

Sal De Vida – Development Briefing

Lithium has recently become one of the world's most desired natural resources. Although it has been used for decades in various industrial activities, its exponential growth stems from its transformation into an essential input for the manufacture of batteries for electric vehicles, the storage of renewable energies, and the transition to a low-carbon economy.

With more countries implementing their transition to renewable energy, the demand for lithium-ion batteries is increasing rapidly, contributing to reducing our dependence on fossil fuels and, therefore, helping to mitigate climate change.

Argentina is one of the countries with the greatest potential to benefit from the growing interest in the resource, since, together with Bolivia and Chile, it is part of the "lithium triangle". These three South American countries account for 53% of the known world reserves as of 2022. Argentina ranks fourth in the world in terms of the lithium natural reserves it possesses. Its available lithium is mainly concentrated in three provinces: Catamarca, Salta, and Jujuy.

The mining industry is a sustainable economic development alternative for Argentina and its provinces, with the potential to produce important transformations through the development of a wide network of local suppliers and infrastructure works while respecting the environment and Indigenous peoples. Lithium mining plays a strategic role in the country's development, however, taking advantage of this natural resource presents challenges that must be carefully evaluated and mitigated.

To transform this non-renewable capital into environmentally sustainable and socially inclusive wealth, projects need to manage social and environmental risks according to the best international standards. In addition to managing risks, projects should incorporate actions that benefit local communities and the country. An institutional framework and coordination mechanism are also needed to align the incentives of the various stakeholders in the extractive industries along the entire value chain so that projects get implemented responsibly and promote the generation of shared value.

Specifically, it is essential to have multi-stakeholder initiatives and mechanisms that integrate the efforts by the government, industries, and civil society and to strengthen spaces for local community involvement in sectoral governance, covering all stages of the life cycle of extractive projects. Moreover, communities' human rights must be safeguarded and impacts on ecosystem services managed in an integrated fashion, taking into account the water-energy-land nexus.

IDB Invest is committed to the sustainable development of Latin America and the Caribbean through the private sector and has begun a due diligence process to finance the Sal de Vida Project, which consists of the construction and operation of a lithium mine in the Salar del Hombre Muerto located in the province of Catamarca, Argentina. The project will be operated by Galaxy Lithium S.A., a subsidiary of Allkem Limited, the world's fifth-largest lithium producer. The project is located within the Salar del Hombre Muerto Key Biodiversity Area.



IDB Invest's role is essential to support the sponsor in adopting sound environmental, social, and corporate governance practices throughout the project cycle, consistent with international best practices. The project is aligned with the IDB Group's Action Plan on Climate Change 2021-2025, which focuses on supporting the region's need for financing low-carbon and climate-resilient development.

Through this project, IDB Invest will seek to: actively support low-carbon and climate-resilient private sector development in Argentina; help Argentina's lithium mining industry to further integrate and contribute to the global market; foster national and regional economic development in areas far from productive centers, expand community development programs; generate new economic opportunities for the region's inhabitants through the recruitment of local labor, training, the development of a network of local suppliers and infrastructure works; and safeguarding the environment and indigenous peoples.

As part of its involvement in the project, IDB Invest will take advantage of the close collaboration and lessons learned in the framework of IDB technical assistance activities focused on strengthening the performance of the Argentine public sector in the strategic management of the lithium industry, in alignment with the goals of the Strategic Plan for Argentine Mining Development and the Argentina Productive Plan 2030. This includes strengthening the technical, environmental, and social capacities for lithium resource governance and fostering continuous improvement in the development of productive capacities around this resource.

The project has been classified as Category A under IDB Invest's Environmental and Social Sustainability Policy, due to potential environmental and social risks and impacts related to water use in an arid region; biodiversity; the project's relationship with local communities and indigenous peoples; the assessment of cumulative impacts of other existing and planned developments in the area; existing working conditions; contractor management; transportation safety; and stakeholder engagement.

As part of the environmental and social due diligence process, IDB Invest will visit the project area and carry out a comprehensive assessment of its main characteristics and potential social and environmental risks following its Environmental and Social Sustainability Policy and internal procedures and guidelines.