



# The foreign financiers of Argentina's lithium rush

## Export credit agencies' support for lithium mining

### Authors:

Julia Gerlo & Marius Troost

### Collaborators:

Niels Hazekamp & Ariel Slipak

OCTOBER 2023



## CONTENTS

Executive Summary	03
Introduction	05
1. Export Credit Agencies and the Just Energy Transition	07
1.1 What are export credit agencies?	07
1.2 ECAs at a crossroads	07
1.3 What is a just energy transition?	09
2. Lithium mining and impact	10
2.1 Rising global lithium demand	10
2.2 Main actors in the lithium value chain	12
2.3 The Argentine case	13
2.4 The socio-environmental impacts of lithium extraction	15
3. ECA financing for lithium projects in Argentina	17
4. Conclusions and Recommendations	19

The opinions expressed in this report are the sole responsibility of the writers and not necessarily coincide with that of FARN.

Both ENDS & FARN gratefully acknowledges staff members for the invaluable contributions for this publication.

FARN adopts a gender perspective in all aspects of its work. In that sense, all its publications respect the use of inclusive language and the various forms of expression that each person has chosen for their collaboration.

Front cover photo: CALMA Cine.

Published in October 2023, Both Ends & Fundación Ambiente y Recursos Naturales (FARN).

To cite this work: Gerlo, J. & Troost, M. (2023). The foreign financiers of Argetina's lithium rush. Export credit agencies' support for lithium mining. Both ENDS & FARN.

## Executive Summary

In the context of the ecological and climate crisis, the world is in urgent need to shift from fossil fuels to a renewable energy powered system. This massive change places Global South countries – once again – at the center, this time around for the supply of the so-called critical minerals needed for the energy transition.

The extraction of these minerals requires investments, and export credit agencies (ECAs) are increasingly looking for ways to support businesses that do what they call “green projects” abroad. These projects are promoted under a market logic, but with rhetoric linked to the climate crisis and energy transition. This raises the question: should they? And, moreover, is mining for critical minerals a green investment? And are export credit agencies the right agent to help promote a just energy transition? In this report, we explore the case of lithium mining in Argentina and provide recommendations for making a just transition to sustainable energy systems.

Key findings from this report include:

- Lithium demand is expected to increase about 42 times by 2040.
- The voracious increase in lithium demand is mainly explained by the production of electric vehicles for consumers in the Global North.
- Lithium extraction causes significant environmental impacts and human rights violations in the places of extraction, such as Argentina.
- Export credit agencies (ECAs) are increasingly being considered an instrument to finance renewable and mining projects, as is evidenced by processes at OECD and EU levels.
- There is already a growing presence of export credit agencies in the financing of lithium mining in Argentina.
- Canada’s EDC and Korea’s K-sure support different investments in lithium projects in Argentina.

### **Our recommendations are:**

To international governments:

- Follow a people and nature-centered approach in the financing of projects.
- Introduce policies to reduce energy and material consumption starting with EU countries. This includes a substantial reduction in the consumption of so-called critical materials and rethinking mobility patterns, including changing individual mobility habits based on the electric car.
- Guarantee transparency and accountability of financing flows, specifically for public financial institutions, such as export credit agencies.
- Ensure that human rights and local and Indigenous communities are respected in the development of projects and respect the “right to say no” to mining projects on their territories. This includes ensuring that the government can guarantee the communities’ participation and consultation.
- Respect the limits of what nature and ecosystems can support throughout the whole energy supply chain, including exploration, exploitation, and commercialization of minerals.

To the Argentinian government:

- Develop national policies and national economic and social development strategies linked to the elaboration of a sovereign national energy strategy.
- Improve government capacity to understand how fragile wetlands ecosystems work, conduct baseline studies and watershed models that through public information foster better decision-making and improve government control over the monitoring of extraction processes and mining companies.
- Guarantee the proper implementation of Free, Prior, and Informed Consent (FPIC) rights, by securing the access to information and guaranteeing effective and meaningful participation by the affected communities. Companies should disclose all social information and generate a framework in which companies respect international labor and environmental and human rights standards, including the Argentine legislation, regional treaties like The Escazú Agreement, OECD Guidelines for Multinational Enterprises, UN Guiding Principles on Business and Human Rights, the Indigenous and Tribal Peoples Convention No. 169 of the International Labour Organization, and the UN Declaration on the Rights of Indigenous People (UNDRIP).
- Develop and implement environmental planning and management tools (environmental cumulative impact assessment and strategic environmental assessment) for minimizing the environmental impacts of a project and/or the combination of several projects.

## Introduction

The world finds itself at a critical junction in our energy transition. For as long as this generation remembers, our energy needs have been fulfilled by burning fossil fuels, whether to heat our houses, fuel our cars or power our industry. But it has become apparent that this system cannot hold. The carbon emissions resulting from our fossil fuel dependence are causing the planet to heat up at a record pace. If we do not put a halt to burning fossil fuels, we might find ourselves in a wholly different world by the end of this century.

But despite the huge profits that are still being made in fossil fuels at the moment, the fossil fuel era will come to an end sometime in the next decades. The question is rather if we can make the switch towards carbon neutral energy technologies quickly and decisively enough. This requires making choices and putting the systems we have known since we remember into question. It is also a rare opportunity to reshape these systems and thereby correct the mistakes and injustices of the past.

The fossil fuel energy system is one of inequality and exploitation of which countries from the Global North are the clear winners, while the Global South has suffered from the negative consequences. For the last century, fossil fuel companies from Europe and the United States have scoured the planet for oil and gas reserves and have become some of the largest companies in the world by doing so. But the places where the fossil fuel companies drilled for their oil and gas did not stand to benefit; places like the Niger Delta in Nigeria, where Shell has made huge profits but has left the local communities to deal with the pollution and the environmental destruction. Profits were sent abroad. What's more, these companies have often been supported in their activities by their respective governments. These have supported the projects with different means, such as subsidies, tax benefits, guarantees, and insurances, under the pretense of economic growth and job creation in their home countries.

But now, making the historic shift from a fossil fuel to a renewable energy powered system, we are replacing one type of resource with another. We are bidding farewell to coal, oil, and gas, but entering the era of lithium, cobalt, and copper. The demand for these metals among others will increase enormously, whereas the demand for fossil fuels will slowly diminish. As is the case with fossil fuels, many of these resources can be found in countries considered to be in the "Global South". This then, is the right time to learn from the injustices of the past and not repeat them. This means reflecting on the role of businesses and governments in the process of extracting these resources.

