

STUDY

Lithium Supply Chains Between Chile and the EU

Socio-ecological Impacts, Local Value Creation, and Due Diligence Obligations Based on the ‘Salar Futuro NovAndino Litio’ Project

Svenja Schöneich, Joaquín Fuentealba Muñoz



Summary

Lithium is a strategic raw material for decarbonisation, particularly for the expansion of electric mobility and renewable energy. To achieve European climate neutrality targets (2050 for the EU, 2045 for Germany) while reducing its dependence on China, Germany is reliant on trade with resource-rich countries. **Against this backdrop, Chile has become a key partner since the bilateral raw materials agreement between Chile and the EU in 2023.**

This study examines the transnational lithium supply chain from European sales markets to local conditions in the Salar de Atacama. The focus is on the **‘Salar Futuro’ project, which is being implemented under Chile’s National Lithium Strategy by the public-private alliance NovAndino Litio (CODELCO and SQM).**

The analysis highlights the **socio-ecological conflicts** caused by raw material extraction in hyper-arid ecosystems. The intensive extraction of brine and groundwater leads to water scarcity, alters the microclimate and directly threatens biodiversity. The **Indigenous Lickanantay communities are disproportionately affected, as this threatens their traditional livelihoods and land rights.**

The situation is exacerbated by **weak legal recognition of traditional land uses** and an **interpretation of the Water Code** that treats brine as a mineral and not as water. This significantly complicates the protection and regeneration of the sensitive salt-flat ecosystem. Although **government initiatives are seeking to increase local value creation** and introduce modern methods such as direct lithium extraction (DLE), **there is still a lack of empirical evidence of their hydrogeological consequences** at the industrial scale. Moreover, the prevailing development model is guided by purely economic growth indicators and largely disregards **Indigenous concepts such as equitable development or the principle of ‘buen vivir’ (good living).**

At the consumer end of the supply chain, European and German buyers are legally obliged to ensure that the lithium they use does not originate from extraction projects that threatened, violated or destroyed human rights and ecosystems. Against this backdrop, the study calls on the Chilean state and the operating companies to **consistently apply precautionary principles, taking into account the current state of scientific knowledge**, and to respect the right of local communities to FPIC. European and German actors are also called upon to **consistently implement due diligence obligations throughout the entire value chain** and strengthen mechanisms that promote **socio-ecological justice on the ground.**

Imprint

Authors:

Svenja Schöneich, Joaquín Fuentealba Muñoz

Edited by:

Nikola Klein

Translator:

Lindsay Munro

Published by:

Germanwatch e.V.

Office Bonn:

Kaiserstr. 201

D-53113 Bonn

Telefon +49 (0)228 / 60 492-0, Fax -19

Office Berlin:

Stresemannstr. 72

D-10963 Berlin

Telefon +49 (0)30 / 5771328-0, Fax -11

Internet: www.germanwatch.org

E-Mail: info@germanwatch.org

October 2026

Cover photo: Sebastián Larraín

Suggested citation:

Schöneich, S., Fuentealba Muñoz, J., 2026, Lithium Supply Chains Between Chile and the EU. Socio-ecological Impacts, Local Value Creation and Due Diligence Obligations Based on the ‘Salar Futuro NovAndino Litio’ Project, Germanwatch.

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This project was funded by the Federal Environment Agency and the Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection. The funds are made available by resolution of the German Bundestag. The publisher is responsible for the content of this publication.

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1 Introduction

As a key raw material, lithium is at the centre of debates on the social and environmental sustainability of the European energy transition. While its use helps to reduce harmful emissions and advance climate neutrality, its extraction in producing countries such as Chile is associated with serious environmental and social challenges. Mining in the Andean salt flats involves the extraction of enormous quantities of brine and groundwater, causing the water table to fall, wetlands to dry up and access to water for the surrounding communities to be restricted. This threatens the adequate supply of water as well as the traditional agriculture and livestock farming practised by the Indigenous communities of the Lickanantay, who are often neither sufficiently involved in the mining projects nor benefit from them commensurately. The aim of creating local added value on the ground that benefits all stakeholders and rights holders has therefore fallen short of the mark thus far. A truly equitable energy transition for Germany and Europe must not be limited to securing raw materials for domestic value chains. It must look beyond the processed end product and actively help shape conditions in the regions of origin.¹

Chile is the world's second-largest lithium producer and constitutes one of the most important sources of lithium for Europe. Furthermore, the country is a strategic partner in the raw materials sector, considered crucial to reducing Europe's economic dependence on China and regarded as 'reliable' with regard to compliance with environmental, social and governance (ESG) criteria.² Since 2023, the EU has maintained a strategic raw materials partnership with Chile, through which Europe seeks to continue securing access to raw materials such as lithium and to promote mining in Chile that is as 'sustainable' as possible. According to Chile's National Lithium Strategy, which was launched in 2023, the country aims to promote more environmentally friendly extraction methods in order to limit the environmental damage caused by this process and enable greater local value creation at the national level throughout the value chain. The strategy provides for both more active state involvement in mining through a state-owned lithium company and public-private partnerships to expand production and investment. One of the planks of the strategy is for one of the two mining companies operating the salt flats – SQM – to merge with the state-owned company CODELCO to form a public-private partnership (PPP). NovAndino Litio's 'Salar Futuro' project is the first project to be implemented within the framework of this public-private partnership (PPP).³

This study analyses the complex role of lithium as a strategic raw material that is both indispensable for the energy transition in Europe and has the potential to serve as a driver for new economic models in its country of origin, Chile. The envisaged model combines the establishment of public-private partnerships (PPPs) to promote clean technology and local value creation, but also increases socio-ecological risks through more intensive extraction. The study examines the extent to which expectations regarding the participation of rights holders and the equitable distribution of benefits from lithium extraction are being met. It also analyses the role of European and German actors in improving conditions throughout the supply chain and develops concrete recommendations for action on

¹ Sora, A. (2025): *Alemania confirma hallazgo de litio y sus implicancias para Sudamérica*.

² Carry, I. (2025): *Rohstoffpartner Chile: Mehr als nur rein Lieferant*, Castillo, E.; del Real I. and Jara, J. J. (2025): *Una mirada al litio*.

³ Codelco / SQM (2024): *Salar Futuro Project*.

that basis. By linking civil society perspectives from Chile and Germany, the study enables an integral view of transnational value chains.



Salar de Maricunga, February 2026. Photo: Sebastián Larraín.

2 Lithium for the energy transition and the role of Europe and Germany

The recent past has seen a fundamental shift in the geopolitical landscape for Europe, and thus also for Germany. In view of global power struggles such as the ‘resource imperialism’⁴ of the USA and China, the secure supply of ‘critical raw materials’ has become an increasingly urgent matter of European debate. These metals – including lithium, cobalt, rare earths, nickel and copper – are of central importance for Europe’s industry and economy. These indispensable building blocks provide the foundation for modern technologies, from batteries for electric mobility to magnets in wind turbines and solar modules.⁵

Lithium in particular has become a key strategic raw material for the German and European economy. As an essential component of batteries, electric vehicles and storage systems, it constitutes one of the central pillars of the energy transition. Through instruments such as the raw materials partnership with Chile concluded in 2023, Europe is seeking to secure long-term access to these resources. However, the promise of generating benefits in the partner country as well often fall short of expectations.⁶ At the same time, German and European companies are integral parts of the transnational lithium supply chain, and they have an active role and corporate responsibility towards the other links in the chain.⁷

⁴Schnurr, E. (2026): *Trumps neuer Imperialismus: »Jetzt geht es nur noch um die solistische Durchsetzung egoistischer Ziele«*.

⁵ IEA (2021): *The Role of Critical Minerals in Clean Energy Transitions*, World Energy Outlook Special Report, p. 5.

⁶ Schöneich, S. (2025): *Raw Material Partnerships and What They are (still) Missing*.

⁷ Castillo, E.; del Real I. and Jara, J. J. (2025): *Una mirada al litio*.

2.1 The energy transition in Europe and Germany and the role of critical raw materials

The ‘green transition in Europe’ refers to the strategic and legal reorientation of the European economy towards a sustainable, climate-neutral model. It aims to reduce net greenhouse gas emissions in Germany to zero by 2045 and in the European Union by 2050. This transformation process requires the phase-out of fossil energy sources and a fundamental restructuring of the energy, transport and industrial sectors – driven by the expansion of renewable energy, full-scale electrification and greater energy efficiency. Critical raw materials are indispensable for all of these key processes.⁸

In addition to their key role in future technologies such as microchips, wind turbines and car batteries, critical raw materials entail high supply risks. Their extraction and processing are generally concentrated in only a few regions and countries – above all China. To address these risks, the European Commission first published an official list of critical raw materials in 2011, which at that time comprised 14 raw materials. As the energy transition and digitalisation has progressed, the list has been continuously expanded. The current *Critical Raw Materials Act* now identifies 34 critical raw materials, 17 of which are additionally classified as ‘strategic’. Although the EU is seeking to advance extraction and recycling within its own territory in order to reduce dependencies, Europe’s own deposits and industrial capacities are far from sufficient. As the decarbonisation of industry is not possible without these metals, securing them has shifted from being a purely environmental issue to being a key aspect of geopolitical and economic sovereignty.⁹

The European Union is currently vigorously pursuing the electrification of transport, the decarbonisation of industry and the expansion of digital electricity grids. In all three key areas, lithium has become a strategic raw material. As an essential component of lithium-ion batteries, it enables the storage of renewable energy, as well as powering electric vehicles and modern technologies.¹⁰ Lithium is of crucial importance to Germany, in two respects in particular: firstly, for the automotive industry, which is converting its production to electric vehicles and requires high-performance batteries; and secondly, for the expansion of storage systems that make it possible to feed more wind and solar energy into the electricity grid.¹¹ Demand for lithium for batteries has become the main driver of the growing demand for lithium, making lithium an indispensable raw material for the ‘green transition’.

