

BHP raises its bet on Chilean copper: Spence considers extending the mine's lifespan

BHP confirmed to DF that it is evaluating extending the timeline already approved in its recent operational adjustment project, which involves a multimillion-dollar investment.

Diario Financiero 13 Feb 2025
By Patricia Marchetti

Five more years beyond the 14 currently planned could be added to the lifespan of BHP's Spence copper mine, located in the commune of Sierra Gorda, in the Antofagasta Region.

In December last year, the company's second most important mine in the country, after Escondida, obtained approval for its operational adjustment project, extending its hydrometallurgical leaching process until 2039. But amid the company's growth plans in the copper market, it could go even further.

BHP confirmed to Diario Financiero that, following the approval of the Environmental Impact Study, it is evaluating further extending the mine's lifespan. "There is a possibility of reaching 2044," the company stated.

In November, the company announced it would invest up to US\$13.7 billion in Chile over this and the next decade. This outlay is shaping up to be the most significant since it launched Escondida in 1990 and the most relevant for Chile's mining sector in recent years. All this, in light of the 10 million-ton copper deficit projected by the company over the next decade.

From this amount, US\$1.652 billion corresponds to the approved Spence project, which incorporates new technologies such as "Full Sal," where ore is processed using seawater. It also optimizes the crushing plant, updates the mining plan, extends and deepens the open pit, and introduces processes that contribute to decarbonization.

According to details in the report presented to the company's investors regarding its growth plan, additional improvement options are also being considered for the site's concentrator— inaugurated in 2022— to increase copper production, with an estimated Capex between US\$400 million and US\$600 million.

Currently, Spence ranks as the fourth-largest private copper mine in Chile in terms of production, closing 2024 with a 2.6% increase compared to 2023, reaching 244,000 tons, its highest level since it began operations in 2006.

The mine, which operates with 90% desalinated water, attributed its performance, in part, to improved concentrator efficiency and increases in both ore grade and recovery.

The site— which, along with the suspended Cerro Colorado mine, forms the Pampa Norte unit, led by Cristian Sandoval— is surpassed only by Escondida, BHP's top-producing mine in Chile, which totaled 1.27 million tons last year.

According to the company's latest operational report, corresponding to the first half of its fiscal year (July to December), BHP has maintained its 2025 production estimate for Spence at between 240,000 and 270,000 tons.

Autonomy and gender

Since March 2024, Spence has been a fully autonomous mine, with 82% of workers successfully retrained, according to company statements.

In October, the company announced an investment of US\$48.3 million in BHP Copper Advanced Services (CAS), located in Santiago's Titanium Tower. This operations center enables full remote control of mining operations, supported by a submarine cable running from Antofagasta to the capital and a new data center.

In terms of gender inclusion, Spence leads Chilean mining in female workforce participation— and possibly worldwide— with 45.2% women in its workforce, according to company data.

2.6% increase in Spence's production in 2024

US\$1.652 billion investment in Spence's operational adjustment project

BHP selects Ken MacKenzie's successor and appoints former New Zealand banker Ross McEwan as new chairman

The incoming leader of the mining giant has led various companies, including National Australia Bank and Royal Bank of Scotland.

BHP has chosen former National Australia Bank CEO Ross McEwan as its next chairman, succeeding Ken MacKenzie, who will step down on March 31, amid growing expectations of a wave of deals across the mining industry.

McEwan served as CEO of the Australian bank for five years until April last year, when he joined BHP's board. Before that, he led the Royal Bank of Scotland, now NatWest, in the United Kingdom.

The chairmanship of Australia's largest company is considered one of the country's most prestigious business roles. MacKenzie's departure was anticipated this year, with McEwan, board member Don Lindsay—former CEO of Teck Resources— and Michelle Hinchcliffe, former KPMG partner, among the potential successors.

"As incoming chairman, I am committed to generating long-term value for all our shareholders, and I will work tirelessly with the board and management to achieve this," McEwan said.

MacKenzie, a Canadian who has chaired BHP since 2017, oversaw a significant restructuring of the company, including its exit from oil and gas markets. He also consolidated its listing in Australia and restructured its portfolio to increase copper exposure while reducing its coal assets.

