

# Industrial Pellet Plant in Colombia

**Renewable Fuel plant with 125.000  
Tones/Year output**



**Confidential**  
Febrero de 2021





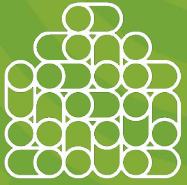
## **1.** What are industrial wood pellets?



## **2.** Project Overview



# 1. What are industrial wood pellets?



**Wood pellets are a renewable fuel which replaces coal at large scale power generation, reducing CO2 emissions by up to 85%**



Reduces CO2 emissions by up to 85%



Complements solar and wind power as it is power available 24 hr.



Incentivizes reforestation as it places value to sustainable plantations



Made of non-commercial wood, sawmill and harvest waste



Enables the transportation of energy in a smaller volume vs wood chips.



Matured consumers in UK, Denmark, Belgium and Holland. Emerging consumers in Japan, Korea

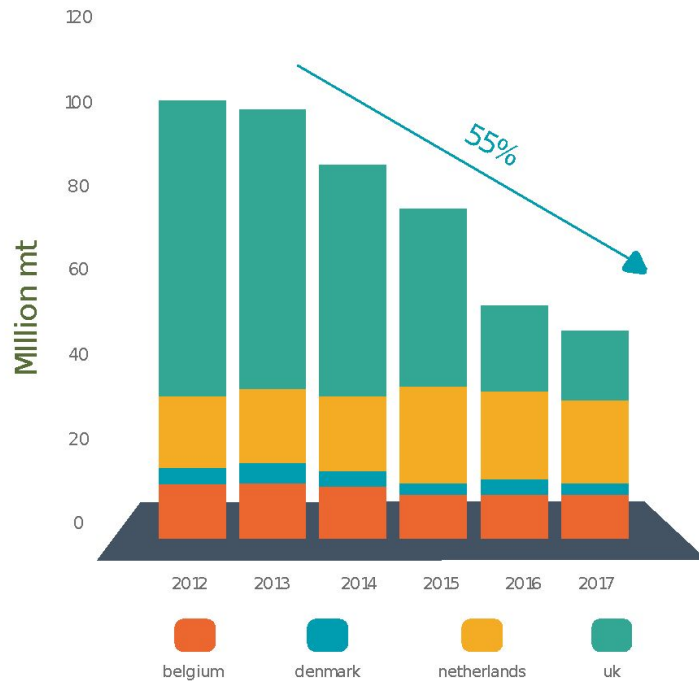


Clients are large power plants converted from coal e.g. Drax in UK 4.000 MW

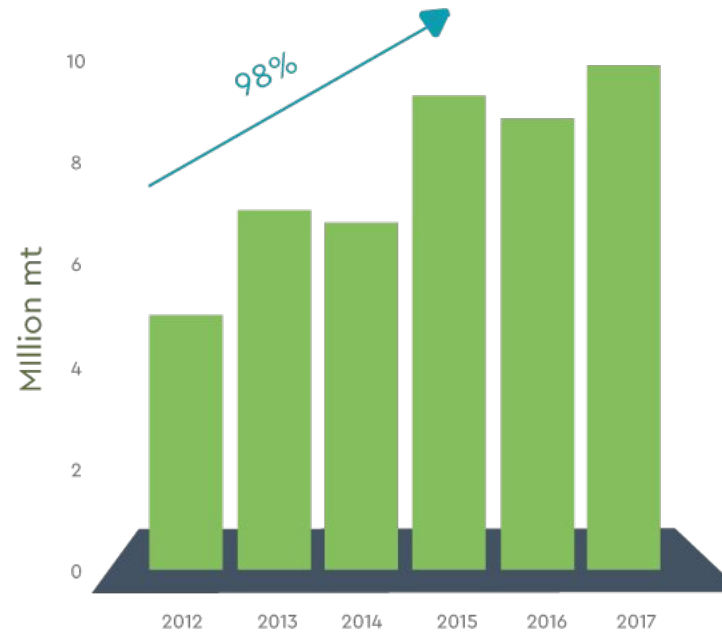


# The demand for pellets has increased strongly during the last ten years. It has been driven by coal replacement in power generation