2.2 Lithium for the transition

Lithium’s high energy density makes it an indispensable component in the production of lithium-ion batteries. These batteries are at the heart of electric vehicles and large-scale energy storage

⁸ European Council (2026): *EU climate action and policies*.

⁹ European Commission (n.d.): *Critical raw materials*. Ovalle, O.; González, H and Sahd, J. (2025): *Geopolítica del litio*.

¹⁰ BBVA (2024): *La transición verde se carga con baterías*. EU-LAC Foundation (2024): *Lithium in the new agenda of the European Union and Latin America and the Caribbean*.

¹¹ DW (2024): *Litio en Europa: ¿logrará establecerse un ciclo sostenible?*, Deutschland.de (2024): *Litio: asociaciones alemanas de materias primas y extracción propia*.

systems, which are needed to store the fluctuating energy from renewable sources such as solar and wind power. In a scenario that meets the targets of the Paris Agreement, the share of clean energy technologies in the overall energy demand will rise significantly over the next two decades. In the case of lithium, demand is expected to rise by more than 90%. Demand for copper and rare earths is expected to increase by around 40%, and by 60–70% for nickel and cobalt.¹²

World mine production and demand of lithium in metric tons, 2022–2050

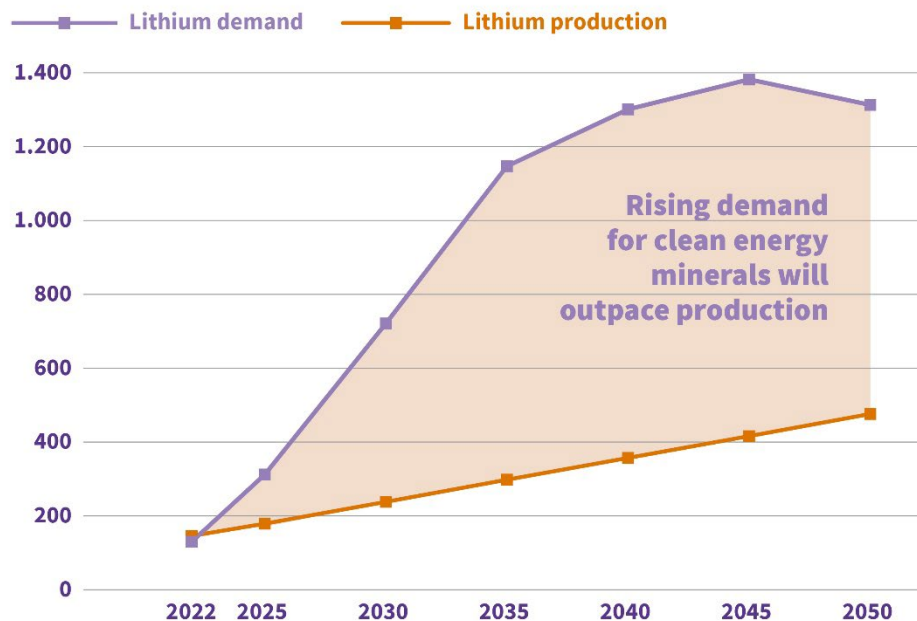


Fig. 1. Source: Adapted from [UNCTAD \(2024\)](#) (UN Trade and Development (UNCTAD) based on data from IEA and USGS). Design: Karin Roth

Demand in the field of electric vehicles (EV) is even more significant, as the various actors in the supply chain require large quantities of lithium. The share of lithium consumption for battery production has almost trebled over the past ten years and now accounts for 87% of total demand. This structural change was driven in large part by increasing demand for mobile electronic devices that use lithium-ion batteries. However, the largest share of export demand has been triggered by the use of lithium in batteries for electric mobility in the area of *clean technology* – a broad term that essentially refers to all processes, products or services that use renewable materials and energy sources.¹³

¹² IEA (2021): *The Role of Critical Minerals in Clean Energy Transitions*.

¹³ DERA/BMWK (2022): *DERA Rohstoffinformationen*, Slak, D.; Degen, F. (2023): *Batterierohstoff Lithium*, p. 4.

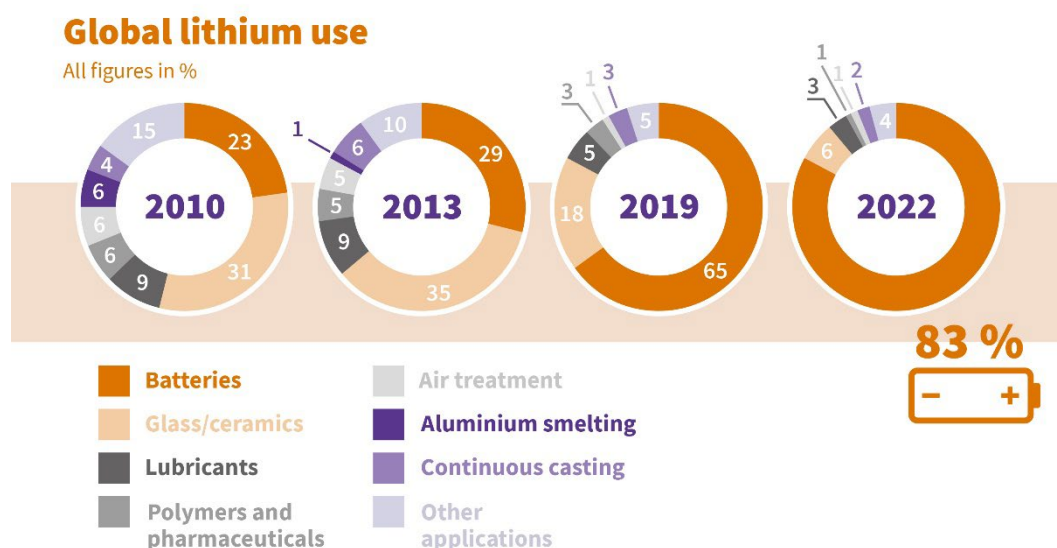


Fig. 2. Source: Adapted from [DERA \(2021\)](#) and [UGSG \(2026\)](#). Design: Karin Roth

Lithium is crucial for the large-scale integration of wind and solar energy into the European energy system, as batteries balance out fluctuations in these energy sources. They store electricity when there is a surplus and release it when production is low. The rapid transition from internal combustion engines to electric vehicles also relies heavily on lithium batteries with a high energy density. This transformation is considered a central pillar of the EU climate strategy in order to drastically reduce fossil fuel consumption and reduce CO₂ emissions in the transport sector.¹⁴ Just as the majority of electric vehicle sales are concentrated in Europe, the US and China, extraction of the lithium needed for batteries is also heavily concentrated in only a few countries: Argentina, Bolivia and Chile in South America, as well as Australia in Oceania. Asia, and particularly China, serves as a key transit point for processing and further refining before the lithium reaches Europe in the form of batteries.¹⁵

In fact, China almost completely dominates the global lithium supply chain, as the country processes and refines the majority of the salts extracted worldwide. This market power makes it considerably more difficult to ensure seamless traceability of the raw material from the Chilean salt flats to Europe. Along the way, lithium passes through intermediaries, refineries and battery manufacturers in Asia, where it becomes part of complex global commodity flows.¹⁶ What is undisputed, however, is that a considerable share of this lithium ultimately flows into Europe's energy transition – for instance, into the batteries of electric vehicles on German and European roads. Given this background, European and German stakeholders have a key strategic role to play. Through their enormous purchasing power and strict regulatory instruments – such as the Supply Chain Act (LkSG) and the EU Batteries Regulation – they have not only the opportunity, but indeed the responsibility, to demand high social and environmental standards from the point of extraction at the place of origin.

¹⁴ Development Cooperation Committee (2022): *Green Deal: EU agrees new law on more sustainable and circular batteries to support EU's energy transition and competitive industry*; World Economic Forum (2025): *Desde los chips hasta las turbinas: Europa depende de minerales críticos y de tierras raras*,

¹⁵ Slak, D.; Degen, F. (2023): *Batterierohstoff Lithium*.

¹⁶ Ovalle, O.; González, H and Sahd, J.: (2025): *Geopolítica del litio*.

2.3 Role of European companies in the lithium supply chain

Although Europe is a major buyer of electric vehicles, the extraction and production of lithium take place in other parts of the world. Thanks to its vast deposits in the Atacama salt flat and the development of further salt flats in the Andes, such as the Salar de Maricunga, Chile has established itself as a major lithium producer.

