

*Capital Goods Corporation Raises Its Investment Forecast for Next Year:*

## **Investment Survey Predicts Projects Worth \$15 Billion for 2026**

Major planned projects are led by the mining and energy sectors. Over the 2024-2028 period, CBC forecasts expenditures exceeding \$68 billion.

**MERCURIO DE SANTIAGO**

**By Catalina Muñoz-Kappes**

A positive investment outlook is projected for the 2024-2028 period. According to the fourth-quarter 2024 project survey by the Corporación de Bienes de Capital (CBC), investments for this five-year span are expected to total \$68.597 billion. This figure represents an increase of \$5.109 billion compared to the previous estimate in the third quarter of 2024, as 80 new initiatives were added.

The most significant increase in projects is expected in 2026, with forecasted investment rising from \$13.494 billion in the previous measurement to \$15.006 billion, marking an 11.2% increase. This surge is primarily attributed to growth in the energy and mining sectors.

"The rise in the 2026 estimate is largely due to the inclusion of new projects in the registry during the quarter. Among them are: Pampa Fidelia Wind Farm and BESS System, Chuquicamata Underground Mine Complementary Works and Operational Adjustments, Los Colorados Plant Life Extension, Michilla Development Plan, Santa Isabel II Photovoltaic Park, and the Dr. Humberto Elorza Cortés Hospital Normalization in Illapel, among others. Additionally, projects with increased total investments and others with adjusted schedules were added," explains Orlando Castillo, CBC's General Manager.

According to Castillo, the greater increase in investment projected for 2026, which will mark the first year of the next administration, is due to the favorable technical and economic conditions that have been created for projects, regardless of the incoming government.

Despite the largest increase being projected for 2026, the highest expenditures are expected in 2025, with an estimated \$19.866 billion in investments, reflecting an 8% increase compared to 2024's estimate of \$18.4 billion. Additionally, the 2025 investment figure would be 3.4% higher than the annual average of the past decade.

"There is a positive assessment of investment. The sustained rise in estimates throughout 2024 not only reduced the gap with the actual figures for 2023 but also significantly elevated medium-term expectations," Castillo states.

### **Five-Year Outlook**

Of the projected investment for 2024-2028, 34% belongs to mining projects, followed by public works (29%), the energy sector (19%), and real estate (11%).

At the national level, 78% of the projects are financed by private funds, while 22% correspond to government expenditures.

The increased investment projections result from barriers being resolved in key sectors driving project portfolios.

"In the case of mining, the country's leading investment sector, the outlook remains strong due to sustained high international copper prices over the coming years. Additionally, the resolution of the domestic royalty debate has created a favorable long-term investment climate," Castillo explains.

Meanwhile, in the energy sector, major barriers that had previously constrained the growth of non-conventional renewable energy capacity (NCRE) have been resolved.

"We are witnessing the large-scale deployment of energy storage projects utilizing BESS systems, as well as advancements in transmission project portfolios and regulatory and legislative frameworks," Castillo adds.

The public works sector has maintained its significance thanks to government-backed infrastructure plans, including the construction of new metro and train lines, hospitals, and private investments through concession programs.

In regional terms, Antofagasta, Santiago Metropolitan Region, Atacama, and Coquimbo hold 70% of the country's total investment portfolio, with the highest private and public capital concentration.

Conversely, Arica, Aysén, Ñuble, and Los Ríos have the smallest project portfolios, representing only 1.9% of the total.

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Public works have remained relevant thanks to state-driven infrastructure plans, including metro and train line expansions, hospital construction, and private investment through concession programs.

- 34% of estimated investment for 2024-2028 is in mining, while public works account for 29% and energy for 19%.
- 78% of projects are privately financed, while 22% are government-funded.
- 70% of total national investment is concentrated in Antofagasta, Santiago Metropolitan Region, Atacama, and Coquimbo, which hold the largest portfolios.

# **Aclara Resources: “Our Projects in the Region Represent 8% of the Rare Earths the World Needs”**

The general manager of the Canadian company in Chile discussed the environmental processing of the Penco Module and the addendum they will submit in March.

**DIARIO FINANCIERO – FEBRUARY 24, 2025**

**By Patricia Marchetti**

Like David versus Goliath, Canadian company Aclara Resources aims to enter and compete in a market dominated by Asia (China) by over 90%: rare earth elements. Their key assets in this battle are the Penco Module in Chile and the Carina Module in Brazil.

Both initiatives are currently undergoing environmental permitting, with the expectation that by 2028, both will be producing dysprosium and terbium, essential elements for manufacturing electric vehicle magnets and wind turbines.

"What we are developing in Chile and Brazil represents 8% of the global rare earth market, what the world needs," says Nelson Donoso, Aclara's General Manager in Chile, in an interview with Diario Financiero.

With projected demand rising and element scarcity, Donoso stresses that "the world needs to break this monopoly" and that "a project like ours is competing directly against it."

However, the competition is tough. The Chinese rare earths used in an electric vehicle cost around \$50, while Aclara's cost \$110.

"That \$60 difference exists because we produce minerals sustainably. In contrast, China benefits from ecological dumping," explains Donoso. Aclara's processes include 100% recycled water, revegetation with native species, and zero emissions.

The Toronto-listed company has secured U.S. government backing to develop a rare earth separation plant and has signed a Memorandum of Understanding with German firm VAC to manufacture permanent magnets.

## **Chile as a Key Player**

In Chile's Penco project, located in the Biobío Region, Aclara holds 549 hectares and has already invested \$150 million. The plant's construction will require an additional \$130 million.

However, the project still lacks environmental approval. In 2023, Aclara had to withdraw its first proposal due to an omission of six native trees in its report. In June 2024, the company resubmitted a new Environmental Impact Assessment (EIA).

Currently, the company is preparing its first addendum, due March 12, and will not request an extension because "there's no time to lose," says Donoso.

"The community submitted 1,300 questions, and sectoral agencies added 400 more. We have about 50 specialists working on the responses, and this has already cost us over \$1 million," he explains.

Donoso compares this process to their Brazilian project, where "authorities have a completely different attitude toward pushing projects forward." The difference is evident in the timelines:

"Aclara arrived in Chile in 2020 and in Brazil at the end of 2023. If you look at the Gantt charts today, Brazil is catching up and might start operations before Chile."

Nevertheless, Donoso highlights that 2024 was a turning point for the Penco Module, as it was included in the Biobío Industrial Strengthening Plan and received government support, particularly from the Ministers of Economy and Mining.

Are they optimistic about the Environmental Impact Assessment (EIA)? "I would say that today, from a strategic, technical, and community perspective, we have no doubt that our response will be absolutely categorical and that the project will move forward seamlessly."

## **A Unique Opportunity for Chile**

"We are playing for a unique opportunity for Chile and its role in the energy transition, as well as for the future of the region," Donoso states. "What we lost with Huachipato's closure is not just jobs—it's opportunities for future generations. Aclara is a beacon of hope." The Penco Module is expected to generate 2,200 direct and indirect jobs.

Aclara hopes for approval this year, enabling production to begin in the second half of 2027. The project is designed for a nine-year lifespan, which could be extended to 17 years with a second EIA for nearby areas, potentially submitted in 2026.

Regarding other potential projects in Chile, Donoso reveals that Aclara has explored from Maule to La Araucanía and has already identified ionic clays. "The potential is several times that of Penco Module."

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Once operational, the project aims to produce 50 tons of dysprosium and terbium annually, enough to manufacture one million electric vehicles.

