

## PROYECTO DE INVERSION #253

Energy forests. Biomass pellets from eucalyptus.

### Sector

RENEWABLE ENERGY

### Subsector

BIOMASS

### Brief description of the business opportunity

This project presents two profitability sources: on the one hand, producing biomass pellets using forest residue to be marketed in Argentina and abroad, and on the other, generating a store of value by buying marginal lands at very low prices, which will add a revalorization “plus” to the business due to the resulting increase in productivity. Currently, sawmill residue is used for biomass production. However, projections indicate that the price of sawdust will increase as the production of biomass pellet consolidates itself. As a result, the business model includes the purchase of marginal lands to ensure access to the main supply at costs that is lower than the market price, making this opportunity an important business with an IRR of 20.6% and a high land revaluation of 35% within a conservative scenario.

### Brief description of the product/service

Production consists in biomass pellets from eucalyptus which offer an excellent ratio of forestation to planted area, and produces wood used to generate premium-quality pellets and which is able to adapt to climate changes. Moreover, producing in one’s own land (instead of renting lands and purchasing raw materials) results in significantly lower production costs. Thus, the project’s value generation will be based on purchasing marginal lands and planting rapidly-growing, high-density trees with a view to forestation. The productive process will be carried out using cutting-edge technology and meeting strict quality standards. The average production per hectare accounts for 80 and 85 tons, with a pelletization cost ranging from US\$ 15 to US\$ 20/ton.

### Brief description of the target market(s) of the product/service

Our main target is Europe, as it is the leading biomass pellet consumer; Holland and England are the world’s main biomass consumers, followed by Poland, Denmark and Sweden. Nevertheless, the company wants to participate in the domestic market and open to new markets as well. Global demand is on the rise, and remains unmet. Argentina’s supply totals 50,000 tons, and almost 100% is destined for exports. Currently, the world’s pellet market accounts for 20 million tons per year. In 2012, Europe consumed 12.7 million tons (63%) at an average price of US\$ 240. In few words, the European market alone generates added amounts in excess of US\$ 3 billion.

### Brief description of the advantages of the company or cooperative to carry out the investment project

Our staff boasts a long-standing experience in the field. It is composed of professionals with experience in the renewable energies sector, finances and agribusiness specialized in the design, assessment and monitoring of renewable energy projects. In turn, the project owner has developed a strategic partnership with a British company –leader of the European pellets market– which will act as an official representative for the company.

### Brief description of the context of the investment opportunity

The energy market trend increases as the price of nonrenewable sources also rise due to the scarcity of reserves and the growing demand. Additionally, regulations on environmental damage show that the demand

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for biomass pellets will increase eventually. Europe has to reduce carbon emissions to comply with the Kyoto protocol, making renewable sources gain importance as substitute sources. Biomass is a strong energy source that can mitigate climate change due to its ratio of energy to carbon dioxide emissions. Apart from being cheaper than natural and butane gas, pellets cause less environmental damage. In addition, the product has a myriad of uses in several sectors, thus minimizing risks.

### More information about the investment project

**City/Area:** Chajari, Entre Ríos, Argentina

**Total amount of the Investment Project:** US\$ 4.750.000,00

**Percentage of the investment contributed by the Company or cooperative submitting the project:** 1-10%

**Minimum amount required from investor:** US\$ 237.500,00

**Payback period:** 2-5 years

**Purpose of the Investment:** New productive unit, Development of new products/services

**Destination of the Investment:** Machinery and Equipment, Vehicles and Transport Equipment, Land and Buildings, Other (specify) - -

**Investment Project's stage of development:** Business plan

**Brief description of the main stages of the project:**

Year	Amount	Destination
1	1.750.000,00	Field purchase, plantation, machinery and management
2	1.500.000,00	Field purchase, plantation, machinery and management
3	1.500.000,00	Field purchase, plantation, machinery and management
4		
Rest		
<b>Total</b>	4.750.000,00	

**Type of public incentives available for the Investment Project:** Tax breaks, Direct subsidy, Technical assistance

**Type of investor required:** Financial investor

**Preferred investment mode:** Equity

### Información de la empresa/cooperativa titular del proyecto de inversión

**Length of time in business:** < 5 years

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**Annual sales of the Company/Cooperative (in US\$ millions):** < 2

**Percentage of annual sales derived from exports:** 0%

**Number of employees:** < 50

If you're interested in learning more about this project, send an email to [bapip@mrecic.gov.ar](mailto:bapip@mrecic.gov.ar)