



**LITHIUM: NEWSLETTER I**  
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The growing market of electric cars and hybrid vehicles has led to a significant increase in the projection of the lithium (Li3) batteries' demand for the next years. Likewise, the worldwide trend of favoring and promoting the use of unconventional renewable energies has placed Chile, alongside with China, Argentina and Australia, as one of the main players in this market, with more than 50% of the international lithium reserves, according to data delivered by the US Geological Survey of 2017.

**Chilean Legislation**

In Chile, the exploration and exploitation of lithium is restricted by the Constitution of the Republic, which grants the State, the absolute, exclusive, inalienable and imprescriptible ownership of all mines, including the salt flats (article 19, N° 24), and by the Mining Code, which establishes that they are not susceptible of mining concessions, but must be executed by the State, its companies, by administrative concessions or special contracts (articles 7, 8).

Currently, the Chilean company Soquimich (SQM) and the American Albemarle are the only companies that have ongoing contracts granted by the Chilean Corporation for the Promotion of Production (Corfo) on behalf of the State to exploit lithium, with approximately 400 thousand and 140 thousand tons per year respectively (both quotas increased from the 50 thousand tons in the last days).

**Current News**

On March 1st, in response to the request presented by Codelco to the Mining Ministry in January 2017, the Supreme Decree that establishes the requirements and conditions of the lithium special operation contract for the exploration, exploitation and benefit of its reserves (LSOC) in the Maricunga salt flat and its surroundings -located in the Atacama Region-, was published in the Official Gazette. For this purpose, Codelco constituted as sole shareholder a subsidiary company named Salar de Maricunga SpA, which will sign the LSOC with the Mining Ministry.

The LSOC is valid until December 31th, 2057 (a 39 years term as the one fixed by the Chilean Nuclear Energy Commission when it authorized the quota) and establishes, in broad terms, the obligation of Codelco to commercialize the entire volume of lithium products produced, in addition to environmental rents and obligations, including (i) a quarterly payment based on the sales; (ii) an annual payment, based on the operational profitability; and, (iii) an annual payment for Innovation, Research and Development.

The same decree highlights Codelco's need to find one or more strategic partners for the development of the salt flat.

Salar de Maricunga SpA would receive a larger surface to explore and exploit compared to the mining concessions -the same Codelco has over the Maricunga salt flats-, which is considered as a way of giving control of the salt flat, but also, predisposes to seek agreements with other owners of mining concessions in the area covered by the LSOC. According to the Supreme Decree, Codelco must remain as the controller of Salar de Maricunga SpA, which could complicate its search for an association; first, by forcing third party owners of mining concessions included in the LSOC surface; and, secondly, by restraining third parties that would like to control the lithium business in the Maricunga salt flat. The Chilean State company Codelco has now enough tools to find partners to participate in Salar de Maricunga SpA, for the development of the lithium business.



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