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FEATURED Q&A

Can Latin America Capitalize on its Lithium Reserves?



The price of lithium, which has uses including in batteries for electric vehicles, has soared in recent years. // File Photo: U.S. Department of Energy.

Q The price of lithium has skyrocketed in recent years in pace with its demand for use in electric vehicles. In a statement Nov. 9, chemicals manufacturer FMC Corp said it plans to invest \$300 million in its lithium operations in Argentina in order to double production, and global mining company Rio Tinto is said to be eyeing a \$5 billion stake in Chilean lithium producer Sociedad Química y Minera de Chile, or SQM. What is the outlook for the lithium sector in Latin America? Which countries have the most to gain from the growing demand for the mineral, and which countries have the right policies in place to attract investors? With prices for lithium rising so fast, is there a fear that resource nationalism, which swept across the region when oil prices spiked less than a decade ago, will again come into favor?

A William Tahil, research director at Meridian International Research: "The global automotive industry is entering a critical phase in its electrification revolution. Nearly all the major manufacturers have announced plans to massively expand their electric vehicle product offerings. For instance, Volkswagen alone wants to sell between two and three million e-cars per year by 2025, launching 30 pure electric models between now and that date. Volkswagen put its battery capacity requirement at 150 gigawatt-hours per year in 2025, which would require 300,000 metric tons of technical-grade lithium carbonate, dwarfing current global production. So the future for lithium producers looks assured; apparently, they cannot ramp up production

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S&P Lowers Colombia's Credit Rating

The country is facing ongoing fiscal problems due to low commodity prices, the ratings agency said.

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Uber Appeals Ban on Accepting Cash in Puebla State

Legislators in the Mexican state implemented the ban, arguing it would improve the vetting of drivers. However, Uber has said accepting cash is needed to serve riders who lack credit cards.

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POLITICAL

Opposition Will Resist Maduro's Election Ban: Party Leader

Venezuela's opposition will resist President Nicolás Maduro's vow to ban some opposition parties from next year's presidential election, said anti-government lawmaker Juan Mejía of the Voluntad Popular party.

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Mejía // File Photo: Voluntad Popular.

POLITICAL NEWS

Opposition Will Resist Election Ban: Venezuelan Politician

Venezuela's opposition parties will resist President Nicolás Maduro's vow to ban them from participating in next year's presidential election, a top anti-government politician said Monday, the Associated Press reported. "This party does not kneel," said Juan Mejía, a leader of the Voluntad Popular party. "This party does not back down and does not give up on its principles." Mejía's comments came a day after Maduro's United Socialist Party of Venezuela swept mayoral elections in a vote that some opposition parties boycotted amid allegations of fraud in last October's gubernatorial elections. Three of the country's four largest opposition parties refused to take part in Sunday's balloting. Maduro told supporters and reporters on Sunday that opposition parties that did not participate in Sunday's vote would be banned from participating in the future. Julio Borges, the president of the opposition-controlled National Assembly, on Monday took the opposition's case to the Vatican, meeting with Vatican Secretary of State Cardinal Pietro Parolin. In a posting on Twitter, Borges said he

and Parolin discussed the possibility of a new humanitarian channel in Venezuela as well as ongoing talks with Maduro's government. Pope Francis is monitoring developments in Venezuela, said Borges. "We agree that humanitarian cooperation and a free vote are the priorities at this moment," said Borges. In a statement Monday, the U.S. State Department blasted Maduro's vow to ban opposition parties from fielding presidential candidates next year. "The United States condemns President Maduro's threat to ban opposition parties from participating in next year's presidential elections," said State Department spokeswoman Heather Nauert. "A presidential election cannot be legitimate if candidates and parties cannot freely participate."

ECONOMIC NEWS

Brazil May Limit Planned Cuts to Local Content Rules

Brazil may curb its planned cuts to local content requirements for oil exploration and production projects as part of "Repetro," a preferential customs regime for oil and gas companies to increase investment in the coun-

existing demand for cobalt from industry and for consumer electronics, hardly any is left for non-Chinese EVs. In fact, in September, Volkswagen failed to secure a long-term supply agreement for cobalt. While the car manufacturers could turn to iron phosphate or manganate spinel, as they were expected to originally, this would lead to much heavier vehicles. So, perhaps lithium producers should be somewhat cautious and ask themselves how car manufacturers intend to overcome the cobalt challenge. If solid state (solid electrolyte) technology becomes ready to deploy, that may be one answer, but then, solid-state technology may lead to lithium itself being abandoned."

