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Chile's Lithium Sector: A Regulatory and Investment Guide for UK Market Entry

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Author: Myles Kirby **April 16, 2026**

Overview

Chile holds approximately 40% of global lithium reserves, primarily concentrated in the Salar de Atacama, making it one of the most strategically important lithium deposits globally. Lithium in the Atacama, as in many other places, exists not in hard rock but dissolved in ancient underground brines, accessed historically through large-scale pumping and slow evaporation in open ponds, a process that consumes vast volumes of water in one of the driest ecosystems on earth. The interaction between brine extraction and freshwater aquifer systems remains deeply

contested, particularly among indigenous communities whose ancestral territories sit directly above these deposits.

Direct Lithium Extraction (DLE), particularly with brine reinjection, is emerging as the sector's proposed answer: faster processing, higher recovery rates, and meaningfully reduced water impact compared to evaporation-pond methods. However, DLE remains commercially unproven at the scale Chile requires, and technical uncertainty continues to function as a barrier to rapid adoption alongside an opportunity for those who can credibly reduce it.

It is within this context of resource-rich but environmentally constrained, and strategically vital but tightly regulated, that UK firms are finding their footing. This article examines Chile's evolving regulatory landscape and the three principal pathways through which British firms are positioned to participate: technical and advisory services, lithium technology development and R&D, and large-scale equity investment in mining projects.

Chile's National Lithium Strategy

Chile's lithium sector is governed by a hybrid model in which the state retains ownership of lithium resources while partnering with private firms for development. Codelco and ENAMI are central to this public-private partnership model, as Codelco is expected to lead negotiations and operations in strategic assets such as the Salar de Atacama, particularly as existing contracts with SQM and Albemarle approach renegotiation milestones.

Lithium is legally classified as a strategic mineral, meaning private actors cannot exploit it freely without state authorization. That said, the government has maintained its intent not to fully nationalize the mining sector, pursuing a public-private partnership model where private firms contribute capital, technology, and operational expertise. Recently, under President Kast, the economy and mining portfolios have both been placed under Minister Daniel Mas, reinforcing the government's message that growth, permitting, and mining policy will be coordinated more closely. The Kast government has more broadly issued pro-investment rhetoric surrounding foreign investment in the mining sector, yet have not sharply departed from the existing state-centric model.

Global Lithium Demand

Lithium demand is robust and structurally diversifying as of April 2026, reversing the sector's historical over-reliance on EV sales alone. Energy Storage Systems (ESS) such as grid-scale batteries have emerged as a standout growth engine, with demand up ~71% in 2025 and a further 55% projected for 2026, now representing over 20% of total lithium consumption. EV sales remain resilient, growing 22% globally in 2025, while rising demand for electric heavy-duty commercial vehicles is driving higher lithium tonnage per unit sold.

Critically, the market appears to have passed its cyclical floor:

- Price recovery: Lithium carbonate has rebounded 40–90% from late-2025 lows, stabilising at ~$20,000–22,000/tonne: a level at which most projects return to profitability.
- Deficit incoming: Morgan Stanley forecasts an 80,000-tonne global deficit in 2026, reversing earlier surplus predictions.
- Chinese demand surge: China imported $323M in lithium carbonate in February 2026 alone (+169% YoY), with Chile accounting for $196M of that supply, which remains crucial given Chile's irreplaceable feedstock role.

Moving forward some near-term price volatility is possible if Chinese restocking outpaces end-user consumption in Q3 2026.

Geopolitics

The global lithium supply chain is increasingly politicised. The United States and European Union are actively seeking to diversify lithium and other critical mineral sourcing away from China, a dependency that remains near-absolute for Europe.

Within the "Lithium Triangle," Chile and Argentina represent meaningfully different risk profiles. Chile offers institutional stability, an established legal framework for foreign investment, and lower exposure to abrupt resource nationalism than its neighbor, Bolivia, or African producers of lithium such as Zimbabwe and the DRC.

