

# Bioenergy Business

## Markets and finance for biomass and biofuels

Lead stories

# Uniduto plans \$1bn fund-raising for Brazilian ethanol pipeline

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Uniduto, the Brazilian pipeline developer established by the sugar cane and ethanol firms Cosan, Crystalsev and Copersucar in 2008, will begin a roadshow in February 2010 to raise \$1bn to build its proposed 570km ethanol pipeline.

The money will be raised as project finance, which is being formulated by the Itaú BBA bank. The fund-raising plan reserves 40% of the pipeline capacity of 15bn litres/year for the partners, with the remaining capacity being offered commercially.

Today, [Uniduto](#) encompasses 88 mills. Most of them linked to the three main partners, which have already invested R\$60m (\$33m) in the company, which is intended to cut the costs of transporting ethanol by replacing road transport.

According to Sergio Van Klaveren, Uniduto's executive president, the company is negotiating with other mills that want to become partners. Asked if they include any of the foreign companies investing in ethanol in Brazil, he hinted: "We do not have any foreign company as partner. Not yet". Louis Dreyfus, Cargill, Tereos and Bunge, for example, all have ethanol assets in Brazil.

Uniduto's schedule has four deadlines before construction begins in July 2010. The first is to close all the deals related to land acquisition, which is expected in October. This process is closely related to the addition of mills to the partnership, as most of the ground to be covered by the [pipeline](#) runs through sugar cane plantations. However, other mills could join Uniduto.

Engineering design and procurement is expected to begin at the end of the first quarter of 2010. The financing round is expected to be completed in the second quarter of 2010. Finally, Uniduto has to get approvals from federal and state government environmental bodies and also from Agência Nacional do Petróleo, Gás Natural e Biocombustíveis (ANP), Brazil's oil and biofuel regulator. Uniduto expects to have cut all of the red tape by the end of June 2010, said Van Klaveren.

Uniduto's project is aimed at lowering the logistics costs of ethanol, the Achille's heel of Brazilian biofuel. Although the project was designed mainly to ease exports, with a 300m litres stockholding capacity and an offshore terminal in Guarujá, an island outside of Santos port, it will also improve logistics for the domestic Brazilian market. Uniduto's capacity would take 1,600 ethanol lorries off of the roads daily.

Uniduto is applying for a licence to carry products other than ethanol, such as petrol and diesel. The technology to handle multiple products – one at a time – in the same pipe has been mastered, said Van Klaveren, citing the operations of Brazil's state-owned oil and gas company Petrobras as an example.

Uniduto would probably carry ethanol mainly from west to east and oil products from east to west, competing directly with Petrobras, which today is the only pipeline operator for fuel products in the country and is expected to build another pipeline along a route very similar to Uniduto's.

However, competition is not an immediate worry for Uniduto's president. "Brazil has only 20,000km of pipelines; this is nothing compared with other huge countries. Russia, for example, has 800,000km. And we're thinking of a market 20–30 years ahead", said Van Klaveren.

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