The threat of greenwashing is now more present than ever. There is a risk that by only changing our energy system but not addressing structural concerns, we merely replicate existing ecological injustices in a different form. It is therefore important to put under scrutiny whether all these natural common goods, or so-called "natural resources" are really needed in the name of an energy transition? Seeing as of course, these resources are not unlimited.

This report will focus on the role of so-called export credit agencies (ECAs). They are the primary instrument through which governments in the Global North have supported the fossil fuel activities of "their" businesses in the past. With the space for fossil fuel projects shrinking, ECAs are now increasingly looking for ways to support businesses doing what they call "green projects" abroad. This raises the question: should they? Who defines what green projects are? Are ECAs the right agent to help promote a just energy transition? And whose energy transition – in the Global North or in the South?

In this report, we will first describe what ECAs are and what the recent trends are. Also, we will discuss what a just energy transition should look like, reflecting on the risks of a corporate led agenda.

Second, we examine the case of lithium mining in Argentina. By exploring lithium mining impacts on the environment and local communities, we identify how foreign ECAs are already involved in the financing of lithium mining projects in Argentina.

Finally, a series of recommendations are presented to different stakeholders: at the international level and at local government level.

# 1. Export Credit Agencies and the Just Energy Transition

## 1.1 What are export credit agencies?

Export credit agencies (ECAs) are government-backed agencies that insure domestic businesses – primarily in the Global North – against payment risks. This helps projects go ahead and in turn helps mobilize additional private finance, because having a government back a certain project financially makes it much more attractive for private banks and financial institutions to issue a loan for the project, for example. Export credit agencies' support for projects is therefore key, because without financing, these projects would not go ahead.

It appears that over the years, the sector that has benefited the most from this type of public support for projects is the fossil fuel sector in the Global North. Export credit agencies are in fact the largest, but some of the least known, providers of public support for fossil fuels. ECA-supported fossil fuel projects include, for example, coal-fired power plants in Indonesia and an enormous LNG project in Mozambique. The companies that have benefited from this type of support include oil giants like TotalEnergies, ENI, and Shell, as well as supporting companies that facilitate, for example, the dredging or pipe-laying involved.

For years, ECAs have managed to operate with little public oversight. Until recently, this has meant that they could continue funding fossil fuel projects without scrutiny, despite their host countries' signing of the Paris Agreement. In 2019 and 2020 alone, export credit agencies from the G20 countries provided \$40 billion in public support for fossil fuel projects, which amounts to more than 10 times the \$3.5 billion they committed to renewables<sup>1</sup>.

Yet recently, there has finally been some progress in aligning export credit agencies with the climate goals, as agreed in the Paris Agreement. At COP26 in Glasgow, a breakthrough announcement was made: 34 countries and 5 financial institutions committed to redirect their international public support towards clean energy transition and out of unabated fossil fuels by the end of 2022, except in limited and clearly defined circumstances that are consistent with a 1.5°C warming limit and with the goals of the Paris Agreement. Still, at this point, signatory countries are still in the process of turning this pledge into action, a process that is slowed down by the global energy crisis resulting from the invasion of Ukraine by Russia.

## 1.2 ECAs at a crossroads

Despite the slowed down process of phasing out support for fossil fuels, the direction from fossil fuels towards renewable energies is unmistakable. The amount of “green projects” undertaken by international business is rapidly increasing, and as such, export credit agencies being a demand-driven instrument have followed suit. This is evidenced by ECAs taking initiatives to “green” their ECAs, and ECAs have started making financing for renewable projects more attractive<sup>2</sup>.

On the surface, the transition of ECAs' support, from fossil fuels to renewable energy technologies, should be welcomed. In the end, reducing our fossil fuel usage is the only path towards further preventing global warming from reaching disastrous levels. And it is a well-known fact that investment in clean energy is falling far behind what is needed. The International Energy Agency stated last year

1. Oil Change International: Past Last Call: G20 Public Finance Institutions Are Still Bankrolling Fossil Fuels (2021) <https://priceofoil.org/content/uploads/2021/10/Past-Last-Call-G20-Public-Finance-Report.pdf>.

2. Atradius Dutch State Business: The Green Label (2020) [https://atradiusdutchstatebusiness.nl/documenten/the\\_green\\_label\\_eng.pdf](https://atradiusdutchstatebusiness.nl/documenten/the_green_label_eng.pdf).

that investment in renewable energy will need to triple by 2030 in order to keep sight of 1.5C<sup>3</sup>. Public actors like governments, including their export credit agencies, should be the first to make these steps.

There remains another problem, however. By design, export credit agencies are made to serve the interests of domestic business in the country they are based in; a Canadian ECA supports Canadian companies and a French ECA supports French companies. They are a tool to boost exports and, therefore, revenues in their home country, and they lack a developmental mandate. Oftentimes, they flout environmental and social due diligence in the projects they support, with dire consequences. Forced relocations, loss of livelihoods, and environmental degradation are common issues<sup>4</sup>. In the case of mining projects, this is even more relevant, because of the great impacts associated with these types of projects.

### OECD and EU policy processes

At international policy forums, in recent times, there has been significantly increased interest in securing the supply of metals and minerals for the energy transition. Export credit agencies are being mentioned as one of the instruments through which to finance this.

On March 31, 2023, the Participants to the Arrangement on Officially Supported Export Credits at the OECD, the key international forum for guidelines governing export credit agencies, agreed on new incentives for making the support for “climate friendly and green transactions” more flexible<sup>5</sup>. The updated OECD Arrangement covers seven categories: (1) environmentally sustainable energy production, (2) CO2 capture, storage, and transportation, (3) transmission, distribution, and storage of energy, (4) clean hydrogen and ammonia, (5) low emissions manufacturing, (6) zero and low emissions transport, and (7) clean energy minerals and ores. Point 7 is key here – the mining of energy minerals and ores for the transition. This concerns, for example, lithium, nickel, aluminum, cobalt, and graphite, which are used for producing batteries and solar panels. The updated Arrangement aims to make financing for these types of projects through export credits easier.