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### **CAP's Strategic Investment in Aclara: "A Game-Changer for the Biobío Project"**

Last week, CAP formalized the purchase of 10.18% of Aclara Resource Inc. for a total of US\$ 10.8 million. With this transaction, the Chilean group secured its entry into the Canadian company's parent firm, the Carina project in Brazil, and the development of a rare earth separation plant in the United States. Indirectly, it also increased its stake in the Penco Module to 28%.

"CAP's entry into Aclara was a turning point," said Donoso. "It grounded the project at a national level and connected it with the Biobío region."

The agreement between the companies includes the option for CAP to increase its stake to 40% in Aclara Chile and 19.9% in the parent company. Additionally, they have formed a 50-50 joint venture to develop value-added products based on iron and rare earth alloys, which serve as raw materials for manufacturing permanent magnets.

"The alliance with CAP has multiple dimensions: adding capital, enhancing the team's reputation, and incorporating its metallurgical expertise to develop the value chain for producing these magnets," Donoso added.

# Supervisors' Union Votes with 80% Approval for First Strike at Mantoverde Operations

MEASURE. The organization, formed four months ago, voted on the motion on Saturday. They also accuse Capstone Copper of anti-union practices. Sources close to the company say they would request mandatory mediation with the Labor Directorate.

**Diario de Atacama**  
**Ignacio Javier Torres**

A historic situation is unfolding at Mantoverde, the mining operation of Canadian multinational Capstone Copper. This is how Miguel León, president of the No. 1 Supervisors' Union at the mining site, sees it.

"This is all historic. After 30 years of operation, only now, incredibly in 2025, has it been possible to form the Supervisors' Union. It has all been historic, and it has been extremely difficult," said the union leader.

Last Saturday night, the union's 63 members gathered, and with 80% approval, voted in favor of a legal strike.

Miguel León explained that negotiations with the company failed to reach an agreement regarding the supervisors' demands, which include securing various benefits for the first time, such as a vacation bonus, Christmas and national holidays bonuses, an educational benefit per child, and a guaranteed bonus.

"Ultimately, no agreement was reached on any point. The company only responded that they would maintain the existing Supervisors' Benefits Manual. This includes health insurance, dental insurance, and provisions such as a work phone and laptop, which are essentially work tools. We also requested a shift bonus, but there was no agreement on that either. In the end, we did not reach an agreement on any of the demands, which seek to secure economic benefits," explained the union president.

## ACCUSATIONS OF ANTI-UNION PRACTICES

However, Miguel León added that the mining company has taken measures against the union.

"We are 63 members, and the company has engaged in intense intimidation to discourage people from joining the union. Some people did not sign up due to these fears, and it is understandable because we are breaking a 30-year history in which there was no union in this company," León stated.

"In every mining company in Chile, even in the smallest subcontracting firms, there are unions, but here, that was never the case until we broke this history. We are making history, and we continue setting precedents by voting for this strike," added the president of the No. 1 Supervisors' Union at Mantoverde.

According to the union leader, when the union was formed, he and other board members were dismissed by the company. Later, when the leadership elections took place, and they were elected by their peers, they had to be reinstated at the operation by order of the Labor Directorate.

Thus, this first negotiation has been marked by tensions between the company and the newly established supervisors' union, which consists of university-educated professionals who oversee mining technicians.

## THE POSSIBILITY OF MEDIATION

In light of this unprecedented strike, the Atacama Regional Secretary for Labor and Social Welfare, Jonathan Páez, stated:

"From the Atacama Regional Secretariat for Labor and Social Welfare, we are monitoring this delicate situation. Through the efforts of the Regional Labor Directorate, where the labor relations team sent an official witness and the union voted in favor of the strike, the next step is for the workers' representatives to request mandatory mediation."

"With this, we hope to help both parties find common ground. It is important for workers to see our Ministry and its associated services as allies in ensuring compliance with and protection of workers' rights. That is why we will be both concerned and actively involved in this situation," added the regional authority.

The "mandatory mediation" Páez refers to is a service offered by the Labor Directorate to parties involved in collective bargaining. In practice, it consists of meetings convened by the Labor Inspector, where the official seeks to encourage both sides to reach a collective agreement.

However, one of the parties must request "mandatory mediation," which then obligates the other to participate.

The union has confirmed that they will attend mediation if the company requests it but expects the process to last only a few days. "The strike would take place on Thursday," said union president Miguel León.

Meanwhile, Capstone Copper did not respond to inquiries regarding the possibility of the first supervisors' strike at its Mantoverde operation. However, sources close to the company indicated that the strike would not be imminent, as the company plans to request mandatory mediation from the Labor Directorate. This process, along with possible extensions, could allow several more days for negotiations to continue.

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#### CAPSTONE COPPER

Just two months ago, the company announced a new project. now, it could face a strike.

PATRICIO HIDALGO, PRESIDENT OF ANGLO AMERICAN CHILE AND DEAL WITH CODELCO:

## **"A public-private alliance of this magnitude, in this commodity, in Chile has never been seen"**

The CEO of the mining company foresees a long life for the red metal and predicts strong demand, something that not even Donald Trump's vociferous tariff policy will be able to affect.

**DF MAS - 23 Feb 2025**

**By Valeria Ibarra**

80 kilometers northeast of Santiago, on the same hill, breathing the same air and with the same condors soaring over the mountainous landscape, there are two mining operations. One is Los Bronces of Anglo American, located in the commune of Lo Barnechea, Metropolitan Region. The other is Andina of Codelco, located in the municipality of Los Andes, Valparaíso Region. They form part of a single geological deposit. They had different lives for five decades, but they are so close to each other that now only a "wedge", a thin wall on the verge of collapsing, separates them. This week, first in London and then in Santiago, the boards of Anglo and Codelco sealed a deal worth US\$5 billion to jointly operate that mineral wealth for 21 years, which will allow an increase of almost 3% in the country's copper production with little investment.

One of the architects of this deal, the CEO of Anglo American in Chile, Patricio Hidalgo, explains the scope of this alliance, how it fits into the multinational's global vision and, above all, what it means to be a partner of Codelco and thus of the State of Chile. The executive clarifies that this agreement is part of Anglo's worldwide strategy to supply the world with three elements: fertilizers, high-grade iron ore and copper. The latter is key in the energy transition, digitalization, AI and the electrification of emerging economies.

- Does Trump alter this strategy?

- We have a very long-term view with this megatrend; we see an important structural deficit in copper and the need to bring copper to the market. With all this context of climate change as well as the energy transition associated with digitalization, plus the topic of artificial intelligence –which will require data centers– we see that copper demand will remain high. And as emerging economies continue to develop, the per capita need for copper will keep increasing. Therefore, we see a structural deficit in copper.

- How relevant is the agreement with Codelco for Anglo?

- A public-private alliance of this magnitude, in this commodity, in Chile has never been seen. We view it with great pride, as it demonstrates our purpose to reimagine mining, which is a hallmark of Anglo American. We have agreements in other jurisdictions and we also have public-private agreements in Botswana and, of course, in South Africa, where our roots as a company lie. I think it is important to mention what it means for the country: we are talking about an approximate 2.8% increase in production compared to 2023 and that, in truth, is a significant increase. In a context where capital intensity has been growing, this is a unique opportunity. The industrial and economic synergies are such that no substantial investment is required to bring these 120,000 tonnes of copper average annual production for 21 years. Therefore, economically, strategically and also from a sustainability perspective, it is an extremely virtuous opportunity. There is already existing installed capacity, which would be used much more intelligently.