Europe is highly dependent on imports of lithium and its derivatives. Although deposits exist in Portugal, Germany and Serbia, they are still at an early stage of development and exploration. As a result, the majority of end-users of electric vehicles in Europe remain reliant on products containing lithium batteries whose lithium is mined in other regions and processed in China. This is one of the reasons¹⁷ why the EU and Germany are seeking to diversify their sources of raw materials and derivatives. In this context, the expansion of value creation outside China through direct agreements with producer countries such as Chile is significant.¹⁸ This is a particularly attractive model when compared with unilateral approaches. Such agreements demonstrate the commitment of European – particularly German – companies. Due to Germany's strong automotive industry, these companies play a key role in the lithium value chain and are directly linked to all of the stages, from raw material extraction to component manufacturing. This gives rise to an obligation to act responsibly in Chile. This responsibility is based not only on ethical principles, but also on European and national requirements such as the Corporate Sustainability Due Diligence Directive (CSDDD) and the German Supply Chain Act (LkSG). They require companies to ensure that the lithium used neither damages local water resources nor violates the rights of Indigenous communities.

Although the recent Omnibus I Directive has lowered the regulatory floor – an adjustment that was described as ‘simplification’¹⁹ – human rights organisations and academics have criticised this as a watering down of the original draft.²⁰ Nevertheless, in order to comply with these laws, companies must ensure that the lithium they use neither damages local water resources nor infringes the rights of Indigenous communities. To this end, European companies must identify potential human rights and environmental risks, prevent any risks identified and, in the event of a breach, take appropriate remedial action (to eliminate or minimise the negative impacts of their own activities or those of their suppliers).²¹

Furthermore, Chile still has significant gaps in the consistent and comprehensive implementation of *free, prior and informed consent* (ILO Convention No. 169). Although European companies are obliged to fulfil their due diligence obligations throughout the supply chain, the reality on the ground reveals just how complex this task is. In order to understand the specific impacts of lithium extraction, a close look at the local context and the changing dynamics in the extraction regions is essential.

¹⁷ EU Kommission (2023): *Strategic sectors and technologies value chains and CRM demand*, Raw Materials Information System (RMIS).

¹⁸ DW (2024): *Litio: Chile, un socio clave para Alemania*.

¹⁹ See the Omnibus Directive in [European Parliament](#) (2026) and Clifford Chance (2026) *Omnibus I - the European Union concludes CSDDD and CSRD reforms*.

²⁰ Críticas de [Kaltenborn y Rahn](#) en [Verfassungsblog](#) (2025) quienes igualmente invocan el principio de no regresión del art. 2.1 del PIDESC; de [Human Rights Watch](#); y de la [Initiative Lieferkettengesetz](#) (2026).

²¹ EU Commission (2024): *Corporate sustainability due diligence*; Schufft, F. (2024): *Wie wirkt das Lieferkettengesetz? Beispiele aus der Praxis*.

3 The case of Salar Futuro and NovAndino Litio

Almost all Chilean lithium production originates from the Atacama salt desert in the municipality of San Pedro de Atacama, in the Antofagasta Region in the north of the country.²² This deposit is operated by two entities: Albemarle Ltda. (a subsidiary of Albemarle Corporation) and Nova Andino Litio SpA, a joint venture that emerged in December 2025 from the merger of SQM Salar SpA and Minera Tarar SpA, a CODELCO subsidiary.²³ Both companies operate in this area on the basis of lease agreements with the Corporación de Fomento (CORFO). The state agency CORFO is tasked with creating the conditions to promote and support economic development in various areas of Chile's economy, production and manufacturing industry. At the same time, it holds the mining rights for the Salar. The lease agreement with SQM Salar is valid until 2030; from 2031 to 2060, the same extraction rights will be leased to the joint venture under the CORFO-SQM and CORFO-Tarar agreements. The agreement with Albemarle runs until 2043.²⁴

In April 2023, the Chilean Government presented the National Lithium Strategy,²⁵ a public policy instrument designed to ensure that the state retains majority control over the salt flats, which are classified as strategic assets. Until the establishment of the national lithium company 'Empresa Nacional del Litio', the state-owned mining company CODELCO will function as a strategic partner to represent the country's interests. The strategy provides for the implementation of extraction projects within the framework of public-private partnerships (PPPs). For the Salar de Atacama, an agreement between CODELCO and SQM is in the works for the period from 2031 to 2060. This partnership is set to give rise to the new company, *NovaAndino Litio*, which is currently undergoing the environmental authorisation process.²⁶ According to official figures, between 2025 and 2030 the state would receive around 70% of the operating margin from the new production, and roughly 85% from 2031 – in the form of payments to CORFO – from taxes and CODELCO's profits.²⁷ In Maricunga, the salt lake with the world's second-highest lithium concentration, CODELCO acquired the extraction rights through successive business transactions and entered into a partnership with Rio Tinto in 2025 to implement the Paloma project.²⁸ CODELCO's Board of Directors unanimously approved the project in May 2025. This was preceded by a selection process involving dozens of potential partners, four of whom submitted final offers. The agreement provides for Rio Tinto to acquire a 49.99% stake in *Salar de Maricunga SpA* for up to USD 900 million, while CODELCO retains the majority with 50.01%. The total investment volume amounts to USD 2.3 billion,²⁹ and the project is scheduled to begin by 2034.³⁰

²² Cochilco (2024): *Anuario de estadísticas del cobre y otros minerales*.

²³ Codelco (2025): *Codelco y SQM forman NovaAndino Litio, la sociedad conjunta para el desarrollo del Salar de Atacama*.

²⁴ Albemarle (2024): *Corfo reafirma su relación contractual hasta 2043 con Albemarle*.

²⁵ Prensa Presidencia Chile (2023): *Estrategia Nacional del Litio*.

²⁶ SEA (n.d.): *Ficha de Expediente de Evaluación de Impacto Ambiental*.

²⁷ Chilenische Regierung (2025): *NovaAndino Litio: Codelco y SQM concretan acuerdo para la producción de litio en el Salar de Atacama*.

²⁸ Chilenische Regierung (2025): *Nuevo contrato en Salar de Maricunga: Codelco y Rio Tinto avanzan en la Estrategia Nacional del Litio*.

²⁹ Codelco (2025): *Codelco elige a Rio Tinto como socio para el desarrollo de proyecto de litio en Maricunga*.

³⁰ Senado de la República de Chile(2026): *Comisión de Minería y Energía, sesión de 15 de julio de 2026*.

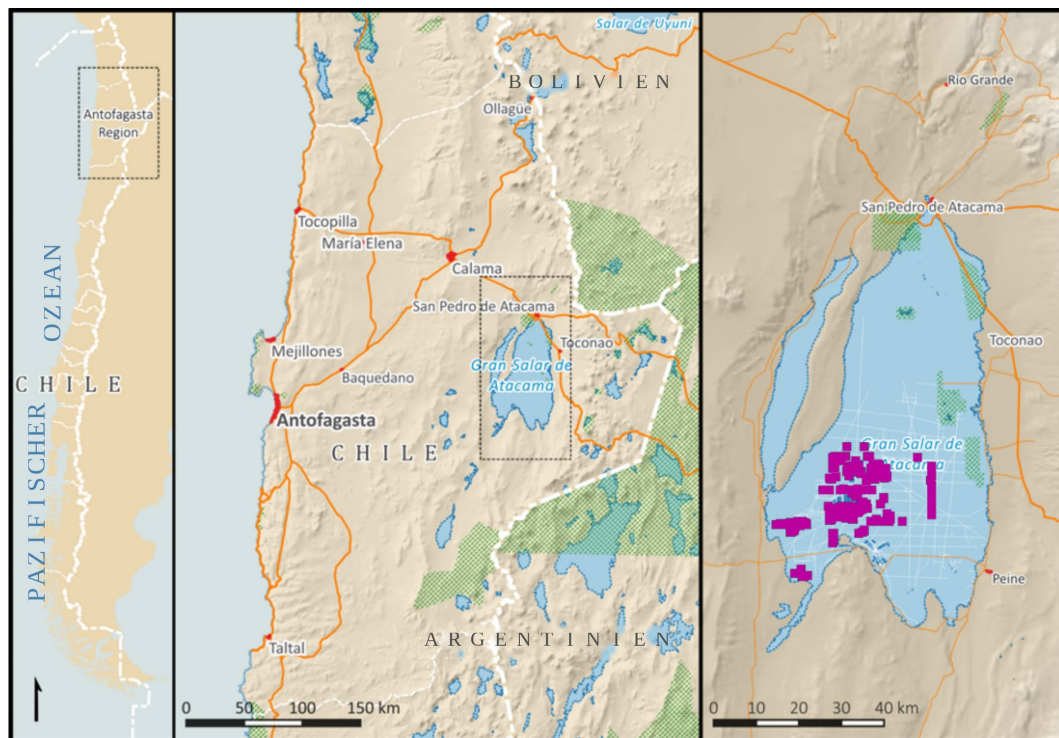


Fig. 3: Location of the Salar Futuro project in Salar de Atacama. Source: Adapted from [Bianchi](#) and the maps prepared by Stantec for the environmental impact assessment of the ‘Salar Futuro’ project, submitted by NovAndino Litio SpA.

The model presented by the government has triggered a controversial debate in Chile. And the Salar de Atacama is at the centre of the criticism. The partnership with SQM was concluded through direct negotiations without a public tender – a departure from the principle of free competition that is customary in public procurement. CODELCO defended the direct award on the grounds that the only alternative would have been to establish a new operation without any prior experience in lithium extraction.³¹

At the consumer end of the supply chain, the EU meets around 80% of its demand for lithium carbonate through imports from Chile.³² However, this accounts for only between 4.5% and 6.3% of Chile’s total lithium export market. More than 90% of Chilean exports go directly to the Asian market (China, South Korea and Japan).³³ ‘Salar Futuro’ is currently the largest extraction project in the country. With an investment commitment of around US\$3 billion, it is intended to achieve annual production of 280,000 to 300,000 tonnes of lithium carbonate. The environmental impact assessment procedure is scheduled to begin in the third quarter of 2026.³⁴ The National Strategy for Critical Minerals,³⁵ published at the beginning of 2026, aims to restructure the country’s raw material supply. With the strategy, the government is responding to the growing global challenges surrounding these

³¹ Aylwin, J.; Cayo, J. and Correa, S. (2025): *Luces y sombras del acuerdo Codelco-SQM*.