The search for metals and minerals is further reflected in the February 2023 EU announcement for A Green Deal Industrial Plan for the Net-Zero Age<sup>6</sup>. Among the proposals, is a proposal for a Critical Raw Materials Act (CRMA). This act *will aim to provide the EU security of supply, including by strengthening international engagement, facilitating extraction (where relevant), processing and recycling, while ensuring high environmental standards and continuing research and innovation*. It is intended to mitigate the EU’s reliance on third parties, such as China, for its supply of access to metals and minerals. The European Commission sees export credit agencies as a key instrument for investing in green technologies and it intends to develop a new EU export credits strategy for this purpose. It is likely that this will also entail mining projects for the transition minerals<sup>7</sup>.

3. Reuters: Investment in clean energy must triple by 2030 to curb climate change -IEA (2021) <https://www.reuters.com/business/sustainable-business/world-must-triple-clean-energy-investment-by-2030-curb-climate-change-ia-2021-10-13/>

4. Both ENDS: Export Credit Agencies: Who pays the price? (2021) <https://www.bothends.org/en/Our-work/Dossiers/Export-Credit-Agencies-Who-pays-the-price->

5. OECD: Participants’ Statement (2023) [https://www.oecd.org/trade/topics/export-credits/documents/Participants%20Statement%20\(3%20April%202023\).pdf](https://www.oecd.org/trade/topics/export-credits/documents/Participants%20Statement%20(3%20April%202023).pdf)

6. European Commission Communication: A Green Deal Industrial Plan for the Net Zero Age (2023) [https://commission.europa.eu/system/files/2023-02/COM\\_2023\\_62\\_2\\_EN\\_ACT\\_A%20Green%20Deal%20Industrial%20Plan%20for%20the%20Net-Zero%20Age.pdf](https://commission.europa.eu/system/files/2023-02/COM_2023_62_2_EN_ACT_A%20Green%20Deal%20Industrial%20Plan%20for%20the%20Net-Zero%20Age.pdf)

7. Global Trade Review: ECAs to play significant role in securing Europe’s critical materials (2023) <https://www.gtreview.com/news/europe/ecas-to-play-significant-role-in-securing-europes-critical-materials/>



### 1.3 What is a just energy transition?

#### Beyond greenwashing

The energy transition means gradually moving away from the use of fossil fuels for energy production and consumption, and replacing them with renewable energy sources, such as wind and solar sources. This is long overdue, since the current fossil-fuel-based energy model is associated with high environmental impacts, has contributed to global warming and to a high level of conflict and inequalities related to the means of production and to an appropriation of energy<sup>8</sup>. However, it is also not the case that every transition towards a post-fossil society is necessarily sustainable and just<sup>9</sup>.

In the global North, businesses and governments alike have increasingly adopted the "green agenda" and promote "green" projects in the name of the energy transition and the climate crisis. This leads to a risk of validating terms such as "sustainable mining" and thereby advancing a corporate energy transition model, despite the significant social and environmental impacts of any mining project. Hence, the threat of greenwashing is now more present than ever.

There is a risk that by only changing our primary energy matrix but not addressing structural concerns, we merely replicate existing ecological injustices in a different form. Without a true, systemic transformation, we risk amplifying the asymmetric North-South relationship and further harming the environment and communities. Without addressing our consumption patterns, whatever post-fossil fuel-strategy we come up with, will again exceed the limits of what our planet can support. For instance, the IEA estimates that an exponential increase in lithium extraction to achieve carbon neutrality of emissions by 2050 is needed. However, if this forecast becomes reality, not only would there be no more minerals available, but ecosystems will be left destroyed and the existing inequalities between the global Global North and South will deepen.

To get around this, we will need to have a critical look at the way the Global North countries and sectors use resources and on using trade and development policies for securing their resource needs. The current level of consumption in the richest societies is simply untenable, considering, of course, that we live in a world where resources are not unlimited. The communities where the "critical" resources are located cannot be made to pay the cost for this<sup>10</sup>. This also means taking a critical perspective on the mode of extraction of the required resources, such as lithium and other minerals, and at the way this affects local communities. In particular, these inequalities affect countries in the Global South who are being kept from starting their own energy transition processes, and are forced to rely on developing their extractive sectors in order to export products, pay their foreign debt, and direct resources to poverty alleviation policies.

#### Not just a transition

The above considerations are especially pertinent when it comes to new forms of renewable energy generation and resource extraction. The development of renewable energy projects and resources for the transition like minerals should not harm the environment nor the biodiversity<sup>11</sup>. Neither can the urgency of tackling climate change and rolling out renewables disregard the rights of local communities, Indigenous people, and the most disadvantaged groups from the Global South<sup>12</sup>. For it to be just, the necessary transition should put people and not business first. Otherwise, it would risk replicating the same destructive patterns of the current extractivist fossil energy system. A fair and equitable energy transformation must be built on the foundations of democratic participation and ecological justice and

8. Bertinat, P.: Transición energética justa: pensando la democratización energética. Uruguay: Friedrich-Ebert-Stiftung. (2016) [https://www.cta.org.ar/IMG/pdf/analisisind\\_001\\_bertinat\\_v05\\_final.pdf](https://www.cta.org.ar/IMG/pdf/analisisind_001_bertinat_v05_final.pdf)

9. Svampa, M.: Dilemas de la transición ecosocial desde América Latina. Working paper. (Fundación Carolina): Segunda época. (12). 1. (2022). <https://www.fundacioncarolina.es/dilemas-de-la-transicion-ecosocial-desde-america-latina/>

10. Slipak, A. M., & Argento, M.: Ni oro blanco ni capitalismo verde. Acumulación por desfosilización en el caso del litio ¿argentino? (2022) Cuadernos De Economía Crítica, 8(15), 15-36. <https://sociedaddeeconomiacritica.org/ojs/index.php/cec/article/view/277>

11. Marchegiani, P & Napoli, A.: "El laberinto de las transiciones. Aportes para pensar una salida socioecológica en tiempos de crisis" Informe Ambiental Anual FARN (2023) <https://farn.org.ar/iafonline2023/>

12. Friends of the Earth International: Renewable energy and land use: barriers to just transition in the Global South. (2023) <https://www.foei.org/publication/just-transition-renewable-energy-land-use-report/>

allow people to live better. A just and equitable energy transition also implies a democratic, decentralized, and participatory approach, based on environmental and climate justice. Energy must be utilized to improve people's lives and must be aligned with the rights of nature, not for the benefit of business and corporations.