- Is it true that very high-grade resources, among the richest in Chile, are being exploited?

- That is a very important point. If one looks at the Los Bronces-Andina district, there are approximately 60 million tonnes of copper, which is equivalent to 2% of the known resources and reserves in the world. This does not include those associated with potential future underground operations. We are talking about ore grades close to 1%.

- The agreement excludes the underground resources. Is there a possibility of exploiting them?

- Firstly, the memorandum of understanding gives each company the option and flexibility to develop their underground resources independently. Secondly, on our side, the underground phase of Los Bronces Integrado is probably one of the best deposits in the world as well. If in the future other opportunities arise – whether in resources, in underground reserves or others that are not currently under discussion due to the current agreement – we are always open to exploring options if such synergies exist.

- Does this agreement imply pausing other investments by Anglo in Chile, such as Los Bronces Integrado (worth US\$3,000 million)?
- Los Bronces Integrado has three main pillars. One is the development of the eastern phase, open-pit, which has been progressing according to plan. Second, there is an aspect regarding water management, which addresses our objective of ceasing the use of freshwater by 2030. And third, there is the underground phase of Los Bronces Integrado, for which we are still managing the approval of more than 500 sectoral permits, and that process is ongoing.
- How long will this take?
- It is difficult to say. We are making progress on the engineering of that part and that also must continue its project evaluation process, which will then give us the decision point for investment.
- What was the most difficult aspect in achieving this agreement?
- None in particular. With Codelco we have a very long-term relationship. These two contiguous operations have been operating for practically 50 years with coordination that has evolved over time through several agreements. So, I would say that it has been a very joint, open and constructive effort that has allowed us to achieve this highly relevant milestone.
- The board of the new entity will have six members, three from Codelco and three from Anglo. Are you going to be a director or president?
- It is too early to say.
- Was it complicated to negotiate considering that Codelco is a shareholder of Anglo American Sur (holding 20%)?
- That only reinforces the good relationship we have had with Codelco since we began this relationship in 2012.
- There is a myth that Codelco, being state-owned, finds it easier to manage permits. Will it be easier for them to obtain the EIA and the permitting?
- For Anglo American, our view regarding Chile is that the institutions work. We believe in Chile's institutions, we believe in the processes, we follow them diligently and that is what we respect today. So I believe that from the perspective of, and especially as a global company like us that operates in other jurisdictions, we consider Chile a benchmark on this issue.
- The president of BHP Americas, Brandon Craig, said last year that perhaps permits are the most important factor to resolve in order to unlock investments in Chile. Do you agree?
- The great opportunity for Chile is to ensure that all requirements are met – both from an environmental point of view, from the communities and the territories in which we operate, and at the same time by streamlining processes in compliance with regulations so as to bring this copper to market to the extent that society and the world require it. Chile has a tremendous opportunity for growth with strategic commodities. They will make Chile play a fundamental role in the world.



*After signing a memorandum with Anglo American*

## **Maximo Pacheco: "Codelco will increasingly strengthen this growth model in partnership with the private sector"**

On Thursday, the state mining company announced yet another alliance among several it has finalized in recent years. "This is unprecedented," says the company president regarding the agreement to create a joint mining plan between the Andina Division and Los Bronces. Here, Pacheco analyzes the operation and delves into the entity's paradigm shift. "Codelco is showing signs that it is a company that dares to do things and is doing them."

**EL MERCURIO DE SANTIAGO - Sunday 23 February**

**By María José Tapia**

Maximo Pacheco recalls that when he assumed the presidency of Codelco, two senior executives told him: "The most valuable contribution you can make to the company is to try to get the Ramsay project off the ground." That name referred to forming an alliance between his Andina Division and Los Bronces, which is controlled by Anglo American. The two mining sites were and still are neighbors, so advancing toward a joint exploitation plan had been a desire for decades.

On Thursday, that request was fulfilled. Anglo American and Codelco announced the signing of a memorandum of understanding (MOU) to develop a common mining plan for the Andina and Los Bronces pits during the period 2030-2051; one of the mining districts that represents more than 2% of the world's copper resources. They stated that although both companies will retain ownership of their concessions and will continue to extract independently, the extraction will be carried out in a coordinated manner. There will be a managing agent—a new 50/50 joint venture—with a corporate governance board of six members, equally composed of Codelco and Anglo American. The president will rotate and will not have a casting vote.

Pacheco enumerates the benefits: "The project will allow the district's production to increase by approximately 120,000 tonnes of net copper per year. And the value generated, before taxes, will grow by US\$5 billion over the period" – the base cases amount to US\$8 billion and with the memorandum, US\$13 billion. "This alliance is unprecedented," he emphasizes.

The state company president arrived from China on Wednesday. Prior to that, he had been in Japan. He met with Mitsui's president, Kenichi Hori. Codelco, together with the Japanese company, are partners in Anglo American Sur, so Mitsui also endorsed the alliance.

Hori sent a statement to El Mercurio: "This agreement aims to maximize the potential value of the joint investment that Mitsui and Codelco have made in the Anglo American Sur project (...). It also strengthens Chile's position as the world's leading copper producer."

The agreement is currently only at the MOU stage. It now must be turned into a definitive agreement – which is expected to happen in September – and then the environmental processing for exploiting the common concessions will begin. It also requires the approval of the National Economic Prosecutor's Office.

Tomorrow, Pacheco departs for one of the most important mining conferences in the world, that of the Bank of Montreal, where he will be with the CEO of Anglo American, Duncan Wanblad. It will be their first face-to-face meeting following the announcement.

- There were ten years of discussions. What happened for this alliance to be finalized now?

"Ideas have a starting day and a day of realization. What is being built here is a very powerful public-private partnership and collaboration model, and these are things that take time. Moreover, it requires leadership. Codelco's board has played a very important role, in daring to do these things."

- Was there previously a lack of impetus?

"We know the immense value that a common mining plan holds for these two companies and deposits. Many people had the idea and contributed. And there was a conversation with Anglo American at the level of its

president that was constructive, based on trust, and overcame some prejudices regarding daring to propose that we are capable of doing this."

- What was each party's diagnosis for moving forward with this agreement?

"That time was moving forward, that each day the two deposits were converging and we were creating more operational interferences and losing a huge amount of money by not having a common mining plan. This introduced a certain sense of urgency."

- Were you losing money due to a lack of investments, technology, etc., and is that where the urgency comes from?

"No, the fundamental problem is that as they start to advance, they begin to interfere with each other. But also because the world needs more copper. And if you add what Los Bronces produces, which is 170,000 tonnes, with what Andina produces, which is 180,000 tonnes, and with a common mining plan we can add 120,000 tonnes, we are talking about a district of 500,000 tonnes per year. That is the fourth largest mining district in the world and the third largest in Chile. Investments like this are very important to answer the question of where we are going to get the copper that the energy transition and the decarbonization of the economy require. And this answer is novel."

- And what are the complexities?

"They will be designing the common mining plan and getting the teams to work together, so that we do not lose sight of the fact that this higher objective must govern the relationship. Today, the workers are committed to ensuring that this project works. Because one of their concerns was that if we did not do this, Andina's production would continue to decline, and we could face more safety, operational, even mining problems. The workers' employability is better guaranteed with this project than without it."

- What was Andina's projection without the alliance?

"Last year we had a production of 180,000 tonnes. For this year, it was a similar amount, and we knew that the complexity of having those two pits separate was reducing production. In the past, we devised Project 244, which was to build a new concentrator and implement an infrastructure plan that would cost US\$5 billion. And that, economically, was not viable."

