In lithium world, Tianqi and Albemarle are just one entity

At present, there are two big mines from where lithium is extracted: Salar de Atacama, in Chile, and Greenbushes, in Australia. In the first one lithium is obtained from brine; in the second one, from solid rock. Over two thirds of world lithium production comes from the exploitation of these two mining ores; their simultaneous expansion under way will triple their 2017 annual production.

Lithium production (thousand tonnes in LCE) in 2017 and capacity expansion				
Sources: SQM and Albemarle Financial Statements, Commerce Indicators BCCh, BP World Energy				
2017	Salar de Atacama	Greenbushes (Talison*)	Salar+Greenbushes	World Total
SQM	48			
Albemarle	23			
Subtotal	71	80	151	**223**
	32%	36%	**68%**	
Newly authorized capacity under gradual implementation				
SQM	180			
Albemarle	145			
Subtotal	325	160	**485**	
**** Talison´s Greenbushes mining development is a joint venture between Tianqi (51%) and Albemarle (49%)***				

About the market distribution between Tianqi and Albemarle: in December 2013 Rockwood announced a **Joint Venture** agreement with Tianqi over Talison, whose main mining exploitation interest was (and is) Greenbushes. In the information delivered at that time to the securities regulatory agency in the United States[1], it was stated that when completing the 49% interest acquisition in Talison, Rockwood plans were to reach a lithium concentrate distribution agreement with Talison Australia – controlled by Tianqi – whereby it would be granted an exclusive distribution for 20 years for lithium concentrate all over the world with the exemption of China – understood as China, Hong Kong and Taiwan -, besides an offtake of lithium concentrate of up to 50% of Talison´s production for the same time period. Correspondingly, Tianqi would have the exclusive distribution in China.

In other words, the above agreement was meant to distribute lithium world market between Tianqi and Rockwood, in addition to a direct delivery of lithium production out of the **Joint Venture** to its partners. In January 2015 Albemarle acquired Rockwood and until now its financial statements have not informed about changes over this **Joint Venture** agreement with Tianqi, which should certainly be known completely by competition authorities. In its last annual financial statement, Albemarle referred as its major competitors companies such as FMC, SQM, Ganfeng and, surprisingly, its

[1] Rockwood Holdings Inc., US Securities and Exchange Commission, FORM 10-K for Fiscal Year ended Dec 31st, 2013.

strategic partner in Talison, Tianqi. Moreover, it pointed out that the lithium mineral they were getting from Talison was being processed in recently acquired plants based in China[2].

To Tianqi, Talison and its Greenbushes expansion are essential to be able to have access to lithium; to Albemarle, its now improved standing in Salar de Atacama, the great alternative mining ore with scale and low costs, allows it to efficiently and credibly face the growth challenges taking place in this industry. However, how could Albemarle competitively operate in this world when it has previously agreed upon a lithium world market distribution with Tianqi, as long as Talison is concerned? Given the relative importance of Talison, to start with, and that one of China´s own consumption weight and its regulated market access via Tianqi, to make matters worse, is it really possible to expect competition between these two firms, Albemarle and Tianqi, when all incentives point into the other way?

It is under this scenario that Tianqi intends now to acquire 24% of SQM, the other relevant player in this market.

About the competition laws to be reckoned with: Under United States **Clayton Act**, a firm cannot have an equity stake bigger than 10% of a competing one, and even in the hypothetical case it had some shares, those should be held for investment purposes only, readily tradeable and not eligible to make use of its rights so as to have an impact in the competitiveness of the market. Even though Tianqi is not an American firm, Albemarle is so indeed. In fact, Albemarle with this instrumental **Joint Venture** agreement with Tianqi could be directly benefitted out of the transaction as described above. Furthermore, CORFO[3] could reach and inform the United States Department of Justice about a potential change in the competitive scenario of which Albemarle could not deny knowledge nor its possible beneficiary and instrumental dual role through the **Joint Venture** already mentioned.

In the Chilean case, even though recent changes in its Competition Law DL 211 went short of prohibiting cross investments of 10% or more of equity participation in competing firms, it requires them to be informed to authorities, due to their anti-competitive potential, and could eventually be challenged under Article 3 of said Law for not allowing, restricting or making more difficult free competition, or just having the tendency to undergo such effects.

The abovementioned issue is also valid for the present investment of Nutrien, formerly PCS, in SQM. Its sale should have been done long ago, but what cannot happen again is that this equity interest was to be acquired by its competitors, for the sake of Chile and particularly CORFO, directly affected by this profound backward evolution that could impact the competitive nature of lithium market.

It would be a real tragedy for Chile if the productive capability of Salar de Atacama, which could well represent 50% of lithium world market, were to be handicapped under this questionable process. And much more so if Chile were to be transformed into the vehicle that could allow others to structurally damage competition in the lithium market.

Manuel Cruzat Valdés June 25th, 2018

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[2] Albemarle Corporation, US Securities and Exchange Commission, FORM 10-K for Fiscal Year ended Dec 31st, 2017.

[3] Chilean State Agency that manages lithium extraction from Salar de Atacama, among other responsibilities.