For this to happen, first and foremost, the transition has to be fair to Global South countries. It should be based on the foundations of ecological justice, democratic participation, and decentralization, and allow communities to live better. Projects should therefore be designed with local interests in mind. The projects should be socially owned, renewable energy-powered, and worker and community empowering. Human rights standards should be guaranteed, and the rights of women, indigenous communities, minorities, LGBTQIA+, youth, poor, peasant, and other marginalized communities must be centered. Communities should have the right to say no, and Free, Prior, and Informed Consent (FPIC) principles should be upheld. In other words, a just and equitable energy transition needs to be fundamentally rooted in human rights and it needs to exist within the boundaries of planetary limits<sup>13</sup>.

Last but not least, countries in the Global South should also benefit from the transition by defining their path towards emission reduction and access to energy. It is not only the de-fossilization of the energy matrix that is required, but also the pursuit of a national development model that responds to the socioeconomic and environmental needs of each country, and that is based on democratic participation. These involve revising the finances, debt, and technology transfer policies.

13. Marchegiani, P & Napoli, A.: "El laberinto de las transiciones. Aportes para pensar una salida socioecológica en tiempos de crisis" Informe Ambiental Anual FARN (2023) <https://farn.org.ar/iafonline2023/>

## 2. Lithium mining and impacts

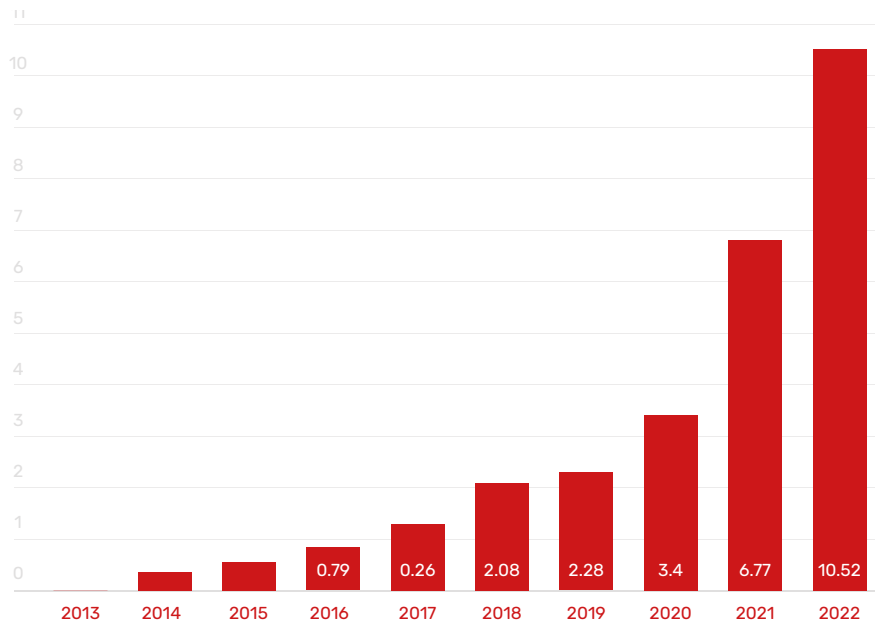
### 2.1 Rising global lithium demand

Minerals and critical raw materials are playing an increasingly important role in climate change debates and around the need for the international community to transition to a post-carbon society. In particular, this relates to the demand for electric vehicles and for components for renewable energy systems, in order to reduce greenhouse gas emissions and reduce our dependence on fossil fuels. The role of lithium as a key resource for the energy transition has put this mineral at the center of the debate. Ever since Sony launched the first lithium-ion battery in 1991, the global demand for lithium has increased significantly. This demand has exploded in recent years, as lithium is used as a battery component in products ranging from small electronic devices, such as mobile phones and laptops, to electric vehicles.

The sharply rising demand for lithium is mainly explained by the increase in the production of electric vehicles, especially 100% electric (BEV) vehicles and plug-in hybrids (PHEV). While global sales of these vehicles barely exceeded 200,000 units in 2013, it exceeded 10 million by 2022. Projections show that mineral demand for clean energy technologies would rise significantly. Taking the year 2020 as a reference, lithium demand is expected to increase about 42 times by 2040<sup>14</sup>.

14. I IEA: The Role of Critical World Energy Outlook Special Report Minerals in Clean Energy Transitions (2022) <https://iea.blob.core.windows.net/assets/ffd2a83b-8c30-4e9d-980a-52b6d9a86fdc/TheRoleofCriticalMineralsinCleanEnergyTransitions.pdf>

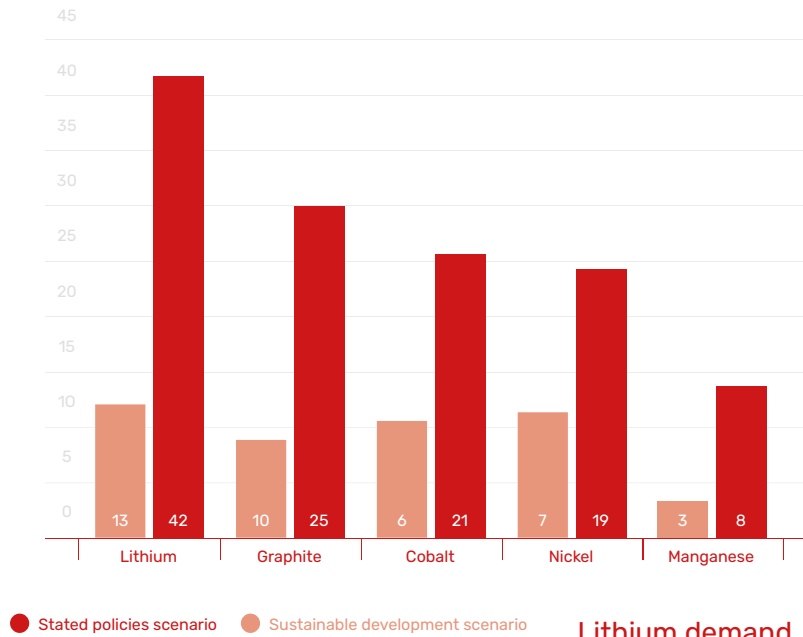
Figure 1: BEVs & PHEVs global sales 2013 - 2022



Source: EV Volumes, 2023

The rising global lithium demand is mainly a consequence of the high consumption of resources in the countries of the Global North. Hence, it is necessary to fundamentally change consumption patterns in order to curb this demand, including a drastic reduction in the consumption of critical raw materials. Indeed, if we only replaced all fossil fuel cars with electric cars, we would need more lithium than current lithium global reserves. Besides, if we would go down this road, it would mean that not only would minerals not suffice, but it would also lead to the destruction of local communities in the Global South as in the high Andean wetlands – ecosystems that today play a key contribution to the adaptation and mitigation of climate change. Also, existing asymmetries between the Global North and South will deepen even further. It is therefore key to scrutinize the numbers that are presented as the 'raw materials we need' and to look at the underlying patterns of consumption. In the case of lithium, this entails that changes in individual mobility habits and car ownership, including electric cars, are inevitable. Otherwise, we might enter a new era of global inequality.

