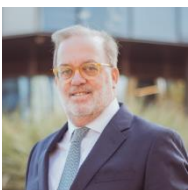
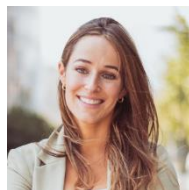


Legal Alert | Mining and Natural Resources

National Lithium Strategy Update



Pablo Mir
Partner, Mining and Natural
Resources
pmir@bofillmir.cl



Alina Bendersky
Partner, Mining and Natural
Resources
abendersky@bofillmir.cl



Francisco Ducci
Partner, Mining and Natural
Resources
fducci@bofillmir.cl

Actualización sobre la Estrategia Nacional del Litio

On June 16, 2023, the Government released – in connection with its previous announcement on April 21, 2023 titled “*Lithium, an Historic Opportunity for Chile*”) –, the main details of the so-called “National Lithium Strategy” (the “Policy”), in a document titled “*Estrategia Nacional del Litio. Por Chile y su gente*”. Hereunder, a brief summary of the main points disclosed by the Government:

- 1. Sustainable Development of Production Potential:** One of the objectives of the Policy is to increase lithium production while ensuring a minimum environmental impact (incorporating as a requirement the application of direct extraction and reinjection techniques) and the participation of communities and indigenous peoples in the relevant areas of each operation. To this end, it is proposed to generate conditions to increase production in the *Salar de Atacama*, as well as to establish the conditions for the development of extraction projects in other salt flats, starting with those on which there is already preliminary knowledge. In relation to the development of new projects in other salt flats, the Government estimates that these will take an average of 6 to 8 years to begin production, considering a rigorous study of their environmental impacts and the participation of both regional governments and potentially affected communities.
- 2. Productive Chain:** Another of the Government’s proposals is to achieve a productive chaining, both *upstream* and *downstream*, with local companies, aimed at preventing the lithium industry from being limited to the mere extraction phase. An *upstream production chain* involves promoting, in addition to the exploration and extraction work itself, the development of knowledge and biotechnology, environmental impact mitigation, water treatment and increased use of renewable energies. A *downstream production chain* involves promoting refining processes and obtaining lithium chemicals, developing battery elements, promoting the mining of other substances necessary for battery production and lithium recycling.
- 3. Fiscal Sustainability:** Given the fact that the State’s revenues from lithium extraction have a transitory component, it is proposed to adjust its treatment, incorporating a new rule whereby lithium revenues above a threshold defined as the average of the previous 4 years cannot be spent. The savings from the application of this rule will be directed to ensure the financing of social, scientific-technological, and productive investments.
- 4. Diversification of Actors:** The aim is to promote the growth of public-private partnerships through joint ventures, to stimulate a more competitive market, with greater financing for knowledge and productive development and alliances with various companies in global markets. The aim is to achieve a better distribution of risks within the framework of public-private alliances, with appropriate geopolitical balances. These partnerships are also intended to ensure the State’s involvement in the entire lithium industrial cycle.



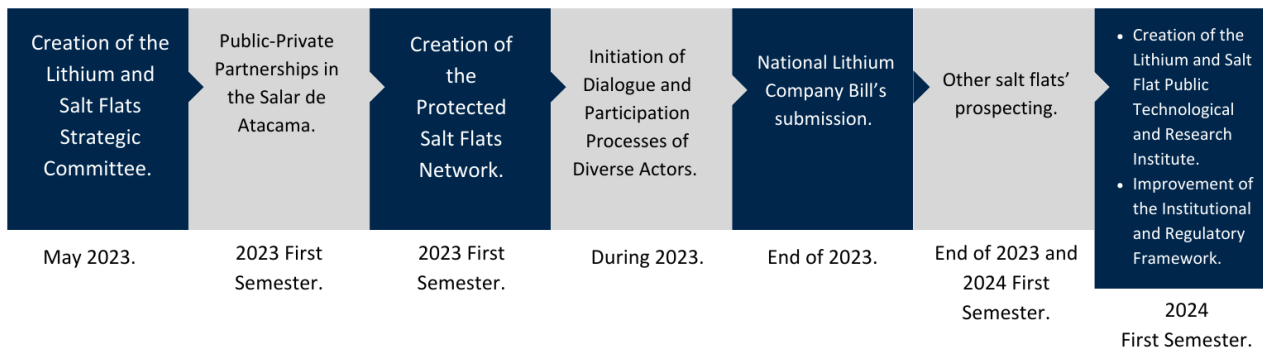
5. Current status of salt flats with pre-1979 tenements and salt flats without tenements: The Government reiterates its unrestricted respect for contracts currently in force and its intention to reach early agreements with such companies for further operation (SQM Salar and Albemarle S.A., both with pre-1979 tenements in the *Salar de Atacama*, which are operating under lease agreements that are valid until 2030 and 2043, respectively). The objective is to achieve sustainable continuity, increased production, and the entry of the State into the lithium production cycle as soon as possible, with a majority participation. The new lease agreements will consider, as their foundations, the current conditions of the existing contracts, considering the income obtained today by the State, the benefits of regional governments, local governments and communities around the salt flats, contributions for research and development, the quotas reserved at a preferential price for the development of value-added projects in Chile, and new socio-environmental standards will be established. In the case of the *Salar de Pedernales*, a subsidiary of Codelco will develop a project either directly or form a public-private joint venture for the exploration and exploitation of this salt flat.

In the case of salt flats with no tenements, Codelco or Enami will be required to execute Special Lithium Operating Contracts (“CEOL”) for exploration with private companies through public, transparent, and informed bidding processes. CEOLs for exploration and exploitation will be granted to Codelco and Enami in such salt flats where there are currently projects under development, where they will be able to decide whether or not to partner with a private company. In addition, it is intended to initiate bids for exploration CEOLs to private parties in those salt flats registered by SERNAGEOMIN and that are considered susceptible to exploitation. The holder of an exploration CEOL will have the preferential option to partner with a State-owned company for the exploitation stage, and the State must have a majority participation in those salt flats that are defined as strategic. The Policy does not contemplate the possibility of opening bids for the granting of exploitation CEOLs to private companies.

In this regard, and in relation to the prospecting of other salt flats, the Policy establishes that all projects will have, as a baseline, the conditions and benefits for the State and the communities that are established in the currently in force lease agreements in the *Salar de Atacama*, in addition to environmental and technological requirements, quotas for value-added projects, among others.

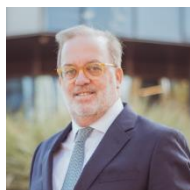


To achieve the proposed goals, the Government has presented a **timetable for the implementation of the Policy**, with the main actions and milestones to be carried out during the period 2023-2024. These are:



This legal alert was prepared by the Mining and Natural Resources team of Bofill Mir Abogados for general informational purposes and should not be considered legal advice.

If you have any questions or comments regarding this information, we would be pleased to hear from you:



Pablo Mir
Partner, Mining and Natural Resources
pmir@bofillmir.cl



Alina Bendersky
Partner, Mining and Natural Resources
abendersky@bofillmir.cl



Francisco Ducci
Partner, Mining and Natural Resources
fducci@bofillmir.cl