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## FEATURED Q&A

# Will Chile's Plan for Lithium Projects Pay Off?



Chile is focusing on development of value-added projects for lithium, pieces of which are pictured above. // File Photo: Dnn87 via Creative Commons.

**Q** The Chilean government has identified seven companies that it wants to develop value-added lithium projects, state development agency CORFO said. Chile is part of South America's "lithium triangle," which contains more than half the known global reserves of the commodity. The short list is part of the government's plan to diversify its exports. Chile currently must send lithium abroad in order for it to be developed into consumer goods. Is it a good idea for Chile to focus on producing value-added lithium products? Does the sector have the ability to become a bigger component of the country's economy? Are the government policies in place sufficient to help the lithium sector grow?

**A** Chris Berry, founder of House Mountain Partners: "A strategy of vertical integration in lithium is vital, given the very strong growth we are seeing along all points of the lithium ion supply chain. Lithium mining capacity is expected to more than double by 2025, and there are numerous examples of battery cathode manufacturers and battery cell and pack producers that are also expanding capacity. Therefore, the more parts of the supply chain you participate in, the more profitable your enterprise can be. Participating in only one part of the lithium ion supply chain means 'giving away' margin or profitability to other supply-chain participants. To be sure, there is an upfront cost to vertically integrating, but over the long term it makes sound strategic sense for Chile to push forward with vertical integration. In order to achieve this, Chile will be competing against mainly Asian countries that have well-defined policies around foreign investment in-country.

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While the newly formed superbody did not formally dissolve the elected National Assembly, it did usurp its main function.

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## Petrobras May See Few Bids for Gas Plant Project

The Brazilian state oil company is expected to receive fewer bids than originally expected for the \$1 billion project due to more stringent requirements in the bidding process.

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### ECONOMIC

## Kuczynski Vows to Continue Efforts to Reduce Poverty

Peruvian President Pedro Pablo Kuczynski said he is expecting economic growth of between 4 percent and 5 percent next year with low public debt and low inflation, which will help poverty-reduction efforts.

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Kuczynski // File Photo: Agencia Andina.

## POLITICAL NEWS

## Venezuela's New Assembly Seizes Power to Pass Laws

Venezuela's powerful new constituent assembly on Friday granted itself the power to pass laws, usurping the main function of the country's elected legislature, the National Assembly, NPR reported. While the move of the widely denounced super-body did not formally



**They will have to kick us out with bullets."**

— Freddy Guevara

dissolve the opposition-National Assembly, it did render it moot by taking over its main responsibility. The move by the constituent assembly, which was selected on July 30 from a list of candidates handpicked by President Nicolás Maduro's government, followed its action earlier this month to declare itself superior to all other government institutions. The new superbody also was poised to approve a new law that critics say could be used to crack down on opposition leaders and anti-government protesters by sentencing them to as long as 25 years in prison, The Washington Post reported. The constituent assembly had invited the National Assembly to attend its session on Friday, but the legislators declined. "When they're called for national dialogue, cameras please, see? Empty seats, There's the definition of the Venezuelan right," said the constituent assembly's president, Delcy Rodríguez, a top ally of Maduro. On Saturday, the National Assembly convened in defiance of the superbody's move, the Associated Press reported. "They will have to kick us out with bullets," said National Assembly Vice President Freddy Guevara, who tore up a copy of the constituent assembly's edict. "But we will continue to defend this space the Venezuelan people gave

us as long as we have the will and the means to do so." The National Assembly's session on Saturday followed statements from opposition members condemning the constituent assembly's seizing of legislative power. "The Constituent Assembly is null, and its acts are illegal and unconstitutional. The National Assembly, the international community and the people will not abide by the annulment decision," the opposition said in a tweet, The Washington Post reported. The action also drew a sharp rebuke from Organization of American States Secretary General Luis Almagro. "Fraudulent dissolution of the National Assembly by the Constituent Assembly deepens the coup d'état in Venezuela," he said on Twitter. However, top ruling party official Diosdado Cabello said in a tweet, "For those raving, the Constituent Assembly has not eliminated the National Assembly. It is only assuming the functions of those who have placed themselves on the margins of the constitution." Also on Friday, former Venezuelan Attorney General Luisa Ortega Díaz and her husband, Germán Ferrer, a National Assembly member, fled to neighboring Colombia, The Wall Street Journal reported. Ortega, who was removed from her post by the constituent assembly, broke from Maduro's government by attempting to stop the constituent assembly from being created. Maduro's government has leveled corruption allegations against Ortega and Ferrer, who say the charges amount to retaliation for their break from Maduro.