Figure 2: Growth in demand for battery related minerals from 2020 - 2040



Lithium demand is expected to grow up to 42 times by 2040

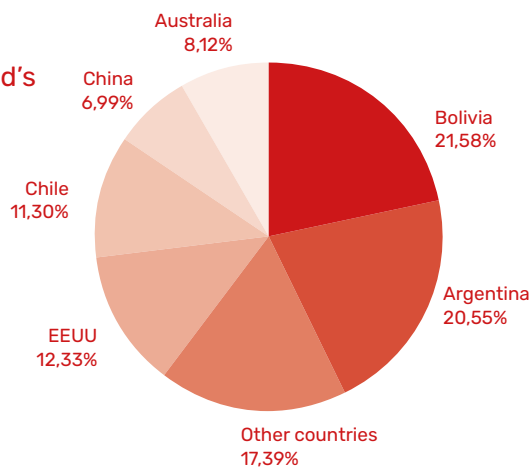
Source: IEA (2022)

## 2.2 Main actors in the lithium value chain

Figure 3: World lithium resources

53%

Argentina, Chile and Bolivia have almost half of the world's brine lithium resources



Source: U.S. Geological Survey, 2023.

Lithium supply is heavily concentrated in South America, in particular in the so-called “lithium triangle” between Argentina, Chile, and Bolivia. These three countries hold 53.1% of the world's brine lithium resources. Argentina in particular is the fourth largest lithium-producing country in the world, after Australia, Chile, and China<sup>15</sup>. This does not mean, however, that it is also these countries that have control of the supply chain. In fact, a few multinational extractive companies control the supply change of lithium.

15. FARN, Fundación YUCHAN & Wetlands International: Conservación de humedales altoandinos y una minería de litio ajustada a estándares sociales y ambientales. Programa Conservando los humedales altoandinos para la gente y la naturaleza. [https://farn.org.ar/wp-content/uploads/2021/07/DOC\\_HUMEDALES-Y-MINER%C3%8DA\\_links-FINAL.pdf](https://farn.org.ar/wp-content/uploads/2021/07/DOC_HUMEDALES-Y-MINER%C3%8DA_links-FINAL.pdf)

Five large companies have historically concentrated the world supply of lithium. These companies have historically accumulated more than 80% of what is extracted globally: Albemarle from the United States; SQM from Chile; China's Ganfeng Lithium; China's Tianqi Lithium, and US Livent.

Businesses who have recently expanded their share are companies such as the Australian Allkem (product of the merger of Orocobre and Galaxy Lithium, which has a Toyota Tsusho among its main shareholders) and other firms, such as Pilbara Minerals or AMG Lithium.

Figure 4: Major global lithium extractive companies

Albemarle (USA)

Allkem (Australia)

Jianxi Ganferng Lithium (China)

Livent Corp. (USA)

SQM (Chile)

Tianqi Lithium (China)

The growth in demand for lithium has fueled the entry of other actors onto the market. In some cases, this concerns companies that operate “downstream” in the value chain, tending towards vertical integration in the value chain, meaning that one company controls the entire process. In other cases, these are firms that have traditionally been involved in the extraction of other minerals and have transitioned towards lithium.

The great drivers of the lithium production chains are large enterprises that produce lithium-ion batteries, as well as large automobile companies. Mining projects will continue expanding as long as they have a guaranteed order portfolio to supply, for example, a gigafactory of batteries, to in turn supply automotive companies. In other words, because of the way the lithium-ion battery value chain is organized, it is the firms that operate “downstream”, such as automobile companies, that are the largest clients. Moreover, the latter are often involved in cooperating with the financing of the extractive sector.

## 2.3 The Argentine case

Argentina has seen an increased interest in lithium mining activities. In May 2023, there were approximately 40 projects in the pipeline for lithium in brine, two under operation with an expansion plan, six under construction, around ten in advanced stages, and the rest in initial exploration or prospecting<sup>16</sup>. There have also been announcements of new firms entering the scene, as well as the expansion of projects in production, despite the continued resistance of local communities and the absence of ad-

16. Argentine Ministry of Energy. Estado de la Minería en Argentina. Anuncios de inversión en el sector minero (2022) [https://www.argentina.gob.ar/sites/default/files/estado\\_del\\_sector\\_minero\\_sec-min\\_mayo\\_2022\\_1.pdf](https://www.argentina.gob.ar/sites/default/files/estado_del_sector_minero_sec-min_mayo_2022_1.pdf)

equate assessments of its environmental impacts<sup>17</sup>. In terms of foreign capital, it is especially Chinese companies and financial actors that have taken an interest in Argentina's lithium supply. Notably, four out of the six lithium mining projects under construction are partially or fully owned by Chinese capital.

17. FARN: "Llamado al cese inmediato de licitaciones, iniciativas y actividades mineras en la Cuenca de Salinas Grandes y Laguna Guayatayoc en la provincia de Jujuy" <https://farn.org.ar/llamado-al-cese-inmediato-de-licitaciones-iniciativas-y-actividades-mineras-en-la-cuenca-de-salinas-grandes-y-laguna-guayatayoc-en-la-provincia-de-jujuy/>

### Argentine legal and taxation framework that favors extractivism

In some countries in the region, lithium has a differential status from other minerals. In Argentina, however, it is treated the same as any other mineral.