³² WITS/Weltbank (2024): *European Union Lithium Carbonate (HS 283691) Imports by Country 2024*.

³³ WITS/Weltbank (2024): *Global Lithium Carbonate (HS 283691) Imports from Chile 2024*.

³⁴ Ibarra, V. (2026): *SQM apunta con todo al litio: invertirá US\$ 3.000 millones en Salar Futuro y ampliará su producción en Australia*.

³⁵ Ministerio de Minería (2026): *Estrategia Nacional de Minerales Críticos*.

key elements, while also addressing accession to the Extractive Industries Transparency Initiative (EITI), the national implementation of which began at the end of 2025.³⁶

The EITI is a global standard for transparency in the extractive sector (oil, natural gas and mining). The initiative is governed by a tripartite structure comprising representatives of government, business and civil society. National implementation takes place through a multi-stakeholder group, which in Chile is based at the Chilean Copper Commission (*Corporación Chilena del Cobre*, COCHILCO). Its work is subject to regular international validation, which verifies compliance with all criteria. Among other points, the standard requires disclosure of the legal and fiscal frameworks, the award procedures and the full contract texts. Disclosure of ownership structures, shareholdings – of both private and state actors – transactions by state-owned enterprises, and the collection and distribution of state revenues is also required. This transparency makes it possible to fully trace the beneficial owners behind the operating companies. The effective involvement of civil society is considered a key benchmark for compliance with the EITI requirements; deficiencies in this area lead to binding corrective measures during the validation phase.³⁷

However, the EITI is purely for disclosure purposes, not for remedial action. It provides neither remedies nor access to justice for affected communities, and does not stipulate free, prior and informed consent (*Free, Prior and Informed Consent*, FPIC) as a binding standard. Moreover, its scope in environmental matters remains limited, as there is no obligation to disclose data concerning environmental management or impact monitoring. Consequently, Chile's accession to the EITI does not guarantee access to the hydrogeological data and brine balances that form the core of the controversy surrounding the Salar de Atacama. The significance of Chilean accession therefore lies less in binding disclosure obligations than in the data infrastructure created in the course of the process. Nevertheless, accession makes the standard a useful instrument for operating companies to fulfil their *due diligence* obligations.

3.1 Socio-ecological problems in lithium extraction

Chile occupies a special position on the world market. Unlike hard-rock mining – for example in Australia – Chilean lithium is obtained from brine through solar evaporation. This extraction activity, however, is associated with serious socio-ecological consequences, including acute water scarcity, the loss of biodiversity and local microclimatic changes.³⁸ Due to extreme aridity, the ecological structure of the salt flats is based on a highly sensitive interplay between the highly concentrated brine at the core, the freshwater and brackish-water zones at their edges, and the adjacent lake and wetland areas. Lithium extraction directly interferes with these dynamics. In the Salar de Atacama alone, SQM and Albemarle jointly extract more than 63 million cubic metres (63 billion litres) of brine³⁹ annually – around 2,000 litres per second – in addition to the extraction of freshwater for industrial processes.⁴⁰

³⁶ EITI (2025): *Chile joins EITI as implementing country*.

³⁷ EITI (2023): *Validation Procedure under the 2023 EITI Standard*.

³⁸ Slak, D.; Degen, F. (2023): *Batterierohstoff Lithium*, S. 6, 9 ff.

³⁹ Montoya, B. (2024): *Comunidades indígenas interponen denuncia por hundimiento de salar de Atacama debido a extracción de litio en Chile*.

⁴⁰ Cultural Survival / Comunidad Indígena Colla de Copiapó (2024): *Alternative Report ICCPR Chile*, p. 4.

Human rights and environmental organisations have documented significant damage to lagoons and wetlands, which serve both as habitats for flamingos and as an essential source of livelihood for traditional pastoralism and agriculture.⁴¹ Several Indigenous communities of the Lickanantay people live in the immediate vicinity of the mining areas and are particularly severely impacted by these consequences. The effectiveness of the compensation measures put in place by the lithium companies for these communities remains the subject of legal disputes and has not yet been conclusively resolved.⁴²

There is a complicating factor of a regulatory nature. The legal status of brine – which is classified as a mineral rather than as water – has historically enabled its massive extraction without being subject to the regulatory and protection system set forth in water law. This legal protection gap, repeatedly denounced by the communities in various forums,⁴³ illustrates the tensions of legal pluralism that are typical of this case. Competing claims converge on the same resource, based on i) mining rights, ii) water rights, iii) traditional usage practices and iv) Indigenous land and territorial rights.

In a region with hydrological conditions as fragile as those of the Salar de Atacama, the social repercussions escalate rapidly. The increasing water scarcity in the surrounding villages threatens the very existence of millennia-old agricultural and pastoral traditions.⁴⁴ Added to this is the stark income disparity between the extractive economy and traditional livelihoods, which is regarded as a key driver of the erosion of the local social fabric. Growing tourism and unregulated settlement development in the vicinity of the Puna de Atacama further fuel intra-community conflicts, as environmental burdens and economic benefits are distributed extremely unevenly.

The latest technological approach of direct lithium extraction (DLE) relies on the reinjection of brine – a process that, as a core element of the ‘Salar Futuro’ and ‘Paloma’ projects, promises high recovery rates while reducing water consumption. However, this technology has not yet been tested on an industrial scale in ecosystems of such sensitivity. The precautionary principle is firmly established in international law: following the landmark advisory opinions of the Inter-American Court of Human Rights (IACHR, OC-23/17⁴⁵ and OC-32/25), the International Court of Justice (ICJ) also endorsed this view in July 2025. The ICJ requires states to exercise enhanced due diligence and conduct climate impact assessments for high-risk projects. This is consistent with the obligation to act even in the absence of scientific certainty, which was already established in OC-23/17 (para. 180). Shortly thereafter, the International Court of Justice (ICJ) reaffirmed in its advisory opinion of 23 July 2025 that states must act in accordance with the best available scientific evidence and assess risks within their

⁴¹ Observatorio Ciudadano (2021): *Informe de Evaluación de Impactos en Derechos Humanos: Explotación de litio por SQM en el Salar de Atacama y los derechos del Pueblo Atacameño / Lickanantay*.

⁴² SMA (n.d.): *Ficha de Procedimiento Sancionatorio Rol D-001-2016 (SQM Salar S.A.)*.

⁴³ The project also attracted political scrutiny: A special investigative committee established by the Chilean Congress examined the actions of the state-owned entities CODELCO and CORFO in connection with the partnership agreement concluded with SQM for lithium extraction in the Salar de Atacama, as well as the acquisition of the “Salar Blanco” project in Maricunga: Cámara de Diputados de Chile (2024): *Informe de la Comisión Especial Investigadora sobre la actuación de CODELCO y CORFO en relación con el acuerdo con SQM*. Zúñiga deals with this topic in the academic context: Zúñiga, D. (2025): *Estatuto y Naturaleza Jurídica de la Salmuera*. At the inter-American level, an Argentine organisation drew attention to the impacts of direct lithium extraction (DLE) on water resources during the hearings held as part of the preparation of Advisory Opinion OC-32/25.: FARN (2024): *Observaciones escritas presentadas en el marco de la Solicitud de Opinión Consultiva OC-32 sobre Emergencia Climática y Derechos Humanos*.

⁴⁴ IWGIA (2025): *Debates 2025: Los impactos del litio en Argentina, Bolivia y Chile*.

⁴⁵ IAGMR, OC-23/17 (2017): principio de precaución ante riesgos de daño grave o irreversible y carácter obligatorio de la evaluación de impacto ambiental.

territory. Scientific uncertainty must by no means serve as a pretext for delaying what is necessary. In practice, however, the Indigenous communities, the local natural environment and its forms of life are being used as guinea pigs for this experiment. The complexity and far-reaching implications of this socio-planetary challenge therefore require that environmental impact assessments be understood as a genuine obligation to protect the environment, rather than as a mere formality for the purposes of prior authorisation.

3.2 Ensuring local value creation

Local value creation is a multifaceted concept that is increasingly the focus of public debate. It refers to the processing of natural resources and raw materials to generate greater economic added value.⁴⁶ This value addition fundamentally redefines the economic strength of extraction regions. While the extraction and refining of lithium carbonate or lithium hydroxide in the initial stages merely lay the chemical foundations, the economic value increases many times over in the downstream processing stages – in the production of cathode precursors, cathode materials and ultimately finished lithium-ion cells.⁴⁷

Restricting the process solely to raw material extraction means reproducing historical patterns of exploitation for many resource-rich extraction countries. The vertical integration of the supply chain – from component manufacturing for battery cells to complete battery production – not only opens up higher profit margins and employment effects, but also creates a strategic competitive advantage in the global market for electric mobility and renewable energy. Against this backdrop, local value creation is becoming the central condition for international raw materials agreements. A prominent example is the raw materials partnership between Chile and the EU. It is intended to ensure the European Union reliable and sustainable access to critical raw materials such as lithium and copper, while Chile, in return, benefits from sustainable investment and the development of its own capacities throughout the battery value chain. However, many developing countries encounter barriers here. Battery manufacturing is highly complex, capital-intensive and requires numerous other intermediate products in addition to lithium.⁴⁸ Establishing such an industry is therefore not a feasible option for many producing countries in the short to medium term.

