BHP Billiton to Restart Cerro Colorado in 2031 with a Sustainable Approach, While Collahuasi and Sulfolix El Abra Expand Operations

The Cerro Colorado open-pit copper mine has been under temporary closure since December 2023.

redimin.cl
By Cristian Recabarren Ortiz

The Cerro Colorado open-pit copper mine has been under temporary closure since December 2023. However, its owner, BHP Billiton, plans to restart operations in 2031 after completing an Environmental Impact Assessment (EIA). The goal is to extend the mine's operational life by an additional 20 years.

The Restart of Cerro Colorado with a Sustainability Focus

BHP Billiton is committed to adopting sustainable practices for Cerro Colorado's reopening. The company aims to integrate renewable energy sources to reduce costs and improve energy efficiency. Additionally, it plans to optimize logistics processes to cut carbon emissions, ensuring that Cerro Colorado continues contributing to the Tarapacá Region responsibly and sustainably.

- Implementing renewable energy to lower operational costs.
- Optimizing logistics to reduce carbon emissions.
- Introducing technological improvements to enhance energy efficiency.

Collahuasi's Expansion and Optimization

Collahuasi, a major copper mine, is investing $3.2 billion to upgrade its facilities and optimize its assets. Through the C20+ project, the mine aims to increase its processing capacity for sulfide minerals, extending its operations until 2040. A key component of this expansion is the construction of a state-of-the-art desalination plant to reduce reliance on continental water sources.

- Expanding the concentrator plant to boost processing capacity.
- Building a desalination plant to minimize continental water consumption.
- Upgrading facilities at Cordillera Mine Site and Collahuasi Port.

Collahuasi has made significant progress in constructing the C20+ project, with the desalination plant expected to begin operations in the first half of 2026. These advancements will enable Collahuasi to operate efficiently and sustainably, aligning with its environmental and operational efficiency objectives.

Enhancements to Sulfolix El Abra's Leaching Operations

Freeport McMoRan is working to optimize copper recovery at its Sulfolix El Abra mine by expanding the permanent leach pad. The company has submitted an Environmental Impact Assessment for this project, which includes the construction of a concentrator plant and a desalination facility. The project is expected to take 30 months to complete following environmental approval.

With an estimated investment of $741 million, these enhancements to Sulfolix El Abra's leaching operations will ensure a more efficient and sustainable copper recovery process, keeping the mine operational through 2029 and beyond.

The sustainability strategies implemented at Cerro Colorado will prepare the mine for future challenges and extend its operational life.

Meanwhile, Freeport McMoRan's project will optimize its operations, allowing continued production well beyond 2029.

Government Details Changes to SEIA Regulations and Proposes That 17 Mixed Permits Be Processed Exclusively Within the System

■ The types of projects required to undergo environmental evaluation have been modified, updating thresholds and criteria. A public consultation has also been opened, running until April 2.

Diario Financiero – February 7, 2025
By Karen Peña

While the reform of the Environmental Impact Assessment System (SEIA) is under discussion in Congress, the government has undertaken a two-phase modification of SEIA regulations. The first phase, which includes adjustments related to climate change and the Escazú Agreement, has been in effect since early 2024. The second phase has now taken a significant step forward, as the draft regulations were published in the Official Gazette this Thursday, initiating a public consultation process that will introduce changes in two key chapters: project typologies and mixed environmental permits.

As part of these modifications, the types of projects required to enter SEIA have been updated, revising thresholds and criteria to ensure that only activities with potential environmental impacts undergo evaluation, while excluding minor projects with no significant effects.

For example, for high-voltage power transmission lines, a minimum route length of 2 km has been added as a criterion, in addition to the existing requirement of exceeding 23 kV. In the case of service stations, the fuel threshold has been increased from 200,000 liters to 850,000 liters. Mining development projects will still be defined as those with an extraction capacity exceeding 5,000 tons per month. However, an exception has been introduced for projects with a valid and favorable Environmental Qualification Resolution (RCA) for tailings management, which plan to reprocess tailings within the mining site.

