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'There's no lack of interest from Chinese investors in green hydrogen'

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A senior Chinese official urged his country's investors to become more involved in Chile's nascent green hydrogen sector.

Beijing's ambassador to Santiago, Niu Qingbao, said that while his country did not have an associated investment strategy, [green hydrogen](#) – along with renewables and lithium – presented opportunities for Chinese firms and that they should embrace them.

"There's no lack of interest from Chinese investors in green hydrogen," Niu said during a conference hosted by Fundación Chilena del Pacífico, a public-private organization tasked with supporting Chile's economic insertion into the Pacific Basin.

Citing China's technological resources, he added: "I wish to encourage Chinese investors to do more business in green hydrogen in Chile."

European, North American and local firms are leading the green hydrogen charge in Chile. A [pilot project](#) is under construction as engineers work on design blueprints and offtake agreements for various others targeting both the [domestic](#) and [export markets](#), chiefly Europe.

The country's goal is to install 25GW of electrolysis capacity by 2030 and become a low-cost green hydrogen heavyweight.

In the Chilean energy space, China has been [expanding its footprint](#). Firms have obtained [grid assets](#) and recently, as part of a [consortium](#), won a contract to build and operate the US\$1.5bn [Kimal-Lo Aguirre](#) HVDC power line. Last year [EDP Renewables](#), linked to [China Three Gorges](#), announced the acquisition of a 628MW wind and solar portfolio in Chile, and in 2015 [State Power Investment Corporation](#) bought Australian firm [Pacific Hydro](#) for US\$3bn, including Chilean assets worth around US\$500mn.

During the seminar, former Chilean president Eduardo Frei Ruiz-Tagle also referred to green hydrogen.

"Chile is going to be a big producer of green hydrogen, especially because of the [renewable energy developed](#), so therefore we have another strong sector for collaboration between companies to industrialize the country more," Frei said.

He also referred to opportunities in the [lithium-processing](#) space and the possibility of adding value instead of exporting only raw materials.

"I think we have a huge responsibility, as a country, to continue working with China," Frei said.

"Chile is a major producer of raw materials, but Chile is also a country that wants to industrialize and export manufactured products."

Chile is the world's second largest lithium producer after Australia but is at risk of losing its place to Argentina by the end of the decade amid a lack of clarity over President Gabriel Boric's plans for the sector, US policy researcher Andrew Sady-Kennedy told local paper Diario Financiero. Sady-Kennedy, who authored a lithium supply chain report for US officials, said the Chilean government needed to clarify whether a planned state lithium company would compete with private sector operators or subsume them.

Two private companies currently have concessions to extract lithium in Chile: local player [SQM](#) and US firm [Albemarle](#).

The Boric government has said it plans to create a national lithium company, to implement a state policy for the governance of salt flats and to set up a lithium research [center](#), forming public-private partnerships.

DOING BUSINESS IN CHILE

Referring to Sunday's [constitutional plebiscite](#), Niu said Chile was in "a very important moment of transition" and that Chinese firms remained upbeat on the country's economic and [investment](#) prospects.

The government, he said, had "repeatedly expressed a welcome to foreign investors" and pledged orderly reforms, to support legal certainty.

"From a long-term perspective, I have high confidence in Chile's economic development and business environment," Niu said.

The constitutional rewrite process was sparked during the social protests of 2019, with better healthcare, pensions and education among central demands.

Polls indicate voters will reject the draft text, which emphasizes the rights of the environment, women and indigenous groups but also contains deep changes to the legal and political systems which opponents say will foment division and [instability](#) and potentially hamper [decarbonization](#) investment.

In a faction-driven process, the left-leaning body elected to draft the document passed articles that, for example, replace the senate, create parallel justice systems and decentralize tax policy. A controversial proposal to nationalize natural resources was rejected.

On a related theme, Niu was asked about his views on investment-screening mechanisms that have been proposed by some lawmakers and opinion-leaders amid concerns over heavy Chinese investment in strategic sectors of Chile's economy, such as energy.

"My observation is that the reason why some people have raised this issue is due to the lack of knowledge of Chinese companies," he said. "Chinese companies are also companies: they operate according to market rules and economic logic; they make their own decisions without intervention from the Chinese government. Chinese companies in Chile have always been open and transparent."

CHILE-CHINA TRADE

Chile and China have strong economic links. The Chile-China free trade agreement was signed in 2005, the first inked between China and a Latin American country and the first signed between China and a single country.

In January-June, Chilean exports to China grew 25.2% to US\$20.6bn, accounting for around a quarter of Chile's total, according to government trade department data. Chile, meanwhile, imported US\$13.1bn from China, up 24% year-on-year.

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