, when I was studying in France, environmental concerns were just emerging, and their equivalent of Sernageomin was given environmental responsibilities. Today, those are equally or more important than the mining duties. Schools like the Royal School of Mines now offer environmental specializations because mining provides an excellent entry point for such issues. This balance between economic growth and environmental care helps prevent the latter from becoming ideologized."

- What about other environmental bodies?

"The same applies to environmental tribunals. They were created as specialized courts, but their separation from the Judiciary means tribunal judges have a limited career path. For instance, if a judge aspires to the Supreme Court, serving on an Environmental Tribunal could be a stepping stone, integrating these issues into the Judiciary, which has a more legal than ideological perspective."

- Is there too much ideology surrounding Dominga?

"It's true the project has many dimensions—technical and political—but I believe most decisions have been more political than technical."

- What do you think will happen with the project?

"At this point, it's hard to say. But I think it's likely political authorities will try to push this issue onto the next government, which wouldn't be good but aligns with what we've seen over the past 11 years."

- Eleven years later, is Dominga still as attractive?

"Mining projects have their moments. Dominga is executable, but better opportunities for investment decisions have passed. It's an iron ore project, and prices are currently impacted by China. Even if permits were granted today, I don't think it could be executed within the next six months. Hopefully, better conditions return in the medium term."

"A reality check"

- As we near the end of the administration, what is President Boric's mining legacy?

"The legacy isn't very positive. They managed to impose the royalty, which affects business profitability and puts Chile among the countries with the highest tax rates, around 45% real. The positive side is that it's settled now and no longer up for debate, but naturally, it impacts investments. Anyone with basic knowledge of project evaluation knows higher taxes reduce the number of executable projects."

"That said, something positive has emerged for mining. A few years ago, some believed Chile could do without mining and new projects, but with the current economic situation, the government and politicians realized mining is crucial, and we need investment to return. That's a positive, a reality check."

- Who in the government has experienced this 'reality check'?

"Many of them. Not all, but those related to the economy seem to understand mining's value and that the State can't develop it alone. Hopefully, moving forward, we'll see more alignment across sectors."

- What should the government focus on in its final year?

"Two critical areas: environmental regulation, which should be feasible with bipartisan support, and finalizing their work on lithium. While I disagree with their ideological approach, it's a viable alternative."

- Mining investments to 2033 are at a 10-year high despite the royalty. Without it, would it be higher?

"Rather than increasing the total, projects could materialize faster. That portfolio represents potential projects if everything aligns, not guaranteed developments. The good news is companies are willing to proceed, but that depends on various factors supporting final investment decisions."

- Is Chile prepared for a new wave of mining investments?

"Chile must continue building professional capacities. Still, the country has gradually become a true mining nation rather than just a copper producer."

Sale of a 10% stake in QB

- What did you think about the sale of Quebrada Blanca to Codelco?

"I think the public debate missed the mark. The State wanted to retain 10% ownership and restructure Enami's role, which aligns with current discussions. It makes sense for Codelco to take over since it has better borrowing conditions. I don't see the issue, especially since Codelco's current management has aimed for greater participation in international companies, which I view positively as a way to engage actively in the market."

"A few years ago, some believed Chile could do without mining and new projects, but with the current economic situation, the government and politicians realized mining is crucial, and we need investment to return. That's a positive, a reality check."

Diego Hernández

Despite a positive November, the market predicts GDP will close 2024 closer to the Central Bank's forecast of 2.3%

Analysts find it difficult to reach the Treasury's projection (2.4%). In any case, it will be an improvement over the previous year's 0.2%.

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By C. Vergara and R. Carrasco

Local economic activity in November slightly exceeded expectations. Contrary to market forecasts, the Monthly Economic Activity Index (Imacec) grew by 2.1% compared to the same month in the previous year. Analysts surveyed by Diario Financiero had expected Imacec to grow below 2%.

According to the Central Bank, the performance was driven by all its components, with services standing out. The seasonally adjusted series increased by 0.3% compared to October and 2.5% year-on-year, despite having one fewer business day than in November 2023.

The market received November's data with optimism.