Additionally, the proposal includes a comprehensive reform of the processing of Sectoral Environmental Permits (PAS). These changes aim to make the process more efficient by ensuring that all required permits are obtained during the environmental impact evaluation, eliminating the need for a separate process after obtaining the RCA. One major change is the elimination of the distinction between PAS with strictly environmental content and mixed PAS.

Currently, permits are classified into 20 PAS that address exclusively environmental matters, 30 mixed PAS—partially processed during environmental evaluation and partially through other agencies—and one statement of opinion.

Under the proposed modifications, 14 of the 20 strictly environmental PAS will remain in place, while six will be processed sectorally. Among the 30 mixed PAS, 17 will remain within SEIA, nine will be processed sectorally, and four will become statements of opinion. The latter category will continue to exist with modifications.

Thus, 31 PAS will remain in the regulatory text, along with five statements of opinion. Meanwhile, 15 permits have been eliminated—14 of which will now be processed sectorally outside SEIA, while one PAS has been repealed.

With this proposal, 17 of the 30 mixed PAS will now be fully processed within SEIA. These include authorizations from the National Monuments Council, the Chilean Nuclear Energy Commission (CCHEN), the Regional Health Ministry (Seremi de Salud), the Agricultural and Livestock Service (SAG), and the National Forestry Corporation (Conaf). Examples include conservation, repair, or restoration work on historical monuments; archaeological, anthropological, and paleontological excavations; new construction in designated heritage zones; and native forest logging.

The 14 permits removed from SEIA and now subject to sectoral processing involve agencies such as SAG, Conaf, the National Geology and Mining Service (Sernageomin), Seremi de Salud, and the General Water Directorate (DGA). These include the management of native forests for the preservation of unique environments or representative biodiversity; the construction and operation of tailings storage facilities; and the approval of mine closure plans.

Permit Reform Project

The draft regulation will remain open for public consultation until April 2. Regarding the next steps, Environment Minister Maisa Rojas told Diario Financiero that the government will review and respond to public feedback,

potentially incorporating modifications to the reform. The final version must be approved by the Council of Ministers for Sustainability and Climate Change before being submitted to the Office of the Comptroller General for review.
According to Rojas, "The objective of this proposed modification is to ensure that SEIA evaluates all environmental aspects, allowing the Service to focus its efforts on assessing potential environmental impacts, making the system more efficient and effective."
During discussions on SEIA reform, the introduction of these regulatory changes in phase two sparked debate, particularly since the Ministry of Economy is also advancing a broader legislative proposal on sectoral authorizations. Addressing concerns about possible misalignment between these efforts, Rojas stated: "This regulatory modification is an intersectoral initiative forming part of the government's agenda to modernize state regulations. It does not require adjustments to the bill and is designed for implementation under the current Environmental Framework Law."
Which sectors will be most affected by these adjustments? "Rather than targeting a specific industry, we have identified project typologies that have cross-cutting effects across different types of developments," the minister explained.

"The objective of the proposal we have presented is to ensure that SEIA evaluates all environmental aspects, allowing the Service to focus its efforts on assessing potential environmental impacts, making the system more efficient and effective."

Following Judicial Decisions and Executive Orders by President Trump:

Google Ends Diversity Hiring Goals

■ The search giant is eliminating its target for hiring more minority employees and reviewing DEI programs, marking a shift away from such initiatives in Silicon Valley.