- Why extend the alliance until 2051?

"The economic complexity of this project does not allow us to do everything. So what we have said is 'let's do it with the pits open. And afterwards, each company returns to its underground mining.' It is practical, because the operational interferences produced by the two pits are very clear, as is the synergy of a common mining plan. Furthermore, normally projects are based on investment. In this case, managing the resource with this common plan allows for greater production and wealth."

- A 50-50 joint venture will be created here, but Codelco has more ore. Why that ratio?

"They have concentrator plants, tailings dams, power lines, and a desalination plant already under construction. We have our own concentrator plant, tailings dams, electrical infrastructure, and truck fleet. When you factor in all the utility flows that this business can generate, based on all the studies we have done, it leads us to conclude that what is being generated will be 50-50, because we are also going to share the costs 50-50."

- Why is it a good business for Chile?

"Firstly, copper production increases, so both Anglo American and Codelco pay more taxes. But we will also have higher revenue, and therefore, greater profit. Taken together, the State retains 75% of the US\$5 billion. We have 20% of Anglo American Sur, which gives us an attributable production that means out of the 120,000 tonnes, 75,000 tonnes will be for Codelco."

- Is there a paradigm shift in Codelco regarding facing the future with private companies?

"Codelco, as a state-owned company, is increasingly active in its commitment to basing the development of the mining business on partnerships. We have partnerships with Anglo, with Rio Tinto, with Freeport, with Mitsui, with Teck; with SQM in lithium, and now we are selecting a partner for Maricunga. Codelco is a company that is embracing this era in which mining is done more collaboratively among large companies. And today, Codelco is giving very clear signals that it is a company that dares to do things and is doing them. Moreover, little by little, various industry players are taking note that Codelco is full of energy and moving faster, with a sense of urgency, because the world requires that we have that sense of urgency to tackle these challenges."

- Could Codelco return to production levels of 1.7 million tonnes without private help?

"It would be inconceivable for me to imagine how we could develop our structural projects without the work of private companies. That is something we are doing today with private engineering firms, private construction companies, with the amount of services we purchase, and it is tremendous. And that is why, for the private sector, Codelco is so important. I firmly believe that for a country, which perhaps due to its history has traumas regarding this, it is important to fully incorporate the idea that a public-private partnership model is the basis for economic growth in Chile."

- Do the "traumas" refer to confusion over Codelco's state-owned quality?

"I am referring to the many people who tell me, 'But Codelco is a state-owned company, so it is purely political.' And that is a caricature. This country passed a corporate governance law for Codelco 15 years ago to create a board responsible for its management, whose objective was to maximize its economic, environmental, and social value. Therefore, those who think that Codelco is a public service or a company run by criteria other than those defined by the law are mistaken."

- Are partnerships part of a thriving future for Codelco?

"I have no doubt. Codelco is going to increasingly strengthen this development and growth model in partnership and collaboration with the private sector.

We also know that we have a country that needs to raise its level of exploration. And we need to see how that can be done. We must seek collaborative paths for exploration."

### **"There are already too many agreed-upon matters"**

—Are there risks that the alliance with Anglo will not be finalized?

When this negotiation began, I thought the memorandum of understanding would have five pages. And we ended up with 45, so there are already too many agreed-upon issues. Therefore, I have faith that we will be able to reach the definitive agreements by September because the most substantive issues have already been resolved.

- And what is the most important issue left to resolve?

"To finish the due diligence. And that process is underway, so now we will have to ensure that all the assets involved in this operation are those we had defined and that they are duly audited and validated."

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### **Trade War: "I returned from China more at ease than when I left (...) I had imagined that the conflict was at a more latent level"**

- On February 3, he met with the government to evaluate steps to take in light of Donald Trump's trade war. What is your vision?

"The announcement is very preliminary in nature. And if it were to be finalized, it would encounter many difficulties; the main one being that the United States is a large consumer of copper, and therefore a major importer. And of the copper it imports, 60% is supplied by Chile. Normally, such an announcement is conceived either to increase tax revenue or to generate domestic production. If it is done to generate production, there is no possibility of achieving it in a short period. In the United States, there are mining projects whose permitting process takes 10 years. Therefore, I do not dare to anticipate that this will take place, because it is very difficult to finalize in order to justify the intended objective."

- Experts say that there is no economic basis. But if the tariff war continues, it could affect the price anyway and increase the deceleration of the Chinese economy.

"I have just returned from China and I do not see that deceleration. I see the copper market and its demand very clearly. The automotive industry and electric vehicles are extraordinarily strong. The world needs more copper. And no one doubts that the future will be more electric. And the most efficient conductor of electricity is copper while the most efficient storage is lithium. Chile has the largest copper reserve in the world and the largest lithium reserve. And Codelco is involved in both businesses. So I returned from China more at ease than when I left."

- Did you think that the deceleration was greater?

"I imagined that the conflict was at a more latent level and I see that there are conditions here for the world to continue moving forward and resolving these issues through diplomatic channels."

- Diego Hernandez said that the supply-demand balance does not justify such a high price for copper. Does the current price have fundamentals?

"I have no doubt that the fundamentals of this business are very solid. We are in a privileged situation in which the product we produce has strong demand. And our main challenge, beyond price, is to have a competitive production cost. And this memorandum of understanding goes in that direction. Codelco is transforming into a more competitive company, with a better cost structure that can address and face market challenges in a stronger and more robust manner."

# Agreement Codelco-Anglo American: The Story of a Long Journey Spanning More Than a Decade

The memorandum of understanding announced by both mining companies for the joint exploitation of the neighboring open-pit mines of Andina and Los Bronces constitutes a successful landing of a difficult and extensive corporate relationship. A journey that had its ups and downs, stoppages, a pandemic, different bosses and teams but ended well, as it will allow for higher production from both operations, generate additional value of US\$ 5 billion with almost no investment, and deliver about US\$ 3.75 billion to the Chilean Treasury between 2030 and 2051. The negotiations were centered in Santiago and London, but over these years there were also conversations in Miami, Barcelona and Riyadh.

**PULSO – Sunday 23 February**  
**By Ignacio Badal**

Miami, Barcelona, Riyadh. Over the past 15 years, whenever there was a global forum of copper mining leaders, the top executives of Codelco and Anglo American met privately to explore how they could better capitalize on the proximity of their copper operations at Andina and Los Bronces.

But only after many give-and-take exchanges, several bosses on both sides of the table, different technical teams, new lawyers, and an endless number of meetings – also at the corporate offices in London and Santiago – were both companies finally able last Thursday to announce a historic agreement: a memorandum of understanding (MoU) to implement a joint mining plan for the exploitation of those rich, contiguous copper deposits from 2030 until 2051.

This pact will generate extra value for both companies estimated at at least US\$ 5 billion and will mean an increase in production from both mines by 120,000 tonnes per year without significant capital investment.

A deal applauded by the industry and by experts which, incidentally, will bring additional revenues of about US\$ 3.75 billion to the Chilean State over those 21 years.

## **Many Teams, One Objective**

The last in-person meeting between the leaders of both companies, which served as a closing framework for the successful process, took place on 15 January in Riyadh, when the CEO of the Anglo-South African multinational, Duncan Wanblad, and the head of the board of the Chilean state corporation, Máximo Pacheco, met in the Saudi Arabian capital during the "Future Minerals Forum 2025." There, via teleconference, they later joined with the teams from both companies, connecting from London and Santiago, to confirm that the plan was on the verge of being completed.

