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CHILEAN GOVERNMENT ANNOUNCES NATIONAL LITHIUM STRATEGY

On April 20th, 2023, President Gabriel Boric announced the guidelines of the National Lithium Strategy, through which the Government seeks to promote the lithium exploitation by the Chilean State (by means of State-owned companies or in association with private entities), to generate value-added lithium products and investment in technology and research.

Background

Since 1979 lithium is reserved for the Chilean State, so the exploitation and processing of lithium can only be carried out directly by the Chilean State or State-owned companies, or by private entities through administrative concessions or lithium special operation contracts ("CEOL"), which shall comply with the requirements and conditions set out by supreme decree of the President, for each case.

The above mentioned does not affect mining concessions that were granted over lithium or any other metallic substance prior to the reservation for the Chilean State in 1979.

Guidelines of the National Lithium Strategy

• Incorporation of a State-owned lithium company named Empresa Nacional del Litio, which will seek for partnerships with private entities to develop projects of exploration, exploitation, and addition of value to lithium.
• Encourage the use of new extraction technologies that minimize impact over salt flats' ecosystems. In addition, a new salt flats' protection network will be established, to comply with the commitment of having 30% ecosystems protected by 2030.
• Participation and involvement of communities surrounding mining sites.
• Promotion of generation of value-added lithium products.

Execution of the National Lithium Strategy

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Carey y Cía. Ltda.
Isidora Goyenechea 2800, 43rd Floor.
Las Condes, Santiago, Chile.
www.carey.cl

• The first milestone of the National Lithium Strategy will be a process of dialogue and participation with salt flats' communities, to gather expectations and proposals from the various stakeholders.
• In the second half of 2023, the Government will submit to Congress the bill that creates the State-owned lithium company, which will require to be passed the approval of the absolute majority of the members in office.
• Given that the lease of an important part of Atacama Salt Flat to private entities will expire in 2030, it will be possible for the Chilean State to recover the lithium control at this place. In this context, Corporación de Fomento para la Producción (CORFO) will request Codelco to search for the best options to achieve State participation in the extraction of lithium in the Atacama Salt Flat. Thus, Codelco, on behalf of the Chilean State, will negotiate with private entities that currently hold lithium exploitation rights in the Atacama Salt Flat to obtain a stake in the exploitation prior to the expiration of the current contracts. If there is no agreement, the Chilean State will respect the current contracts until their expiration dates.
• Likewise, the Chilean State will grant exploration and exploitation CEOLs to Enami and Codelco where they already have mining projects in different stages of development. Enami and Codelco shall be entitled to decide whether it is convenient in each particular project to associate with private entities.
• With regard to other salt flats potentially exploitable, the Chilean State will initiate a public, transparent and informed tender process to award exploration CEOL to private entities. Whenever the exploration results show potential, the private entity will hold a preferential right to associate with a State-owned company to undertake the exploitation phase. In mining projects of strategic value, the Chilean State will hold a majority stake in this public-private partnership.

Environmental, community and innovation considerations

• Creation of a salt flats' protection network, in accordance with the Chilean State's international obligations under the Convention on Biological Diversity.
• Mandatory implementation of technologies that minimize the environmental impact of lithium recovery process, such as the direct extraction with brine re-injection in salt flats that are under exploitation.
• Process of dialogue with communities surrounding lithium mining

sites, especially with indigenous communities. Moreover, Regional Governments will be given a leading role in the development of value-added projects, strengthening economic decentralization.
• Creation of a public research and innovation center named Instituto Tecnológico y de Investigación Público del Litio y Salares, that will promote knowledge and technology generation, allowing for the development of better extraction techniques, adding value to lithium products and guaranteeing exploitation processes in accordance with the highest standards of care.

The Government has not provided the exact dates for the implementation process of the National Lithium Strategy nor has submitted to Congress the drafts of bills necessary to that effect.

Authors: Rafael Vergara; Maximiliano Urrutia; Joaquín Granados