Thermal coal consumption has more than halved since 2012



Pellet consumption has more than doubled



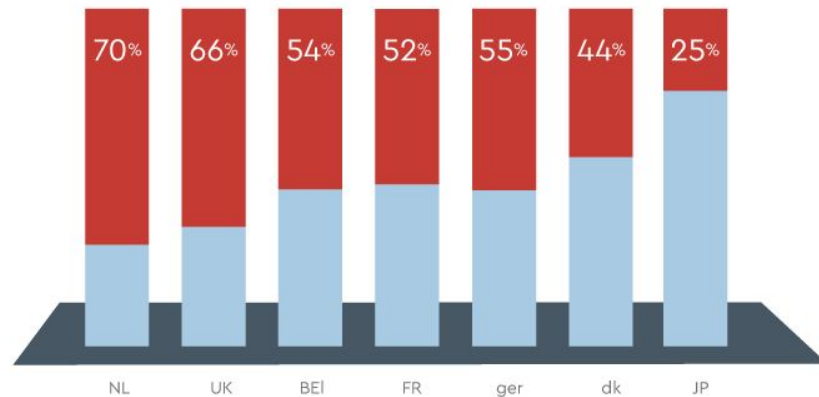
	pellets i2	carbón
Heat content	8,000	8,600
Water content	4-10%	26-30
Ash	2%	4-6%
Sulfur	0-0.15%	1%

Source. Enviva LP. Through 2019, Wood Pellets Supplied by the Partnership and our Sponsor have Effectively Displaced 16 Million MT of Coal



**Growth is expected to continue** driven by binding national level renewable energy and emission targets. 2030-2050

### Gap to achieve binding emission reduction goals by Country



- **U.N. IPCC:** “In the long term, a sustainable forest management strategy aimed at maintaining or increasing forest carbon stocks, while producing an annual sustained yield of timber, fiber or energy from the forest, will generate the largest sustained mitigation Benefit”

- **International Renewable Energy Agency:** It is necessary to triple the amount of biomass used in power generation from 5% to 16% by 2050
- **EU Renewable Energy Directive II:** 32% renewable energy required by 2030 to all EU member states
- **UK goals:** Ban coal without carbon capture by 2025, "net-zero" in 2050, requires increasing biomass generation from 7% to 15%
- **Germany bans coal** from 2038 and approved USD \$60 bn to support 2030 emissions goal
- **Holland's** lower house approved a ban on coal generation by 2030
- **Poland announced** a support package for power plant conversion from coal to biomass
- **Korea.** Ten coal-fired generation plants will be closed and will be replaced with biomass
- **Japan's** strategic energy plan includes increasing in biomass generation from 3.6 GW to 5.1 GW by 2030
- **Many Banks, insurance companies and investors** have announced that have stopped working with coal power plants