⁴⁶ Springer Fachmedien Wiesbaden (n.d.): *Wertschöpfung*

⁴⁷ Slak, D.; Degen, F. (2023): *Batterierohstoff Lithium*, S. 10-12.

⁴⁸ Carry, I. (2025): *Raw Materials Partner Chile: More Than Just a Supplier*.

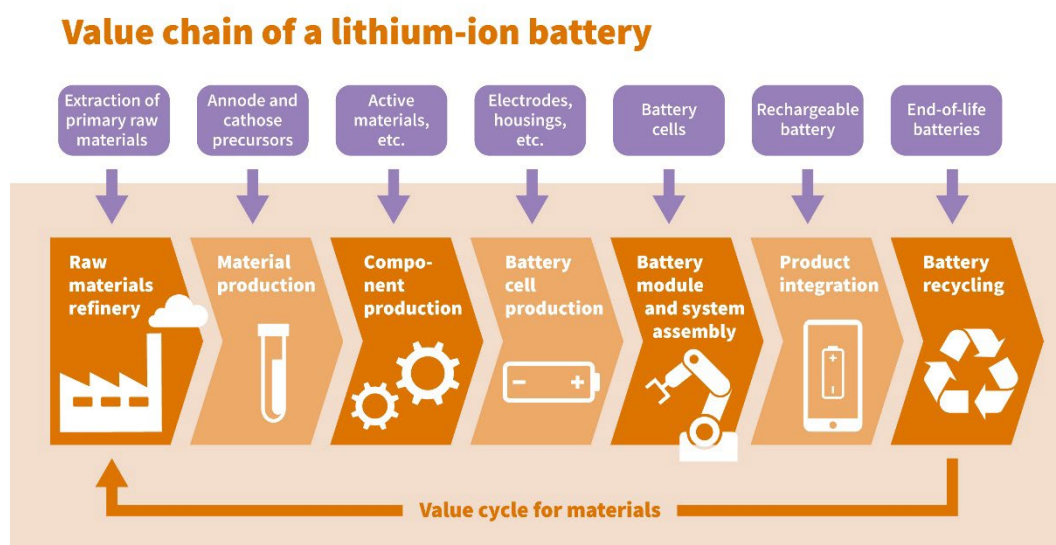


Fig. 4. Source: Adapted from [Fraunhofer FFB \(2023\)](#). Design: Karin Roth

Local value creation is at the heart of Chile's National Lithium Strategy. Rather than limiting itself to exporting raw brine or intermediate products with a low degree of processing, Chile is using its position as one of the world's leading producers to specifically require and attract investment for domestic industrial development. This is done both through public-private partnerships – such as the 'Salar Futuro' project – and through the allocation of lithium reserves on preferential terms to companies that commit to the local manufacture of cathode materials, battery components or the development of recycling technologies.⁴⁹

However, the concept of local value creation is by no means straightforward. It often serves merely as an economic narrative to legitimise industrial expansion – without incorporating local and Indigenous conceptions of quality of life, for example in the sense of 'buen vivir'.⁵⁰ Within the framework of NovAndino Litio's 'Salar Futuro' project, local value creation is defined primarily by the degree of technological innovation: the use of clean-tech processes such as DLE and mechanical evaporation systems in a closed loop aims to increase extraction efficiency and enhance value directly at the extraction site by producing high-purity lithium that is immediately battery-ready.⁵¹ However, this technology entails environmental risks. Although DLE is promoted as a 'green' alternative to conventional evaporation, it is subject to criticism due to the lack of long-term stress tests. Unresolved hydrogeological risks – for example, to underground flow dynamics –, high freshwater demand, the use of chemicals and a lack of industrial maturity threaten to turn the territory and its population into a testing ground for insufficiently researched innovations.⁵²

In addition to implementing this new technology, the project includes a participation model for the rights holders affected by extraction. This is intended to address two of the key criticisms of

⁴⁹ Chilean government (2023): *Lithium for Chile: National Lithium Strategy*.

⁵⁰ HBS (2023): *Value Addition in the Context of Mineral Processing*.

HBS (2023): *Value Addition in the Context of Mineral Processing*.
ros/propuesta-de-valor/" \h .

⁵² Nature (2023): *Environmental impacts of lithium extraction and processing*.

extraction projects: the lack of substantial opportunities for participation and the inadequate distribution of the revenues generated.⁵³

4 Mechanisms to involve rights holders in lithium extraction

The concept of *Meaningful Stakeholder Engagement* (MSE) is to a central principle in human rights and environmental due diligence along global supply chains. It requires companies to shift from a purely defensive, risk-minimising perspective, and instead move towards an impact-oriented approach that meaningfully engages stakeholders affected by extraction projects. Participation of this nature goes far beyond merely providing information through administrative meetings or obtaining formal signatures: It must be proactive, transparent, based on dialogue and inclusive. In practical terms, this means that dialogue must be initiated before irreversible operative decisions are made, so that those affected can exert real influence. On the other hand, truly substantial engagement requires structural power imbalances between multinational corporations and local communities to be actively dismantled – for example, by providing understandable information in the local language or by compensating participants for the costs their participation incurs for them. Engagement can only be considered effective if there is clear evidence that the feedback, concerns and rights of those affected directly inform the company's risk assessments, operational planning and remedial measures.⁵⁴ This elevates those affected from being the mere objects of corporate activity, and turns them into recognised legal subjects (i.e., rights holders) and partners on an equal footing.⁵⁵

In the past years, the concept has become increasingly important as a key element in responsible business conduct – particularly in identifying, assessing and managing adverse impacts affecting actual or potential rights holders. Those affected often have very different levels of awareness concerning the risks and specific consequences of business activities.⁵⁶ Although the principle of MSE has been formally incorporated into Chilean mining regulations – for example by ratifying ILO Convention No. 169 – its implementation continues to be largely procedural, inconsistent, and often gets stuck at the purely formal level. This limits the possibilities for local communities to effectively articulate their interests, and to demand both accountability and a just share in the economic added value that comes from raw materials extraction. By contrast, when consultation and participation processes are carried out in line with genuine MSE, this can sustainably improve the ability of local populations to act, to critically question political decisions and to exert influence on the governance of natural resources.⁵⁷

The legal framework for enforceability, however, is not restricted to ILO Convention No. 169. The Regional Agreement on Access to Information, Public Participation and Justice in Environmental Matters in Latin America and the Caribbean, known as the Escazú Agreement, has been in force in Chile since 11 September 2022. Adopted in 2018, the agreement became national law on 13 June

⁵³ FIDH (2023): *Lithium and Human Rights in the High Andean Salt Flats of Argentina, Bolivia, and Chile*, S. 13f/111.

⁵⁴ Fielitz, P.-D.; Pamplona, D. A. (2026): *Because we really need to know*.

⁵⁵ Faanu, P.; Gyan, A. and Andrews, N. (2026): *Meaningful stakeholder engagement as a tool for accountability in the mineral industry*.

⁵⁶ Buhmann et.al (2024): *Meaningful stakeholder engagement: the concept, practice and governance*.

⁵⁷ Faanu, P.; Gyan, A. and Andrews, N. (2026): *Meaningful stakeholder engagement as a tool for accountability in the mineral industry*.

2022 following the deposit of the instrument of accession.⁵⁸ The Escazú Agreement acts as a regional counterpart to the Aarhus Convention of 1998, which was entered into by the European Union and its member states – including Germany.⁵⁹ Both agreements give concrete form to Principle 10 of the Rio Declaration and are based on a triad of access rights: the right to environmental information, to participation in decision-making processes, as well as access to the courts in environmental matters. This has a direct impact on the analysis of supply chains, because the agreements provide binding standards for access, which apply equally for the country of origin of a raw material and importing countries. Calling for these rights to be upheld already at the upstream stage therefore does not amount to imposing external standards but appeals for a common legal framework that is binding on both sides of the trade relationship.

However, the Escazú Agreement contains neither the principle of *Free, Prior and Informed Consent* (FPIC), nor does it establish a specific consultation process for Indigenous peoples. It therefore does not replace standard No. 169 of the ILO Convention. What is more, Escazú does not supersede or weaken the further development of the inter-American human rights system in the area of prior consultation and consent, which imposes more stringent requirements for the protection of Indigenous communities. This also applies to the actions of own institutions, the principle of good faith in agreements or the obligation to obtain permission in large-scale projects that have a considerable impact on the ancestral territory in question. The relationship between regional environmental norms and the IAO framework is a complementary one, and it follows at all times the *principle of the most favourable interpretation*. The example of the Salar de Atacama demonstrates the specific added benefit of the Escazú Agreement, namely, that it expands the scope of persons protected to include actors who are not covered by ILO Convention No. 169: non-Indigenous groups of the population as well as other actors such as employees, civil society organisations and the general public who are affected by hydrogeological decisions. Furthermore, Escazú provides a comprehensive framework for assessing the effectiveness of participation rights.