"The reading is positive, especially considering that economic activity had previously surprised to the downside in recent months," said BTG Pactual economist Sebastián Piña. He noted that the surprise came from the industrial sector, which ended three consecutive months of declines with a 2.2% monthly increase.

Econsult macroeconomic analyst Carolina Krefft also highlighted the recovery in commerce, which has shown steady growth over the past six months.

However, November left room for caution, particularly in the mining sector, which has experienced three consecutive months of monthly declines. This is "concerning," according to Piña.

The same term was used by Scotiabank Chile to describe the monthly decline in services, led by the business sector, which is typically linked to investment. This could be related to the drop in public investment observed in November.

With November's Imacec now on the table, analysts are calculating whether the Central Bank's GDP growth projection of 2.3% or the Treasury's 2.4% for 2024 will be met.

For the Central Bank's projection, economic activity needs to grow around 3% year-on-year in December, according to Piña. He described this as "quite plausible" and predicted 2.3% growth for the year.

Krefft noted that a minimum growth of 3.4% year-on-year in December is needed to reach the Central Bank's target. "Although optimistic, it is within the realm of possibility, especially given the low base of comparison from last December's negative results," she added.

In December 2023, Imacec fell by 0.7%, and the year as a whole saw a mere 0.2% expansion.

To achieve the Treasury's projection, Imacec would need to grow by over 4.5%, which Krefft deemed unrealistic. "It would mean December growing more than any other month this year, and there aren't strong reasons for this to happen," she said.

Bci Estudios senior economist Juan Ángel San Martín described both scenarios as "unlikely." Coopeuch projected December's Imacec at 2.7%, which would result in GDP growth of 2.2% for the year.

What About 2025?

Looking ahead to 2025, market forecasts for GDP growth remain around 2%.

If the activity levels from late November persist throughout 2025, the economy will have a baseline to grow by around 2%, said Itaú's chief economist for Latin America, Andrés Pérez.

JPMorgan expects annual growth of 2%, "due to tightening external financial conditions and a less favorable terms-of-trade scenario."

"The external momentum benefiting the Chilean economy has become less favorable, with rising interest rates and a strengthening dollar, which, if sustained, could limit the year's performance. We predict GDP growth of 1.8%," warned César Guzmán, macroeconomics manager at Inversiones Security.

According to Santander, "Non-mining sectors have reached the series' peak, surpassing levels seen in July. These figures solidify our projection of 2.3% for 2024, providing a strong starting point for growth slightly above 2% in 2025."

Regarding the January Monetary Policy Meeting, November's Imacec "would allow the Central Bank to continue its cautious approach outlined in December's Monetary Policy Report," noted Scotiabank.

Thus, the market expects the benchmark interest rate to remain at 5%.

SQM Salar to Invest \$228 Million in Relocation of Carmen Lithium Plant

ANTOFAGASTA. The project involves relocating the New Solution Recovery Plant and certain processes for lithium carbonate production.

Mercurio de Antofagasta

SQM Salar has submitted a pertinence consultation to the Environmental Evaluation System (SEA) for its project "Relocation of Processes for the New Lithium Carbonate Production Line and the New Solution Recovery Plant (PRS)." This initiative would modify the Environmental Qualification Resolution (RCA) for the Carmen Lithium Chemical Plant (PQLC), located 20 kilometers east of Antofagasta.

The project, which entails an investment of \$228 million, aims to improve internal site logistics by placing relocated facilities closer together, enhancing operational efficiency without increasing the environmentally approved production capacity.

Consultation Details

The SEA submission specifies that the relocation is primarily intended to improve access to production processes, reducing travel within the site. It clarifies that the relocation will occur within areas already evaluated and approved in the RCA, without involving new areas, equipment, or additional infrastructure. The proposed changes are confined to the previously approved operational polygon.

The consultation also emphasizes that the relocation will not affect the environmentally approved production capacities. These are 210,000 tons per year (t/a) of lithium carbonate and 40,000 t/a of lithium hydroxide for optimization projects, and 60,000 t/a of lithium carbonate and/or lithium hydroxide for the new plant.

The Carmen Lithium Chemical Plant is located 20 kilometers east of the city of Antofagasta.