Codelco manages to halt production decline in 2024, but its gap with Escondida narrows to a historic low

In 2024, the state-owned company recorded a total of 1.422 million tons of copper, a decrease of just 0.1%. When considering only its own production, it posted a 0.3% increase. According to analysts, the miner is expected to see a slight increase in 2025 due to the commissioning of Rajo Inca and improved performances at El Teniente and Chuquicamata. However, its gap with Escondida in terms of national production share has shrunk to 2.6 percentage points, compared to 10 points in 2020.

PULSO

By Víctor Guillou

Codelco navigated its production slump in 2024, ending three consecutive years of declines that had led the state-owned miner to its worst performance in 20 years in 2023. This was reflected in Chilean copper production figures released by Cochilco.

Looking at the performance reported by companies across the country's 17 main copper-producing operations, Codelco registered a total production of 1.422 million tons, marking a 0.1% drop compared to the 1.424 million tons in 2023. However, this figure includes Codelco's stakes in El Abra (49%) and Anglo American Sur (20%). When considering only the production from divisions directly operated by Codelco, the result changes slightly. The company's own production in 2024 totaled 1.328 million tons, representing a 0.3% increase from the 1.325 million tons reported in 2023.

In either case, the slowdown in the production decline is evident, especially considering that in 2023, year-over-year production fell by 8.3%, while in 2022, the drop was 10%.

Looking ahead, a gradual climb toward 1.7 million tons—a peak the company last achieved in the early 2010s—is expected to be reached by the end of the current decade.

This is the view within the company, which in October projected that 2025 production would range between 1.350 million and 1.390 million tons, as well as among analysts.

"During 2024, we reversed the downward trend. Starting in August, our production tracking matrix finally broke the decline, which continued throughout the second half of the year. This happened because at the beginning of the year, we resolved long-standing issues, navigated the production downturn, and are now ready to begin the climb back to 1.7 million tons by the decade's end," Codelco told Pulso.

Regarding the challenges and milestones Codelco will face in 2025, the state-owned company highlighted several key priorities, such as "continuing progress to reach the operational phase of the Rajo Inca project at División Salvador; ensuring operational continuity at Radomiro Tomic to recover delays caused by the fatal accident in 2024; further improving performance at Chuquicamata Subterránea; and strengthening the operation of the processing plants at Andina and Chuquicamata, which already surpassed 80,000 tons per day (ktpd) and 170 ktpd, respectively, last year."

For Juan Carlos Guajardo, founder and executive director of Plusmining, the start of Rajo Inca will represent "a net increase compared to last year when División Salvador was not producing." However, he warns that much will depend on the performance of Codelco's major mines, which showed more production stability in 2024 but were also affected by incidents such as accidents, adding uncertainty. Nonetheless, he reaffirms that "the projection points to a slight increase in 2025."

For Cristián Cifuentes, senior analyst at Cesco, while it is "still too early to make precise projections," he also believes that "an increase is expected this year."

"We recognize that 2023 was the turning point. Now, we should see growth that may not be strong, but will be sustained over time. This will be driven by improvements in operations such as El Teniente and Chuquicamata, which are underground mines and operate differently from open-pit mining; their ramp-up is slower and comes with its own set of challenges," he explained.

Cifuentes believes that Codelco will likely get closer to its self-imposed goal of 1.35 million tons.

As Codelco's production levels have declined, so has its share of Chile's total copper production. Historical data reveals that Codelco's 2024 production marked its lowest contribution to national output, falling to 25.8%, after three consecutive years of decline. This compares to an average of over 31% in the last two decades.

This contrasts with the performance of Escondida, the world's largest copper mine, operated by BHP, where the Anglo-Australian firm holds a 57.5% stake, alongside Rio Tinto (30%) and the Japanese consortium Jeco (12.5%).

Escondida boosted its copper production by 16% in 2024, reaching 1.278 million tons, capturing 23.2% of Chile's total copper production. This narrowed its historical gap with Codelco to just 2.6 percentage points, compared to a 10-point difference in 2020.

