

PROJECT ABSTRACT

Project number	AR-0235
Project name	Transportadora del Gas del Sur
Country	Argentina
Sponsors	Transportadora del Gas del Sur
Total project cost	US\$1,400 million
IDB participation	IDB A-Loan: US\$75 million IDB B-Loan: US\$300 million
Department	Private Sector Department
Status	Approved by the Board of Executive Directors
Date	October 14, 1998

The Project consists of the partial financing of TGS's capital investments for the next five years. TGS's investments are dedicated to expanding the Company's transportation system and gas processing facilities, to maintaining the reliability and safety of the pipeline and processing facilities, to implementing the most advanced technology in the operations and administrative areas, and the acquisition and/or development of additional upstream gas service assets.

The company is expected to invest an average between US\$100 million and US\$200 million annually during the next 5-year period. These investments represent twice as much as the long-term infrastructure investment needs that would be required to replace TGS's asset base. Thus, the IDB financing will be utilized for infrastructure expansion and not solely to cover capital expenditures for assets replacement. TGS is requesting Bank's financing of approximately US\$75 million and a sale of B Loan participations to U.S. institutional investors of approximately US\$300 million to initiate its capital expenditure plan. A significant portion of the remaining amount of the capital expansion program will come in the form of additional debt and retained earnings. Additional debt would be raised on a long-term basis by using the proposed financing as a benchmark to continue accessing the market with tenor and pricing consistent with the nature of TGS's capital intensive business.

As an example, between 1998 and 2001, TGS will invest US\$37 million in the expansion of the Neuba II pipeline which will increase its capacity in 2000, and consists of (i) 78 km looping of pipes; and (ii) an increase of compression capacity. The Cordillerano pipeline will be also expanded, and approximately 500 km of the San Martín pipeline will be enhanced with additional compression capacity. TGS also intends to expand its upstream gas treatment and field compression services as well as its pipeline construction, engineering and operation related services by investing approximately US\$87 million during the 1998-2002 period.