Director of Plusmining on Dominga: "The Country Cannot Afford the Luxury of Wasting Projects"

Juan Carlos Guajardo, executive director of Plusmining and mining expert, discussed the outlook for the mining sector in 2025 and upcoming investment projects.

infinita.cl

January 2, 2025

In an interview on Más Que Números, Juan Carlos Guajardo, executive director of Plusmining and mining expert, discussed the outlook for the mining sector in 2025 and upcoming investment projects.

On this second day of the year, Guajardo highlighted that "2025 comes with many investment developments. There have been very significant announcements, and now we need to get down to the details and see how these projects progress and materialize."

He further detailed that "we estimate, considering announced and ongoing projects, a total of \$100 billion in investments."

When asked about the Dominga mining and port project, Guajardo emphasized its significant economic impact. "The country cannot afford the luxury of wasting mining investment projects. The times for being selective are over," he stated.

Regarding 2025 projections for the mining sector, particularly lithium, the expert noted, "We still don't foresee a price recovery. There remains an ongoing oversupply issue."

Dispute in the Atacama Salt Flat: Albemarle Responds to SQM's Challenge in Environmental Permit Review Process

The U.S.-based company countered SQM Salar's inadmissibility request amid efforts to trigger a review of the environmental qualification resolutions (RCA) under which both companies operate. Albemarle called it "unfortunate" that its rival does not share the "diagnosis and willingness to improve project execution" to ensure "sustainable territory management."

PULSO

By Víctor Guillou

The dispute over Albemarle's request for the Environmental Assessment Service (SEA) to initiate a review of the two RCAs governing operations in the Atacama Salt Flat for both Albemarle and its competitor SQM has escalated.

In May, Albemarle invoked Article 25 quinquies of the Environmental Basis Law, citing a "substantive variation" in an environmental variable evaluated under its RCA, specifically the water table level of an aquifer at one of three monitoring points. Based on a commissioned technical report that identified a "multifactorial impact" on the aquifer's hydrodynamic behavior, the company seeks further studies to assess how brine extractions by both companies influence the aquifer.

In October, SQM responded by requesting the SEA to declare Albemarle's petition inadmissible. SQM argued that ongoing sanctioning proceedings by the Environmental Superintendency (SMA) against both companies—one from 2022 involving Albemarle and another from 2016 concerning SQM—are directly related to the issues raised in the RCA review request.

In an 18-page document filed two months later, Albemarle insisted that its request should proceed. The company dismissed claims of a "direct relationship" between the RCA review and SMA's sanctioning proceedings, arguing that the latter cover different periods.

Albemarle highlighted synchronicities between brine level decreases in the salt flat's core and declines in brackish water levels in monitored lagoon areas. It asserted that brine extraction, alongside other factors requiring further study, has caused declines in aquifer levels that differ from predictions in the RCAs of both Albemarle and SQM.

The document emphasized that SQM's operations account for over 70% of brine extraction in the area and questioned the accuracy of its environmental evaluation, which had predicted no significant ecosystem impact from brine extraction.

Albemarle argued that, unlike ongoing SMA sanctions, the RCA review must encompass both projects collectively. It stated that the environmental situation is "much broader" than what SMA proceedings address and extends beyond their scope, covering different spatial, causal, and temporal dimensions.

The company warned that dismissing the RCA review request would hinder environmental progress by preventing consideration of new corrective measures for protecting sensitive ecosystems. "Declaring inadmissibility precludes addressing detected anomalies collaboratively, under institutional oversight, and leaves outcomes to uncertain sanctioning processes," the document concluded.

The dispute underscores differing perspectives on how to manage the environmental impacts of resource extraction in one of the world's most critical lithium production hubs. Albemarle criticized SQM for not aligning with its "diagnosis and willingness to improve project execution" and stressed the importance of cooperative efforts to ensure sustainable territory management.

As SEA evaluates both arguments, the outcome will likely set a precedent for handling environmental disputes in Chile's vital resource sectors.

The main sources during 2024 were the sun and wind:

Renewable Energy Sources Reach Record 40% of Chile's Energy Matrix in 2024

Despite progress, the dollar's exchange rate and lower impact on regulated clients explain why the reduced cost of these sources has not translated into lower prices for consumers.