## More Than 10 Envoys Subjected to Sonic Attack in Cuba

More than 10 U.S. and Canadian diplomats and their families have reportedly been attacked by a mystery sonic weapon in Cuba, a higher number than was initially reported, according to two senior U.S. government officials, CNN reported Sunday. The attacks began in late November and stopped during the spring, the U.S. officials said. Two U.S. diplomats were treated in the United States following the attacks and suffer from long-term injuries, including hearing loss, and additional diplomats were

## NEWS BRIEFS

## Peruvian Court Convicts Two Former Military Officers

A Peruvian court on Friday convicted two of the seven former military officers who had been accused of torturing and murdering civilians in 1983, at the start of the country's two-decade conflict between government forces and insurgents, Reuters reported. Judge Ricardo Brousset said the Peruvian government was partially responsible for the crimes committed by the men, and that the state must pay reparations because the soldiers had acted on orders to "disappear" suspected members the Shining Path rebel group. The ruling was the first conviction in a case over state-sponsored human rights violations in Peru. The case had gone on for more than a decade.

## Mexican Authorities Rescue 115 Migrants From Truck in Veracruz State

Mexican authorities have rescued 115 migrants, 41 of whom were minors, from a truck in Veracruz State where they had been traveling in "deplorable conditions," a state official said Sunday, Reuters reported. The two people driving the truck were arrested, the official said. In July, eight migrants were found dead in a tractor trailer in a Wal-Mart parking lot in San Antonio, Tex. At least 100 migrants had been traveling in the trailer, and two more died later.

## Peru's Kuczynski Vows to Continue Poverty Reduction Efforts

Peruvian President Pedro Pablo Kuczynski on Sunday night vowed to continue efforts to reduce poverty in the Andean nation, state-run Agencia Andina reported. Kuczynski said the Coastal El Niño phenomenon and the Odebrecht graft scandal have crimped growth, but added that the economy will begin recovering.

also told to leave their posts early because of the harassment. Despite the attacks, State Department spokeswoman Heather Nauert said the U.S. embassy in Havana is “fully operational.” In June, five Canadian diplomats and their family members reported experiencing symptoms that were similar to those experienced by the U.S. diplomats, which could mean additional attacks were carried out while the Cuban government said it was investigating the reported attacks on the U.S. diplomats. “The government is actively working—including with U.S. and Cuban authorities—to ascertain the cause” of the injuries, Canadian spokesperson Brianna Maxwell said in a statement earlier this month after it was first reported that Canadian diplomats had also been targeted. Three U.S. officials say a sophisticated sonic weapon that operates outside the range of audible sound was used against the diplomats and family members living in Havana, causing nausea, headaches and hearing loss. Other attacks made a deafening sound similar to an insect buzzing or metal scraping across the floor, but the source of the sound could not be identified, two U.S. officials said. Some of the diplomats were attacked late at night when they were asleep in their homes, according to the officials.

## BUSINESS NEWS

### Petrobras May See Few Bids for Natural Gas Plant Project

Brazilian state oil company Petrobras is trying to get international competition to build a \$1 billion natural gas plant and is excluding large local engineering firms that have been implicated in the “Operation Car Wash” corruption scandal in the hopes of creating a model for “clean” contracting, Reuters reported Friday. The project, however, will see fewer bids from global players than originally expected, due to more stringent requirements in the bidding process. Contracting executives said bidders would have to spend as much as \$10 million

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The trump card that the country has is its world-class lithium resources. A successful strategy will involve the Chilean government working closely with foreign companies that have the downstream manufacturing

“The more parts of the supply chain you participate in, the more profitable your enterprise can be.”