It must be stressed, however, that formal validity is not the same as effective application. Chile entered into the agreement subject to interpretative declarations, and it still does not have comprehensive implementing legislation in force. The legal integration of Escazú therefore primarily took place through jurisdiction, which recognised its applicability gradually over time. At another level, this discrepancy reproduces precisely the same gap between ratification and implementation in practice that is already clearly evident in the case of ILO Convention No. 169 in the Salar de Atacama. The mere ratification of the Escazú Agreement by the state of origin therefore by no means relieves companies of their due diligence obligations. Rather, it is still necessary to independently verify information – even when this has been generated and published in an orderly manner. Furthermore, it is important to critically examine at what point in time in the decision-making process participation was made possible, and to what extent the protests of those affected were actually taken into consideration in the final decision.⁶⁰

⁵⁸ CEPAL(2018): [Acuerdo Regional sobre el Acceso a la Información, la Participación Pública y el Acceso a la Justicia en Asuntos Ambientales en América Latina y el Caribe](#).

⁵⁹ EUR-Lex (2024): [Acceso a la información, participación del público y acceso a la justicia en materia de medio ambiente \(Convenio de Aarhus\)](#).

⁶⁰ Orrego, G. et al. (2023): [Informe País: Estado del Medio Ambiente en Chile 2022. Resumen para tomadores de decisiones](#).

4.1 Forms of local authority involvement in previous lithium projects

The history of public participation in the Salar de Atacama can be subdivided into three different processes or phases, which still coexist today. The first phase is marked by state inaction: the CORFO-SQM Agreements of the 1990s and, in particular, the disputed Agreement of 2018, in which the state approved a tripling of the extraction rate. Although ILO Convention No. 169 had already been in force since 2009, this increase in the extraction rate took place without any consultation whatsoever with Indigenous peoples. This procedural flaw triggered lawsuits before Chilean courts as well as a complaint to the Inter-American Commission on Human Rights (IACHR). The process is criticised in the literature as an extraction mechanism under the guise of climate protection: It brings the territory practically no benefits, instead perpetuating and reproducing historical injustices based on colonialist patterns of dispossession caused by a lack of participation in decision-making processes.⁶¹

The second phase is characterised by privately negotiated compensation payments. The 2016 agreement between Albemarle and the Council of Atacameño Peoples (*Consejo de Pueblos Atacameños*, CPA) – the representative of the Lickanantay in the direct sphere of influence – set down standards for Chile's lithium industry by ensuring that a group of Indigenous communities receive a fixed percentage of the annual share of revenue. However, following this, conflicts surrounding distribution and representation led to tension between the various communities and interest groups, which later had a considerable impact on the negotiation processes. As such, the negotiations proved to be a double-edged sword: while they brought more financial resources and strengthened the negotiating powers of the communities, they also acted as a corporate incentive mechanism that fragmented the social fabric of Indigenous territories and fostered ambivalent attitudes towards mining.⁶²

The third phase links state consultation procedures to agreements whose key conditions have already been negotiated with selected actors beforehand. In addition to the agreements previously concluded, the Chilean economic development agency CORFO took part in an official consultation process with 28 Lickanantay communities and Lickanantay 40 organisations between 2024 and September 2025. The subject matter of these consultations was draft contracts for a cooperation, the essential parameters of which had, however, already been determined prior to that. The procedure applied a model of differentiated impacts that graded the communities' rights and entitlements to compensation primarily according to their geographical distance from the extraction site. Although the established Albemarle Standard was used for reference, the process was accompanied by interruptions, reservations and repeated protests against the extraction of raw materials in the territory.⁶³

Overall, the analysis shows that the participation of the local population – through which the divergent positions and interests within the territories became apparent – acted primarily as a means of managing disagreements. It served to provide a means of articulating positions relevant to subsequent governance decisions and the ex-post distribution of economic benefits, but did not

⁶¹ Jerez, B.; Garcés I. and Torres, R. (2021): *Lithium extractivism and water injustices in the Salar de Atacama, Chile: The colonial shadow of green electromobility*.

⁶² Gundermann, H. and Göbel, B. (2018): *Comunidades indígenas, empresas del litio y sus relaciones en el Salar de Atacama*, Jerez et al. (2022): *Mining Indigenous Territories: Consensus, Tensions and Ambivalences in the Salar de Atacama*.

⁶³ Aylwin, J.; Cayo, J. and Correa, S. (2025): *Luces y sombras del acuerdo Codelco-SQM*.

constitute an effective mechanism for influencing fundamental structural decisions – such as whether extraction should take place at all, its scale or the organisational form it should take. In several cases, project developers sought to generate acceptance and legitimacy for extraction in the salt flats only after the fact. Such measures may play a complementary role, but under no circumstances can they replace the international law standard of free, prior and informed consent (FPIC), which must serve as the benchmark for any process of reaching consensus. The timing and depth of these participatory initiatives thus reveal both their central dilemma and their most serious shortcoming:⁶⁴ participation begins only after the key decisions about whether extraction should take place at all and on what scale have already been made – thereby reducing the process from truly shared responsibility for a common heritage to a mere exercise in managing acceptance.⁶⁵

As part of the ‘Salar Futuro’ project by NovAndino Litio, the Indigenous communities of the Atacameños tried to establish themselves as co-designers of a novel model of governance that was to be developed together with CODELCO.⁶⁶ A central concern of this model was to free the Indigenous peoples from their purely passive role as the recipients of economic compensation and grant them the status of active project partners. The communities’ explicit key demands included giving priority to direct lithium extraction (DLE) in the design of the ‘Salar Futuro’ and to keep the abstraction of inland waters to a minimum, in order to protect the sensitive aquifers on which agriculture, animal husbandry and cultural traditions depended for their existence. However, the assessment of this months-long consultation process remains mixed: on the one hand, developing shared governance structures opens up new pathways to more substantial participation, and on the other hand, these protracted procedures go hand in hand with a considerable cost in terms of community members’ time and resources. Finally, the agreement leads to debates and internal polarisations concerning the cumulative ecological impacts on the ancestral territory. The central question remains as to how effective participation of rights holders can be achieved without reproducing the structural deficits of the past.

⁶⁴ Corte IDH, *Sarayaku vs. Ecuador* (2012); sobre el reparto de beneficios como expresión de un derecho y no liberalidad, Relator Especial J. Anaya, A/HRC/15/37 (2010), párr. 79.

⁶⁵ The Lickanantay people’s ancestral possession of the Salar de Atacama retains its full legal force, even in the absence of formal title vis-à-vis the extraction rights registered in favour of CORFO in the 1960s. According to the settled case law of the Inter-American Court of Human Rights (IACtHR), traditional possession has the same legal status as formal title to land and requires recognition by the state (*Sawhoyamaya*, marginal note 128; *Xákmok Kásek*, Rn. 109; *Awás Tingni*, Rn. 149). This human rights standard applies irrespective of any recognition under domestic law or the ratification of ILO Convention No. 169 (*Saramaka vs. Surinam*, Series C No. 172) – which, by the way, was ratified by Chile. The three safeguards established in the *Saramaka* judgement – effective participation, equitable benefit-sharing, and a prior independent environmental and social impact assessment – apply in full to mining concessions (Series C No. 185, para. 51). For large-scale projects with a significant impact on the territory, free, prior and informed consent (FPIC) is mandatory (para. 134). On the concept of the common heritage of humankind and the threats posed to natural and cultural heritage by state inaction or unchecked economic exploitation, see Sucharitkul, S. (n.d.). *Evolution continue Dúne Notion Nouvelle le patrimoine commun de l'humanité* and Tello Moreno, L. (2012) *El derecho al patrimonio común de la humanidad*.

⁶⁶ CORFO (2016): *Informe de Sistematización: Proceso de Consulta Indígena sobre Contratos de Litio en el Salar de Atacama*.



Cindy Quevedo, Presidenta del Consejo Nacional del Pueblo Colla. Fotografía: Darío Cuellar Arellano.

4.2 The Governance model in the process of the ‘Salar Futuro’ process

The ‘Salar Futuro’ project rests on a dual-track participation framework, combining a forward-looking structure with the social legitimacy derived from the consultation process conducted by CORFO with the Indigenous communities. This consultation process, which takes place in the context of the revision of the lease agreements between the state development agency and NovAndino for the periods 2025–2030 and ultimately 2031–2060, does not replace a formal administrative act that triggers a statutory obligation to consult; nevertheless, proactive participation aims to significantly increase the transparency of the project and create real added value.⁶⁷

The descriptions of the “Salar Futuro”⁶⁸ project contain specific checkable obligations. This allows the Indigenous communities to verify the targeted 50% reduction in brine extraction and freshwater abstraction, with the project committing to reducing the latter to near zero in the medium term. Additional measures include the planned introduction of online real-time monitoring of hydrogeological and biotic parameters, as well as a contractual commitment to use *best efforts* to obtain the communities’ free, prior and informed consent (FPIC) before implementing new activities within their territories.

The cooperation model agreed with 25 involved communities at the end of 2025 includes an Indigenous Advisory Council that meets every 6 months before the Executive Board’s Sustainability Committee, a monitoring assembly, a consultation meeting in every single community, as well as physical rights of access to the extraction sites for monitoring purposes – an unprecedented step in Chile to date. However, the model explicitly states that the communities are not entitled to either rights

⁶⁷ Aylwin, J.; Cayo, J. and Correa, S. (2025): *Luces y sombras del acuerdo Codelco-SQM*.