MERCURIO DE SANTIAGO

By Catalina Muñoz-Kappes

In 2024, 40% of the energy injected into Chile's system came from non-conventional renewable energy sources (NCRE), marking a record share for these environmentally friendly sources. According to the National Electricity Coordinator's (CEN) report as of December 31, 2024, the accumulated participation of NCRE reached 39.99%. This includes energy generated from biogas, wind, geothermal, solar, as well as biomass and run-of-river hydropower classified as NCRE.

Types of Renewables

NCRE is a subset of total renewable energy. The "conventional" portion refers to hydropower other than run-of-river plants. Combining all renewable energy sources, total injections accounted for 68% of Chile's energy matrix in 2024.

In 2023, 37% of energy came from non-conventional renewable sources, while 26% originated from conventional hydropower, totaling 63% from all renewables.

In December 2024, renewable energy in the National Electric System (SEN) reached 77%, demonstrating the current capability of the electrical grid to integrate diverse renewable generation sources securely and cost-effectively, said Ernesto Huber, CEN's Executive Director.

Within NCRE, solar energy held the largest share, producing 18.64 TWh or 22% of total system injections in 2024—a 12% increase from 2023. It was followed by wind energy, which generated 11.14 TWh, up 11% from the previous year and representing 13% of total production.

Meanwhile, hydropower, in all its forms, increased production by 12%, reaching 27.08 TWh for the year.

Fossil Fuels

In 2024, only 15% of energy came from coal, with production dropping 7.4% year-on-year. Natural gas accounted for 14% of the system's energy, with contributions down 20%.

Camilo Charme, Executive Director of Generadoras de Chile, noted that integrating renewable generation and storage systems is progressively reducing greenhouse gas emissions in the electricity sector, positioning it as the only part of the economy showing concrete progress in the energy transition. He added that this shift minimizes the electricity system's exposure to fluctuations in imported fuel prices.

Despite advances, full decarbonization remains a challenge. Ana Lía Rojas, Executive Director of the renewable energy association Acera, highlighted that the electricity matrix represents only 22% of national energy consumption. Sectors like transportation, heating, and industrial applications still rely mainly on hydrocarbons.

"Although the strides in decarbonizing the electricity system are significant and a key step toward carbon neutrality, the biggest challenge lies in transitioning energy use in other sectors that heavily depend on fossil fuels and firewood," Rojas said.

Impact on Prices

Why haven't electricity prices dropped? Rojas explained that although NCRE sources are the most competitive in terms of leveled energy costs, their growing share has not reduced consumer prices due to several structural factors.

The most significant factor is the dollar's exchange rate, which impacts consumer prices since market transactions are conducted in dollars.

Another reason is the relatively low penetration of NCRE in contracts with regulated clients, such as residential consumers, Rojas noted.

Additionally, the unfreezing of electricity tariffs adjusted bills to reflect the true cost of generation and distribution in a short period. "This adjustment, while necessary, has created the perception that electricity is not cheaper, even though it reflects the repayment of historical debt accumulated with electricity producers," Rojas explained. Carlos Suazo, Executive Director of SPEC Consulting, added that regulatory frameworks have not adapted quickly enough for the cost-efficient adoption of renewable sources and new technologies.

Challenges

Moving the energy matrix toward 100% renewable sources requires overcoming several hurdles. Huber emphasized the need for new transmission infrastructure and synchronous condensers to provide grid stability in northern Chile by 2027, which will reduce reliance on coal-fired power plants during the day.

Renewable energy plants also need to enhance their ability to deliver complementary services currently provided by conventional plants. "This development is essential for enabling the electric system to operate 100% renewable during some hours of the day by 2030," Huber stated.

Efficiencies must also improve. "Efficiency refers to how energy is utilized to meet demand at the lowest cost and with minimal losses. There are many areas for improvement, such as operational criteria for allocating renewable curtailments and cost allocation for variability-related expenses," Suazo concluded.

"The energy matrix accounts for only 22% of national energy consumption. In contrast, heating and transportation still primarily rely on fossil fuels."