

Between the so-called *permitology* and a still undefined industrial strategy: Does Chile remain a good destination for foreign investment in critical raw materials and green energy?

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Introduction

Like other Latin American countries, Chile faces a difficult challenge. The country holds [large reserves of critical raw materials](#) necessary for the energy transition, mainly copper, lithium and green hydrogen, which place Chile as a key player in the global value chain (GVC) of batteries, electric vehicles and green energy. At the same time, [Chile wants](#) not only to increase output and benefit from higher prices, but also to ensure that production will be socially and environmentally sustainable and that more value will be added at home. Designing the right industrial strategy while implementing appropriate environmental standards and involving local communities in key decisions comes with a problem. It may take too long. The lithium boom may only last some decades as new technologies may be developed or recycling may become the major source of lithium for batteries. Chile could then lose the opportunity to attract significant investment projects today, as investors are worried that projects require too many permits, they take too long and investment conditions remain unclear. In Chile, there is presently a debate around the problem of *permitology*—from the Spanish, *permisología*—while many are skeptical of imposing state control of all strategic projects.

Too many, too slow?

The term *permitology* comes with negative connotations. It refers to the allegedly excessive number of permits that investors require to start exploration or production in projects that may impact the environment and the local community. Additionally, prospective investors complain that the issuance of permits takes too long.

Chile's most important media outlets have highlighted the problem of *permitology*. In August 2023, [El Mercurio](#) reported that business leaders believe that *permitology knots* have become an obstacle to Chile's development. The President of Consejo de Políticas de Infraestructura, former Chile's President Eduardo Frei, noted that "the big problem is permits: it is killing us". Similarly, the President of Confederación de la Producción y del Comercio (CPC), Ricardo Mewes, explained that "inefficiency means that procedures take a long time, for example, eight years for a mining project and eleven for a desalination plant." Chile's other major newspaper, [La Tercera](#), echoed these concerns in an editorial article "Permitology: the great threat to Chile's development". La Tercera reported that the President of the Council of the Americas, Susan Segal, affirmed that the number and delay in obtaining permits is the most significant obstacle to investing in Chile, particularly in the case of large investment projects. Segal conceded that some investors prefer Peru as a destination for their investments. [Statistics](#) indicate that large projects may take up to 10 years before they get a

green light to move to the production stage. In the first half of 2023, the total number of approved projects was the lowest in 16 years.

A [report by Chile's Comisión Nacional de Evaluación y Productividad](#) (CNEP) highlights that delays can be important. Deadlines for processing a permit are long, but they are not often respected. A maritime concession permit, which should take 4 months, can take up to 34 months. Likewise, a National Geology and Mining Service permit can take around 10 months, but legally it should be resolved in two months. Permits for a hydraulic project can take 49 months, although the legal deadline is six months. This situation significantly increases costs, the CNEP report concludes.

The Chilean government has recognized the problem, and it is preparing a new legislative initiative to reduce the number of permits and speed up procedures while maintaining high environmental and social standards. Minister of Economics, [Nicolás Grau](#), has promised investors to introduce a bill proposal to alleviate the *permitology* problem. According to Grau, the new legislation will standardize processes, concentrate proceedings, reduce times, and strike a better balance between risk, permits and mitigation measures. The reform also aims to increase transparency and establish rules for the relationship between communities and investors to reduce socio-environmental conflicts that generate problems at the community level and often end in the courts of justice. Chile's President [Gabriel Boric](#) has declared that he is not for irrational permits, having promised to reduce deadlines by 30%.

Social and Environmental Sustainability are still pivotal

But some voices within the current Chilean administration do not think *permitology* is such a serious problem. Chile's minister of environment, [Maisa Rojas](#), has insisted that Chile needs to strengthen its environmental institutions due to the severe ecological crisis, admitting that Chile should also work towards a correct, robust and faster environmental assessment. [Business leaders](#) remain critical of her work, however, indicating that she has been involved in the delay of some projects. These include wind energy, green hydrogen and rare earth projects. Business leaders also accuse some experts at the Environment Ministry of having extreme postures. In a recent move, the Chilean [Chamber of Deputies](#) decided to reduce the budget of the Environmental Ministry, signaling their dissatisfaction with the delays and rejections of environmental permits.