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NEWS BRIEFS

Standard & Poor's Lowers Colombia's Credit Rating Amid Fiscal Woes

Standard & Poor's on Monday lowered its long-term foreign currency sovereign rating for Colombia one notch to BBB- from BBB, according to Colombia Reports. The ratings cut was due to ongoing fiscal problems caused by low commodity prices. The ratings agency said it expected the South American country's government debt to increase to 38 percent in 2020 from its current level of 35 percent. S&P had warned of a possible downgrade since February 2016 when it changed its outlook for Colombia to negative.

Peru's Central Bank Boosts Expectation for Trade Surplus to \$5.9 Bn

Peru's central bank raised its forecast for this year's trade surplus to \$5.9 billion, up from a previously expected \$5.1 billion, due to higher copper and gold prices, the bank said Monday, Reuters reported. Peru saw a \$4.6 billion trade surplus in the first 10 months of this year, according to the central bank's earliest-available trade data.

Argentina Allows Low-Cost Airline Norwegian to Offer Flights in Country

Argentina on Monday authorized low-cost airline Norwegian to operate in the country, allowing it to fly about 60 aircraft in Argentina and opening 72 local and 80 international routes to the company starting next year, Reuters reported. The government said the move would generate some 3,200 direct jobs in the country. Norwegian will have access to major airports in cities including Buenos Aires, Córdoba and Mendoza, the government said. Norwegian is Europe's third-largest budget airline by passenger numbers, and the company plans to invest \$4.3 billion to operate in Argentina.

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fast enough. However, there is another resource constraint: cobalt. Cobalt was never intended to be used for EV batteries. The iron phosphate, manganate and titanate spinel technologies were all developed for EV batteries because it was widely recognized in the early 2000s that cobalt is not safe for large format batteries and that there is insufficient cobalt to sustain mass production of EV batteries. However, all the EVs produced so far use cobalt-containing cathodes to give the cars reasonable range. Iron phosphate only has the same energy density as nickel metal hybrid. Meanwhile, China has quietly cornered the global supply of cobalt available for EV batteries. With

try's oil sector, Reuters reported Monday. The move to limit cuts would be aimed at appeasing local suppliers who have benefited from local content requirements, which dictate what percent of a project's workers and inputs must be local in origin, according to Abimaq, a group that represents local suppliers. The measure would also help lay the foundation for an extension of customs breaks for oil companies. "The proposal is already in place, it should be voted on this week and it will be compensation for the absence of tariff barriers from Repetro," said the vice president of Abimaq, César Prata. In the past, Brazil has been known for steep local-content requirements, which some argue have inhibited oil firms from investing in the country's oil sector by making oil development in Brazil unprofitable.

BUSINESS NEWS

Uber Appeals Ban on Accepting Cash in Mexico's Puebla State

Ridesharing app Uber said Monday it had appealed regulations by authorities in Mexico's Puebla State that prohibit accepting cash fares, in the latest challenge to the ride-hailing company, Reuters reported. Puebla State authorities on Friday implemented the new reg-

Legislators in Brazil and Mexico have attempted to curb Uber from accepting cash payments.

ulations, and Uber filed an appeal to a federal judge against the regulation on the same day, saying cash payments are crucial for Mexican customers who do not have credit cards. Legislators in both Brazil and Mexico have attempted to curb cash payments for the ridesharing service, in Brazil because of concerns that carrying large amounts of cash put drivers at risk of robbery, and in Mexico because of worries

LEGAL BRIEFS

Rusoro Wins \$1.3 Bn Judgment Against Venezuela

Canada-based gold miner Rusoro obtained a \$1.3 billion judgment against Venezuela from the Ontario Superior Court of Justice in Canada over an ongoing dispute surrounding the seizure of the company's gold mining properties in the South American country, the company said in a statement Dec. 6. The judgment was issued on default after Venezuela failed to appear before the court. The Canadian judgment, which confirmed an arbitration award in Rusoro's favor, was issued in April. Venezuela did not appeal or seek to vacate the judgment, and the period of time during which it could have done so has expired, the company said. The company also announced on Dec. 6 that it had filed a lawsuit with the Supreme Court of the State of New York to seek recognition of the Canadian judgment, in addition to an action the company filed in the U.S. District Court for the District of Columbia. A favorable ruling from either court will allow Rusoro to use all legal procedures that U.S. law provides to judgment creditors.