For UK firms specifically, the geopolitical moment is an opportunity that requires a different entry logic than the American model. The US has signalled aggressive capital mobilisation through Memoranda of Understanding (MoUs), which are flexible, fast-moving agreements that reflect Washington's industrial policy ambitions. However, MoUs are contingent on executive-branch discretion, and the policy volatility of the current US administration has exposed partner countries to real uncertainty. For investors building processing facilities or technology infrastructure with 15- to 20-year return horizons, that instability is a fundamental underwriting risk. The UK's comparative advantage lies precisely in offering the opposite: commercially structured, legally grounded partnerships that prioritise durability over speed. British firms entering Chile through CPTPP-backed trade frameworks, transparent financing structures, and technical service agreements are positioned to build long-term relationships in Chile's regulatory environment that prioritizes ESG.

Chile's Regulatory Environment: Risks and Opportunities for UK Firms

Chile's lithium sector operates within a tightly controlled legal architecture, as access requires either direct state participation, a mandate through CODELCO or ENAMI (Chile's state mining companies), or the award of a Special Lithium Operation Contract (Contrato Especial de Operación de Litio, CEOL). Applicants seeking a CEOL must demonstrate control of at least 80% of the relevant mining concessions, alongside proven technical expertise and financial capacity. The CEOL pipeline has narrowed from approximately 88 initial applicants to a priority group of just six to seven active projects, implying a low but improving throughput rate of roughly 5–8%. This filtering process has effectively concentrated opportunities around a small

number of strategic salt flats, including Maricunga, where an updated CEOL was signed in February 2026 between Codelco and UK giant Rio Tinto. The inauguration of President José Antonio Kast in March 2026 further signals a potential shift toward deregulation, which may accelerate the final ratification of projects already in advanced stages.

The framework governing foreign direct investment is provided by Law No. 20,848, which grants eligible investors access to a Foreign Investor Certificate, a mechanism that formalises rights and protections for overseas capital. The UK's accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) in 2024 further strengthens this position, offering preferential trade terms, reduced barriers to cross-border commercial activity, and tariff-free access for specialised software and equipment for UK service firms.

Indigenous Consultation: The Critical Timeline Risk

The indigenous consultation process is an underestimated risk in Chile's lithium sector, outside taxation or state-ownership requirements. Chile has ratified ILO Convention 169, which mandates free, prior, and informed consultation with indigenous communities before any project affecting their territories can proceed. In the Atacama, this primarily concerns the Atacameño Peoples Council (CPA), as well as other local groups with distinct territorial claims. However, these communities are not monolithic, but fragmented actors with independent legal standing. The Codelco–SQM agreement fractured the CPA, with communities such as Toconao and Peine launching separate protests and legal challenges.

The consultation requirement sits within a broader environmental approvals process that already involves multi-agency permitting. While recent cases, such as the Piedra Parada project, suggest that consultations can be completed in as little as five months under a “fast-tracked” model, these timelines depend heavily on alignment across communities and state actors.

In July 2025, the Coyo Community filed injunctions citing rushed consultation timelines as a violation of rights, reinforcing that accelerated processes can trigger legal challenges. The precedent from the Piedra Parada project suggests consultations can be completed in five months under a fast-tracked model for smaller projects. The Chilean Supreme Court’s rejection of Tianqi Lithium’s appeal against the Codelco–SQM deal further reinforces the state-led framework, including mandatory indigenous participation, as a fixed component of project development. The Framework Law on Sectoral Authorizations (Law No. 21,770), published in September 2025, introduces faster permitting and greater regulatory certainty for lithium projects. By classifying them as strategic investments, the law allows for up to a 50% reduction in approval timelines and offers a regulatory stability regime of up to eight years, helping mitigate policy risk for investors.