Codelco's shrinking market share might stabilize, according to Guajardo, who believes "it all depends on the success of Codelco's structural projects. If these developments are completed, the company's national share could hold steady towards the end of the decade. However, the largest net production growth will still come from the private sector."

Cifuentes, on the other hand, believes a decline in market share is inevitable, but does not see it as necessarily negative.

"Ideally, any decline should not be due to production losses. If Codelco maintains its output while its share shrinks, it would actually be a sign of a more diversified industry, with more players entering the market," he concluded.

BHP Chooses Ken MacKenzie's Successor and Appoints New Zealand Banker Ross McEwan as New Chairman

The incoming leader of the mining giant has headed several companies, including National Australia Bank and Royal Bank of Scotland.

df.cl

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Mining giant BHP, which operates Escondida, Spence, and Cerro Colorado in Chile, has chosen former National Australia Bank CEO Ross McEwan as its next chairman. He will succeed Ken MacKenzie, who will step down on March 31, amid growing expectations of a wave of deals across the mining industry.

McEwan served as chief executive of the Australian bank for five years, until April last year, when he joined BHP's board. Prior to that, he led Royal Bank of Scotland, now known as NatWest, in the United Kingdom.

The chairmanship of Australia's largest company is considered one of the country's most prestigious corporate roles. MacKenzie's departure was anticipated this year, with McEwan, board member Don Lindsay—former CEO of Teck Resources—and Michelle Hinchcliffe, former KPMG partner—among the potential successors.

"As incoming chairman, I am committed to generating long-term value for all our shareholders, and I will work tirelessly with the board and management to achieve this," McEwan said on Wednesday.

MacKenzie, a Canadian who has chaired BHP since 2017, oversaw a significant restructuring of the company, including its exit from the oil and gas markets. He also consolidated its listing in Australia and reorganized its portfolio to increase exposure to copper while moving away from coal.

Born in New Zealand, McEwan gained a strong reputation in the banking sector after being appointed to turn around Royal Bank of Scotland in 2013. He is credited with returning the bank to profitability after its government bailout during the global financial crisis.

He was later appointed to lead National Australia Bank, the country's third-largest lender, following a public inquiry into industry misconduct that led to the resignation of its chairman and CEO.

BHP's announcement marks the second high-profile mining appointment of a former banker in Australia, following Noel Quinn, former CEO of HSBC, joining the board of iron ore miner Fortescue.

McEwan enters the sector at a time when the race for copper, a key metal in the transition to green energy, is expected to drive consolidation across the mining industry.

BHP, the world's largest miner by market capitalization, failed last year in its US\$39 billion bid for competitor Anglo American. Meanwhile, rivals Rio Tinto and Glencore have recently held preliminary merger talks.

Southern Copper raises Tía María copper project budget to US\$1.8 billion

International brief.

Diario Financiero - 13 Feb 2025

Mining company Southern Copper announced that, following a "careful and detailed review," it has increased the budget for its Tía María copper project in Peru to US\$1.802 billion, up from approximately US\$1.4 billion. The project has faced years of delays due to opposition from a nearby community, which has raised concerns over the mine's environmental impact.

Megaline Kimal-Lo Aguirre receives nearly 800 comments in citizen participation process amid SQM criticism

■ The mining company claims that the project's proximity to its operations "implies a series of interferences." The power firm defends itself.

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By Karen Peña

The environmental evaluation process for the Kimal-Lo Aguirre megaline, which will connect Antofagasta and Santiago with an investment of approximately US\$1.5 billion, continues in the Environmental Impact Assessment System (SEIA). As the project awaits the second Consolidated Report of Clarifications, Rectifications, or Extensions (Icsara) this month, one of the ongoing processes was a new stage of citizen participation in the municipalities where the company made adjustments in its first adenda.

This new phase began on November 27 and ended on January 17. According to the final Citizen Participation Report (PAC) published by the Environmental Assessment Service (SEA) on January 30, there were 231 participants in the process. Based on the company's estimates, a total of 793 observations were submitted. Among the concerns raised, the Diaguita Chipasse Ta Tatara Indigenous Community requested a participatory evaluation of various impacts. On the last day of the process, one of the key actors was SQM Industrial, which submitted a statement with harsh criticisms included in the environmental assessment file.