Striking a balance between investments, the environment and local communities has become an urgent necessity for Chile. Investors are concerned about [delays and uncertainty](#) in environmental permits, but many of them also need to abide by high environmental and social standards. Chile's challenge is not to lower standards at a time when investors from Europe and other parts of the world are required to ensuring high environmental and social standards throughout their value chains. The [EU Due Diligence Directive](#) creates a legal obligation to carry out detailed due diligence processes. This legislation comes in addition to the German, French and other due diligence national laws. Moreover, many investors voluntarily abide by high environmental, social and governance ([ESG](#)) standards.

Chile can add value to its minerals by ensuring that projects comply with environmental and social standards; the challenge is to speed up and simplify procedures.

A good relationship with the [local community](#) is also fundamental to ensure the viability of these projects. Many communities are well aware of the impact of mining projects on their territories, and they expect to participate in their design and management. They also aim to receive a share of the benefits. Often these communities live near multi-million investments but lack basic public services such as electricity, water and sanitation, education and health. Investors are then required to provide services that are normally in charge of the state. Sharing benefits with the communities, or providing some public services, makes business sense when investors receive assurances that they will be able to conduct their projects peacefully. Regardless of the legislation, in other words, investors must strike a good relationship with the local community to ensure the viability of the project and comply with their human rights and environmental due diligence obligations.

Adding more value locally: Chile's National Lithium Strategy

However, problems for investors do not end after securing environmental and social permits. Chile is also considering national strategies for [lithium](#) and [green hydrogen](#) aimed to ensure that more value is added in the country. Essentially, Chile wants to attract foreign investors while maintaining control of most large lithium and green hydrogen projects (more than 50% of the participation). In October 2023, for instance, [Minister Grau](#) visited Japan, Republic of Korea and China to show the government agenda and investment opportunities that Chile promotes for productive development and sustainable growth. [Media reports](#) indicate that Asian investors want to know more about the public-private business model and how it will be implemented. Grau explained that the state will have control of strategic projects, more than 50%, while there will be flexibility for non-strategic projects. The Committee of Ministers of Lithium and Salares will define the status of each project.

The precise details of the lithium and green hydrogen national strategies remain unclear, as the government is discussing options. Meanwhile, Chile's state-owned copper company, Codelco, is negotiating with the lithium giant, SQM, a new operating contract. The terms of the negotiation remain confidential. Last week [rumours](#) of an agreement pushed the price of SQM stocks to a new maximum, but these rumours were later rejected by Codelco and SQM.

The question of control has sparked doubts among investors. [Some voices](#) in Chile criticize this approach, as the government and Codelco lack experience in the lithium sector and have less geological information. There are also concerns that US and European firms do not favor public-private participatory models. These critical voices call for changing the strategic status of lithium, which prevents the government from offering concessions to investors—unlike the case of copper. At the same time, Chinese firms have shown interest in this participatory business model, having entered into [contracts with Corfo](#) (the

owner of lithium in Chile) to process lithium in Mejillones. The two firms are Yongqing Technology Co. Ltd. and Tsingshan Holding Group; having shown less concern about a potential loss of control, these firms will benefit from lower lithium prices reserved only for firms that add value in Chile.

Chile remains a central player in the energy transition

Undoubtedly, Chile remains in a unique position to attract investors in lithium, copper, green hydrogen and other minerals critical to the energy transition. Its main comparative advantages are the extensive reserves and the opportunities to develop green hydrogen. There are challenges concerning environmental and social permits, but the government says to be working to alleviate the costs associated with *permitology*. Chile also is seeking to add more value to the lithium and green hydrogen GVC in the country, opening opportunities for some investors. While some firms remain concerned about losing control of their projects, and prefer to invest in Argentina or Peru, other investors are investing in processing capacity in Chile and taking advantage of Chile's mineral reserves and lower domestic prices.

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