Only a few details and the approvals from the corporate boards of both companies remained. The target deadline was the release of Anglo's financial results on 20 February. And that is exactly what happened. On Tuesday the 18th, the board of Anglo American plc in London gave its approval. On Wednesday the 19th, at 9:00 in the morning, the board of Anglo American Sur (from which Codelco's Vice President of Finance, Alejandro Sanhueza, had to recuse himself for having been part of the negotiations) also approved it. And that same day, at 5:00 in the afternoon, the Codelco board unanimously gave the final go-ahead. In this way, at 4:00 in the morning in Chile and 7:00 in England, Anglo American announced the MoU. Two hours later, Codelco sent out its official communications.

Several members of the teams involved in the negotiations thus sealed a story that had its roots back in 2013. That year marked the first serious meeting where this local issue was addressed, according to South African Duncan Wanblad, who recalled the event on Thursday. At that time, Wanblad was the Director of Anglo's Other Mining Businesses Group, and he had the background of having been CEO of Cobre. He participated in a meeting at a Miami hotel between then Codelco CEO Thomas Keller and Anglo American plc CEO Mark Cutifani, where the first ideas for joint work were launched. It was a symbolic event, also marking the first approach by the head of Anglo after his predecessor, Cynthia Carroll, had been involved a year earlier in a bitter legal conflict with Codelco itself over the ownership of Anglo American Sur (AAS), the company that controls Los Bronces. The

controversy, which involved cross-claims, ended in an agreement where Anglo reduced its stake in AAS from 75.5% to 50.1% and Codelco ended up with 20% ownership. However, it left behind a trail of broken trust and suspicion. The fact that it took only one year to resume conversations between the top executives of both companies spoke to the need to urgently address the issue of the neighboring mines, located at 3,000 metres above sea level in the heart of the Andes, on the border between the Valparaíso and Metropolitan regions. But the 2013 meeting barely thawed relations, as the plan for Andina and Los Bronces was left in limbo. It was only revived in 2015, when the leaders of Codelco were Oscar Landerretche as board president and Nelson Pizarro as CEO. That year, at Expominer in Barcelona, Codelco's leaders met with Cutifani and relaunched the idea. This time, however, Codelco had a clearer plan, consisting of three phases: 1. Resolve the operational interferences between both operations; 2. Exploitation of "la Cuña" (as the promontory that separates the two pits is called); and 3. A joint project.

On that basis, the technical teams from both companies began working separately and then together. It was not until June 2019, leaving behind the historical mistrust, that they finalized phase 1 of Codelco's plan by signing an agreement that established a new governance model to improve the management of operational interferences and easements between the two companies, ensuring better scheduling of activities. Duncan Wanblad was then the CEO of Anglo's Base Metals division, so he played a part in signing the agreement.

This experience demonstrated that both parties could work in harmony without dwelling on the past. Progress continued in the following phases. However, over time it became clear that phase 2 did not make much commercial sense. In April 2020, during the Covid-19 lockdown, discussions were reactivated to pursue phase 3 – this time with different teams.

On the Codelco side, the effort was led by Vice President of Finance Alejandro Rivera, who was replaced at the beginning of 2024 by Alejandro Sanhueza, along with Rodrigo Barrera, Manager of New Businesses and Subsidiaries. For Anglo American, from London the process was headed by Tzvetia Tchordadjieva, Executive Head of Strategy and Business Development for Base Metals, and in Santiago by Gonzalo Acevedo, Head of Strategic Projects for the Americas.

Since this was more a mining project than a commercial one, technical experts were required. Thus, Anglo's mining resources manager Víctor Parra and Codelco's Pablo Courard were brought into the project. They ran various mining plans on their computers, considering everything from semi-operational integration to full integration. The period between 2020 and 2022 was marked by fruitless debates about who would operate the mines or their plants, who contributed more or less. But after all the back-and-forth, with results in hand, they concluded that the only way for the project to work and generate sufficient value for both parties was a 50/50 integration formula, where the mines would continue operating independently, no transfer of ownership would occur between the parties, and the copper produced from the processes would be split evenly.

In 2022, the rejection by the Environmental Evaluation Service of Anglo's Los Bronces Integrado (LBI) project – which would extend the life of the operation and include the exploitation of an underground mine – again put the plan on hold. Without LBI, there was no viable business case to continue working. When the Committee of Ministers approved LBI in April 2023, the program was resumed. It was then decided to find a mechanism for a viable joint project, not only technically but also legally, since they had to deal with the legal implications of Andina as a state asset.

That was when the lawyers stepped in. In May 2023, Macarena Vargas joined as Codelco's Vice President of Legal Affairs. Then, the historic advisor to the state company, Cristián Eyzaguirre from the Carey law firm, proposed creating an agent (Opco, or operational company) that would be responsible for processing the delivered ore and distributing the net copper 50/50. The legal team from Anglo, led by Manager Paola Cifuentes, together with Carlos Alberto Reyes from the law firm PPU Legal, refined the formula. In that process the basic concepts emerged that the project would last 21 years, have an extraction target of 120,000 tonnes per year, costs would be split equally, the mines would continue operating independently, and the extracted material would be delivered for processing by the operational agent.

At the end of 2023 or the beginning of 2024, the tax teams were brought in to confirm that there would be no fiscal drawbacks that could hinder State support for the project. "The idea was not to optimize taxes but to produce more copper," recounted one participant.

Next, last year, the permitting teams took over. After several analyses, they established that since this joint project has two holders, two parallel Environmental Impact Studies (EIA) must be submitted – one by Codelco and one by Anglo.

### **The Final Packaging**

The decision-makers were already moving toward final packaging when an external unforeseen event occurred. At the end of April 2024, the Australian giant BHP launched a takeover bid for Anglo American valued at US\$ 40 billion, which was improved days later. Anglo resisted the sale in a process that lasted several weeks. BHP

sought to expand its copper business with Anglo, and the London-based miner wanted to remain a competitor. Los Bronces was an attractive asset for BHP, so Anglo's refusal gave further momentum to a potential agreement with Andina.

However, BHP's offer stalled progress, as it was very difficult to work on a mining asset that could change hands. And Codelco was not pleased that its largest copper competitor, the Australian company, might become even larger.

The freeze lasted until the Metals Exchange Week in London, the first week of October, when Wanblad and Pacheco met in the English capital. Upon returning, both leaders, along with the CEO of Anglo American Chile, Patricio Hidalgo, and the commercial teams (including Tchobadjieva, Acevedo, Sanhueza, and Barrera among others) gathered at Anglo's offices in Santiago, where they established an ambitious timeline that now culminated in February.

From that point, the top executives met at least once a month, either in person or via teleconference – including five trips to London – to move things forward as quickly as possible. The first draft of the MoU was ready before Christmas. "The final sprint was very intense. There were people who did not have Christmas or New Year's to get this done," recounted one witness.

The moment when it was clear that there was no turning back and the deal had to be signed was like a Christmas present. "By the end of December, we already knew that the likelihood of success was high. We confirmed that there was a very solid business case and realized that we had reached agreements on key issues that had been difficult to negotiate," reported one participant.

By mid-January, they already had the final MoU.

There were several reasons for the urgency. Among them was Anglo's desire to present this agreement as good news along with its financial results on 20 February. But there was also a strategic-political motive: it was important not to taint the deal with the Chilean electoral climate due to the presidential elections at the end of the year, considering that Codelco is a state-owned company where, when governments change, authorities change as well – which could jeopardize what had been achieved. Something Anglo had already experienced.

