

Early Warning System

# IDBI-13258-01

## Paracel

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## Quick Facts

| | |
|---|---|
| **Countries** | Paraguay |
| **Specific Location** | Departments of Concepción and Amambay |
| **Financial Institutions** | IDB Invest (IDBI) |
| **Status** | Proposed |
| **Bank Risk Rating** | A |
| **Voting Date** | 2022-09-30 |
| **Borrower** | Paracel |
| **Sectors** | Agriculture and Forestry, Industry and Trade |
| **Investment Type(s)** | Loan |
| **Investment Amount (USD)** | $ 200.00 million |
| **Loan Amount (USD)** | $ 200.00 million |
| **Project Cost (USD)** | $ 400.00 million |

## Project Description

The proposed transaction consists of a senior secured A Loan to be provided to Paracel S.A. ("Paracel," the "Company," or the "Client"). Other international development finance institutions ("DFIs") are expected to participate under pari-passu Co-Loans ("Co-Loans"). Total Project costs (including mill capex, forestry, and financing costs) are estimated to be US$3.6 billion and are expected to be financed with a combination of equity and long-term debt.

Paracel is a joint venture established by Copetrol (Paraguay) and Girindus Investments (Sweden), among other investors who have joined the Project afterwards. The Company is developing a greenfield kraft pulp mill and associated eucalyptus plantations (the "Project") in the Departments of Concepcion and Amambay, Paraguay. Paracel expected production is up to 1.8 million metric tons per year of Bleached Eucalyptus Kraft Pulp ("BEKP"). Paracel will be the largest industrial development and the largest private investment in Paraguay's history, as well as the first large-scale pulp mill. The Project will outsource the development of the required export outbound logistics (river and seaports).

Paracel is expected to generate approximately 220MW of renewable energy of which about 100MW are expected to be sold to the national grid. The mill will be located on a 1,200 hectare (ha) former cattle ranch 13 kilometers (km) due north of and 18 km by existing roads from the city of Concepcion, on the left bank of the Paraguay river. The Paraguay river will be the water source for the mill and the receiving water body for treated effluents.

A major Project component is the approximately 190,000 ha of former cattle ranch properties in the Departments of Concepcion and Amambay owned and to be partially converted to eucalyptus plantations (the rest to be conserved) by the Company to supply wood to the mill in future years. The mill will consume about six million cubic meters of eucalyptus wood per year once operational1. The area of influence of the eucalyptus plantation properties includes nine indigenous communities of the Pai Tavytera and Mbya guarani ethnic groups of the guarani linguistic family. In addition, the urban area of Concepcion has a multi-ethnic indigenous community in the area of influence for both the mill and plantations that is occupied by mostly speakers of the Maskoy language family. The Project will also construct ancillary facilities: i) a new substation at the mill site; and ii) a 25-km transmission line to connect the Project's substation to the national grid. The Project will also include the following associated facilities: i) six worker lodgings in the city of Concepcion, with a total capacity of 8,000 people; ii) a riverine port facility for loading pulp onto barges in Paraguay; and iii) an existing coastal shipping export terminal in Uruguay.

The Project is being designed using the best available technology. Its pre-construction phase initiated in January 2021 and construction is expected to last until November 2023, for a total of 28 months. Mill operation is estimated to initiate by the end of 2023.

## Investment Description

- IDB Invest (IDBI)

| Private Actor 1 | Private Actor 1 Role | Private Actor 1 Sector | Relation | Private Actor 2 | Private Actor 2 Role | Private Actor 2 Sector |
|---|---|---|---|---|---|---|
| Paracel | Client | Agriculture and Forestry | owns | Girindus Investment | Investor | Finance |
| Paracel | Client | Agriculture and Forestry | contracts with | Pöyry | Contractor | Industry and Trade |
| Paracel | Client | Agriculture and Forestry | owns | Zapag | Investor | Energy |

## Contact Information

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ACCESS TO INFORMATION

You can submit a request for information disclosure at: https://www.iadb.org/en/access-information/information-request

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The Independent Consultation and Investigation Mechanism (MICI) is the independent complaint mechanism and fact-finding body for people who have been or are likely to be adversely affected by an Inter-American Development Bank (IDB) or Inter-American Investment Corporation (IDB Invest)-funded project. If you submit a complaint to MICI, they may assist you in addressing the problems you raised through a dispute-resolution process with those implementing the project and/or through an investigation to assess whether the IDB or IDB Invest is following its own policies for preventing or mitigating harm to people or the environment. You can submit a complaint by sending an email to MICI@iadb.org. You can learn more about the MICI and how to file a complaint at http://www.iadb.org/en/mici/mici,1752.html (in English) or http://www.iadb.org/es/mici/mici,1752.html (Spanish).

### Bank Documents

- PARACEL-CLASSIFICATION AND ENVIRONMENTAL AND SOCIAL STRATEGY (ESS)-JUNE 28 2021 [Original Source]

### Corporate Documents

- CUMULATIVE IMPACT ASSESSMENT (CIA)

### Media

- Fila de novos projetos de celulose soma US$ 18 bilhões
- Projeto no Paraguai de US$ 3,5 bilhões atrai investidores

### Other Related Projects

- DFC-PARCEL Paracel SA Project