Anglo and Codelco Seal $5 Billion Alliance, Creating the World's Fourth-Largest Copper District

■ Government and industry celebrate the agreement, calling it of “enormous value” for Chile.

Diario Financiero, February 21, 2025
By Patricia Marchetti

Anglo American Sur, controlled by Anglo American Plc, and Chilean state-owned Codelco announced the signing of a "historic" Memorandum of Understanding (MoU) to jointly develop their neighboring operations, Los Bronces and Andina. This collaboration is expected to establish the world's fourth-largest copper mining district and Chile’s third-largest.

The two companies have worked on the alliance for years as a natural response to the physical overlap and interaction between their open-pit mining operations. Through the execution of a Joint Mining Plan from 2030 to 2051, they project an additional production of 2.7 million metric tons of copper, averaging 120,000 metric tons annually. This would represent a 2.8% annual increase in Chile’s copper production compared to 2023.

This new mining district holds over 2% of the world’s copper reserves, and a specific area—the "wedge" between both operations—contains high-grade mineral, ranking among the richest in Chile and the world.

Estimates suggest that this integration will generate at least $5 billion in pre-tax value for the district, excluding potential operational synergies.

Both Anglo and Codelco will retain full ownership of their respective mining concessions, processing plants, and material assets. Their workforce will also remain within each entity. “There will be no transfer of ownership of any kind,” both companies emphasized.

Andina, discovered in 1920 but not exploited until 1970, is one of Codelco’s smallest divisions, comprising the Río Blanco underground mine and the Sur Sur open-pit mine.

Los Bronces, with over 150 years of operation, is a key asset for Anglo American, which considers it the "crown jewel" of its global portfolio. The multinational aims to reach one million metric tons of copper production by the early 2030s.

Governance and Business Structure

The Andina-Los Bronces project will operate under a corporate governance structure split equally between Codelco and Anglo American.

Both firms will establish a new operational entity, controlled 50/50, responsible for executing the Joint Mining Plan and coordinating the use of combined processing capacities. The governance model includes a six-member board, with three representatives from each company, and a non-executive chairman without a tie-breaking vote.

The business model is also structured as a 50/50 joint venture, mainly due to the equal contributions from both mining operations.

Andina will contribute a larger share of high-grade minerals, which will be processed using Anglo American’s infrastructure, allowing extraction to begin 10 years earlier than originally planned—just in time for an anticipated global increase in copper demand.

While each company will continue to extract ore independently, operations will be coordinated, and processing will take advantage of shared infrastructure.

Copper production, costs, and operational responsibilities will be equally divided, but each company will handle its own copper commercialization.

Since Codelco owns 20% of Anglo American Sur, of the 120,000 additional metric tons produced annually, 75,000 will belong to Codelco. This will boost the state-owned miner’s annual output by 5%, bringing it closer to its historical production levels of 1.7 million metric tons, after falling to 1.4 million in recent years.

Due Diligence and Permits

With the MoU signed, the due diligence process has begun, which both firms expect to complete in the second half of 2025. This phase will finalize the contract’s details.

After due diligence, each company will need to prepare and submit an Environmental Impact Study (EIA) and obtain various sectoral permits. The entire permitting process is expected to take five years, allowing joint operations to begin by 2030.

Financial Impact on the Chilean State

The $5 billion alliance will raise the district's total value to $17 billion, marking a 40% increase compared to a scenario without the agreement.
According to the Chilean government, the state will receive approximately $3.75 billion directly and indirectly from this increased value—roughly 75% of the total.
Codelco's contributions will total $2.75 billion, including payments under the Reserved Law, royalties, corporate taxes, state enterprise taxes, and dividends, along with its 20% stake in Anglo American Sur.
Anglo American Sur will contribute $1 billion in royalties and corporate taxes.

