

INTERVIEW

Project Financing for Quebrada Blanca Copper Mine Project in Chile

Supporting Japan's stable long-term procurement of copper concentrates

Interview with Deputy Director Junsuke Arita and Takashi Yonemura
Unit 1, Mining and Metals Finance Department,
Energy and Natural Resources Finance Group



Deputy Director Arita

The Japan Bank for International Cooperation (JBIC) signed on May 30, 2019 a loan agreement for project financing totaling up to USD900 million (JBIC portion) with Compañía Minera Teck Quebrada Blanca S.A. (CMTQB), a Chilean company, to finance the development of the Quebrada Blanca copper mine (Quebrada Blanca Phase 2 project). CMTQB is invested in by Sumitomo Metal Mining Co., Ltd. (Sumitomo Metal Mining), Sumitomo Corporation and other companies.

The loan is co-financed by Export Development Canada, Kreditanstalt für Wiederaufbau (KfW), Export-Import Bank of Korea and several private financial institutions. The total co-financing amount is USD 2,500 million.

JBIC also signed on June 11, 2019 loan agreements with Sumitomo Metal Mining amounting to USD560 million and with Sumitomo Corporation amounting to USD180 million, respectively (JBIC portions) to finance the Quebrada Blanca copper mine project. The loans are co-financed by private financial institutions.

Securing a Stable Long-term Supply of Copper to Japan

Chile is known as the world's largest producer of copper ore, a raw material used for smelting. Copper is an important natural resource used for various products, such as electric cables, electrical and electronic equipment, automobiles and construction materials. To ensure a stable long-term supply of copper concentrates to Japan, Japanese metal mining companies participate in projects developing copper mines in foreign countries such as Chile. JBIC has provided various support to their projects so far.

Arita explained the background of the Quebrada Blanca Phase 2 project as follows: "During Phase 1 of the Quebrada Blanca copper mine project in which Teck Resources Limited (Teck) owned a 90% stake and Empresa Nacional de Minería (ENAMI) a 10% stake, they extracted oxide ores from the surface layer. Phase 2 of the project intends to exploit a thick layer of high-grade sulfide ores lying under the surface layer. In December 2018, as a result of their successful bid, Sumitomo Metal Mining and Sumitomo Corporation took part ownership in CMTQB, the project operator, by acquiring a partial stake in CMTQB from Teck. As a huge amount of financing is required to implement Phase 2, securing sources of funding was one of the important elements in winning the bid for the project. Due to this, JBIC expressed its intention to support these Japanese companies before the start of the bidding process. After it was announced that the Japanese companies won the bid, we started to work hard towards structuring a project financing scheme."

Finalizing a Loan Agreement within Just Six Months

Yonemura joined Arita in the negotiations for structuring a project financing scheme.

Yonemura looked back on the negotiations, saying "I was responsible for negotiations on the project financing contracts and project assessment. Phase 2 of the project requires a large amount of funds. Besides, we were requested by the sponsors to finish structuring a financing scheme within six months, although it usually takes a year to finalize a loan agreement. Fortunately, as JBIC has supported many projects for copper mine

development in Chile, I was able to push forward the negotiations by utilizing the knowledge and information held by JBIC. A huge volume of contract documents and reports arrived every day and I continued to need to make immediate responses. However, the leadership and enthusiasm of the sponsors and their sincere way of doing business helped me to finalize the loan negotiations within the required time frame."

Meeting Increasing Demand for Copper for Production of EVs

In Phase 2 of the project, scheduled to start production from 2021, the Quebrada Blanca copper mine is expected to generate 240 thousand tons of copper every year, as well as molybdenum and silver. It has been confirmed that there are abundant ore deposits lying under those to be developed during Phase 2. This is expected to make the Quebrada Blanca mine evolve into the leading copper mine in the world in the future.

Arita said, "Global demand for copper is anticipated to increase on the back of rising demand for infrastructure in emerging countries such as China and India, as well as the increased ownership of electric vehicles (EVs). In its Strategic Energy Plan, the Japanese government set a goal of increasing Japan's self-sufficiency ratio for base metals, including copper, to more than 80% by 2030. This loan is also in line with the target of the Japanese government's energy policy. Although Chile has faced a harsh investment environment in recent years due to declining copper prices, the world's attention is directed to investment in existing mines in Chile or development of high-quality mines in response to the recovery in copper prices. As a result, competition for acquiring an interest in mining development projects in Chile is becoming fiercer. JBIC will continue to support Japanese companies participating in resources development projects overseas by drawing on its various financial instruments and performing its risk-assuming function."

Yonemura expressed his aspiration, saying "I learned many things from my experience gained through structuring a project financing scheme within a short period of time. I would like to proactively work on future projects by utilizing my precious experience."