"Duncan and Máximo helped and pushed hard; they were on top of it – both were determined to make this happen," confided another source.

When the entire plan was ready, around 20 January, it was reviewed by an external Anglo team, which recommended its approval, later ratified by the executive committees and boards.

But there is still much work to be done. According to the companies' plans, the definitive agreement should be signed in the second half of the year. From there, the process of obtaining approvals from the authorities will begin. The idea is to submit the permit applications at the end of 2026 so that, under a normal process, they are approved in 2029. At that point, the sectoral permits could be processed between 2029 and 2030, so that this new and highly anticipated joint venture can start at the turn of the decade.

The memorandum of understanding announced by both mining companies for the joint exploitation of the neighboring open-pit mines of Andina and Los Bronces constitutes a successful landing of a difficult and extensive corporate relationship. A journey that had its ups and downs, stoppages, a pandemic, different bosses and teams but ended well, as it will allow for higher production from both operations, generate additional value of US\$ 5 billion with almost no investment, and deliver about US\$ 3.75 billion to the Chilean Treasury between 2030 and 2051. The negotiations were centered in Santiago and London, but over these years there were also conversations in Miami, Barcelona and Riyadh.

# Codelco Inc: The State-Owned Company's Network of Alliances and Agreements Positioning It as a Global Player

While partnerships with private entities intensified during the Pacheco era, periods of associative frenzy had already occurred before, with ties to Mitsui, Anglo American, Rio Tinto, Freeport, Kinross, PanAust, and Glencore, among others.

**Señal DF - Saturday, February 22**  
**By Valeria Ibarra**

The lethargy of Santiago's summer was interrupted on Thursday, February 20, when, in the early morning, Codelco and Anglo American surprised the industry with the creation of a joint entity to manage what is the world's fourth-largest copper district: Los Bronces-Andina. This deal unlocks \$5 billion over 21 years, from 2030 to 2051, and increases the country's red metal production by 2.8%. To extract this level of copper, companies estimate an investment requirement of between \$2.5 billion and \$3.25 billion. Here, the same outcome is achieved without spending a single dollar.

This alliance, unprecedented in Chile, is not so on a global scale and rather continues what Codelco has been doing—at varying speeds and with different degrees of success—for decades. The state-owned company's chairman, Máximo Pacheco, himself states: "We are partners with Anglo American Sur, with Teck in Quebrada Blanca, with Freeport in El Abra, with Rio Tinto in Nuevo Cobre, and with Mitsui in Anglo American Sur (Los Bronces)."

That's in copper. In lithium, Codelco has formed an alliance with SQM to exploit the Salar de Atacama and is seeking partners for the Salar de Maricunga, where companies such as Rio Tinto, China's Tianqi, BYD, and CATL, along with the local Errázuriz Group, are competing, among others.

With the agreement with Anglo, "Codelco connects with the biggest players, bringing it closer to being a global company." These are the words of Diego Hernández, a heavyweight in the industry and former CEO of both Codelco and Antofagasta Minerals, as well as of BHP Base Metals.

## The Network of Agreements

Codelco has intensified its partnerships with private companies during the Pacheco era, but business frenzies have occurred before.

Juan Carlos Guajardo, executive director of Plusmining, identifies three such periods: the administration of Juan Villarzú (who served twice, under Frei-Ruiz Tagle and Ricardo Lagos); the arrival of Diego Hernández as president (2010 to 2012); and the current phase with Pacheco as chairman, which, in his view, "has broken all molds." "Other CEOs have been more conservative, more state-oriented," reflects the analyst.

Diego Hernández explains that partnerships with private companies follow industry logic since "they reduce financial risk in large, long-term investments and allow for greater geographical diversification, all as long as the operation is well-managed."

With Freeport McMoRan's predecessors (Cyprus and Phelps), Codelco partnered in El Abra, where the U.S. company holds 51% and Codelco 49%. Since the state company lacked financial resources, it contributed the mineral, and a special law had to be enacted in 1992 to enable this deal. Now that this operation is planning an expansion requiring \$7.5 billion, experts believe that if the state company does not contribute capital, it will have to dilute its stake or sell a portion. Contributing mining resources, as before, is no longer viable. "That has already been done," Hernández clarifies.

With Rio Tinto, Codelco is involved in Nuevo Cobre (where the multinational holds 57.54% and Codelco 42.26%), but the origins of this business date back 30 years when the state company established a gold exploration venture in Atacama called Agua de la Falda, with partners that changed over time, from Barrick to Meridian Gold. When geologists realized there was more copper than gold, the partner changed, and Rio Tinto entered in 2023. "It is a medium-sized, not large, deposit," says Juan Carlos Guajardo.

Another notable partnership is with Anglo American in Los Bronces, where Codelco holds a 20% stake.

According to sources familiar with the negotiations, this was the foundation for the latest agreement. It's a dramatic story: Codelco acquired its stake in Los Bronces in 2012 by exercising Enami's option to purchase 49%,

a deal conceived and executed by Diego Hernández. The plan was for Codelco to partner with Japan's Mitsui to exercise this right (available every three years), but it triggered such fury from its archrival Mitsubishi that the latter made a competing offer, nearly doubling the price, and allied with Anglo to block the state company's and Mitsui's transaction. After a year of legal disputes, an agreement was reached, and Codelco, along with both Japanese firms, secured ownership of Los Bronces, where they remain today. And everyone was satisfied—so much so that they approved the joint mining plan on February 19.

### **Quebrada Blanca Controversy**

The purchase of the 10% stake Enami held in Quebrada Blanca in September 2024 was, in Juan Carlos Guajardo's view, "good for Codelco and bad for Enami; the best option would have been to open the process to other players."

Diego Hernández believes that once it was decided that this stake would remain under state control, having Codelco as the buyer was a positive outcome. The corporation paid \$520 million for the stake.

The state company has other, less high-profile partnerships: in Inca de Oro with Australia's PanAust; with Canada's Kinross in Minera Purén (gold); and with Xstrata do Brasil (now part of Glencore) in Brazil. In the technology sector, it partners with Honeywell in Kairos Mining.

### **The Worst Deal: Minmetals**

A critical lack of capital and the then-Finance Minister Nicolás Eyzaguirre's refusal to allow Codelco to take on debt led Juan Villarzú in 2006 to negotiate an agreement with China's Minmetals to enable the construction of Gaby (now the Gabriela Mistral division).

With the Chinese company, Codelco signed a preferential purchase contract for 55,750 tons of copper annually over 15 years, at a price of between \$1 and \$1.50 per pound.

The contract was signed in February 2006, but by May of that year, copper prices had tripled the contract's value and kept rising. "It was Codelco's worst deal," recalls Hernández. Experts estimate that the state company lost over \$3 billion. The partnership with Minmetals was dissolved in 2016.

### **Lithium with SQM**

The alliance between Codelco and SQM aims to develop the Salar de Atacama from 2030 to 2060, increasing production to 300,000 tons without extracting more caliche from the basin and using new technology. In 2023, Corfo granted Codelco the authority to represent it in future contracts for the salt flat, as the state agency owns the concessions leased to SQM and Albemarle.

The present value of this business ranges between \$25 billion and \$50 billion, depending on lithium prices.



## **The Tight Schedule Facing the “Permitting” Agenda in Congress**

Although the most complex projects have made significant progress, the government aims to resolve them soon to implement them within the year.