ICSID Orders Peru to Pay Bear Creek \$23.9 Million

The International Centre for the Settlement of Investment Disputes, or ICSID, has ordered the Peruvian government to pay Canada's Bear Creek Mining \$23.9 million after the tribunal found the government to be in breach of the Canada-Peru Free Trade Agreement when it expropriated the company's Santa Ana silver project in 2011, Mining Weekly reported Dec. 2. The award will include interest and arbitration costs, including attorneys' fees. Bear Creek launched the arbitration against the Peruvian government in 2014.

DAC Beachcroft Partners With Argentine Firm

London-based law firm DAC Beachcroft is expanding its Latin America presence through a new association with Buenos Aires-based law firm López Saavedra & Villarreal Abogados, bringing the number of jurisdictions DAC has in Latin America to 11, Legal Week reported Dec. 4. The Argentine firm focuses on insurance and reinsurance law. The two firms already share common clients and are looking to develop a referral process as part of the new association. "Argentina is rapidly becoming an emerging insurance market of real interest to our clients," said DAC managing partner David Pollitt. DAC, which signed deals for associations with Central American firm BLP and Peruvian firm Torres Carpio Portocarrero & Richter in 2016, has offices in Chile and Colombia, and has an association with Brazilian firm Demarest.

that accepting cash puts the service in direct competition with traditional taxis. The new regulations were implemented in Puebla following the murders of two female college students who had used Uber. In order to improve vetting of drivers, state lawmakers pushed ridesharing companies to accept electronic payments. Uber continued to accept cash payments after the law went into effect on Nov. 7, arguing that the language of the law did not specifically ban

cash payments. A spokesman of Puebla State's secretary of infrastructure, mobility and transport did not immediately respond to Reuters' request for comment. Uber said that in order "to continue being a transportation option for people who pay in cash and to maintain the earnings of driver-partners, the company has decided to take, as a last resort, the corresponding legal actions and request an appeal," in a statement Monday.

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A Chris Berry, founder and president of House Mountain Partners: "The lithium sector has never seen this kind of growth, so, in a way, we are in uncharted territory. In years past, booms and hopes of ever-increasing prices have been dashed by the realities of battery economics remaining uncompetitive in the automotive and energy-storage sectors. This is rapidly changing, and Latin America in particular is positioned to benefit, with Argentina currently an increasingly popular choice for lithium investment. With a favorable regulatory en-

“The lithium sector has never seen this kind of growth...”

— Chris Berry

vironment around decarbonizing economies, and the lithium ion battery becoming more powerful and cheaper at the same time, Argentina's recent political transformation with the Macri government has investors giving the country a fresh look for lithium investment. The challenges that SQM and government agency Corfo are dealing with in Chile have also served to shine a brighter light on Argentina's potential as a lithium investment destination. Current lithium producers in the country include FMC and Orocobre, and the joint venture between SQM and Lithium Americas will add to this increasing total by 2020. Lithium prices have increased from \$6,500 per metric ton to more than \$16,000

per metric ton, so resource nationalism is always a threat, and one can only hope that governments and companies find ways to work together to mutually benefit from the robust lithium market, which is set to continue for the next several years. Clear government policies around royalty and tax regimes are a must. With a majority of the world's low-cost lithium coming from the 'Lithium Triangle' in South America, the region has an unprecedented opportunity to benefit from and maintain its global leadership position as the lithium supply chain grows and evolves in the coming years."

A Mark Venning, business development director for mining at Black & Veatch: "I am bullish about the global lithium market, due to advances in electric car technologies and energy storage using lithium batteries to maintain 24-hour power when renewables like solar-PV are employed. There is a lot of movement in this sector, especially in Chile, which has the largest lithium reserves in the world and the most mature mining sector, followed by Argentina and Bolivia. However, despite the emerging lithium opportunities, the size of the mines is a fraction of the size of copper mines, and the size of the lithium sector will be a fraction of the size of the copper sector, due to different mining and enrichment techniques and due to the relative demand for copper and lithium. I don't expect any resource nationalism in Chile, especially if there is a change of government following the presidential elections."

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