The Wall Street Journal – El Mercurio de Santiago
By Miles Kruppa

Google is scrapping its goal of hiring more employees from historically underrepresented groups and reassessing several diversity, equity, and inclusion (DEI) programs, joining other tech giants in rethinking their DEI strategies.
In an internal email sent to employees on Wednesday, Google announced that it would no longer set hiring targets aimed at increasing workforce representation.
Back in 2020, amid widespread calls for racial justice following the police killing of George Floyd, Google set a goal to increase the representation of underrepresented groups in leadership positions by 30% by 2025.
However, Alphabet, Google's parent company, omitted from its latest annual report a statement that had appeared from 2021 to 2024, which read: "We are committed to making diversity, equity, and inclusion a part of everything we do and to building a workforce that reflects the users we serve."
Black and Latino workers have long been underrepresented in the tech industry. According to Google's 2024 diversity report, 5.7% of its U.S. employees were Black and 7.5% were Latino. Four years earlier, those figures stood at 3.7% and 5.9%, respectively.
Google also stated that it is reconsidering whether to continue publishing annual diversity reports, which it has done since 2014. This evaluation is part of a broader review of DEI-related grants, training, and initiatives—including those that, according to the email, "pose risks or have not been as effective as we had hoped."
Additionally, the company cited recent judicial rulings and executive orders from President Trump aimed at curbing DEI efforts in the government and among federal contractors. Google is "assessing the necessary changes to our programs to ensure compliance," the email stated.
The company affirmed that it would continue expanding offices in cities with diverse workforces.
"We will continue investing across the U.S.—and in many countries worldwide—but moving forward, we will no longer set aspirational hiring targets," the email read.
Google also confirmed that it would maintain employee resource groups for underrepresented staff.
In the email, Google's Chief People Officer Fiona Cicconi emphasized that the company "has always been committed to creating a workplace where we hire the best people wherever we operate, foster an environment where everyone can thrive, and treat all employees fairly. That is exactly what you can expect to see going forward."
Last month, Meta Platforms, Facebook's parent company, dismantled the team overseeing its diversity initiatives and eliminated its representation goals for interviewing and hiring women and minorities. Meta's Vice President of Human Resources, Janelle Gale, told employees that "the legal and policy landscape surrounding diversity, equity, and inclusion efforts in the U.S. is shifting."
In December, Amazon informed employees that it would phase out some of its diversity initiatives by the end of 2024. It has also removed the phrase "diversity, equity, and inclusion are good for business" from its website, though other references to diversity and inclusion remain.
Several corporations have faced shareholder proposals calling for an end to DEI initiatives. Apple, for instance, urged shareholders to reject a proposal from the conservative think tank National Center for Public Policy Research that sought to eliminate its diversity and inclusion efforts.
A growing number of companies have also adjusted or removed diversity-related language from their annual reports.

Contributors: Preetika Rana and Meghan Bobrowsky.

The Issue

Black and Latino employees have long been underrepresented in the tech industry.

Google stated that it will continue opening and expanding offices in cities with diverse workforces.

Lower Grades Impact Anglo American's Operations in Chile, with Los Bronces Most Affected

■ By the end of the fourth quarter, the mining company reported an 8% drop in copper production in the country, though total tonnage exceeded forecasts.

Diario Financiero – February 7, 2025
By Patricia Marchetti

Mining giant Anglo American reported a 6% decline in global copper production for 2024, totaling 772,700 tons for the year, placing it at the upper end of the forecast range of 730,000 to 790,000 tons.
According to the company's report, copper production in the final quarter of 2024 reached 229,900 tons, reflecting a 9% quarter-over-quarter increase but a 14% decline compared to the same quarter in 2023.
This drop, the company stated, was "mainly due to the planned shutdown of Los Bronces' smaller and more costly plant, which was put under maintenance in July 2024, and the expected lower ore grades at Collahuasi."

Local Operations

In Chile, annual copper production fell 8% to 466,400 tons, while fourth-quarter output dropped 21% compared to the same period in 2023, reaching 107,300 tons.
The company noted that "although fourth-quarter production was impacted" by the Los Bronces plant shutdown and lower grades at Collahuasi, "total 2024 production exceeded the market forecast of between 430,000 and 460,000 tons."
At Collahuasi, Anglo's attributable share of copper production dropped to 56,100 tons, marking a 22% decline from the fourth quarter of 2023. "The processing of lower-grade stockpiles is expected to continue through 2025," the company stated.
Los Bronces saw a 32% year-over-year production decline in the fourth quarter, falling to 38,700 tons, and a 20% decrease for the full year, "as expected," Anglo said.
"The lower ore grades and increased hardness of the mineral due to the current phase of Los Bronces will continue to affect operations until the next phase. Mining activities for this phase are underway and are expected to enhance production starting in 2027."
At El Soldado, production surged 71% in the fourth quarter to 12,500 tons, and 22% for the full year, "reflecting planned higher ore grades (0.94% vs. 0.62%), improved throughput due to greater utilization of conventional grinding lines, and higher copper recovery."