The body of laws that affects the mineral extraction and taxation regime was modified during the 1990s, in a context of economic deregulation policies. During this period, the national government transferred political responsibilities to provinces (subnational states). The latter had to deal with facing the expenditures of the local health and education system – which previously came out of the national budget – without receiving the necessary resources to be able to face them. This way, subnational states find themselves fiscally strangled.

In 1993, a special tax regime was created for mining, through which the activity basically has a series of tax exemptions on national taxes that we could consider "privileged", since other activities do not have such tax benefits. However, this same regime makes it mandatory to pay royalties to the provinces. These provincial royalties are lower than the benefits that mining has from national tax exemptions and are meager in relation to what is taxed in other countries<sup>18</sup>.

In 1994, the reform of the national constitution provincialized resources. In conjunction, the Mining Code reform in 1997 placed the Provinces as regulators of mining concessions and as the environmental regulatory authority.

These factors combined lead to a situation where subnational governments have insufficient resources to finance social services, but where they can obtain royalties from granting mining concessions. This creates an incentive for accelerating their granting of these mining concessions and making environmental regulations as lax as possible. This way, the Argentinian legal and tax framework for mining exacerbates extractivism.

In view of these facts, a necessary question arises regarding the State Government role in administering their resources. Global South states are responsible for deciding what development pathway to follow and for initiating a public and comprehensive debate on protecting their environment and natural common goods, or the so called "natural resources". Otherwise, there will likely be a continuation of the focus on the primary sector and extractivism, something that has historically been a key factor in North-South relations.

18. Slipak, A. & Urrutia Reveco, S.: "Historias de la extracción, dinámicas jurídico-tributarias y el litio en los modelos de desarrollo de Argentina, Bolivia y Chile" in Fornillo Litio en Sudamérica Geopolítica, energía y territorios. Pp. 83-132 (2019)

## 2.4 The socio-environmental impacts of lithium extraction

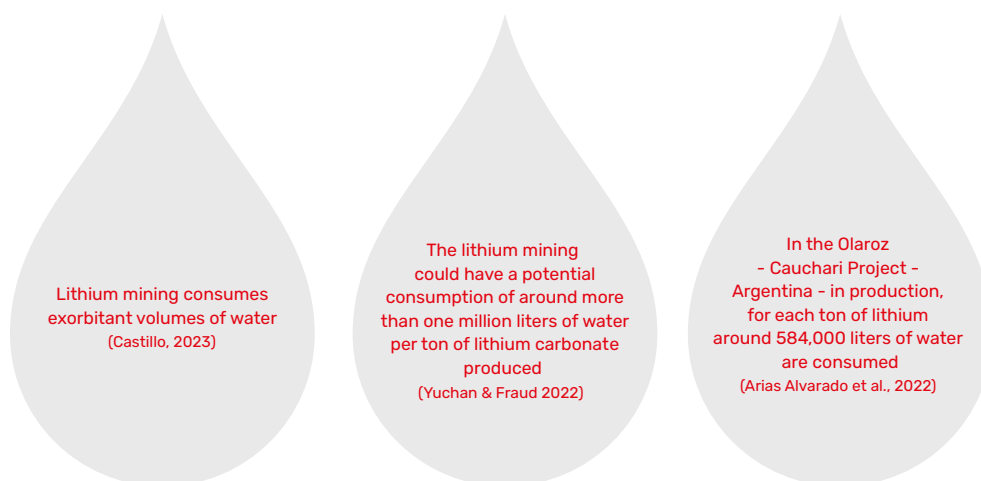
### Water

Lithium mining is not without risk. It requires the extraction of large amounts of water, which causes high socio environmental impacts in the places where it is extracted. Lithium extraction projects are located mainly in the north part of the country in the Puna and high Andean wetlands. These contain valuable and sensitive ecosystems that include rivers, lakes, lagoons, salts, and floodplains or meadows.

The wetlands are located in an extremely arid region and form highly fragile ecosystems, where the main source of water is groundwater – water found underground, in the cracks and holes of the soil, sand, and rock. In many cases, this is the only source of water for local communities and form a valuable and unique part of the biodiversity<sup>19</sup>. The lithium extraction process consumes enormous amounts of this water, and represents a risk of increased water stress in a fragile ecosystem<sup>20</sup>.

Lithium extraction should therefore be considered in the same vein as large-scale or mega-mining, because of the huge amounts of water it consumes<sup>21</sup>. The total water required for lithium extraction varies from project to project. A study for the Olaroz-Cauchari Project being carried out in the province of Jujuy, Argentina, has identified a consumption of water around 584,000 liters for each ton of lithium<sup>22</sup>. By some estimations, the consumption can amount to even more than one million liters of water per ton of lithium carbonate produced<sup>23</sup>.

Figure 5: Impacts of lithium mining around water



The continued disproportionate expansion of the lithium mining projects without reliable and scientific hydrological information to measure the water balances can cause serious impacts on the water system, an essential resource for life. For instance, the extraction of water for mining projects can also seriously affect the water quality of the aquifers and the vegetation. Lithium processing can salinize the areas where there is fresh water, and hazardous waste stored in pools affect water and soil by polluting it with chemical components and underground salts<sup>24</sup>. This can leave communities without access to drinking water and it hampers agriculture.

19. FARN, Fundación YUCHAN & Wetlands International: Conservación de humedales altoandinos y una minería de litio ajustada a estándares sociales y ambientales. Programa Conservando los humedales altoandinos para la gente y la naturaleza. [https://farn.org.ar/wp-content/uploads/2021/07/DOC\\_HUMEDALES-Y-MINER%C3%8DA\\_links-FINAL.pdf](https://farn.org.ar/wp-content/uploads/2021/07/DOC_HUMEDALES-Y-MINER%C3%8DA_links-FINAL.pdf)

20. Castillo, L. Humedales altoandinos y puneños: oro blanco, saqueo verde. Informe Ambiental Anual FARN (2023) <https://farn.org.ar/iafonline2023/>

21. Marconi, P., Arengo, F. & Clark, A: The arid Andean plateau waterscapes and the lithium triangle: flamingos as flagships for conservation of high-altitude wetlands under pressure from mining development. *Wetlands Ecol Manage* 30, 827–852 (2022) <https://doi.org/10.1007/s11273-022-09872-6>