Approval Process: Regulatory Hurdles and Constitutional Constraints

■ Two previous agreements paved the way for this 13-year negotiation.
Multiple generations of executives have worked toward this agreement, senior industry leaders told Diario Financiero. Two prior agreements laid the groundwork for the deal, which has been under discussion since 2012 when Codelco exercised an option to acquire a 49% stake in Los Bronces. Eventually, Codelco's ownership settled at 20% of Anglo American Sur.
Executives familiar with the process noted that a key challenge has been complying with Chilean constitutional restrictions on Codelco's assets. Andina, along with Chuquicamata, El Teniente, and El Salvador, was nationalized in the 1970s and cannot be sold or transferred under Chile's Constitution. Thus, the agreement is structured strictly as a strategic partnership with no asset transactions.
While negotiations have spanned more than a decade, significant progress was made in 2024, culminating in the signing of the Memorandum of Understanding.
The deal was approved by the board of Anglo American Plc on February 18 in London. Anglo American Sur and Codelco's boards approved it in Chile on February 19.
A six-month due diligence phase will now take place to refine the operational details.
The partnership must also be reviewed by Chile's National Economic Prosecutor's Office (FNE). However, both companies express confidence in securing approval, citing thorough legal scrutiny and the absence of asset transfers.
The legal structuring of the agreement was led by Anglo American's legal head, Paola Cifuentes, with support from Philippi Prietocarrizosa Ferrero DU & Uría (PPU). Codelco's legal vice president, Macarena Vargas, managed the process with assistance from Carey.
The deal was approved by the board of Anglo American Plc on February 18 in London.

Coordination to Increase Annual Production by 120,000 Tons Starting in 2030

"Paradigm Shift": Experts Praise the Productive Shift Following the Codelco-Anglo Alliance

The companies will retain their mining concessions and market copper separately.

MERCURIO DE SANTIAGO
By Catalina Muñoz-Kappes and Javiera Baeza

Codelco and Anglo American announced yesterday that they have signed an agreement to coordinate copper extraction from the Andina and Los Bronces open pits, a project that will increase production by approximately 120,000 tons annually between 2030 and 2051.

The companies signed a Memorandum of Understanding stating that each will continue extracting minerals independently while retaining ownership of their mining concessions, but in a coordinated manner. Processing will leverage synergies between their facilities and plant capacities, while copper commercialization will be handled separately by each company.

Through the integration of mining operations, the firms estimate that pre-tax value generation (net present value) will increase by at least US$5 billion.

"Los Bronces and Andina present clear and significant benefits due to their proximity, and together they hold resources and reserves of approximately 60 million tons of copper, representing over 2% of the world's copper reserves and resources. By implementing a joint mining plan and optimizing the use of our respective processing plants, we believe we can generate an additional 2.7 million tons of copper over 21 years starting in 2030," explained Duncan Wanblad, Chief Executive of Anglo American.

Due to the agreement, national copper production is expected to increase by 2.8% compared to 2023 figures, according to both companies.

Coordination

Until now, Andina and Los Bronces have operated adjacent sites, coordinating their activities through more than ten cooperation agreements over 47 years. In this context, the Joint Mining Plan will mark a deeper level of coordination.

"This plan represents an unprecedented public-private collaboration model globally," highlighted Codelco's Chairman, Máximo Pacheco. "We now have a unique opportunity to rethink the development of this mining district, taking a strategic and beneficial step: advancing an alliance that will make it one of Chile's three most important copper mining districts and the fourth largest worldwide," he stated.

Additionally, Pacheco emphasized that the agreement allows both companies to maintain "full ownership of their concessions and infrastructure, enabling them to advance other projects, including underground developments."

Patricio Hidalgo, CEO of Anglo American in Chile, added that "this is one of the largest known copper deposits in the world. The industrial and economic synergy is very strong, and both companies are fully committed to making the most of these synergies."

"Tip of the Iceberg"

Experts believe the agreement between Codelco and Anglo American could set a precedent for other mining operations. Marcos Lima, former president of Codelco, pointed out that "this is a paradigm shift. For the first time, we will see the successes and challenges associated with two neighboring mines seeking synergies, both in joint operations and in the use of facilities. The value increase from this approach is significant."

According to Lima, this initial agreement could pave the way for similar future collaborations. "If the Chilean mining industry embraces this initiative and examines it in detail, it will realize that the potential savings in operating costs and investments could be enormous," he said.

"This project is just the tip of the iceberg. There is much more to come because this deposit is enormous. If this collaboration works well, I believe they will be able to develop additional joint projects," said Gustavo Lagos, a mining expert and professor at UC Engineering.

"Without this agreement, part of the district simply could not be exploited by either company or anyone else. This agreement will enable the extraction of areas that would otherwise remain untapped," noted Alicia Domínguez, leading partner for Industries and Energy at EY Chile.

During Anglo American's earnings presentation yesterday, Wanblad revealed that the first discussions on joint extraction began in 2012. When asked about future collaboration opportunities, he responded that Codelco "is a good partner. If there is more we can or want to do together, we will explore it. But at the moment, nothing else is on the table."

"The synergies between one company's deficits and the other's surpluses naturally enhance the profitability of each project," highlighted Mining Minister Aurora Williams.

However, the agreement comes with challenges. "This is an extremely complex task because operating two open pits simultaneously, with different models, separate truck fleets, and distinct personnel, is a major challenge," said Lagos.

