

NEWSFLASH

Formation of the decentralized public entity “Litio para México”

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On April 20, 2022, the Mexican Congress passed an amendment to the Mining Law, providing that lithium will now be considered as owned by the Mexican government and that the rights to such substance may no longer be the subject of concessions, contracts, or administrative acts for the benefit of private parties. For this reason, it was determined that the exploration, exploitation, benefit, and use of lithium would correspond exclusively to the Mexican State, through the decentralized public entity to be created for this purpose.

To comply with the foregoing, on August 23rd, the President of the Republic published a Decree creating the decentralized public entity named Litio para México (Lithium for Mexico, in English) (the “Decree”). Said entity must begin its functions no later than January 30, 2023.

The specific purposes of Litio para México include the exploration, exploitation, benefit, and use of lithium which is located within the national territory, as well as the administration and control of the economic value chains of said mineral. The foregoing will be coordinated by the Deputy Department of Planning and Energy Transition of the Department of Energy.

The principal powers of this public entity are as follows:

- 1** Develop and execute engineering projects, research, geological activities, and all those in connection with the purpose of the organization.
- 2** Research and develop the technology required in the lithium industry.
- 3** Locate and designate the geological areas in which there are probable lithium reserves, as well as to generate basic geological information on lithium located within Mexican territory.
- 4** Promote sustainable use of lithium for the energy transition, for the benefit of the population in general.

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- 5 Manage and control the necessary activities for the production, transformation, and distribution of lithium derivative products, for which it may associate with other public and private institutions.

In relation to this last activity, the possibility of the participation of the private sector seems to be left open. José María Lujambio, partner and director of the energy practice at CCN, was quoted in an article in the newspaper El País commenting on the matter, where he considered that the Decree is ambiguous, given that the words “company” or “organizations” are not mentioned, but only “public and private institutions”.

CCN will follow up on the implementation of the Decree and will publish further updates on this topic as such become available.

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