22. Arias Alvarado et al: Estimación de la huella hídrica como indicador del consumo de agua en la minería del litio en la Puna argentina (2022). [http://sedici.unlp.edu.ar/bitstream/handle/10915/154151/Documento\\_completo.pdf-PDFA.pdf?sequence=1&isAllowed=y](http://sedici.unlp.edu.ar/bitstream/handle/10915/154151/Documento_completo.pdf-PDFA.pdf?sequence=1&isAllowed=y)

23. Fundación YUCHAN y Frau, D.: Servicios ecosistémicos vinculados a la biodiversidad de los humedales del Altiplano de la Argentina y su rol como reservorios de carbono y zonas de amortiguamiento frente al cambio climático (2022) (Internal document. Unpublished)

24. Sticco & Kwaterna: Litio: La gran controversia del oro blanco. UNSAM (2023) <https://noticias.unsam.edu.ar/2023/02/28/litio-la-gran-controversia-del-oro-blanco/>

## Indigenous Rights and Human Rights violations

Lithium mining has proven to contribute to the systematic violation of the rights of the Indigenous population, such as the right of communities to self-determination – deciding their economic, social, and cultural development without external pressure – and the right to a healthy environment for present and future generations.

An investigation by FARN<sup>25</sup> has analyzed the impacts of lithium extraction in the Olaroz–Cauchari salt flat in the province of Jujuy, and found several violations of law enforcement and the rights of Indigenous communities. These include:

25. Marchegiani, P., Höglund J. & Gómez, L.: Lithium extraction in Argentina: a case study on the social and environmental impacts. [https://farn.org.ar/wp-content/uploads/2019/05/DOC\\_LITHIUM\\_ENGLISH-1.pdf](https://farn.org.ar/wp-content/uploads/2019/05/DOC_LITHIUM_ENGLISH-1.pdf)

- Non-compliance and conditioning of the right to Free, Prior, and Informed Consent with the local Indigenous communities, owners of the territory where the projects are located.
- Lack of information and difficulty in its access to foreseeable risk factors, and their possible impacts on the environment.
- Indigenous communities' concerns related to the environmental impacts of lithium extraction have not been sufficiently taken into account.

Another recent study<sup>26</sup> on the Sal de Vida lithium mining project located in the Salar del Hombre Muerto, province of Catamarca, pointed out indigenous rights violations. These include:

26. PUCARA, FARN YUCHAN & BIC. Sal de Vida: A risky lithium mining project in Argentina (2023) <https://farn.org.ar/wp-content/uploads/2023/05/Sal-de-Vida-A-risky-lithium-mining-project-in-Argentina.pdf>

- Violation of access to information rights for local and project-affected communities, and weakness in the consultation process. The instance did not respect effective and meaningful participation of stakeholders and project-affected communities throughout the Sal de Vida project stages, breaching the regulatory and culturally appropriate standards for Indigenous and non-Indigenous communities.
- Lack of consideration of sacred ancestral sites for the Indigenous communities by the mining company. The environmental impact assessment presented did not identify any sacred sites, despite there being various sacred sites in the territory affected by the project.

In this way, the process of lithium mining in Argentina has violated the right of the local population to access information related to mining projects and the right of Indigenous communities to Free, Prior, and Informed Consent<sup>27</sup>. These usurpations of the Indigenous population go against the provisions of ILO Convention 169<sup>28</sup> – to which Argentina adheres – and the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP).

27. Castillo, L. Humedales altoandinos y puneños: oro blanco, saqueo verde. Informe Ambiental Anual FARN (2023) <https://farn.org.ar/iafonline2023/>

The process of Free, Prior, and Informed Consent allows the integration of local knowledge and consideration of the vision of Indigenous communities on mining and its impacts on their ways of life and on the environment, and the violation of this right increases social conflict around the activity. Ensuring the principle of Free, Prior, and Informed Consent of Indigenous Peoples should therefore be a key condition for any projects to go ahead.

28. OIT 169 achieves the right of communities to be consulted, ensuring the participation of indigenous peoples in a process of free, balanced, and unconditional dialogue so that they can influence, from their perception and with their opinions, state decisions





"Lithium for today, hunger for tomorrow," says the sign during a protest in Jujuy province, Argentina. Photo: CALMA Cine.

### 3. ECA financing for lithium projects in Argentina

In recent years, ECAs have slowly been making progress on the necessary path towards decarbonization, thanks in part to increased pressure and monitoring by civil society organizations. In this context, the Glasgow Statement signed at COP26 constitutes one of the main milestones in moving public financing away from fossil fuels and investing in clean energy transition.

Questions now arise about the future of ECA financing and the role that ECAs could, should, or should not play with regards to the increased demand for the so-called critical minerals necessary for the energy transition. One can already observe a growing presence of ECAs in the financing of lithium mining in Argentina. This is a cause for concern, as there are signals that in absence of a strong regulatory framework and monitoring, lithium extraction might replicate the same pattern of opaque deals and an unjust distribution of the benefits as is the case with many fossil fuel projects (Gerlo & Slipak, 2023).

Foreign ECAs from Asia, Europe, and North America are increasingly active in different lithium projects in Argentina. For example, a first example can be found in the Japanese public company Japan Oil, Gas and Metals National Corporation (JOGMEC) standing as a debt guarantor for the Japan's megabanks, Mizuho Corporate Bank in the project Sales de Jujuy. Despite the fact that JOGMEC is not considered an ECA, it fulfills several tasks almost identical to these, and provides guarantees helping to realize the Sales de Jujuy project.

In February 2023, The Korean ECA, Korea Trade Insurance Corp, both supported and invested in the construction of a lithium extraction facility from a salt lake containing lithium reserves in the Salar del Hombre Muerto, a salt flat in Argentina. The loan was received by Posco Holdings, a Korean steel-making company, for US\$520 million. As stated by the Korean ECA, this investment contributes to securing the lithium supply chain, a key material for secondary electrodes. It is expected to strengthen the competitiveness of Korean batteries and electric vehicles and will produce an amount of lithium capable of producing 630,000 electric vehicles<sup>29</sup>.