For Lima, the biggest difficulties will lie in "the different approaches to mining development. It is not easy to align mining plans when there are various ways to plan a mine's exploitation."

Corporate Governance

The project will have a corporate governance structure shared equally between Codelco and Anglo American.

The new operational entity will have a board composed of six members, three from each company, with a rotating chairmanship. This entity will coordinate the combined processing capacity of both operations.

The companies will equally share costs and responsibilities associated with the joint operations. Additionally, they have committed to eliminating the use of freshwater in mining processes, given the severe water scarcity in central Chile.

"Codelco is a good partner. If there is more we can or want to do together, we will explore it."
Duncan Wanblad, CHIEF EXECUTIVE OF ANGLO AMERICAN

"This plan represents an unprecedented public-private collaboration model globally."
Máximo Pacheco, CHAIRMAN OF CODELCO

Next Steps: Due Diligence and Regulatory Approvals

Despite the agreement reached between Codelco and Anglo American, the companies still need to finalize negotiations and complete binding agreements, a process expected to conclude in the second half of the year. The finalization will be subject to obtaining the necessary approvals and completing due diligence.

After that, the companies estimate that obtaining the necessary permits to operate under the Joint Mining Plan will take at least five years.

Felipe Alessandri, mayor of Lo Barnechea, noted that Anglo American "has two projects currently undergoing environmental evaluation. Given the associated complexities and the specificity of these projects, we have hired expert academics to assist in drafting the municipality's statements."

Glaciers and Employment: Barrick Faces Objections to Close Its Pascua Lama Project

Among the main objections are the execution of works without environmental permits, lack of water rights, and deficiencies in geological risk assessment. Additionally, the Atacama Regional Government demands guarantees of employment for local residents.

PULSO
By Leonardo Cárdenas

The closure of Barrick's Pascua Lama project is facing strong scrutiny from public agencies. Its Chilean subsidiary, Compañía Minera Nevada, entered the Environmental Impact Assessment System (SEIA) in January 2024 with the "Modification of the Closure Phase of Pascua Lama" plan, involving an investment of US$136 million. However, the environmental process has received comments from 19 entities, including the General Water Directorate (DGA), the Ministry of the Environment, the Regional Ministry of Health (Seremi), the National Corporation for Indigenous Development (Conadi), and the Atacama Regional Government.

This week, the Environmental Assessment Service (SEA) collected all comments and produced an ICSARA report that raises new objections to the initiative and proposes new obligations.

One of the most serious objections is that the company allegedly carried out works without the corresponding environmental permits. "It is informed to the Proponent that the modifications to the riverbeds described in the Annexes are not part of the PAS submitted as background during the current evaluation process; therefore, documentation associated with Sectoral Environmental Permit 156 should be included."

Another objection concerns the lack of water rights to extract and reuse groundwater. "To pump groundwater and return it to the pools, it is necessary to have a water use right, at least of the non-consumptive type. Therefore, prior to the execution of the Project, you must inform about the water use rights you will exercise," it stated.

The report questions the handling of sludge generated in the DAR Plant (Disposal and Conditioning of Residues), indicating that its disposal could pose an environmental risk. "The Proponent has not provided sufficient technical information that unequivocally dismisses the disposal of sludge in the area as a risk to the health of people or the environment. The request to transport all sludge generated in the DAR Plant to an authorized disposal site is reiterated," it affirmed.

DGA: Concerns about water quality and sludge management

The General Water Directorate (DGA) was one of the most critical. It warned that "it is not possible to know with certainty the water quality presented by the headwaters of the basin after the 2009 period," questioning the lack of clear data in the baseline.

It also alerted about waste management: "The disposal of sludge in the area poses risks to human health and aquatic ecosystems." Furthermore, it demanded that the company ensure that the removal of the water treatment plant "will not compromise the quality of the water resource in the long term."

The Ministry of the Environment requested a better evaluation of the impact of climate change on water and glaciers. It noted that "riverbeds show alluvial risk in steeper areas, with estimated return periods between 10 and 200 years," which could affect closure stability.

It also criticized the methodology used in environmental studies and stated that "the data presented do not allow verifying with certainty that water quality will not be affected."

Health

The Regional Ministry of Health expressed concern about the lack of clarity in the closure stages and their effects on the population. "Greater clarity is required regarding the stages of closure initiation and operation, ensuring that there will be no health risks to the population," it warned.

It also demanded greater control over residues that could contain heavy metals: "The disposal of residues must be strictly controlled to prevent contamination in the area." Additionally, it called for measures to mitigate dust in nearby communities: "Appropriate mitigation measures should be implemented to prevent the dispersion of particulate matter."