Forecasts

The London-based company maintained its copper production forecast for 2025 at 690,000 to 750,000 tons (Chile between 380,000 and 410,000 tons).
For 2026, it projects output between 760,000 and 820,000 tons (Chile 440,000 to 470,000 tons); and for 2027, between 760,000 and 820,000 tons (Chile 450,000 to 480,000 tons).
Anglo CEO Duncan Wanblad stated that "we are making significant progress in simplifying our portfolio" and that "we continue to work towards growing our copper business in the coming years through the reactivation of Los Bronces' smaller plant and the removal of bottlenecks at Collahuasi."

Cochilco forecasts an average copper price of US$4.25 per pound for the 2025-2026 biennium

The spot price of the commodity reached US$4.16 per pound this Thursday on the London Metal Exchange. The Chilean Copper Commission also projected increases in copper demand and production in Chile for this year and 2026.

PULSO
By Emiliano Carrizo

The Chilean Copper Commission (Cochilco) has released its projections for copper prices, the country's main export, and the outlook for the metal. Through the "Copper Market Trends Report" for the fourth quarter of 2024, the state agency reported its price, demand, and supply forecasts for the 2025-2026 biennium.

For 2026, Cochilco projects an average copper price of US$4.25 per pound, maintaining its previous forecast of US$4.25 per pound for this year as well.

The spot price of copper reached US$4.16 per pound this Thursday on the London Metal Exchange.

Cochilco's acting executive vice president, Claudia Rodríguez, explained in a statement that these projections are based on increasing copper demand, driven by the growing need for the mineral to support the energy transition and electrical grids, as well as a constrained supply.

In addition to these factors, she noted that ongoing geopolitical tensions, uncertainty over China's economic recovery, the implementation of tariffs in the United States, and tighter monetary policies that could limit copper demand are also influencing price fluctuations.

"However, a better performance of the global economy could generate upward pressure on copper prices in the short term," Rodríguez added.

For this year, Cochilco estimates copper demand will reach 27.4 million tons, reflecting a 3.2% increase. Supply is expected to rise to 27.3 million tons, marking a 2.3% increase. A metal deficit of 118,000 tons is projected for the year.

For 2026, copper demand is expected to reach 28.29 million tons, a 2.9% increase from the previous year, while supply is projected to rise to 28.5 million tons, reflecting a 4.1% increase, resulting in a metal surplus of 210,000 tons.

Regarding copper production in Chile, Cochilco forecasts an output of approximately 5.76 million tons this year, representing a 4.6% increase from 2024. For 2026, production is expected to rise to around 5.97 million tons, marking a 3.6% increase.

First Stone Laid for Fénix Gold Río2 Project

MINING. The initiative involves an investment exceeding $235 million, with the first production expected in January 2026. The company aims to promote local female employment and ensures that it will leave no environmental waste, striving to be both ecologically and economically sustainable. The project is projected to last over 17 years and has received approval from local industry groups and indigenous communities.

El Diario de Atacama – February 7, 2025

Along the international Route CH-31, at kilometer 138, representatives from the company Fénix Gold, local communities, and the Minister of Mining gathered at the camp to lay the first stone for the Río2 gold project—an initiative that has faced regulatory hurdles but reached a major milestone yesterday.

WHAT IS THE PROJECT ABOUT?