⁶⁸ SEA (n.d.): *Ficha de Expediente de Evaluación de Impacto Ambiental*, Servicio de Evaluación Ambiental, Gobierno de Chile

of ownership or a right of veto concerning the project, and that this structure cannot replace the statutory consultation process. What is more, the representatives of the communities do not have a seat in the supervisory or management body.⁶⁹ As such, the system combines norms and frameworks for action with very different levels of legal enforceability: legally mandated instruments (consultation pursuant to ILO Convention No. 169 in conjunction with the requirements of Chile's Environmental Impact Assessment System (SEIA), contractual commitments and voluntary commitments based on industry standards (*best practices*), as well as requirements of the Inter-American Human Rights System. This overlap, however, has by no means lent the procedure unlimited legitimacy; instead, the model has been the subject of legal and political appeals by different actors and institutions.⁷⁰

There is thus a risk that the legitimacy of the extraction process will increasingly come to rest on weaker regulatory frameworks – meaning that voluntary and contractual agreements gradually become the *de facto* basis for environmental decision-making. This ultimately limits the possibility of a direct and effective participation of the affected communities. This structural challenge for raw materials projects increases the long-term risk that the rights of the people affected will not be sufficiently guaranteed along the entire supply chain.⁷¹ This by no means acts as an insurmountable obstacle for European companies who want to build responsible supply chains; rather, it is a critical point of scrutiny that requires special attention from corporate actors. This applies even more so, as European actors are anyway legally obliged to adhere to the relevant local and supranational duties of due diligence.

A preliminary assessment shows that the governance model of 'Salar Futuro' only partially meets the criteria for meaningful stakeholder engagement (MSE), according to which engagement processes must be forward-looking, timely, reciprocal, informed and culturally appropriate, while providing genuine opportunities to influence decision-making processes. While the model institutionalises formal dialogue channels and access to information, these only take effect later, are largely one-sided in their impact, and fall short of the international law standards set down by ILO Convention No. 169, the Escazú Agreement and the pertinent jurisprudence of the inter-American human rights system.

5 Connections and roles of actors along Chile's lithium supply chain

The interactions between supply chain actors in the global lithium market are shaped by two key structural dimensions. The first dimension relates to supply security, with Chile operating primarily at the lower value-added stages of the value chain: its raw materials exports account for only 4% to 7% of the final value of a battery pack, with 94% of these exports going to Asia, while they generally reach Europe in processed form.⁷² The second dimension has to do with *accountability*, understood

⁶⁹ F. Parra, Climate Home News/Climate Tracker (2026); sitio oficial de NovAndino Litio.

⁷⁰ Diario Constitucional (2026): [Corte Suprema avala consulta indígena por nuevos contratos del Salar de Atacama y descarta vicios en su metodología](#); Badal, I. (2025): [Consulta indígena por alianza Codelco-SQM: Las escasas chances de las comunidades opositoras para frenarla](#).

⁷¹ Observatorio Ciudadano (2025): [Lithium and Human Rights in the High Andean Salt Flats of Argentina, Bolivia and Chile](#).

⁷² SUBREI (2023): [Segunda Radiografía del Mercado del Litio: Una perspectiva desde el comercio internacional](#), SUBREI (2026): [Informe del Litio](#).

as the necessity to guarantee transparency, full traceability and corporate responsibility along the entire value chain.

The Salar de Atacama is the central geographic area on which critical parts of this market depend. The protests that took place in January 2024⁷³ unmistakably show that operational disruptions are not only caused by technical or production-related factors, but also to a considerable extent by deficits in social legitimacy. Against this backdrop, substantial involvement of the stakeholders and local communities concerned, as well as continuous, tailored monitoring, are essential to ensure not only the operational viability but also the material sustainability of raw material extraction.

5.1 Legal framework conditions and bilateral sustainability instruments

There are a number of different instruments available that can be used to firmly establish transparency, traceability and oversight, as well as guarantee substantial participation of those affected throughout the entire raw materials and production cycle. The policy requirements⁷⁴ of the European Commission are reflected in internal legal acts – for example, the Critical Raw Materials Act (CRMA) and the EU Battery Regulation, each of which pursues dual-track approaches. In addition, the CSDDD provides the binding regulatory framework for all supply chains in the EU Member States. At bilateral level, the modernised Association Agreement between the EU and Chile includes the Interim Trade Agreement (ITA), which has been in force since February 2025, with a chapter dedicated to sustainability (chapter 8 on energy and raw materials) as well as the comprehensive Advanced Framework Agreement (AFA), in which energy and raw materials are dealt with in chapter 15. These clauses establish obligations to cooperate in key areas such as climate protection and implementation of the Paris Agreement, the protection of biodiversity, the core labour standards of the ILO, decent working conditions, gender equality and *responsible business conduct*. While these provisions are regarded as binding obligations, they are subject to a less stringent enforcement mechanism than is the case with violations of conventional trade obligations. As the Interim Agreement does not foresee any trade sanctions as an *ultima ratio*, its assertion in practice falls short of the strict rules pertaining to market opening and tariff reduction.⁷⁵

While the bilateral mining agreement between Germany and Chile (2013, renewed in 2023) creates an institutional framework for structuring relations between state actors, intermediaries, business associations, as well as buyers and sellers, at the same time, structural asymmetries can be found at all levels of this collaboration. The agreement contains explicit *non-regression clauses*, which oblige both parties not to lower existing environmental and labour standards – obligations which, in principle, can also be enforced through dispute settlement mechanisms.⁷⁶ By contrast, the

⁷³ Business & Human Rights Resource Centre (2024): [Chile: Indigenous groups protest against lithium agreement signed between SQM and Codelco alleging they were sidelined](#), Reuters (2024): [Protest on Chile's lithium salt flats snarls roads to SQM, Albemarle](#).

⁷⁴ See the 2024 mission letters to Šefčovič, which call for further partnerships and diversification, as well as Séjourné's proposals on [simplification and the 'Clean Industrial Deal'](#).

⁷⁵ PowerShift (2024): [Neokoloniale Neuauflage: Das Handelsabkommen zwischen der EU und Chile](#).

⁷⁶ Mission letters of the EU Commission 2024–2029 (Šefčovič, Comercio y Seguridad Económica; Séjourné, Prosperidad y Estrategia Industrial): [Acuerdo Comercial Interino UE–Chile en vigor desde el 1 de febrero de 2025](#); The Advanced Framework

strategic partnership between the EU and Chile in the area of raw materials is primarily based on the non-binding declaration of intent issued by the companies involved. They to a large extent lack enforceable provisions on environmental and resource protection, on the fair distribution of income, and on the targeted promotion of local value creation on site.⁷⁷

On the part of the Chilean state, CODELCO – as a state-owned major shareholder in NovAndino Litio and Rio Tinto's partner in extraction activities in the Salar de Maricunga – is subject to heightened due diligence obligations: As a publicly owned company and manager of one of the world's largest lithium reserves, it bears double responsibility for strict adherence to the UN Guiding Principles on Business and Human Rights (UNGPs). This special role gives the company a key position that it can apply to the important role it plays in shaping the worldwide standards for raw material extraction. Added to this are specific financing conditions arising from the 2 billion US dollars in guarantees granted by the Multilateral Investment Guarantee Agency (MIGA), which provide access, among other things, to the *Compliance Advisory Ombudsman* (CAO) of the World Bank Group. How CODELCO fulfils its role in practice ultimately decides how extraction measures are carried out on site and what ecological and social consequences that has for the territory and the communities that live there. The state-run economic development agency, CORFO, on the other hand, acts as lessor of the extraction concessions and manages the funds as legal guarantor. Through its Environmental Monitoring Committee, CORFO, it is responsible for ensuring that mere statements of intent are translated into binding, enforceable requirements, thereby safeguarding the institutional foundation for the country's sustainable, long-term development strategy.

5.2 Multilateral mechanisms on oversight, dispute resolution and due diligence

The multilateral ecosystem for financing and oversight considerably exceeds the aforementioned CAO. It includes a series of complementary review and enforcement mechanisms, such as the MIGA inspection mechanism, the IFC compliance standards and IDB Invest's dispute resolution procedures – all of which are involved in the Rincón project in Argentina. Alternative dispute resolution mechanisms like the OECD National Contact Points (NCPs) or the BAFA complaints channel are part of this. However, they have seldom been made effective use of to date, and they have also failed to achieve any concrete outcomes for those affected. This set of instruments is supplemented by the Escazú Agreement: Article 18 provides for an advisory, transparent and non-sanctioning committee to promote compliance, while Article 9 foresees a regional protection framework for environmental activists.⁷⁸

While almost no Germany companies procure Chilean lithium directly, this contractual distance by no means releases Germany from its social and legal responsibility as outlined in the UN Guiding Principles and the German Supply Chain Due Diligence Act (LkSG). The *Responsible Lithium Partnership* – a voluntary multi-stakeholder initiative, borne by Volkswagen/PowerCo, BMW, Mercedes-

Agreement (AFA) has yet to be ratified by all 27 EU Member States and the Chilean Congress. Non-regression clause in the "Trade and Sustainable Development" chapter: European Commission (DG Trade) and European Parliament summary. Cooperation Agreement between Chile and Germany in the Mining Sector (German Federal Ministry for Economic Affairs and Climate Action, BMWK), signed in 2013 and extended in 2023.

⁷⁷ Carry, I. (2025): *Raw Materials Partner Chile: More Than Just a Supplier*.

⁷⁸ CEPAL(2018): *Acuerdo Regional sobre el Acceso a la Información, la Participación Pública y el Acceso a la Justicia en Asuntos Ambientales en América Latina y el Caribe*.