The mining company argues that, despite all the productive activities SQM carries out, the project "fails to address the impacts it will have on these economic activities." SQM further asserts: "The proximity of the project to our mining activities implies a series of interferences, which in turn cause disruptions to SQM's economic activity, constituting an impact that has not been properly analyzed within the project's environmental evaluation." While the project's Environmental Impact Study (EIA) acknowledges the existence of mining-related economic activities, SQM claims it does not properly assess the impacts that the project's execution could have on mining operations.

According to the mining company, SQM's mining operations involve the movement of high-tonnage mining trucks, blasting events in mining areas, and other activities that are practically incompatible with the proximity of the project's construction and operational phases.

SQM also states that the project's route through the municipalities of María Elena and Sierra Gorda overlaps with mining claims granted to SQM, including the Pampa Blanca and Pedro de Valdivia operations. Additionally, part of the project's route in Sierra Gorda is located less than 3 km from the mining area of Pampa Blanca.

The company warns that the project "severely affects SQM's historical mining operations in the Antofagasta Region, with this impact extending to potential expansion plans."

The company's defense

When consulted, Carola Venegas, Sustainability and Public Affairs Manager of Conexión Kimal-Lo Aguirre, acknowledged that various economic activities may exist along the project's 1,346-kilometer route.

"For this reason, from an environmental perspective, and before beginning the project's evaluation process, we conducted a review of projects or activities with approved Environmental Qualification Resolutions (RCA) or ongoing EIA/DIA processes, and we found none related to SQM in the municipalities of María Elena and Sierra Gorda in the Antofagasta Region," Venegas stated.

From a territorial perspective, she explained that "the electrical easements currently being processed before the Superintendence of Electricity and Fuels (SEC) were declared admissible in 2024. Additionally, the administrative easements processed in August 2024 by the Antofagasta Regional Ministry of National Assets were initiated before any potential SQM project."

Venegas added that "if this is indeed the case, it is difficult to identify projects that do not have publicly available information about their future location. Given that Kimal-Lo Aguirre spans over 1,346 kilometers, this was always a possibility during the project's development."

1,346 kilometers is the project's new total length following the company's adjustments. The original proposal was 1,342 kilometers.

Albemarle Mining Reports Losses of US\$1.179 Billion in 2024 Despite Cost Cuts

Although it achieved record lithium production at its plants in Chile and China, the U.S. miner recorded a 44% drop in total sales and a 57% decline in lithium sales. Additionally, it set its average sales price at US\$9 per kilo. The company also implemented a significant reduction in its capital expenditure forecast for 2025, now estimated to be between US\$700 million and US\$800 million, 50% lower than previous estimates.

PULSO

By Víctor Guillou

Albemarle, the U.S. mining company operating in the Atacama salt flat, reported losses of US\$1.179 billion in 2024, according to its announcement on Wednesday. The bottom-line result was affected by high expenses related to restructuring processes and asset amortizations, which totaled US\$1.134 billion for the year.

At the operational level, net sales of US\$5.377 billion were almost entirely offset by the cost of sales, which reached US\$5.314 billion, leaving a gross profit of only US\$62 million.

Despite this, the company's adjusted EBITDA stood at US\$1.140 billion, which was "in line with forecasts, thanks to improved productivity and cost management, increased volumes, and contract fulfillment," Albemarle stated in a presentation accompanying its financial results.

Albemarle operates three business segments globally, with its lithium division grouped under the energy storage segment. According to its financial statements, this segment generated net sales of US\$3.015 billion in 2024, marking a 57% decline compared to 2023.

In its report, Albemarle specified that the average lithium sales price during 2024 was US\$9 per kilo.

The company's other segments, including specialty chemicals and its subsidiary Ketjen—a provider of advanced catalyst solutions for leading producers in the petrochemical industry—showed slightly lower results in year-over-year comparisons.

"We are taking decisive actions to reduce costs, optimize our conversion network, and increase efficiency to maintain our long-term competitive position," said Kent Masters, Albemarle's chairman and CEO. "Looking ahead, we expect dynamic market conditions to persist, but we remain confident in our ability to deliver value to stakeholders by enhancing our financial flexibility, strengthening our core capabilities, and positioning Albemarle for future growth."