This is one of the largest undeveloped oxide gold heap leaching initiatives in the Americas, containing a measured and indicated mineral resource of 4.8 million ounces of gold. The company expects it to make a positive contribution to both the Atacama Region and Chile as a whole.

The project represents a significant investment in Chile's gold mining sector by a junior mining company, with an initial and sustained capital investment of approximately $235 million. It is expected to generate around 2,000 jobs between its construction and operational phases, which are projected to span 17 years.

At least, that was the estimate given by the company in 2023. However, during the ceremony, General Manager Andrew Cox provided an updated outlook on the project's lifespan. "As planned, it's 17 years, but that study was conducted... 13 years ago when the price of gold was $1,800 per ounce. Today, gold is at $2,800. So if we revisit and update the operational study, I am certain it could last 25 years without much difficulty," he stated.

Cox also emphasized the company's commitment to hiring local labor, with a strong focus on increasing female employment.

"We aim to have a high percentage of women in our operations. Soon, we will implement a training program for female operators, and we are looking for people from Atacama to participate in this initiative in order to promote more women working in the project," he explained.

Beyond the ceremonial laying of the first stone, Cox was critical of the country's regulatory permitting process, often referred to as "permisología."

"It's extremely complicated, far too slow, and in many cases, bureaucratic," he said. "We are a medium-sized mining project, yet we are subjected to the same standards as large-scale projects like Codelco and BHP. We don't have the same resources or time. Unlike other large-scale projects, we are not yet producing or generating revenue, and all these studies cost money in the initial stages. There needs to be a way to streamline and simplify regulations, particularly for medium-sized mining projects, which are not as complex as major operations."

THE MINISTER OF MINING

Attending the ceremony was Minister of Mining Aurora Williams, who was visiting Atacama. She highlighted the importance of the gold mining project, stating, "This project was evaluated and monitored within the investment and employment cabinet mandated by President Gabriel Boric. We expect to see the company's first production in January 2026. It is the first greenfield project in over 10 years in the Copiapó region."

She further noted that "it diversifies the mining industry—it is a gold project. But what is also very important is that it is located in the Atacama Region, a region with significant mining potential. More than 20% of Chile's planned investment for the coming years is concentrated in Atacama."

Williams also stressed that Río2 has been developed with a balance between environmental and social considerations. "It is remarkable to see how various stakeholders in the mining ecosystem are present at this event, demonstrating that inclusive mining is possible—not just by integrating indigenous communities but also suppliers and industry groups. This proves that we can be highly responsible in Chile's mineral production."

Echoing the company's stance, the minister emphasized the importance of hiring local labor, particularly women. "Atacama has a great advantage—it is home to the country's oldest engineering and geology programs. This

region has the academic institutions needed to train past, present, and future mining professionals," she pointed out.
"STEM programs that encourage girls to pursue technical careers are fundamental in breaking down gender stereotypes about what women and men should do. We believe academia is on the right path by incorporating women into various technical fields and vocational schools, which are also steering more women toward technical careers," she added, underscoring efforts to increase female participation in the mining sector.

INDIGENOUS COMMUNITY SUPPORT

A key factor in the project's approval—and the group that led the opening ceremony by blessing the land and workers—was the Colla Pai-Ote Indigenous Community.
Ercilia Araya, a leader of the group, remarked, "From the very beginning, this project took the local communities into account, and we began working together." She also praised the development's potential benefits for both the region and the indigenous communities.

CleanTech Reduces Lithium Resource Estimate for Laguna Verde Project Following Operational Area Update

The London-based firm reported that the new resource calculation for the mineral aligns with the polygonal area defined by the Ministry of Mining to obtain the operating permit, as part of the fast-track initiative promoted by the government to enable private companies to exploit new lithium deposits in the country.

PULSO
By Víctor Guillou

CleanTech Lithium, a London-based company pursuing a total of five projects to operate lithium deposits critical for electromobility, announced on Monday a reduction in the estimated lithium resources for its Laguna Verde project. According to the company, the update stems from adjustments to the operational area based on parameters set by authorities under the procedure to assign Special Lithium Operation Contracts (CEOL), allowing private companies to exploit new lithium deposits in the country.

