

Chile's Plan to Nationalize its Lithium Industry Could Impact These 5 Companies

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In a television address on Thursday evening, Chile's president Gabriel Boric announced plans to nationalize the country's lithium industry, with massive implications for the booming lithium industry.

The left-wing former student leader set out his government's strategy for developing the huge lithium resources, including the creation of a state-owned National Lithium Company to lead the sector and partner with companies to develop the lithium projects but with state control.

The prospect of state intervention in natural resources would normally send investors running for the exit. Could this time be different? Under Cold War-era rules, lithium production in Chile is strictly controlled with only two companies, Albemarle (NYSE: ALB) and SQM (NYSE: SQM), entering production in the last four decades.

To break the deadlock, the National Lithium Company would be empowered to form joint ventures with private investors to develop lithium production in the salt flats that dot the Andean Mountains.

State-owned copper producer Codelco, one of the largest copper producers in the world, will lead the transition until the new National Lithium Company can be set up. President Boric's plan still needs to be approved by Chile's National Congress which is expected to be debated later this year.

This announcement follows Mexico's [legislation last year](#) to ban private and non-Mexican lithium mining and processing activities and restrict all future projects to state-run companies, and the [recent discussions](#) amongst leaders in Argentina, Chile, Bolivia, and Brazil to form an OPEC-like cartel for the lithium industry.

According to the USGS, Chile was the second largest lithium producer in 2022, behind Australia, with China third, Argentina a distant fourth, and Brazil fifth. Chile has the largest lithium reserves, while Bolivia and Argentina have the largest overall resources.

Here are some of the firms operating in Chile that could be impacted:

[Albemarle Corporation](#) (NYSE: ALB)

- ALB is a global leader in engineered specialty chemicals. The company produces lithium, bromine, and catalysts for various industries, such as electric vehicles, flame retardants, and oil refining.
- The company has operations in Chile, where it extracts lithium from brine deposits in the Salar de Atacama, and an existing joint venture with Codelco to explore and develop new lithium resources in the country.
- ALB has a market capitalization of over US\$24 billion and employs about 5,600 people and serves customers in 100 countries.

[CleanTech Lithium Plc](#) (AIM: CTL)

- CLT owns claims on three Chilean salt flats, the largest of which – Laguna Verde – is estimated to contain 1.5 million tonnes of lithium carbonate equivalent (“LCE”).

- Using Direct Lithium Extraction technology, which avoids the need for large and wasteful evaporation pools, the company plans to build an operation that could produce around 20,000 tonnes annually LCE by 2025.
- CLT has a market capitalization of approximately £60 million.

Lithium Power International Limited (ASX: LPI)

- LPI controls one of the most advanced private lithium projects in Chile. With an environmental license and export permits already in place, it is already in talks with financiers to fund its US\$626 million Blanco project on the Salar de Maricunga which could produce around 20,000 million tonnes annually of lithium carbonate over 15 years.
- The company now expects the government to name the project as the country's newest lithium project through a partnership with the state.
- Its market capitalization is approximately A\$167 million.

Sociedad Química y Minera de Chile S.A. ("SQM") (NYSE: SQM)

- SQM is today the world's largest producer of lithium and ramped up production from the claims it rents on the Salar de Atacama to keep up with booming demand. But it has said future investments are conditional on reaching a new agreement with economic development agency CORFO, which owns the claims, on its rental contract which expires in 2030. So far, these talks have got nowhere.

- But investment bank JP Morgan thinks the announcement of a new policy could be positive for the firm by facilitating a new deal with CORFO while the creation of the new national lithium company, which requires the approval of Congress where the government lacks a majority, could take several years.
- SQM has a market capitalization of over US\$22 billion and employs about 7,000 people in 110 countries.

Wealth Minerals Ltd. (TSXV: WML)

- WML owns mineral claims on the southern part of the Salar de Atacama which today accounts for around a third of global lithium production and 15% of known lithium reserves.
- The salt flat boasts lithium grades of more than 1,800 micrograms per liter (“mg/l”), compared to 1,250 mg/l and just 740 mg/l in Salar de Hombre Muerto in northwest Argentina where Livent Corporation (NYSE: LTHM) operates its main lithium operation.
- WML has a market capitalization of approximately C\$110 million.

Figure 1: South America’s Lithium Triangle



Source: eResearch Corp.