**MERCURIO DE SANTIAGO**

**By Joaquín Aguilera R.**

Nine months after the government launched a “fast track” initiative to accelerate reforms aimed at boosting economic growth, none of the five bills comprising the Executive's agenda to combat bureaucratic permitting delays have completed their legislative process in Congress. This package of initiatives will be a priority in March's legislative agenda, with the goal of finalizing discussions as quickly as possible and tackling its complex implementation throughout the year.

Economy Minister Nicolás Grau has set March as the deadline for Congress to pass the framework law on sectoral authorizations, one of the most ambitious initiatives in the agenda, which already enjoys significant consensus. The bill, which systematizes the review of non-environmental permits required for investments, categorizes them, and streamlines lower-risk approvals, has already received general agreement from the Senate's Economic Committee, though some details remain unresolved.

Committee chairman Rojo Edwards points out that one of the main disagreements involves sworn declarations, which the bill proposes as replacements for certain low-impact permits.

"In the government's latest amendments, there is a legal restriction on incorporating additional permits under sworn declarations. While the possibility of sworn declarations is introduced, the law also limits their scope. In our view, this should not be legally restricted but rather assessed by the relevant agencies on a case-by-case basis," Edwards explains.

Despite these differences, the Economy Ministry's reform is well advanced. Once the Senate concludes its review, the Chamber of Deputies must assess the modifications in a third reading, after which the bill could leave Congress.

Edwards warns that the new composition of the Economic Committee could delay proceedings. However, he says there is willingness to resolve the remaining issues within the first few weeks of the legislative session. Given the complexity of this bill, the government has emphasized the importance of passing it in the first months of the year to allow sufficient time for drafting the necessary regulations and frameworks before the end of the administration.

"Implementing laws of this nature is highly complex, as they require extensive administrative effort to draft regulations and private sector adaptation to the new provisions. For example, if the sectoral permits law is approved in 2025, the issuance of regulations would take one to two years, meaning its effects will not be immediate," explains Rodrigo Ropert, senior counsel at Aninat Abogados.

### **Delays in Other Reforms**

One of the most delayed bills is the reform of the Cultural Heritage Law, which modifies the structure of the National Monuments Council. Despite being announced in October 2024, it was only reviewed for the first time in the Senate on January 20, 2025.

Even further behind is the reform of the Environmental Impact Assessment System (SEIA), which must clear the Senate's Finance Committee before reaching the full Senate for its first vote. Although the government has introduced amendments and convened a panel of experts, the reform still lacks broad consensus beyond its general objective of providing greater certainty in the permitting process and reducing political influence in evaluations.

The Senate's Environmental Committee approved the reform's general framework but rejected the government's proposal on a key issue: the elimination of the Committee of Ministers and regional evaluation commissions (Coeva).

The Executive had proposed replacing these bodies with a Reclamation Council appointed by the Senior Public Management System, which would handle appeals. However, the opposition-controlled committee rejected this

and opted instead to transfer this authority to the Executive Director of the Environmental Assessment Service (SEA).

Additionally, the Senate's Environmental Committee must still deliberate on two other bills related to the "permitting" agenda: Strengthening the Environmental Superintendency and transferring the administration of maritime concessions to the Ministry of National Assets

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Economy Minister Nicolás Grau and Environment Minister Maisa Rojas are leading the government's "permitting" agenda.

# Mining Megaprojects and Green Shoots in Construction Revitalize Salfacorp

Over the last 12 months, the stock has risen by 26% thanks to positive prospects in mining activity and improved financial conditions. The company is leading the construction of the Centinela mining project, which involves an investment of \$4.4 billion.

**Señal DF -Saturday, February 22**  
**By Felipe Lozano**

In recent years, construction companies have faced a tough environment. High interest rates, a shallower capital market, and increased risk aversion from banks have hindered the sector's recovery, leading to more than 700 bankruptcies in the industry over the past five years. However, some companies have managed to diversify and overcome these challenges.

One of them is Salfacorp, which operates in Chile, Peru, and Panama.

Its stock has risen by 26% over the past year, driven by a diversification strategy praised by the market. The company, set to report its 2024 earnings next week, recorded profits of \$33.597 billion as of September, a 1.4% increase from the same period in 2023, while its sales grew by 6.6%.

The key? The reactivation of large-scale mining construction projects in Chile. Salfacorp is building Centinela, a project led by the Luksic group that represents an investment of \$4.4 billion and is expected to be completed by 2027.

Salfacorp's engineering and construction division (ICSA) accounts for 80.5% of the company's revenue.

However, according to Feller Rate, these activities are well diversified, mitigating risk: "Its activity in this segment is spread across various areas, such as industrial assembly, mining services, and construction," the firm stated.

As of September 2024, Salfacorp had 123 construction projects underway, 66 of which belong to this segment, serving clients such as Minera Escondida, Minera Centinela, SQM, Minera Teck, Minera Ojos del Salado (Lundin Mining), Minera Florida, Aguas Antofagasta, Walmart Chile, Antamina (Peru), Energía 2000 (Panama & CAC), among others. This has allowed the company's backlog of pending works to grow by 50% by September.

According to Salfacorp figures, Centinela represents 34% of its backlog, while other mining projects accounted for 25% as of the ninth month of 2024.

Meanwhile, the construction of subsidized social housing, another significant business line for Salfacorp, accounted for 15% of the company's pending projects.

A report by Credicorp highlighted that, in addition to Centinela, the expansions of Quebrada Blanca and Collahuasi will add investments totaling around \$6.3 billion.

Bci Corredor de Bolsa analyst Ignacio Sobarzo stated, "Our outlook for Salfacorp remains very positive, given the significant activity in the mining sector. We anticipate revenue growth of around 5% for both 2025 and 2026. The key factor will be the profit growth for controlling shareholders in 2025, which we estimate will increase by 30.9%, driven by the Centinela project." The brokerage assigned a target price of \$690, an 11% upside potential compared to its current stock price.

## Mixed Real Estate Signals

Salfacorp's real estate segment, operated through Inmobiliaria Aconcagua, has yet to recover from weak demand and high mortgage rates following the pandemic.

As of September 2024, Aconcagua's revenue dropped by 10%, while its profit in this business line plummeted by 33%. Sobarzo, from Bci Corredor de Bolsa, noted that while interest rates have been normalizing after peaking in 2022, weak demand will continue to impact the company.

However, green shoots are beginning to appear in this area. According to Credicorp, by the first half of 2024, Salfacorp had achieved a 34.2% increase in sales agreements for houses and apartments.

"This trend reinforces our positive outlook for the sector in the coming years. We expect that improving macroeconomic conditions, lower inflation—which should reduce construction costs—along with a combination of lower mortgage rates and more flexible banking restrictions, will create a more favorable environment for residential construction," the brokerage stated in a report.

Credicorp set a target price of \$710 for Salfacorp's stock.

Another construction company, Ingevec, reported improved financial conditions for the industry. At the end of 2024, it announced that it had secured a loan of UF 600,000 from Banco de Chile, Santander, and Itaú, signaling the emerging normalization of risk in the sector.

### **Is the Stock Undervalued?**

The stock's upside potential aligns with attractive valuation multiples. According to Bci's estimates, Salfacorp's price-to-earnings ratio will be 5.1x in 2025, nearly in line with its five-year average (6.2x) but well below its ten-year average (9.4x). In 2026, according to Bci, this metric is expected to rise to 5.4x, still below the historical average.

The improved macroeconomic conditions projected by the market for this year are expected to boost companies linked to the real estate and construction sectors.