Poorly Evaluated Geological Risks

Meanwhile, the National Geology and Mining Service (Sernageomin) questioned the site's stability. It indicated that "the methodology used to assess geological risks presents deficiencies and must be reevaluated," demanding a more detailed analysis of landslide risk and mass removal.

It also warned that "their presence could compromise the chemical stability of the tailings deposit, which could generate long-term environmental impacts."

CONADI and Employment

The National Corporation for Indigenous Development (Conadi) criticized the lack of consultation with indigenous communities. In its report, it pointed out that "the holder does not sufficiently and realistically demonstrate efforts to contact these communities, which are willing to provide relevant information."

It also raised concerns about environmental damage perception: "The dismantling of the water treatment plant effectively alters the environment," increasing distrust among communities in the closure process.

Finally, the Atacama Regional Government demanded that the company guarantee employment for local residents. "The project does not provide a clear response on how it will ensure local employment," it stated in its report, requesting that at least 20% of the workforce be from the region.

"The socioeconomic impact of closure must be mitigated with concrete actions. General statements are not sufficient; instead, an employment plan prioritizing the hiring of local residents must be established," the agency emphasized.

In contrast to these observations, agencies such as Transportation, Energy, Agriculture, Public Works, SAG, National Tourism Service (Sernatur), Undersecretariat of Fisheries and Aquaculture (Subpesca), and the National Forestry Corporation (Conaf) expressed satisfaction with the project's Addendum and did not raise significant objections.

CAP Formalizes Acquisition of 10% Stake in Aclara, Enters Rare Earths Business in Brazil

■ The Chilean group secures a position in the Carina project in Goiás, Brazil, and a U.S.-based rare earth separation plant.

Diario Financiero, February 21, 2025

CAP has officially entered the rare earths business in Brazil after completing the acquisition of a 10.18% stake in Canadian company Aclara Resources Inc. for a total of $10.8 million. This move marks the Chilean conglomerate’s strategic expansion into the Carina project, located in the state of Goiás, Brazil, as well as its involvement in the development of a rare earth separation plant in the United States.
Additionally, with the purchase of shares in the Toronto Stock Exchange-listed parent company, CAP has increased its indirect stake in the Penco Module—Chile's first rare earth deposit, located in the Biobío Region—from 20% to 28%.
Following the transaction, Juan Enrique Rassmuss, Chairman of CAP's Board of Directors, will join the Board of Directors of Aclara Resources Inc.

Chilean Foreign Ministry and Private Sector Activate Monitoring Initiative in Response to Potential US Tariffs

■ The working group aims to provide data on Chile's position in international trade.

Diario Financiero, February 21, 2025
By S. Runín and C. León

The repercussions of U.S. President Donald Trump's recent announcements continue to unfold, prompting the Chilean government to initiate monitoring efforts in case these measures impact the country.

In addition to the efforts launched weeks ago to track the potential effects of U.S. trade measures on copper and the establishment of the Interministerial Committee on International Economic Negotiations, a new initiative has been formed—this time, incorporating representatives from the private sector.

The newly established working group held its first meeting, led by Foreign Minister Alberto van Klaveren and the Undersecretary for International Economic Relations (SUBREI), Claudia Sanhueza.

According to the Foreign Ministry, this platform includes representatives from the public sector, business associations, academia, and experts in international economics and foreign policy. Among the participants are Daniel Mas, Vice President of the Confederation of Production and Commerce (CPC); Rodrigo Yáñez, Secretary General of the Federation of Chilean Industry (Sofofa); Macarena Navarrete, Country Managing Partner at EY; Alfonso Silva, former Undersecretary and former Chilean Ambassador to the U.S.; Juan Gabriel Valdés, Chilean Ambassador to the U.S.; and Andrea Tokman, Chief Economist at Quiñenco, among others.

A press release from the Foreign Ministry stated that the initiative aims to "gather perspectives and insights on changes in international trade policies."

Minister van Klaveren emphasized that the goal is to develop a comprehensive assessment of the current landscape and strengthen Chile's strategic position to safeguard national interests. He also noted that collaboration with the private sector would complement the government's analysis and serve as a forum for sharing updates on recent commercial policy developments.

Similarly, Undersecretary Sanhueza stated that the group would facilitate communication and cooperation among stakeholders while analyzing the potential impact of global trade shifts. In this context, the initiative will assess the challenges Chile may face following the U.S. tariff announcements.

