

Do we have elephants and mice in the Chilean lithium industry?

So far, everyone -at least in Chile- is looking forward to the BIG business of recent years through which the Canadian company Nutrien (a Potash Corp subsidiary) will auction off more than 62 million SQM series A shares, which represent almost 24% of their property.

This will happen next Monday, December 3, at 9:15 am at the Chilean main stock exchange. If all goes well (or wrong for someone), this share package should be acquired by the Chinese company Tianqi, with which Nutrien will leave the property of SQM after 15 years. The expected amount of this stock transaction is expected to be approximately US \$ 4,066 million.

Now these are the BIG leagues (or elephants) of the lithium market (and other related products) that are taking strategic positions in an increasingly interesting and speculative market.

However, what happens with the smaller companies (or mice) nowadays? Do they have a place in the Chilean market to develop their mining projects related to this VERY HOT 'mineral called lithium?

How many players have entered the lithium market in Chile in the recent years and '*have stayed*'?. The answer is not easy to respond, it would take a deep investigation of the market, of who really invested to '*stay and produce*', mainly considering the characteristic of Chilean lithium, i.e. in general terms considered as a 'non concessible substance' for private holders.

However, it seems that one of the big obstacles is not really an *economic* one, but rather one of a *natural* nature.

The foregoing due to the lower concentration of lithium in other Chilean salts flats compared with the Atacama salt flat, but ... (and this is a GREAT but ...) those salt flats also have lithium (and in some cases a lot of it) !!!! ... hence with a demand that is increasing day by day for this mineral, those salt flats will certainly become relevant in 10 years or less.

Who REALLY knows what the price of lithium will be in the future??? Answer: NO ONE !!!!

In this way, discarding a priori small entrants to the lithium market seems to be a (big) mistake. Who will they be? It is not so difficult to guess ..., probably the ones who know more about this market, this is the Australians and Chinese.

Recall that Australia is a main player in this great (small) market, and competes hand in hand with Chile (and the Australians have won so far).

And hence the question ... we have already accepted the big investors in Chile, will we accept the smaller ones also?

Everything points out that we should !!!, that there are smaller companies which could provide enormous dynamism to the Chilean (lithium) market, and not only in the Atacama salt flat, but also in Maricunga, Pedernales, La Isla among many other Chilean salt flats, that have not yet '*earned the respect*' by the future '*scarcity*' of the mineral.

It is estimated that until 2025 there will be no new lithium operating projects to join the current Atacama salt flat lithium projects, but why not?

¿Legal, technical or cost problems only?, ... I tend to think that this is not the underlying reason ... given that the current Mining Code in force in Chile since 1983, establishes that lithium is a non concessible substance and that it can only be exploited by the State of Chile? ... that is not entirely convincing either ...

Please bear in mind that ... there is a possibility that the State of Chile could exploit the mineral, for example, through the so-called Special Operation Contracts (CEOL'S) ... and with this legal vehicle at hand, '*smaller competitors*' could easily enter the Chilean market to invest and produce at another (smaller) scale and take other type of risks. (The old theory of elephants and mice - we need them both here !!!).

To dismiss 'mice' outright seems to be underestimating the current market, in fact discarding them or simply not taking them into account, restricts a market which must be open to all kind of investors (big or small), given how attractive it can be for the country and the areas in which they would operate (it suffices to see the employment that 'mice' would be able to generate !!!).

It is time to left the doors (more) open to new entrants, supporting actively also the smaller private investments through the possibility of entering into Special Operation Contracts with the Chilean State (with a very simple a procedure !).

For my part, I am convinced that looking at 15 years counting from now, these mini-producers could transform themselves into big lithium players in the Chilean landscape.

Let's think outside the box for a moment. Australia, China, and all who dare, you are welcome.

[**Mirco Hilgers**](#)

[**Partner**](#)

[**Baker McKenzie - Abogados**](#)