According to the Chilean Chamber of Construction (CChC), infrastructure investment is projected to grow by 5.7% this year, supported by \$12.233 billion allocated to productive activities—nearly \$2 billion more than estimated in July. Additionally, construction spending projections have been revised upward, with the CChC estimating an increase from \$5.82 billion to \$6.979 billion, driven by nearly all sectors, especially mining.

In housing, the association forecasts a 2.2% rebound, with an 8.3% increase in public construction and a 0.4% rise in private construction.

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123 construction projects were underway by Salfacorp as of the third quarter of last year. 6.6% increase in the company's sales as of September 2024.

*Francisco Lyon, KPMG's Senior Partner, and His "Moderate Caution" on the Economy:*

## **"In Terms of Investments, Resources Are Awaiting the Right Signals"**

The lawyer believes the country is at a turning point, and with the right steps, the medium term can be viewed with less pessimism. He urges a more decisive approach regarding security, growth, and fiscal balance.

**MERCURIO DE SANTIAGO - Saturday, February 22**  
**JOAQUÍN AGUILERA R.**

KPMG's senior partner, Francisco Lyon, is in constant contact with key players in the business world. His role allows him to witness firsthand the investment climate perceived by decision-makers in the most relevant sectors of the corporate world. Today, he expresses "moderate caution" regarding the course of investment in the country.

From these conversations, he perceives emerging windows of opportunity that did not exist a couple of years ago, but he also emphasizes that more concrete signals are needed to talk about "optimism."

—How do you see the year 2025 in economic terms?

"Regarding the investment climate and the country's overall outlook, there are certain common denominators. The first thing I observed, and which aligns with my perception, is that we cannot afford to lose our regional leadership position in institutional stability. Over the past few years, that institutional stability has suffered serious blows, which clearly affected investment and business confidence. What is happening today is that, although there is a lot of caution, there is a better perspective from both local and international businesses about what lies ahead."

"There is a perception that we can redirect our country and better address crucial issues such as 'permit procedures' and the political system. We no longer hear, or very rarely hear, irrationally radical ideas, and within larger majorities ranging from center-left to right—as surveys also indicate—topics that were previously absent from discussion are now being debated. For example, political system reform and making state spending more efficient in terms of regulations."

"I firmly believe that if we do things right, we are facing a great opportunity as a country. In terms of investments, resources are awaiting the right signals."

—Has the uncertainty that emerged from 2019 onwards been left behind?

"We are going through a crucial period for the country because the confidence that this is behind us does not yet exist. However, there is a better perspective that it could be left behind. It's a subtle distinction, but one that helps us understand that we are at a historic moment where it depends on us which direction we take. I want to be optimistic because I believe we have a great opportunity, and if we do things right, we can redirect all these processes. So, the answer is 'partially.'"

—Where do the right signals need to be sent?

"Without a doubt, we need concrete measures that support growth. This country will not move forward without clear signs directing us toward growth and resource generation: stability, legal certainty that allows us to plan for the future. There are several issues that go beyond even the well-known 'permit procedures' or regulation but require attention."

—What kind of issues?

"The political system is key; advancing in security and order is key; controlling public spending is key. And undoubtedly, there are tax-related aspects that need to be addressed."

—Where do you see the greatest risk of sending the wrong signals?

"Without a doubt, political risks. This is about concrete evidence that the social unrest is behind us, that it was a process, and that we should all learn from it, for better or worse. The risk is that at some point, we may revisit the same radical ideas that have not worked in any country."

—Do you see the authorities committed to leaving those ideas behind?

"I think the prevailing perception is that, while there is significant criticism regarding the government's performance, there is also a consensus that things could have been much worse. Beyond those criticisms, it has been observed that, in some way, there has been a retreat from insisting on public policies that are clearly very

erroneous and harmful to the country. So yes, we have noticed that, in some way, the government has followed a less erratic path than initially expected."

—In that sense, how much will the presidential campaign influence the investment climate?

"The business environment in recent years has been impacted by the political climate, and future presidential elections will be no exception. This relates to political programs, candidates, and who wins, but that is yet to unfold. We know there is a candidate on one side, but we lack clarity on who the competitors are, let alone what they propose. Today, there is a view of moderate caution about what lies ahead."

—Are new investments being seen in Chile?

"Private resources exist, both locally and internationally. Clearly, they are awaiting these signals, which translates into projects that were previously completely frozen starting to be reconsidered. Today, at least, the door is beginning to open slightly, but it is also important to understand that everything we are discussing points to the medium and long term. In the short term, the sentiment remains quite negative."

## **Taxes and Economy**

—In this scenario, does it make sense to continue discussing tax reform?

"I think it's a mistake. There is still a belief that the central element of revenue collection is the tax rate, and along with it, the total or partial disintegration of the system is seen as a way to increase revenue or indirectly raise the rate. That is a mistake; revenue results from a combination of factors... We are talking about properly structuring a fair tax system where those who earn and do the same pay the same, offering security and predictability. A tax system that stifles investment or prevents its full development is probably failing."

"Simply put, I prefer a 20% tax on 1000 rather than a 40% tax on 300, and this is where I believe we keep making the same mistake. They say: 'Look, on one hand, we will lower the corporate tax rate by 2%, but in exchange, we will increase revenue through final taxes.' If you analyze final taxes, around 70% of revenue comes from less than 1.5% of taxpayers. We conducted a regional study some time ago, and we are well above the regional average, while approximately 90% of taxpayers pay no taxes."

—Wouldn't it be worth reaching an agreement to lower the corporate tax?

"Revising the tax system solely to lower one tax while raising another doesn't make much sense to me. I believe it lacks essential elements, and I also think that for a new tax reform, we need to establish a technical working commission that conducts a much deeper study, taking at least a year to approach the issue seriously, rather than constantly rushing proposals solely for revenue purposes."

—Can the fiscal deficit be resolved without increasing tax revenue?

"It's like a household. A family cannot spend more than what the primary earners make. You can request more income, but we wouldn't recommend it. What needs to be done is to adjust spending, and the first priority is to adjust fiscal spending, making the state more efficient. That is an area where we are seriously lacking as a country. This situation will not improve simply by raising tax rates or amounts."

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## **Fiscal Valuation: "A Clear Methodology Is Lacking"**

—One of the most significant recent reforms was tax compliance, which gives considerable prominence to the Internal Revenue Service (SII). Can it meet expectations?

"The tax compliance law, in a way, aims to refine certain regulations in general terms. I believe that the Internal Revenue Service continues to play a very efficient role in this area, and the key message is that this role should always be exercised in the most technical manner possible. Not simply with a revenue-collection approach, but rather with the aim of correctly applying our legal framework in tax matters."

—But the SII has been criticized for its criteria on aspects such as fiscal valuation.

"I fully agree with those criticisms. This issue has been ongoing for many years, even decades. There are several discussions here. On one hand, there is the debate on the amount of contribution; on the other, the principle of legality, since the Internal Revenue Service autonomously and administratively determines the taxable base (valuation), which should be set by law or in another manner. Beyond that discussion, there is a great deal of uncertainty. A clear and transparent methodology is lacking, so that taxpayers can understand the factors that influence the fiscal valuation of each of their properties, with regional comparables, in an objective and easily understandable manner."

—Are legal changes required, or is this a management issue?

"I believe that the Internal Revenue Service currently has the legal tools to advance in this procedure, publish it, and provide taxpayers with clarity on how this authority is being exercised. I have no doubt that they have all the capabilities to do it well and the full intention to do so."

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"We have noticed, in some way, that the government has followed a less erratic path than initially expected."

"Radical ideas are no longer, or very rarely, heard, and broader majorities are now discussing topics that were previously absent."