Collaborative Effort

Several participants described the initiative as "a valuable space for dialogue and monitoring" that will allow the government to gain firsthand insights into private-sector concerns—not only regarding Trump's tariff measures but also about broader uncertainties surrounding a potential escalation in trade tensions between the world's two largest economies and their implications for Chile.

"It was a very productive meeting, bringing together diverse stakeholders who can contribute their perspectives on foreign trade and Chile's current position," said CPC Vice President Daniel Mas.

Beyond monitoring the potential domestic impact of Trump's tariff measures, the working group aims to provide data on Chile's standing in global trade, identifying industries and products where opportunities exist to strengthen the country's export matrix and diversify its offerings.

Additionally, the group will closely monitor the potential expansion of U.S. tariff measures to other sectors beyond metals.

"Our goal is to develop a comprehensive assessment of the current landscape, fostering a shared understanding of the global context and reinforcing a position that benefits our country's interests," stated Minister van Klaveren.

Attendees of the Meeting

- Marcos Illesca, Asexma.
- Macarena Navarrete, EY.
- Juan Pablo Toro, Athena Lab.

- Guillermo Carlomagno R., Central Bank of Chile.
- Andrea Tokman, Quiñenco.
- Alfonso Silva, Former Undersecretary and Former Ambassador to the U.S.
- Nicolás Lillo, Ministry of Economy.
- Ivonne Schencke, Chilean National Mining Society (Sonami).
- Juan Gabriel Valdés, Chilean Ambassador to the U.S.
- Rodrigo Wagner, Ministry of Finance.
- Rodrigo Yáñez, Sofofa.
- Daniel Mas, Confederation of Production and Commerce (CPC).
- Dorotea López, University of Chile.
- Osvaldo Rosales, International Trade Economist.
- Jorge Sahd, Center for International Studies (CEIUC), Pontifical Catholic University of Chile.
- Alejandro Jara, Lawyer Specializing in International Economic Relations and Global Trade.
- Milenko Skoknic Tapia, Executive Secretary of the Chilean Council for International Relations.
- Carlos Ominami, Chile 21 Foundation and Vice President of the Permanent Forum on Foreign Policy.

Benavente Assures That Government Transfers Did Not Result in Capital Losses for Corfo

■ The Executive Vice President of Corfo reiterated that the entity’s assets improved by the end of last year.

Diario Financiero, February 21, 2025
By Claudia Rivas

The controversy surrounding the transfer of funds from Corfo to the Treasury took another turn on Thursday. Following criticism from opposition politicians, debates initiated by former Corfo officials regarding corporate governance, and the investigation announced by the Office of the Comptroller General, another key figure in the matter stepped forward: Corfo’s current Executive Vice President, José Miguel Benavente.

In an early morning public statement comprising six key points, Benavente aligned himself with the explanations provided by Economy Minister Nicolás Grau. The minister, who also chairs Corfo’s board, had previously dismissed the controversy as "artificial" and defended the government’s actions.

Regarding the transfers to the Treasury, Benavente explained in the statement that the historic spike in lithium prices in 2022 and 2023 “generated exceptional revenues both for Corfo (from payments made by companies extracting lithium from the Salar de Atacama) and for the Treasury (through tax contributions).” He further clarified that the fund transfers requested by the Ministry of Finance, “in accordance with its legal authority, only affected a portion of these extraordinary revenues.” These transfers, he stated, “were duly approved by Corfo’s Board and executed in compliance with applicable regulations.”

Benavente emphasized that “it is crucial to highlight that the liquidation of investments necessary to fulfill these transfers was carried out gradually and strategically, as agreed upon by the Board.”

This approach, he added, “prevented capital losses in these operations, addressing concerns raised by this administration before the board while ensuring the institution’s assets were duly safeguarded.”

Board Meeting Records

Benavente explained that “following these transfers, at the close of the 2024 fiscal year, Corfo’s financial investment assets exceeded $1.5 billion—significantly higher than the $160 million recorded at the start of this administration.”

He stressed that the rationale and analysis behind the decision—which has been questioned by opposition parties—are fully documented in Corfo’s board meeting records, which are publicly accessible. “These records reflect the various viewpoints and arguments expressed during the board sessions,” he noted.

Finally, in his statement, Benavente asserted that “it is essential to emphasize that the role of the Executive Vice President is to protect, grow, and use Corfo’s assets as efficiently and effectively as possible for the institution’s objectives. This responsibility, however, does not override the legal authority of other government officials or disregard their legitimate concerns.”

“It is crucial to highlight that the liquidation of investments necessary to fulfill these transfers was carried out gradually and strategically,” said Benavente.