

Note on Impact of the Use of the CCC

Nelson Malizia, July 2003

Among the main parameters determined for the projects' *economic and financial assessment*, there was one that may now change in a way that could result in new and better conclusions on this matter.

This is the fixed assumption on CCC resources¹, which as mentioned in note 1 were not available for the Pilot Plant, as its capacity is smaller than 5 MW. Answering a question from INEE, through the letter 139/2003-SRG/ANEEL, that agency keeps its point of view that only under the authorization or concession a project can receive the resources from CCC, but, at the same time, ANEEL makes it clear that projects with installed capacity under 5MW may apply to get its authorization.

Based on previous data of the UNF project and on the rules established by ANEEL in Res 784/2002, de 24/12/2002, we estimated that the project could be granted about R\$ 6 millions from CCC, to be received, in 3,0 to 4,5 years, from the beginning of operation. These funds are not repayable and can be used as guarantee and for repayment of loans, representing roughly 60 % of initial investments.

Furthermore, this new perspective makes the project more attractive for investors, because it increases significantly its rate of return, while making it less risky.

Based on the previous assumptions to evaluate the project, adding only the CCC recourses to the cash flow, one can pay 3/4 of loans in 3,0 to 4,5 years with CCC funds, while accruing cash internally generated to pay the remaining 1/4. Compared with project evaluation without CCC, the internal rate of return jumps from 31,7% to 87,8%, in the "reference" scenario, and from 43,3% to 227,3%, in "accelerated drying" scenario.

Eventually, the project could capture loans from other sources than BNDES or ELETROBRAS, as supposed in the evaluation.

¹ CCC: Portuguese acronym for Fuel Consumption Account (*Conta de Consumo de Combustíveis*): In isolated systems CCC resources may be applied for investments in undertakings that aim to substitute fossil fuel-based generation, upon authorization or concession. However, ANEEL only authorizes in the case of installed power above 5 MW .