

PROJECT ABSTRACT
STRUCTURED AND CORPORATE FINANCE

AUGUST 28, 2009

Country:	Chile
Sector	Energy
Project Name:	Energia Pacifico Biomass Project
Project Number:	CH-L1056
Borrower:	Energia Pacifico S.A. (EP)
Sponsors:	Empresas Coipsa S.A. (Empresas Coipsa), Compania Papelera del Pacifico (CPP)
Proposed A Loan:	Up to US\$6.6 million
Status:	Due diligence

PROJECT DESCRIPTION

The project consists of a 15.6 MW biomass cogeneration plant to be located in San Francisco de Mostazal, in Chile's VI Region, approximately 60km south of Santiago (the Project). The loan will have a tenor of 12 years. EP was established for the sole purpose of building and operating the plant. EP is a subsidiary of Empresas Coipsa S.A. (Empresas Coipsa), a Chilean firm founded in 1985 that is the parent of a group of companies that recover, recycle, process and manufacture paper, cardboard and other related products. EP's shareholders are Empresas Coipsa S.A. (62%) and its subsidiary CPP (38%).

In addition to its power generation capacity of 15.6 MW, the plant will produce 297,500 tons of steam for industrial purposes. EP will sell approximately 45% of its net electricity output and 100% of its steam output to CPP, the largest company within the Coipsa group, through a long-term take-or-pay power purchase agreement (PPA). The remaining electricity will be sold on the wholesale electricity market (the Central Integrated System, "SIC") through the electric substation at San Francisco de Mostazal. EP plans to seek greenhouse gas reduction certification and obtain carbon credits under the Clean Development Mechanism provisions of the United Nations Framework Convention on Climate Change.

The plant will burn vegetable and agribusiness waste which is abundant in the area surrounding the plant. The Project's biomass supply strategy is based on collecting waste from timber plantations, sawmills, and corn processing byproducts to be used as primary fuel, with fruit tree and vineyard pruning waste as secondary fuel.

Under normal operating conditions, EP is expected to be fully dispatched due to its low marginal costs. Furthermore, Chilean regulations authorize small plants such as EP to

self-dispatch to the grid, without getting explicit authorization to do so by the market operator.

As a result of the gas supply shortages, the energy matrix in Chile has shifted towards more costly fuel generation. This, together with the problem of drought, the closing of the Colbún thermoelectric plant due to technical problems, and the growing demand, have resulted in a wide-ranging energy crisis and price spikes of up to 5 times pre-crisis prices. Indeed, the Project is an opportunity to contribute to one of the Government of Chile's stated goals of increasing its level of energy security by diversifying its energy matrix and reducing the country's dependency on traditional energy sources.

Pursuant to IDB's Environment and Safeguards Compliance Policy, the Project has been classified as a Category B operation. IDB's Environmental and Social Strategy (ESS) for this operation is presented in a separate document.