

## **PROJECT ABSTRACT**

**Country:** Bolivia  
**Project Name:** Transredes S.A. (2001-2005 capital expenditures)  
**Project Cost:** Up to approximately US\$463<sup>1</sup> million  
**Financing Plan:** Up to US\$75 million A-loan  
Up to US\$50 million B-loan  
**Status:** Loan Proposal  
**Date:** November 5, 2002

### **I. INTRODUCTION**

- 1.1 The transaction considered by the Bank consists of the financing of Transredes S.A. (the “Company” or “Transredes”) 2001-2005 investment program to maintain and expand its delivery capacity of gas from Bolivia for exports to Brazil, and also to accommodate growth in demand for the delivery of both gas and liquids in the Bolivian market (the “Program”).
- 1.2 Transredes holds non-exclusive concessions for the operation and expansion of its domestic and export gas and liquids pipeline systems (the “Concessions”). The Concessions are for 40 years, subject to the Company’s compliance with the terms of the capitalization agreement, under which Transredes was transferred to the private sector in 1997 (the “Capitalization Agreement”), as well as all applicable regulations regarding transportation, operations, environmental protection and technical and safety norms.

### **II. PROJECT SUMMARY**

#### **A. The Program**

- 2.1 Currently Transredes owns and operates more than 3,000 Km of gas pipeline with a transportation capacity of approximately 670 million cubic feet per day (mmcf/d), as well as 2,300 Km of oil and liquids pipelines.
- 2.2 The Program will be characterized by a sequential series of discrete projects designed to build-out the gas franchise as gas volumes increase, primarily under the export agreements to Brazil. The majority of the program is specifically linked to the volumetric increases expected and the corresponding need to expand the gas system capacity. The gas expansion configuration extends between Yacuiba in the south of Bolivia to Rio Grande in the center where Transredes’ pipeline connects to the Bolivia-Brazil pipeline; the liquid expansion configuration extends between Yacuiba, Santa Cruz, Cochabamba, and down to the Chilean

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<sup>1</sup> Best estimate to date and include assumptions that are subject to change.

- border (to Arica). The program also includes the capital expenditures for continuity of services, which are essential to maintain the integrity, safety and reliability of the gas and liquids transportation networks.
- 2.3 The gas expansion works will, to a greater extent, consist of the addition of parallel looped pipe sections on existing rights of way and in the refurbishment and expansion of compression stations.
- 2.4 Most of Transredes' investment program will be implemented as long-term firm contractual commitments are effectively signed for gas transportation to deliver gas from the production fields in the south of Bolivia to Rio Grande, which is the connecting point to the Bolivia to Brazil pipeline. The expansion to be undertaken under the Program would provide incremental volumes of possibly up to 1,060mmcf/d within Bolivia to the Bolivia-Brazil pipeline.
- 2.5 The liquid component of the capital expenditure program is similarly designed to facilitate the transportation of incrementally higher volumes of liquids overtime. The expansion will take the system to approximately 71,000<sup>2</sup> bbls/d from current 50,000 bbls/d.

### **III. THE COMPANY**

- 3.1 Transredes, Transporte de Hidrocarburos Sociedad Anónima, Bolivia's hydrocarbons transportation company, was created in May 1997 under the State's capitalization process which transferred to the private sector the natural gas and liquids transportation pipelines and associated facilities of YPFB.
- 3.2 Under the Capitalization Agreement dated May 16, 1997, TR Holdings Ltda. (a consortium of Enron Transportadora (Bolivia) S.A. and Shell Gas (Latin America) B.V.) acquired through an international bidding process a 50% interest in Transredes, where TR Holdings Ltda. has the management control of the Company. Other investors in the Company include two private Bolivian pension funds, AFP Futuro de Bolivia and AFP Prevision BBV (16.8% each), private international investment funds including Latin American Investment Fund Ltd. (9.6%), Fondelec Pie de Monte (4.7%), and other individual and institutional investors.
- 3.3 Transredes pipeline network can be divided into northern and southern systems. The northern system serves the cities of La Paz, Cochabamba, Oruro, and Santa Cruz. The southern gas system originates at Yacuiba on the Argentine border and extends approximately 442 km north to Rio Grande and serves the cities of Sucre, Potosí and Tarija. The southern system's importance is based on its proximity to the recently discovered gas fields of Margarita, San Alberto and San Antonio in the Gran Chaco province, department of Tarija.

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<sup>2</sup> See footnote 1

- 3.4 Transredes also provides operating services to Gas TransBoliviano S.A. (the Bolivian section of the Bolivia-Brazil pipeline), Gasoriente Boliviano (the Bolivian section of the export pipeline to Cuiaba) and YPFB's seaport terminal in Arica, Chile.
- 3.5 Transredes has 391 employees, 99% locally hired and employs approximately 1,200 contractors primarily to execute maintenance and non-recurring fieldwork.