The company has implemented a significant reduction in its capital expenditure forecast for 2025, lowering it to a range between US\$700 million and US\$800 million—50% less than previously estimated.

"Trump Has Not Expressed Any Hostility Towards Chile," Says One Economist:

Former Advisers to Ford and Reagan Intrigued by Possible Tariff on Chilean Copper

Unlike steel, the President of the United States had not expressed an intention to protect the country's copper industry, which has also seen a decline in production.

**MERCURIO DE SANTIAGO
CATALINA MUÑOZ-KAPPES**

Although at the end of January, U.S. President Donald Trump hinted at imposing tariffs on copper, steel, and aluminum, he ultimately applied surcharges to the latter two metals and not to Chile's main export. However, the mere consideration of such a measure has intrigued U.S. economists, including two former officials from past Republican administrations.

Douglas Irwin, a professor at Dartmouth College and former member of the Council of Economic Advisers under Ronald Reagan, told El Mercurio: "I didn't know that (Trump) was interested in protecting the copper industry." On January 31, Trump stated, "We are going to impose tariffs on steel, aluminum, and ultimately copper. Copper will take a little longer."

In comparison, Irwin emphasized that "steel had been an obsession for him for some time, and of course, he imposed tariffs on steel during his first term."

Similarly, Gary Hufbauer, a scholar at the Peterson Institute for International Economics and former director of the International Tax Department at the U.S. Treasury under Gerald Ford, believes that "although Trump has threatened tariffs on copper, he does not seem to realize that the United States' copper deposits are largely depleted, and the remaining ones have a very high cost. I suppose Trump will reconsider imposing tariffs on copper imports."

Declining Production

In 2024, the United States produced 1.1 million tons of copper from its mines and 890 tons of refined copper, according to a report published in January by the U.S. Geological Survey (USGS). In contrast, Chile extracted 5.5 million tons of copper from its mines, in addition to 1.9 million tons of refined metal. Furthermore, according to USGS, 65% of the United States' refined copper imports between 2020 and 2023 came from Chile.

Moreover, U.S. copper production is in decline. In 2024, output decreased in most U.S. copper mines, with an overall reduction of 3% year-on-year, according to the USGS report. New Mexico and Arizona account for 70% of U.S. copper mines, where production fell due to "lower ore grades and extraction rates."

For aluminum, the United States had a smelting production of 670,000 metric tons in 2024, significantly lower than Canada's 3.3 million metric tons. The U.S. imports 56% of its aluminum from Canada.

The situation for copper and aluminum contrasts with that of steel. In 2024, the United States produced 81 million tons of crude steel, making it the third-largest producer globally, behind China and Iran.

Decision-Making

However, Irwin believes that if Trump is determined to impose tariffs on copper, the U.S.-Chile Free Trade Agreement will not be an obstacle. "As he has demonstrated with his tariff threats against Canada and Mexico, having a free trade agreement with the United States no longer means much." Holding that agreement, he argues, "would not help Chile much if the President also determines that tariffs on imported copper are necessary."

Hufbauer, in contrast, highlights the differences between Trump's attitude toward Mexico and Canada compared to Chile. "As far as I know, Trump has not expressed any hostility toward Chile, although he has frequently criticized Canada and Mexico," he says.

Nevertheless, the economist believes that what will ultimately determine the imposition of tariffs is the United States' need for copper. "It is the reality of copper production that will make the difference, rather than Trump's fleeting sentiments," he concludes.

Emergency Plans Activated to Address Summer Rains in El Loa

WEATHER. Rainfall has caused some landslides on roads, temporary border closures, and power outages. Precipitations are expected to continue throughout the week.

MERCURIO DE CALAMA
Karen Elena Cereceda Ramos

Following the rainfall currently affecting the Province of El Loa and expected to continue throughout the week, regional authorities have activated emergency plans to mitigate potential damage caused by the precipitation. During the initial days of this phenomenon, known as summer rains, some damage was reported on interior roads, temporary closures of border checkpoints, and power outages in inland towns. However, according to provided information, these issues were resolved yesterday.