Benz, BASF and Daimler Truck, which was set up in April 2021, is seen as the most direct instrument of cooperation.⁷⁹ Jointly initiated with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ, German Society for International Cooperation), the goal of the alliance was to establish a technical and participative dialogue between local communities, the public sector, the science sector and mine operators. Its main purpose was to relieve the socio-ecological consequences of lithium extraction and to achieve long-term improvements to water management in the extremely arid Salar de Atacama, in order to align the e-mobility value chain to the strict criteria of sustainability, transparency and Indigenous rights. However, the initiative was halted in 2025 and there are currently no plans for its continuation. At local level, its abrupt end led to disappointment, as important processes – like the locally established water committee – are now left without sustained follow-up.⁸⁰

The Chilean system is well-established – supported by a fully functional environmental bureaucracy, the work carried out as part of the EITI transparency initiative as well as pertinent legislation. However, the effective protection of rights has been restricted by a loss of legitimacy on the part of the rights owners who use these local mechanisms. Despite this, international minimum standards and constitutional rights retain their validity. For the various actors and interest groups along the global value chain,⁸¹ these bodies continue to offer essential forums for resolving conflicts that can arise in trade and development cooperation.

6 Summary and concluding recommendations

This case study clearly highlights the interdependencies and trade-offs between the European and German energy transition on the one hand, and the socio-ecological justice in the regions where critical raw materials are extracted on the other. For Germany and the EU, Chilean lithium is a vital strategical raw material for achieving their declared decarbonisation and e-mobility targets. By contrast, the communities of the Indigenous Lickanantay people in the Salar de Atacama face considerable challenges as a result of conventional lithium extraction due to brine evaporation. Although steps were taken towards better involvement of the communities in the planning and assessment of new projects, and attempts have been made to establish local value creation, in practice these measures have proved insufficient to effectively address the acute threats to ecosystems, land rights and traditional ways of life.

Chile's new National Lithium Strategy (2023) and the public-private partnership between CODELCO and SQM (NovAndino Lito) in the *Salar Futuro* and *Paloma* projects were launched on the premise of deploying technological innovations – in particular direct lithium extraction (DLE) – and strengthening local value creation. In practice, however, the implementation of this model repeats historical structural defects. Deficits in transparency and participation in the negotiation of agreements fuel

⁷⁹ BASF (2025): "[Responsible Lithium Partnership](#)" concludes successfully.

⁸⁰ Own interview December 2025, Salar de Atacama.

⁸¹ *ILQ-Übereinkommen Nr. 169*, in force in Chile since 2009; Principle of non-retrogression: International Covenant on Economic, Social and Cultural Rights (ICESCR), Article 2(1), and the Committee on Economic, Social and Cultural Rights (CESCR), *Allgemeine Bemerkung Nr. 3* (1990), Abs. 9.

distributional conflicts and exacerbate the unequal concentration of environmental burdens and economic benefits within local communities.

Against the background of European and German due diligence obligations – by way of the CSDDD and LkSG (German Act on Corporate Due Diligence Obligations in Supply Chains) for example – European companies and political decisionmakers operate as more than mere buyers of processed raw materials. They are actively co-responsible along the entire supply chain for closing regulatory gaps in order to guarantee a globally just energy transition. The following recommendations address these areas for action for the different actors in transnational supply chains.

A. For the Chilean state and the operating companies (CODELCO, NovAndino Litio y Albemarle)

1. **The guarantee of comprehensive, holistic consultation and approval procedures that comply with international law:** The state must ensure that all consultation processes linked to raw material extraction projects or operating agreements are carried out in line with the principles of the FPIC through the institutions that represent the peoples concerned.⁸² In particular, this requires the following:
 - a. **Comprehensive subject of the consultation:** Topics that affect Indigenous peoples must not be excluded from the consultation process. This requires consultation across all contractual clauses – including those related to operational control, corporate governance and profit-sharing arrangements, something that constitutes a separate requirement, especially in large projects. Under the Escazú Agreement (Articles 5 and 6), operational and business secrets constitute strictly limited exceptions and must under no circumstances be invoked in relation to provisions concerning the rights or economic benefits of communities.
 - b. **Timing and deadlines:** According to the Escazú Agreement, participation must already be ensured in the early planning phases – including exploration and contract negotiations. Suitable deadlines are to be granted, which take into consideration the internal consultation mechanisms and decision-making processes of the communities. Decisions about the methodology and time schedule must not be one-sided.
 - c. **Duties of the operating companies:** Without prejudice to the state's obligation to ensure the protection of human rights, operating companies are required to fulfil their human rights due diligence. They must embed FPIC as a binding operational standard, in line with the UN Guiding Principles on Business and Human Rights, the OECD Guidelines and the environmental and social standards of the multilateral development banks providing financing. To avoid fragmentation in the consultation processes, this standard already has to be stipulated in the agreements and in the project design.
2. **Strictly application of the precautionary principle in new technologies:** The environmental and social sustainability of direct lithium extraction (DLE) must not be considered a given

⁸² In accordance with Articles 6, 7 and 15 of [ILO Convention No. 169](#); Articles 19 and 32.2 of the [UN Declaration on the Rights of Indigenous Peoples](#); and the judgements of the Inter-American Court of Human Rights in the cases of the [Saramaka People v. Suriname](#), 2007 (para. 129), and the [Kichwa Indigenous People of Sarayaku v. Ecuador](#), 2012).

without reliable verification. Its application requires scientific evidence demonstrating its safety, in order to prevent local communities from effectively serving as testing grounds for unproven technologies.

3. **Transparent governance to record local values and prevent conflicts:** The concept of 'value creation' must be expanded beyond purely technical and industrial refinery processes to include local, cultural and territorially established perspectives of the affected peoples.

B. For German and European buyer companies (automotive and technical industry)

1. **Maintain high standards of due diligence:** Purely report-based assessments are to be avoided, to the extent that they are limited to the mere fulfilment of quantifiable ex-ante key figures. The impact of measures at local level have priority. European companies must demand verifiable proof of *meaningful stakeholder engagement* that meets the actual needs on site.
2. **Direct engagement to improve local living conditions with long-term monitoring:** Initiatives such as *Responsible Lithium Stewardship* offer promising approaches. However, they must be equipped with sustainable monitoring and traceability mechanisms that remain in place beyond the original project runtime.
3. **Promote a circular economy and technological innovation:** Systematically embedding a consistent circular economy approach – particularly through industrial-scale battery recycling and the optimisation of recovery processes – is essential to keeping secondary lithium efficiently in circulation. Parallel to this, investments in joint technology developments and research into alternative storage technologies are needed to sustainably reduce the primary demand for lithium.

C. For the EU and the German central government

1. **Tie the strategic partnership and EU-Chile trade agreements to binding conditions:** The advantages of the Strategic Partnership on Raw Materials (2023) must be strictly bound to adherence with verifiable, socio-ecological standards on site, compliance with which must be monitored by third parties. The ratification of the Advanced Framework Agreement (AFA) should be used as an opportunity to place the sustainability provisions in the Trade and Sustainable Development (TSD) chapter on an equal legal footing with conventional trade rules, thereby allowing for trade sanctions in cases of serious violations of the Paris Agreement or the ILO core labour standards. Furthermore, an independent complaints mechanism for civil society and Indigenous people must be established, as well as strict due diligence to protect water resources and territorial rights.
2. **Strengthen supply chain laws and ensure consistent implementation of them:** European and national legal frameworks (like CSDDD and LkSG) must be consolidated and defended against being watered down politically. The deadlines and stipulations of the EU Corporate

Sustainability Due Diligence Directive (CSDDD) must be consistently adhered to. This requires independent, sufficiently resourced supervisory authorities and the establishment of accessible complaint channels for rights holders. This will guarantee that violations are investigated and sanctioned in line with European accountability obligations without creating parallel bureaucratic structures.

3. **Advance the circular economy and reducing the demand for primary raw materials:** Ambitious measures to strengthen the circular economy – including an absolute reduction in raw materials consumption, efficient recycling, reuse and ecological design for critical raw materials like lithium and copper – must be given priority in the EU. This strategy must be backed up with binding recovery rates in order to effectively reduce the pressure for extraction on fragile ecosystems like the Salar de Atacama. This directly complements the due diligence obligations under the CSDDD and helps ensure that Europe's energy transition does not depend on an unchecked increase in primary raw material extraction.
4. **Counteract dependencies caused by the geographic concentration of certain value creation steps in a few individual regions and establish alternative partnership models:** Counteract concentration at individual stages of the supply chain by strengthening cooperation with Chinese stakeholders to uphold human rights and environmental standards. Parallel to this, risks must be minimised through diversification and partnerships based on equal rights that enable increased value creation in extraction countries like Chile. When investing in third countries, the EU must establish alternatives to the purely extractivist model. Value creation must not be limited to further processing in the consumer countries, and instead should guarantee a fair technology transfer, the setting up of local processing industries in countries of origin as well as protecting territorial and cultural interests.

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Germanwatch

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Germanwatch – Bonn Office

Kaiserstr. 201
D-53113 Bonn, Germany
Phone: +49 (0)228 / 60492-0
Fax: +49 (0)228 / 60492-19

Germanwatch – Berlin Office

Stresemannstr. 72
D-10963 Berlin, Germany
Phone: +49 (0)30 / 5771328-0
Fax: +49 (0)30 / 5771328-11

E-mail: info@germanwatch.org

www.germanwatch.org



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