Early Warning System

IDBI-12710-01

LD Celulose S.A.

Quick Facts

Countries	Brazil
Specific Location	Minas Gerais
Financial Institutions	IDB Invest (IDBI)
Status	Proposed
Bank Risk Rating	A
Voting Date	2019-11-04
Borrower	LD Celulose S.A.
Sectors	Agriculture and Forestry, Construction
Investment Type(s)	Loan
Investment Amount (USD)	$ 300.00 million
Loan Amount (USD)	$ 300.00 million
Project Cost (USD)	$ 600.00 million

Project Description

The proposed transaction consists of a senior secured Loan of up to U$300 million to be provided to LD Celulose S.A. ("LD Celulose"), consisting on: (i) Loan of up to US$200 million to be funded by IDB and IDB Invest in a proportion to be determine with a tenor of up to ten years, including a 42-months grace period; (ii) an IDB fund Loan of up to US$50 million to be funded by the China Co-Financing Fund for Latin America and the Caribbean with a tenor of up to ten years, including a 42-months grace period; and (iii) Loans of up to US$50 million to be funded by international financial institutions with a tenor of up to seven years, including a 42-months grace period (all together, the "Loan"). The Loan will finance part of the construction of an integrated US$1.5 billion industrial plant that will produce 450,000 ton per year of dissolving wood pulp ("DWP") that will be exported and used to manufacture textiles and non-woven fabrics, to be carried out by LD Celulose, a joint venture owned by the Austrian group Lenzing and by the Brazilian group Duratex ("the Project"). The Project will be strategically located near the cities of Uberlandia and Araguari in the state of Minas Gerais, Brazil, where soil and climate ensure ideal conditions to grow eucalyptus. The Project includes the construction of a power co-generation plant that will produce 132MW of electricity per year, of which 63.5MW will be consumed at the pulp mill, being the rest available for sale to the market. Construction phase is planned to start in early April 2020 and last for 28 months.

People Affected By This Project

The Project has been classified as a preliminary Category A operation according to IDB Invest's Environmental and Social Sustainability Policy as it involves construction and operation of a large, greenfield industrial manufacturing plant and associated facilities such as transmission line, water intake/effluent outflow pipelines, as well as ancillary eucalyptus plantation forests as input resource base.

The key negative environmental, social, occupational health and safety risks and impacts associated with the construction phase of the Project are related to: (i) influx of temporary workers; (ii) increase in traffic on local roadways generated by construction vehicles; (iii) atmospheric and dust emissions; (iv) generation of noise; (v) generation of wastewater and solid wastes; (viii) generation/handling of hazardous waste; and (ix) potential deficit in capacity of local municipalities to absorb and manage the additional pressure on social and physical infrastructure. During the operations phase, the key negative risks and impacts relate to: (i) potential impacts to modified and/or natural habitat for establishment of (additional,/if needed) plantation forests; (ii) generation of atmospheric, water and solid waste emissions; (iii) increase in traffic on local roadways generated by vehicles transporting timber and supplies; (iv) expectations from the communities in terms of employment generation, and from municipalities for support by the company; and (v) potential need to upgrade urban planning to guide the induction of urban sprawl associated with the new plant and municipal capacity to manage a rapidly changing socioeconomic environment as a result.

The sponsors have commissioned an Environmental and Social Impact Assessment ("ESIA"), and the Project has secured a preliminary environmental license ("LP"), issued by the state of Minas Gerais environmental regulator SEMAD ("Secretaria de Meio Ambiente e Desenvolvimento Sustentavel").

During the environmental and social due diligence, IDB Invest will be assisted by an independent Environmental and Social ("E&S") consultant firm. As part of the E&S due diligence, IDB Invest and the consultant will visit the site and further assess the Project's key features. The Sponsors will be required to ensure the project meets the requirements of IDB Invest's Sustainability Policy and address any gaps in the form of an action plan. In addition, an environmental and social review summary ("ESRS") will be prepared and posted on the IDB Invest website once the due-diligence visit is conducted.

Investment Description

- IDB Invest (IDBI)

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Bank Documents

- EIA_AmadeusPortuguese.pdf [Original Source]