Nonetheless, according to forecasts from Chile's Meteorological Directorate, rain will persist at least until Monday. Authorities are urging preventive measures while emergency agencies continue monitoring and updating the Preventive Early Warning Alert.

In this regard, Ricardo Munizaga, regional director of the National Disaster Prevention and Response Service (Senapred), detailed that "according to information provided by the Chilean Meteorological Directorate and the Northern Meteorological Center, moderate to heavy rainfall is expected in a short period in interior and mountain areas, accompanied by thunderstorms and low temperatures during early morning hours."

He added that the National Geology and Mining Service (Sernageomin) issued a technical report indicating the potential risk of landslides, mass movements, and flash floods associated with the rainfall.

IMPACT REPORT

The rain in the Province of El Loa has caused various disruptions, particularly in the commune of Ollagüe, where landslides were reported on Route CH21 near the San Martín slope.

However, according to the latest update from Rachel Cortés, acting presidential delegate for El Loa, "Route 27CH, which connects San Pedro with Paso Jama, and Route 21CH, linking Calama with Ollagüe, are open. However, some interior roads in Alto Loa and Atacama La Grande are being cleared by the Public Works Department and are expected to be accessible later today."

She noted that tourist sites such as Laguna Céjar, Piedras Rojas, Laguna Chaxa, and Pozo 3 remain closed, while others are open with caution.

Border crossings, including Jama and Hito Cajón, were temporarily closed for several hours due to road disruptions. However, road crews worked to restore access yesterday.

Meanwhile, at 6:00 PM yesterday, the Ollagüe border crossing was closed due to thunderstorms and hail.

Additionally, a power outage affected 20 homes in Ollagüe, and restoration efforts were carried out overnight.

In the commune of San Pedro de Atacama, thunderstorms and isolated showers have been reported, though no road closures occurred. The local government has proactively distributed nylon sheeting and firewood to rural communities.

CALAMA

Although the forecast predicts rainfall in Calama, no significant precipitation has been recorded in the city so far, with rainfall limited to the Alto Loa area.

Despite this, Calama's mayor, Eliecer Chamorro, has deployed the municipal emergency team to affected areas and urged residents to avoid traveling on Route CH21 due to the activation of ravines and hazardous road conditions.

He assured that health clinics in rural villages remain operational, though a crack was detected in a school in Lasana, prompting an inspection by the Andean Department yesterday morning.

Additionally, over 600 pieces of nylon sheeting, each measuring eight meters, have been distributed to affected areas.

MINISTRY OF PUBLIC WORKS

The rainfall has caused landslides and, in some cases, road closures. Pedro Barrios, regional ministerial secretary of Public Works, reported on actions being taken by the ministry.

"Since yesterday afternoon (Tuesday), road and hydraulic works teams have been deployed in the Loa area and San Pedro de Atacama. Some roads were affected, but all have now been cleared. There are no closed roads," he stated.

He added, "The Hydraulic Works Department has inspected rural drinking water systems and mitigation structures designed to manage water flows safely. These systems have functioned as intended."

WATER SUPPLY MEASURES

The company Aguas Antofagasta has mobilized resources to ensure the continued supply of drinking water amid the rainfall.

"To maintain normal water service for the community, our teams are deployed at various points along the production line to ensure continuity and mitigate the impact of the precipitation associated with the Altiplanic winter," the company stated.

It also highlighted logistical and technical support in the field, including cleaning and repair efforts, as well as specialized equipment such as trucks and satellite phones.

"We are working closely with authorities, companies, and services through the Risk and Disaster Management Committee, as well as coordinating directly with the necessary teams. Through collaboration, we can provide effective responses in complex scenarios," said Paula Carrasco, the company's Corporate Affairs Director.

CALL FOR PREVENTION

With rainfall expected to continue in the coming days, authorities urge residents to take preventive measures.

"We call on the public to stay informed through official sources, avoid exposure to outdoor conditions, secure rooftops, stay away from water flows and rivers, and exercise caution when driving on roads that may be affected," stated Ricardo Munizaga, regional director of Senapred.

"The public is urged to stay informed through official channels, avoid exposure to outdoor areas, and secure rooftops."

Ricardo Munizaga, Senapred