— Chris Berry

expertise in the battery business to build a sustainable supply chain. Foreign entities will be watching their cost structure closely as battery production capacity increases, meaning lower margins, so any sort of agreement between foreign companies and the Chilean government will revolve around the country maximizing returns along the supply chain while the foreign companies earn a suitable return. Obviously, there is a great deal of detail to be worked out here, and the Chilean government has its work cut out for it. Regardless, there is ample opportunity for Chile to capitalize on the lithium ion battery boom currently underway, through politics and business aligning more closely.”

**A** **William Tahil, research director at Meridian International Research:** “It was always predictable that Chile would seek to leverage its position as holder of the largest and best quality lithium deposit. One can see the attraction in developing, for in-

order to create the detailed engineering designs Petrobras is requiring for the bidding process, and uncertainty surrounding the contracts has caused companies to hesitate to bid. Of the 30 foreign companies Petrobras has invited to bid on the contract, only five firms plan to participate in the consortiums,

stance, a battery cathode or battery industry that could serve the future Latin American electric vehicle market. Additional materials required for cathodes—cobalt, nickel and manganese—are all mined in South America and graphite is mined in Brazil. However, lithium ion battery technology is undergoing continuous development and rapid change. Will end-product manufacturers really want to establish a production facility so far from their research and development centers and the main electric vehicle markets of China, Europe and the United States? On the other hand, potential demand for lithium is so high that Chile is in a strong position, and some manufacturers may be willing to make local investments to achieve security of supply.”

**A** **Tim Buckley, director of energy finance studies at the Institute for Energy Economics and Financial Analysis (IEEFA):**

“Chile has an exciting opportunity to build exposure to one of the leading industries of the coming decades by leveraging its lithium ion reserves into downstream value-added industries. Global automotive consumers are rapidly and unexpectedly embracing the opportunities for zero-emissions electric vehicles transport. This will not only dramatically reduce the public health costs of pollution but will also enhance energy security through reduced reliance on imported oil, with all the economic advantages this entails. IEEFA has no doubt that Chinese electric vehicle and lithium ion battery producers aim to be manufacturing and technology world leaders, both for their own burgeoning domestic auto market, but also increasingly for export. China’s Geely and BYD will no doubt challenge and match the

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submitting bids by Aug. 28, according to three sources with knowledge of the matter. The five companies planning to bid are units of Spanish companies Acciona and Sener Ingenieria y Sistemas, Italy’s Marie Tecnimont, Japan’s Toyo and China Aluminum International Engineering, the sources said.

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rise of Tesla in delivering the mass-market auto solutions of the coming decade. India has this year set a target of 100 percent electric vehicles by 2030, and clearly also has in sight the self-manufacturing and opportunity to reduced oil imports that this entails. So with the world's three largest

**“Lithium mining will never counterbalance copper mining in Chile.”**

— Mark Venning

nations all embracing this transformation, the convergence of technology innovation and battery storage, plus deflationary economies of scale, are combining to change all aspects of global energy markets. This opens a major opportunity for Chile to be not only a key resource provider, but also to add downstream processing domestically, and to build a high-value manufacturing sector to capture more of the global investment and employment opportunities that are rapidly emerging. The government should take the lead and set in place a strong plan to require downstream investment, to ensure Chile

gets maximum value from the opening up of a new economic sector for both domestic and export markets.”

**A** **Mark Venning, business development director for mining at Black & Veatch:** “Lithium mining will never counterbalance copper mining in Chile, due to the enormous scale of copper mining and the relatively smaller lithium mines. Lithium mines are simply much less capital-intensive, so in order to have an effect on export diversification, the government will need to actively promote adding value to the mined lithium. It could do this by expanding tax incentives in the ‘zona franca de Iquique’ and by using existing subsidies for research. Simply, it would be in Chile’s best interests to promote adding value to lithium within Chile, and the government needs to carefully analyze how to promote this. With many countries (such as the United Kingdom) and companies (such as Volvo) setting strict rules regarding the replacement of fossil fuel-burning vehicles with electric vehicles, the demand for lithium-based batteries is set to skyrocket, and Chile must take full advantage of this trend.”

*The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at [gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org).*

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