

PROJECT ABSTRACT
URUGUAY
MONTES DEL PLATA
UR-L1068

Name of Project:	Montes del Plata
Country:	Uruguay
Borrower:	Celulosa y Energía Punta Pereira S.A. (CEPP) and Zona Franca Punta Pereira S.A. (ZFPP)
Sponsors:	Celulosa Arauco y Constitución S.A. (50%) and Stora Enso Oyj (50%)
Industrial Facilities Project Cost:	Estimated at approximately US\$2.3 billion (including development costs, CAPEX and interest during construction)
IDB Participation:	IDB A-Loan: US\$200 million IDB B-Loan: Between US\$250 million and US\$400 million.
Department:	Structured and Corporate Finance Department/Industries and Services Division
Date:	July 14, 2011

Project Description

Montes del Plata is a project to develop an eucalyptus plantation-based pulp production plant (“Montes del Plata” or the “Project”). The Project includes the construction and operation of a pulp mill, including, a 160MW bio-mass electricity generation plant, and infrastructure such as a fluvial port terminal and barge terminals with a wood yard and chipping plant (the “Industrial Facilities”). The Industrial Facilities will be located in a free trade zone established in Punta Pereira, 190 km. west of Montevideo.

IDB will provide financing to the Project’s Industrial Facilities. The latter are assets of CEPP (for the pulp mill and ancillary facilities) and ZFPP (for the port and free-trade zone related facilities), which are part of the Montes del Plata Group.¹

The Borrowers will produce 1.3 million air dried tons (“adt”) of eucalyptus plantation-based pulp per year. The Project’s plantations are located throughout Uruguay.² Feedstock for the plant will be sourced from approximately 150,000 ha. of planted land, 75% of which will be owned and 25% of which will be leased. Approximately 100,000 ha. (90,000 ha. owned and 10,000 ha. leased),³ are already planted with eucalyptus.

Development Impact

The Project will add value to renewable forestry assets in Uruguay by producing pulp and energy following high environmental and social standards.

Given its size, Montes del Plata has a strategic importance for the development and positioning of Uruguay’s forest products sector. The Project will also have a significant effect on the country’s GDP and balance of payments, will drive significant job creation, and will promote sustainability practices.⁴ During operations, the Project is expected to contribute around US\$747 million a year to Uruguay’s GDP (2.4% of 2009 GDP). Montes del Plata exports are expected to reach US\$697

¹ Montes del Plata is a trade name that encompasses the Project Borrowers and Subsidiary Guarantors, but is not a legal entity.

² Montes del Plata plantations are located in Flores, Durazno, Río Negro, Soriano, Paysandú, Rivera and Tacuarembó.

³ Data as of December 2010.

⁴ The Project plantation area represents approximately 25% of the country’s total eucalyptus plantation area.

million p.a. (approximately 11% of Uruguay's total exports in 2009). The Project will create 5,800 and 5,350 jobs during construction and operations, respectively.⁵ Furthermore, the pulp mill will also produce 160 MW of renewable energy, approximately 70 MW of which exceed internal needs and will be supplied to the national grid or to other industrial users.⁶

IDB Role

IDB financing will provide a longer tenor than that available in the commercial bank market and will mobilize additional commercial bank financing through a B-Loan. Moreover, IDB will foster the industry's best practices and will monitor the Project's compliance with international environmental standards during the life of the IDB Loan.

⁵ Construction: 3,200 direct, 1,600 indirect and 1,000 induced jobs. Operations: 350 direct, 3,200 indirect 1,800 induced jobs.

⁶ Subject to a final agreement with UTE the state-owned utility. The 70 MW available for the national grid or for an industrial user will be the largest non-traditional energy private contract in place at such time, and represents approximately 3% of Uruguay's current generation capacity.