

PROJECT ABSTRACT

Name of the Project:	ATE II Transmission Project
Country:	Brazil
Sponsors:	Abengoa S.A. (Spain)
Project Cost:	Approximately US\$406 million
IDB Participation:	IDB A-Loan US\$ 60 million IDB B-Loan US\$ 10 million
Department:	Private Sector Department (PRI)
Status:	IDB Mandate Letter executed in August 8, 2005
Date:	August 11, 2005

I. Project Description.

The project comprises the development, construction, erection, commissioning, operation and maintenance of a 1,200-Megawatt (“MW”), 937-kilometer (“km”) 500-kilovolt (“kv”) energy transmission line from the *Colinas* Substation (in the State of *Tocantins*) to the *Sobradinho* Substation (in the State of *Bahia*), crossing Brazil’s Northern/Northeastern areas (the “Project” or “ATE II”). The Project also includes the construction and electro-mechanical assembly for: (a) the enlargement of three already existent substations: (i) *Colinas* located in the State of *Tocantins*, (ii) *São João do Piauí* located in the State of *Piauí*; and (iii) *Sobradinho* located in the State of *Bahia*, and (b) the new substation *Ribeiro Gonçalves* located in the State of *Piauí*. Construction of the Project is expected to begin in October/November 2005 and commercial operation in March 2007.

In September 2004, ANEEL launched through Leilão No. 002/2004-ANEEL (“Bid Notice”) a public bidding process to grant in concession the Project. On November 18, 2004, ANEEL declared *Abengoa S.A.* (the “Sponsor” or “Abengoa”) the winner of the bidding process. Pursuant to the bidding documents, the Sponsor needs to: (i) incorporate a special purpose vehicle under Brazilian law for rendering the transmission services under the concession contract; and (ii) provide a construction schedule and a budget for the construction of the Project. The Sponsor has complied with the above-mentioned obligations and the Concession was executed on March 15 2005.

II. Project Benefits

Brazil’s electrical system is predominantly based on hydro energy. A major drawback to a heavily dominated hydro system is the emphasis it places in the transmission system to deliver energy for long distances. The introduction of the Project is vital for the integrated system, due to its location and its role in the system, as it will increase in 1200-MW the transmission capacity of the Northeastern Region of Brazil. As such, it makes the Brazilian interconnected system more reliable and with greater capacity. The Project will take advantage of non-utilized energy

generated in different regions of Brazil as being part of the SIN, in particular from the Tucuruí Hydropower plant - Phase II (in operation by mid 2006).

In accordance, the Project is deemed an important solution to the energy needs of the Northeastern Region. The region's energy balance was relying on new plants in the State of *Tocantins*, and the expansion of current interconnections. Given the uncertainty with respect to the entrance in operation of such power plants as well as their long-term construction period, expansion of transmission capacity is the most effective solution.

III. IDB Participation

Transmission line projects require long construction periods and high capital costs. As a consequence, the viability of these projects relies critically on long tenors and a financing structure typically not available from private lenders. The participation of the Bank is necessary to structure terms and conditions for the project, which are compatible with the required amounts and duration period of the investment program and its long repayment profile. As such, the Bank's long term financing through the A-Loan and mobilization of long-term funding from commercial banks through the B-Loan is critical to bring this type of infrastructure project to fruition.