Specifically, the company informed investors that the updated total resource now stands at 1.63 million tons of Lithium Carbonate Equivalent (LCE), with a grade of 175 milligrams per liter (mg/l) of lithium, of which 0.81 million tons fall under the Measured + Indicated category, with a grade of 178 mg/l of lithium.

The previous estimate totaled 1.77 million tons of LCE with an average grade of 200 mg/l of lithium.

According to the company, the current resource estimate "is based on the polygonal area proposed in the recently submitted application for a Special Lithium Operation Contract (CEOL)." This differs from the previous estimate, which "was based on the previously proposed CEOL area under the old application regime, which was larger and covered the entirety of the estimated basin resource."

Steve Kesler, CleanTech's executive chairman, stated that the update "confirms a solid and significant resource" for the project. He added, "Now, with increased confidence in the resource, this comprehensive evaluation will serve as the foundation for the Prefeasibility Study, expected by the end of this quarter."

"This positions Laguna Verde as a highly promising project based on direct lithium extraction (DLE) in the lithium brine sector and as a contributor to Chile's future as a leading lithium producer for the global electric vehicle and battery markets," Kesler emphasized.

The first resource estimate, updated from 2023, was based on additional exploration and pumping tests conducted in 2024. It was calculated by Montgomery & Associates, a U.S.-based consulting firm operating since 1984 that specializes in such measurements in both Chile and Argentina.

In its 84-page report, CleanTech delved into the findings from the specialists' measurements. It also highlighted that "lithium concentrations obtained during the 2024 campaign were lower than the average grade from other exploratory wells, affecting the average lithium grade of the resource."

"Montgomery recommends three additional drillings in the southwest, north, and northeast to potentially increase the resource based on the geophysics conducted," the report added.

The updated estimate of measured and indicated resources will be used in the prefeasibility study, aimed at supporting an initial reserve estimate for the Laguna Verde project.

The project plans to use direct lithium extraction technologies and has an estimated lifespan of 30 years. This comes with an investment previously estimated at approximately US$384 million.

According to previous investor presentations, the project had resources of nearly 1.8 million tons of LCE lithium, with concentrations reaching up to 417 milligrams of lithium per liter of brine.

The project is located approximately 217 kilometers from Copiapó and will be connected to both Copiapó and Caldera via International Highway 31, which passes alongside the property and is a paved road. Laguna Verde sits at an altitude of 4,330 meters above sea level.

Starting Point with a Nearly $3 Billion Deficit Complicates 2025 Fiscal Target

The 2024 fiscal imbalance increases pressure on the Finance Ministry to reconsider official goals

To stay within fiscal decree limits, the public sector deficit must drop sharply from last year's 2.9%. Experts warn that while a major spending cut is "necessary, it is highly complex" given the presidential election cycle and the need for public investment.

El Mercurio de Santiago
By Joaquín Aguilera R.

The fiscal deficit recorded in 2024 presents a challenging starting point for meeting this year's targets. The Finance Ministry's current fiscal decree aims for a structural deficit of 1.1% in 2025, but it begins with a shortfall of approximately $2.8 billion from last year's balance, which ended with a 2.9% effective deficit—well above the 1.9% forecast in the national budget plan.

For 2025, the government had set a goal of reducing the effective deficit to 1% of GDP.

Given this context, the administration has already announced a $700 million spending cut for this year, but analysts believe this will not be enough to meet the fiscal target. The scale of the required adjustment will depend on the structural deficit, a measure that reflects long-term revenues and expenditures and is set to be released today.

Matías Acevedo, former director of the Budget Office, estimated last week that the structural deficit for 2024 actually reached 3.2% of GDP.

Juan Ortiz, senior economist at the Economic Context Observatory (OCEC) at Universidad Diego Portales, concurs: "Actual revenues were overestimated by more than two percentage points of GDP compared to the original budget. Additionally, given that total effective spending reached 24.8% of GDP, I estimate the structural deficit was around 3.2% of GDP in 2024."

