



German-Brazilian Initiative for Cooperation in the Infrastructure and Energy Sector

The new energy model: “Chances in the Brazilian energy sector”

30 September 2004, Siemens AG, Berlin

Minutes of Meeting

1. Welcoming remarks/ Introduction and review of the Commission's activities

Mr. El-Mahdi welcomed the participants of the Commission and especially the Brazilian guests.

A short review of the Commission's activities was held by Mr. El-Mahdi: To inform interested German companies about the potential of the Brazilian energy sector, a meeting was organized on 19 August 2004. State Secretary Schuck gave an overview on the new energy model of Brazil and the investment possibilities in concrete Transmission Lines projects. The present session was to be considered as a Follow up meeting, in order to discuss the technical aspects as well as the financing instruments of the projects.

2. Introduction of the participants

The participants introduced themselves to the Commission. Mr. Plöger apologized for the absence of State Secretary Ronaldo Schuck, who was impeded to participate in this meeting by short notice (list of the participants enclosed).

3. Presentation by Marco Aurelio Fontes, Manager Business Development, Investe Brasil

Mr. Marco Aurelio Fontes presented the major issues since the visit of State Secretary Ronaldo Schuck on 19 August 2004 and the important events of the fourth quarter of 2004. With regard to Transmission Lines, Mr. Fontes gave an overview on the current situation and the future investment possibilities: A Transmission Lines project with investment opportunities of 2,655 km will be announced in 2005. The Invitation to Bid will be in the first quarter of 2005. Additionally, 17 new hydro power plants will be announced in 2005; the Invitation to Bid will be in the first quarter of 2005 as well. Furthermore there are still possibilities in PROINFA. (Presentation attached).

4. Presentation by Nelson Siffert, Director of Electricity Department, BNDES

On behalf of BNDES, Mr. Siffert gave an overview of credit processes and financing conditions. In terms of the energy sector, he introduced BNDES infrastructure disbursements and the annual disbursements of BNDES in Transmission Lines projects. Furthermore, Mr. Siffert presented BNDES approvals in the electric power industry and their projects in 2003/ 2004. Regarding PROINFA, Mr. Siffert gave an overview of the Renewable Energy Program. Selected Projects are mainly in Small Hydro and Wind Power with a total of 2,146.5 (MW), followed by Biomass with a capacity of 574.5 (MW). Investments are possible in the Renewable Program in Wind Power, Small Hydro as well as in Biomass. Valuation assumptions are: construction terms of 12 to 18 months with a concession term of 30 years and an annual revenue between 2.275 Mio USD in Biomass and 10.016 Mio USD in Wind Power. (Presentation attached).

5. Open discussion

An open discussion on different issues followed. Among others, the financing opportunities of BNDES were explained in detail: BNDES finances up to 70% and up to 3 million USD. Moreover, German financing opportunities and activities in other countries were mentioned. As the coverage of exchange rate risks is considered to be difficult and too expensive, the issue of hedging costs was discussed very broadly. Another point of argument was the German Brazilian Investment Protection and Promotion Agreement, which has not been ratified by the Brazilian Parliament. Finally, the members of the Initiative emphasized the need of a successful *pilot project* in the Brazilian energy sector, in order to attract other German power generation companies to the Brazilian energy market.

6. Lunch 1:00-2:30 p.m.

Dr. Uriel J. Sharef, chairman on the German business side within the German-Brazilian Initiative on Cooperation in the Infrastructure and Energy sector and Member of the Corporate Executive Committee at Siemens AG, joined the group during lunch. The framework of the Brazilian energy sector as well as financing possibilities were discussed. The importance of the realization of a pilot project within the initiative was stressed.

7. Main results/ Further steps

- 'Road show' by Brazilian delegation in the respective German power generation companies
- Facilitation of Power Purchase Agreements
- Meeting with companies interested in logistics projects in the middle of November

8. Individual talks with interested companies

9. Attachments

- List of participants
- Presentations:
 - * Investe Brazil: Brazilian Energy Sector
 - * BNDES: Infrastructure Financing