Environmental and Water Regulation: A Tightening Landscape

The most consequential recent shift for mining operators is the reclassification of water. Chile's Water Code Reform (Law No. 21,435, enacted April 2022) formally recast water from a private commodity to a national good for public use. The practical implications are significant:

- New water rights are no longer perpetual; they are issued as 30-year renewable concessions, subject to source sustainability assessments.
- Legal priority is now given to human consumption and ecosystem health over industrial mining use, contrasting with past leniency surrounding water encountered during excavation without additional permitting.
- Historical "miner's water" entitlements are now strictly confined to direct mineral exploitation and cannot affect aquifer sustainability.

This has accelerated an industry-wide shift toward desalination. The **New Desalination Law** (approved March 2026) provides the regulatory backbone for this transition, with mining companies expecting more than half of their water consumption to come from desalination by 2031. For UK firms with expertise in water management technology or engineering services, this shift represents a concrete and growing commercial opportunity. Notably, firms such as Antofagasta Minerals (UK-listed) are already targeting 90% desalinated or reused water, while Anglo American has set a goal of zero freshwater use by 2030.

The Mining Royalty Act (Law No. 21,591) implemented in 2024 adds a further layer of cost, introducing a progressive royalty structure on large-scale mining. While primarily fiscal in nature, it includes a regional development component that funds environmental and social projects in mining communities. This effectively institutionalises social licence obligation through the tax code.

UK-Specific Market Entry & Investment Opportunity

1. Technical & Advisory Services

British firms specializing in Technical & Advisory Services are deeply embedded in Chile's mining sector. Selling expertise is a prime way UK organizations have, and can continue to establish themselves in Chile, as British firms can market themselves as the "gold standard" for ESG compliance (Environmental, Social, and Governance). This established reputation and reliance, coupled with Critical Bottlenecks created by Chile's 2025-2026 regulatory shifts, define further opportunity for UK Technical & Advisory Services in Chile.

ESG governance and sustainable finance

- Chile's new laws require "water-neutral" mining, creating a massive deficit in specialized water technology
- This gives UK SMEs specializing in industrial desalination, brine recycling, and hydro-geological modeling a prime opportunity to position themselves in Chile, where UK firms like Biwater or smaller specialized consultancies can pitch "modular" water treatment systems that fit smaller, scalable lithium projects

- SFA (Oxford) already provides critical services as the architects behind the "five-point action plan" to align Chile's mining sector with global ESG standards. This is specifically prevalent surrounding biodiversity protection and community engagement, which now have legal implications for new lithium projects in Chile, making them indispensable to investors who need to "de-risk" their portfolios

The "Digital Mine" Gap

- State-owned Codelco is aggressively automating but faces a skills shortage. As demand rises and British software expertise continues to improve, UK tech firms with expertise in remote operations software, AI-driven predictive maintenance, and cybersecurity for industrial control systems should look to Partner with existing UK giants like Worley or Wood to act as specialist subcontractors
- UK-based industrial software leaders such as AVEVA should look to provide AI-driven digital twin solutions that enhance production efficiency. They are a natural "top-tier" subcontractor. Companies like QiO Technologies could partner with Worley to deliver the predictive maintenance and decarbonization targets essential within Chilean mining
- UK firms such as Insight Terra have already partnered with Anglo American in Chile, providing a platform for monitoring mine tailings facilities in real-time.

Professional Geological Expertise

- The British Geological Survey (BGS) have established technology exchange and sustainable exploration methodologies, partnering with Chile's National Mining Service
- In the private sector, SRK Consulting (UK) already provides geological consulting, including resource estimation, mine engineering, coherent with ESG, while meeting SERNAGEOMIN requirements. ACA Howe International additionally provides independent geological and metallurgical consultancy, demonstrating the current strength of UK geological expertise in Chile

As Chile looks to accelerate its transition towards a more responsible and competitive mining industry, UK companies can leverage expertise in ESG governance, sustainable finance, and mining innovation. The compelling aspect of this opportunity is that UK firms are not entering a market they must educate; they are supplying solutions to problems that Chilean law has already made unavoidable, giving British technical and advisory services a structural role in the sector rather than a discretionary one.