A New Target?

Experts agree that a significant adjustment is required. Regarding the $700 million already cut, Macarena García, senior economist at Libertad y Desarrollo (LyD), argues that "it is necessary but absolutely insufficient. A much larger adjustment—four to five times this amount—is required." However, opinions vary on how to address the imbalance.

Acevedo believes that such a drastic spending cut is necessary but "highly complex," especially in a presidential election year. He suggests that "it is very likely that the government will have to make a major fiscal austerity effort in 2025 and, inevitably, revise the fiscal policy decree to align the target with expected values. Otherwise, it will only create uncertainty among investors, who will recognize that the target is unattainable, ultimately undermining confidence in the fiscal rule."

García disagrees: "Adjusting fiscal targets is just sweeping the problem under the rug to avoid addressing it. The current target exists for a reason—to ensure public finances remain sustainable so that social aid programs can be maintained over time. Changing the target would only lead to a sustained increase in public debt."

Ortiz shares a similar view, arguing that the 2024 deficit should not delay "a necessary adjustment process for fiscal sustainability." He adds that "we are not in a macroeconomic stress scenario like the pandemic period, which forced multiple fiscal decree revisions. Therefore, there is no justification for changing the target now."

The Finance Ministry already revised the fiscal policy decree in January last year, setting specific targets for 2024 and 2025 while relaxing the 2026 target from -0.3% to -0.5% of GDP.

Adjustments

Even those opposed to modifying fiscal targets acknowledge that meeting them will be extremely challenging. "That's the million-dollar question," García says. "Since the problem is structural, the solution must be permanent.

It requires a significant reduction in bureaucracy and unnecessary programs, improving public spending efficiency, tackling fare evasion in Santiago's public transport system (Transantiago), reducing fraudulent medical leave claims, eliminating unnecessary tax exemptions, and, above all, fostering economic growth."
Ortiz agrees that boosting economic activity would help contain the necessary fiscal adjustment. "Expanding economic growth is another way to ease the adjustment pressure, rather than relying solely on spending cuts," he says. However, he warns that the focus should be "on curbing the expansion of current expenditures and avoiding cuts to capital expenditures, such as public investment."
Acevedo points out that part of the problem will be inherited by the next administration. "The next government will have fewer resources, with either zero or negative fiscal room, depending on how the situation evolves. It will have to prioritize spending, and Parliament and political leaders will need to allow for this by reconsidering social programs that are underperforming or lacking the intended impact and coverage," he predicts.

"It is very likely that the government will have to revise the fiscal policy decree to align the target with expected values. Otherwise, it will only create uncertainty."
— Matías Acevedo, Former Budget Office Director

"Adjusting fiscal targets is just sweeping the problem under the rug. The current target exists to ensure public finances remain sustainable."
— Macarena García, Senior Economist, LyD

"We are not in a macroeconomic stress scenario like during the pandemic, which required adjusting fiscal targets multiple times."
— Juan Ortiz, Senior Economist, OCEC-UDP

Economists' Analysis:

Lower Corporate Tax Would Boost GDP but Require Spending Cuts to Compensate

■ In a scenario where the rate drops from 27% to 23%, private investment would increase, raising per capita output, according to a study by Bci.

El Mercurio de Santiago
By Juan Pablo Palacios

Following the congressional approval of pension reform changes, the government now has room to push forward its long-awaited income tax reform.

The initiative, which has been under discussion as part of the fiscal pact since 2023, currently includes a reduction in the corporate tax rate for large companies from 27% to 25%. Finance Minister Mario Marcel has expressed openness to further cuts, possibly down to 24%. Other adjustments aim to offset this reduction, including a new tax on dividend distribution and higher personal income taxes for those earning over 6 million pesos per month.

A report by Bci's Research Department separately analyzed the potential effects of lowering Chile's corporate tax rate—currently one of the highest in the OECD—under different assumptions (see chart).