29. Korea Trade Insurance Corporation: Mubo provides financial support of \$520 million for Argentina's lithium salt lake development project (2023) [https://www.ksure.or.kr/rh-kr/bbs/i-414/detail.do?ntt\\_sn=38250](https://www.ksure.or.kr/rh-kr/bbs/i-414/detail.do?ntt_sn=38250)

The Canadian ECA, Export Development Canada (EDC), and the British ECA, UK Export Finance (UKEF), have shown an interest in developing the “Kachi Lithium Brine Project”. This emerges from a letter of interest to Lake Resources NL<sup>30</sup>. The Kachi Lithium Brine Project is to take place in the lagoon Carachi Pampa of Catamarca province and covers an entire large lithium brine bearing basin with 39 mining leases (74,000 hectares) and its estimated resources would make it possible to produce 4.4 million tons of lithium carbonate over 25 years. In October 2022, EDC & UKEF announced they might support approximately 70% of the total finance required for Lake’s Kachi Project, subject to similar standard project finance terms as UKEF. EDC indicated the ability to provide direct lending to the project up to US\$100 million, subject to sourcing requirements<sup>31</sup>.

30. Export Development Canada (2021) [https://lakeresources.com.au/wp-content/uploads/2021/09/lke\\_kachi-finance\\_28-sep-21.pdf](https://lakeresources.com.au/wp-content/uploads/2021/09/lke_kachi-finance_28-sep-21.pdf)

In terms of EU Member States, the country that is the most active in lithium extraction in Argentina so far is France. The French multinational mining company Eramet (50.1% of the shares) has a cooperation with the Chinese company Tsingshan Eternal Group (49.9% of the shares) to exploit lithium in the Centenario and the Ratones salt flats in Salta province. This could be the sign of increased European ECA involvement in lithium projects.

31. Lake Resources: Cleaner Lithium for an Electric World (2022) [https://lakeresources.com.au/wp-content/uploads/2022/10/lke\\_annual-report\\_27-oct-22.pdf](https://lakeresources.com.au/wp-content/uploads/2022/10/lke_annual-report_27-oct-22.pdf)

## 4. Conclusions and Recommendations

### Conclusions

In this report, we have examined the role of export credit agencies in a just energy transition, focusing on lithium extraction in Argentina. As we have shown, a just energy transition does not only mean a change in the energy system from fossil fuels to renewables, but it signifies a change in North–South relationships and in global energy consumption patterns. It means respecting human rights, local communities, and nature through the supply chain and it should be just and equitable, both from an environmental and from a social point of view. In this approach, the rights of communities in the Global South should be center-stage, rather than consumers and corporate interests in the North.

There is booming interest in South America’s lithium deposits located in the high Andean wetlands of Chile, Bolivia, and Argentina. At the time of writing, there are more than 40 projects in the pipeline for lithium projects in Argentina. Multinational companies, backed by international financiers, are eager to get in on the money to be made. Some of these are supported by public financial instruments such as export credit agencies. Given recent policy developments, it is likely we will only see export credit support for mining projects increase.

We believe this deserves a critical examination. The first question is, are all these resources really needed? Mining, including lithium extraction, is per definition a high impact activity. There is no such thing as “sustainable mining”; it is a term invented to mask the inevitable impacts of mining activities. For instance, lithium extraction requires enormous amounts of water, causing socio–environmental impacts in the often- arid areas where it is extracted. This leaves communities without access to drinking water and can seriously affect the water quality of the aquifers and vegetation. What’s more, as is evidenced by several investigations, lithium extraction in Argentina has contributed to the systemic violation of the rights of the Indigenous population.

Therefore, first and foremost, efforts should be made to globally reduce energy and material consumption, starting with the Global North. We are currently consuming way beyond what can be supported by our planet. For example, replacing all our fossil fuel powered cars with electric cars will be similarly impossible, for that far exceeds the number of metals and minerals available. And that is without considering the enormous cost to people and the environment that this would have. Sufficiency policies should therefore be developed in the North, starting with the EU, and measures should be taken to increase re-usage and discourage overconsumption.

The increased involvement of public finance in the form of export credits is worrying for another reason. In making the transition to renewable energy, we should be careful not to repeat the mistakes that have made fossil fuels a tool of extracting wealth for the benefit of private interests. Yet ECAs exist in their core for promoting domestic business and do not have a developmental mandate. Additionally, in the past, we have seen plenty of human rights and environmental violations in ECA- supported projects. We therefore believe export credit agencies cannot be counted on to defend the interests of local communities and respect the limits of what nature and ecosystems can support. In our eyes, they are therefore not the right instrument for advancing a just energy transition.

In mining projects, strict policies should be in place to ensure that the rights of local communities and nature are protected. Public financial instruments should be designed accordingly.

Global South countries' transition to low emissions models should be based on their own development path, which responds to their particular socioeconomic and environmental needs. It necessarily includes finding more humane, more sustainable, more resilient and, above all, more inclusive ways of cohabiting the planet.

## Recommendations

To international governments:

- Follow a people and nature-centered approach in the financing of projects.
- Introduce policies to reduce energy and material consumption starting with EU countries. This includes a substantial reduction in the consumption of so-called critical materials and rethinking mobility patterns, including changing individual mobility habits based on the electric car.
- Guarantee transparency and accountability of financing flows, specifically for public financial institutions, such as export credit agencies.
- Ensure that human rights and local and Indigenous communities are respected in the development of projects and respect the "right to say no" to mining projects on their territories. This includes ensuring that the government can guarantee the communities' participation and consultation.
- Respect the limits of what nature and ecosystems can support throughout the whole energy supply chain, including exploration, exploitation, and commercialization of minerals.

To the Argentinian government:

- Develop national policies and national economic and social development strategies linked to the elaboration of a sovereign national energy strategy.
- Improve government capacity to understand how fragile wetlands ecosystems work, conduct baseline studies and watershed models that through public information foster better decision-making and improve government control over the monitoring of extraction processes and mining companies.
- Guarantee the proper implementation of Free, Prior, and Informed Consent (FPIC) rights, by securing the access to information and guaranteeing effective and meaningful participation by the affected communities. Companies should disclose all social information and generate a framework in which companies respect international labor and environmental and human rights standards, including the Argentine legislation, regional treaties like The Escazú Agreement, OECD Guidelines for Multinational Enterprises, UN Guiding Principles on Business and Human Rights, the Indigenous and Tribal Peoples Convention No. 169 of the International Labour Organization, and the UN Declaration on the Rights of Indigenous People (UNDRIP).
- Develop and implement environmental planning and management tools (environmental cumulative impact assessment and strategic environmental assessment) for minimizing the environmental impacts of a project and/or the combination of several projects.

