

PROJECT ABSTRACT

Project number	RG-0053
Project name	Uruguaiiana Gas Pipeline Project
Country	Regional
Sponsors	Nova Gas Internacional S.A., Tecgas N.V., Compania General de Combustibles S.A., CMS Gas Argentina Co. S.A., Petronas Argentina S.A.
Total project cost	US\$ 160 million
IDB participation	IDB A-Loan: US\$ 35 million IDB B-Loan: US\$ 35 million
Department	Private Sector Department
Status:	Approved by the Board of Executive Directors
Date:	February 2, 2000

Project Description:

The Uruguaiiana Gas Pipeline Project (the “Project”) consists of the construction, operation and maintenance of a natural gas pipeline of 440 km in length from Aldea Brasileira in the Province of Entre Rios, Argentina, to Paso de Los Libres on the border between Brazil and Argentina, crossing the international bridge on the Uruguay River.

The Project will be developed by a special purpose company, namely Transportadora de Gas del Mercosur S.A. (“TGM”) under the realm of the license of Transportadora de Gas del Norte S.A. (“TGN”) following a project finance structure. TGN is one of the two privately-owned natural gas transportation companies, which are created as a result of the privatization of Gas del Estado in 1992. TGN holds a 35-years license granted by Government of Argentina that provides an exclusive right to operate a natural gas transportation system in the northern and central region of Argentina, including the Buenos Aires Province.

The primary objective of the Project is to provide transportation service of 2.8 million m³/day of natural gas to be delivered to a 600 MW combined cycle thermoelectric power plant located in the city of Uruguaiiana, State of Rio Grande do Sul in southern Brazil, which will be constructed simultaneously. The project company has entered into a Gas Transportation Agreement with YPF, which is responsible to supply gas from its reserves to the Brazilian parties.

Total project cost is estimated at US\$160 million. This estimated cost covers all project costs, including capital expenditures, operating expenditures, financial fees and expenses, interest expenses, taxes, and project contingencies. The financial plan contemplates an IDB A loan of US\$ 35 million and an IDB B Loan of US\$ 35 million. The remaining project costs will be financed with sponsors’ equity and other sources of debt financing.

Project Highlights:

As the proposed pipeline is designed to supply natural gas to a combined cycle power plant in Brazil, it will be the first direct interconnection of the hydrocarbon transportation network systems between Argentina and Brazil.

The Project's design also contemplates a future expansion through the continuation of the gas pipeline from the city of Uruguaiana to other fast growing energy consumption areas located in southern Brazil, including the capital of the State of Rio Grande do Sul, Porto Alegre. The Project provides regional economic integration, as it will export natural gas from Argentina that will serve as input for the generation of electric power in Brazil.

The pipeline's trajectory will be in the SW to NE direction, running parallel to existing easements, as are national routes 18, 12, 127 and 14, which join the towns of Aldea Brasileira and Paso de Los Libres. The aforementioned roads pass near the towns of Aldea Brasileira, Aldea María Luísa, La Picada, El Pingo, Sauce de la Luna, Federal, Los Conquistadores, and San Jaime, in the Province of Entre Rios. In the Province of Corrientes, it passes near the towns of Cuatro Bocas, Libertad, Pucheta, Bonpland, and Paso de Los Libres. The pipeline will run adjacent to these roads while maintaining an average distance of 800-1000 ft./250-300 m., which will be further increased near cities and towns to systematically avoid close proximity. The pipeline will primarily pass through flat fields adjacent to the highway, scarce forest-like portions, and numerous rivers and streams.

The principal potential environmental and social impacts associated with the Project and their proposed mitigation measures are presented in the Environmental and Social Impact Brief (ESIB) as well as in the Environmental Impact Assessment (EIA), which are both available at the Bank's internet website.