

Chile

Country Mining Outlook

Country Risk Rating **4**



Mining Outlook In Chile

- Population: 19,7 Millions
- GDP Growth % 2023 (World Bank data): 0,2%
- Political stability and absence of violence/Terrorism Percentile Rank (0-100): 51.42
- Contribution of mining to GDP % 2023: 13.6%.
- Ease of doing business (World Bank data): 59.
- Main commodities mined: Copper, Gold, Silver, Zinc, Iron, Lead.

Chile's Mining Contribution Globally

Commodity	Production Ranking	Global Share of Production
Copper	1st.	24 %
Lithium	2nd.	25 %
Molybdenum	2nd.	17.6%
Silver	4th.	7%.

Source: USGS (2024)

Annual Copper Production (Million Tonnes)



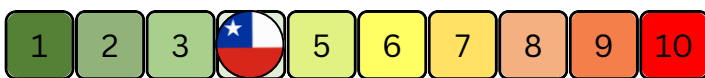
Source: Consejo Minero (2024)

Risk Valuation (Categories) from 1 to 10¹

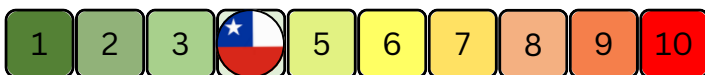
Social Groups Oppositions



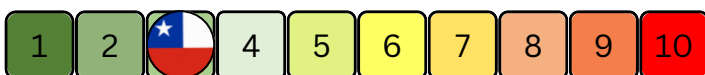
Safety and Security



Political Stability



Ethics and Corruption



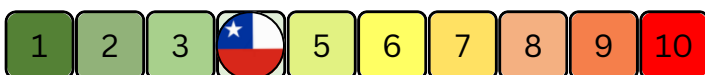
Stance on Mining



Mining Regulations



Rule of Law



Our country risk rating for Chile is moderate, with an average of **4/10**. This means that disruption of the interests of operators or investors in the country in the short term is unlikely.

Although challenges exist, especially due to the nationalistic discourse regarding exploitation of resources, the current administration is focused on building an institutional framework around lithium and defining the public-private collaboration for the sector. Overall, mining remains the backbone of the national industry and has strong governmental support.

In general, mining in Chile has a moderate level of social conflict compared to other mining countries in Latin America. In some areas, especially in the water-stressed northern regions of the country, communities and indigenous groups have expressed their opposition to mining projects. However, large miners such as Codelco or other international companies usually apply good practices in sustainability and social responsibility. The new changes in the royalty legislation have brought about a new change in the rules of the game that are expected to have a greater benefit for mining communities.

1. The risk assessment scale is based on Embellie Advisory's proprietary methodology.

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An undisputed leader in the production chain

Chile is the world's leading copper producer, responsible for 24% of global output. According to the USGS, Chile also ranks as the second largest producer of lithium, following Australia's lead since 2010, and contributes around 30% of the world's lithium production. Additionally, Chile possesses over one-third of the world's lithium reserves. The mining industry is pivotal to Chile's economy, with mining exports constituting 58% of the country's total export value. Similarly, the country continues to be the main destination for exploration investments in Latin America (22 % of the total), of which 70% are destined to copper.

The New Royalty Bill

In May 2024, the Congress approved a new royalty law targeting copper miners producing over 50,000 metric tons of fine copper (TMCF) annually, classified as large-scale mining. The law aims to generate an estimated 0.45% of GDP, with revenues allocated to various mining regions across the country. The tax system features tiered rates, exempting small miners (producing less than 12,000 Tn) and imposing a progressive tax rate of 0.4% to 4.4% on medium-scale mining operations (producing less than 50,000 Tn). The approval of the law, which previously caused uncertainty, has paved the way for the return of long-term investments.

Public-Private Partnerships

The history of mining in Chile has been marked by important state presence in the sector through its mining arm CODELCO. The country underwent various phases of partial and full-on nationalisation, before going back to a concession-based model in the 90s, along with the promulgation of Law 19137 which allowed CODELCO to form JVs with private entities. CODELCO remains a major player in the country, owning and operating around 30% of existing mines. Since 2023, the state also partners with lithium producers through majority-owned JVs, initially via CODELCO before handing them to a dedicated state lithium company.

Issues on water availability and management

Securing water supply in some mines has been a great challenge, as operations are primarily located in regions prone to severe droughts. Despite the fact that mining accounts for only 4% of Chile's total water consumption, it has often been pointed as being responsible for water scarcity. As a response, the industry showcased great adaptation, and has been one of the major drivers of innovation to curb water consumption in operations. The implementation of desalination plants has yielded significant results, with seawater consumption in mining increasing from 2% to 33% between 2010 and 2021. This will be even more important as the development of brine lithium exploitation in the salars will drive water consumption in years to come.

Why invest in Chile's mining sector?

Chile is a premier mining destination, renowned for its abundant mineral resources, which include extensive deposits located at high elevations and in remote areas. The country's favorable regulatory environment, combined with its economic and political stability, makes it an attractive option for investors. Moreover, Chile's advanced mining infrastructure, featuring well-developed roads and ports, and its highly skilled workforce, underscore its prominence as a leading mining jurisdiction. However, operating in Chile has its own challenges. These include lower grades, especially for copper, and high production costs. The public opinion is also increasingly wary of mining's impact on the environment, especially on biodiversity, water and ground stability.

Contact Details

If your organization is interested in investing in Chile, or wants to have a deeper understanding of our risk valuation and how this can affect your investments in the country, please get in touch with us at: pedro.estrada@embellieadvisory.me.



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