The study concludes that a reduction in the corporate tax from 27% to 23%—a more ambitious cut than what the government is considering—would increase the private investment-to-GDP ratio by 1.6 percentage points (pp) and raise Chile's trend or medium-term GDP growth rate by 0.2 pp. The study also suggests that higher economic growth and improved public spending efficiency would help offset the fiscal revenue loss from the tax cut.

Structural Decline in Investment

The Bci report recalls that during the 1980s, private investment grew at an average rate of 9.2%, partly driven by a sharp reduction in corporate tax from 54% to a temporary 0% by the end of the decade. From 1990, the corporate tax was set at 10% and later increased to 15% in 1992, remaining at that level until 2001. During that decade, private investment grew at an average rate of 8.2%.

Between 2000 and 2019, private investment grew at an average of 6.7%. However, from 2014 to 2023, its growth trend slowed markedly to just 1.2%. "This negatively impacted the economy's growth potential," the report states. During this period, the corporate tax rate increased from 15% to 27% between 2002 and 2018. The report also highlights that, unlike Chile, advanced economies have been reducing corporate taxes over the past decade.

Different Scenarios

According to Bci's econometric model, a 1 pp reduction in the corporate tax rate would increase private investment as a share of GDP by 0.41 pp over the long term. Additionally, trend GDP growth would rise by 0.05 pp. This estimate is in line with calculations from the Committee of Experts on Fiscal Space and Trend Growth ("Marfán Commission"), which projected that a 1 pp cut in the corporate tax rate would raise GDP by 0.65 pp over 10 years.

In a scenario where the corporate tax rate is lowered from 27% to 23%—as proposed by the Confederation of Production and Commerce (CPC) to align with the OECD average—the private investment-to-GDP ratio would increase by 1.6 pp over the next decade compared to a no-reform scenario. Additionally, trend GDP growth would rise from 1.9% to 2.1%. Per capita GDP would reach $38,000 in the coming years, about $2,100 higher than without the tax cut.

In a more aggressive scenario, where the corporate tax rate is reduced to 20%—its level before the 2014 tax reform—the private investment-to-GDP ratio would rise by approximately 2.9 pp compared to a no-reform scenario. Trend GDP growth would increase to 2.2%.

How to Offset the Revenue Loss?

It is estimated that cutting the corporate tax to 23% would reduce government revenue by $2.1 billion over 10 years. However, part of this shortfall—about $780 million—would be offset by higher tax revenue from economic growth.

To cover the remaining $1.32 billion shortfall, Bci suggests that a tax reform of this scale must be accompanied by a review of public spending and state modernization to maintain long-term fiscal balance.
“These $1.32 billion in net revenue loss over 10 years would represent 0.24% of GDP by 2035, and in 20 years, by 2045, it would be just 0.05% of GDP. So, this needs to be viewed relative to GDP over the years,” explains Juan Ángel San Martín, senior economist at Bci.
Other experts agree. “As with everything, it depends on how the measures are implemented and other factors that could impact business activity, such as bureaucratic hurdles (‘permisología’) and economic outlook,” says Carolina Grünwald of Prudential AGF.
“This tax cut could create some economic incentives, but entering such a debate is also costly. A key issue will be reaching agreements to fiscally compensate for this reduction,” adds Francisca Pérez, professor at Universidad Adolfo Ibáñez (UAI).

"Even in a scenario where the corporate tax is reduced from 27% to 20%, there is fiscal room, as long as public spending is improved through state modernization."
— Juan Ángel San Martín, Bci

"If the congressional debate is prolonged, it could delay investment decisions as businesses wait for a potential tax reduction."
— Francisca Pérez, UAI

"For our country to truly be competitive in tax terms, we should lower the corporate tax to 19%."
— Natalia Aránguiz, Aurea Group

"A tax cut could also positively impact revenue through increased economic activity."
— Carolina Grünwald, Prudential AGF