2. Investing directly in Lithium Technology Development & R&D Infrastructure

Directly investing in end-to-end DLE offers future scalability/profitability

- UK firms such as CleanTech Lithium demonstrated their successful DLE process at its pilot plant in Copiapó, producing battery-grade lithium carbonate at 99.78% purity
- Minimized water usage, directly addressing Atacama's environmental constraints

Partnering with Chile on R&D

- Lithium Sciences and the Chilean Ministry of Mining have established a dedicated research institute focused on lithium extraction

- John Wood group recently unveiled a conceptual study for reclaiming acid-impacted water: this solution to the water crisis becomes a selling point for service

CleanTech Lithium demonstrates the immediate operational validation of DLE technology, while the UK–Chile R&D institute creates a structure for continuous improvement of extraction methods. These investments illustrate the validity of investing in current production systems and future innovation pathways.

UK firms have already demonstrated meaningful capability in Direct Lithium Extraction innovation. Companies such as Evove, Watercycle Technologies, and Cornish Lithium have developed DLE applications spanning membrane filtration, geothermal integration, and circular feedstock processing: technologies optimised for modular, lower-concentration, and sustainability-driven contexts. In their current form, these systems are not directly transferable to Chile's large-scale, high-grade brine model. However, this gap is narrowing. As Chile's regulatory environment progressively tightens around water use and environmental compliance, the economics of large-volume brine extraction will increasingly favour precision and efficiency over sheer throughput; the conditions these UK technologies were designed for are being legislated into existence. This positions UK DLE innovators not as peripheral players awaiting market fit, but as early-movers in a transition that Chile's own policy trajectory is accelerating. The strategic opportunity lies in entering now through R&D partnerships and pilot collaborations, building technical credibility ahead of the point at which the Chilean market structurally demands what UK firms already know how to build.

3. Large-scale equity investment in mining projects

Both Alkemy Capital Investments and Rio Tinto demonstrate large British firms' ability to secure stake in major Chilean Lithium projects.

  - Alkemey secured 100,000 tonnes of lithium carbonate equivalent (LCE) in the Atacama, making a direct claim over future lithium output
  - Rio Tinto committed approximately $900 million for a ~50% stake in Chile’s Maricunga lithium project
- Anglo American generated $6.4 billion EBITDA in 2025 with a 49% margin from Chilean copper operations, directly linked to electrification infrastructure associated with lithium demand
- Great Southern Copper PLC has invested in early-stage exploration, focused on high-grade discovery and advancing early-stage assets toward development, such as with exploration in Salar de Atacama

This demonstrates the ability of British-linked firms to enter lithium extraction at scale through capital-intensive project ownership. Investments such as Rio Tinto’s stake in Maricunga highlight the capacity to access production directly, while firms like Anglo American anchor the UK within Chile’s broader mining economy through established, profitable operations. Exploration companies further extend this presence into early-stage resource development, reflecting a diversified upstream strategy that combines supply security, operational scale, and long-term asset growth.

Final Insights

Ultimately, the case for UK engagement in Chile's lithium sector does not rest on acquiring land or competing with state-backed giants for extraction rights. Chile's regulatory evolution has created a structured demand for precisely what British firms already offer: ESG governance and compliance expertise, water and environmental engineering, digital mine technology, geological consultancy, and DLE innovation. The tightening of water law, the institutionalisation of indigenous consultation, and the progressive royalty framework have not made Chile a harder market; they have made it a market that requires sophistication to navigate, and that distinction is where UK firms hold a genuine edge. Underpinned by the CPTPP, a stable bilateral investment environment, and an established track record of British firms already operating across Chile's mining supply chain, the opportunity is less about whether to enter and more about through which door. For most UK firms, this door is not the mine itself, but the infrastructure of expertise, technology, and advisory capacity that every serious mining operation in Chile now legally cannot do without.

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