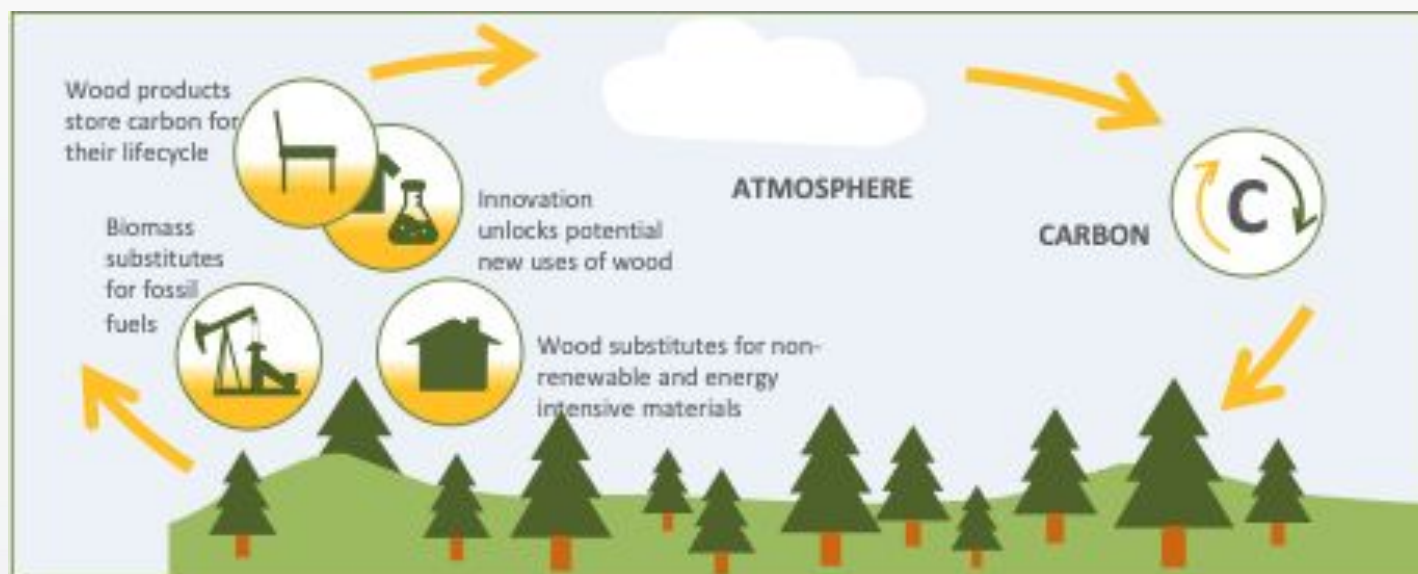


# The use of wood pellets for power generation is “carbon neutral”

Silviculture Services

## Bioenergy Cycle

Industrial Pellets





## 2. Project Overview



**INDEF Colombia will build a 125.000 ton/year pellet plant, similar to a plant that INDEF operates in Chile**



INDEF Chile pellet plant

**Location:** Fundación, Magdalena

**Land:** 6 hectares

**Capacity** 125.000 ton/year

**Employees:** 40 people (plant)

**350 days of operation per year**  
with operational factor of 85%

Raw material contracted long-term:

- (1) With existing plantations which today don't have any sales
- (2) New plantations will be established by timber funds and/or Colombia's government entities
- (3) Sawmill waste sourced locally

**INDEF Colombia will not plant or maintain forestry plantations itself. It will procure the biomass from FSC & SBP certified plantations operated by third parties.**





## Experienced Team

### Carlos Vázquez / Co-founder



CEO & co-founder with INDEF Chile of Energía Pura Colombia. Developed and operated 40 MW biomass power plant in Chile. Energy generation projects in Colombia.

Led the debt raising for INDEF Chile's pellet plant

Previously, Carlos was an investment professional with Silvermine Capital (MAN Group) in NYC, with responsibility for USD 650 MM loan portfolio in the energy and natural resources sector.

### Juan Camilo Sanz / Co-founder



CEO & Founder of Macarena Farms, a fresh cut flower growing and exporting company with production facilities in Colombia, sales in 30 countries and 250 employees. The company was recently sold.

VP Sales & Marketing with Meridian Global Services in NYC. Meridian is a finance & accounting consulting and outsourcing firm.

Previously, Juan was Business Development Director for the European market with Eurocash (Now Accordance) in the UK.

### Ricardo Benitez / Biomass Supply Manager



Ricardo has over 21-year experience in the forestry sector in Colombia, he knows and planted many of the plantations and land relevant to the project

Has led reforestation projects in Colombia with Cormagdalena and managed forestry plantations for Pizano, Maderas del Darién, Tablemac, Primadera, Forest First, CONIF

Ricardo is a Forestry Engineer and holds a Forest Management degree from JICA (Tokyo, Japan)

### Technical and Commercial Partner



## Chile



# INDEF is the largest pellet and woody biomass producer in Chile

27-year track-record

## Silviculture Services



- #1 in hectares planted, coverage and portfolio of services
- 9.000 hectares planted per year

## Forestry Biomass



- #1 in quantity produced and installed capacity
- Producing 1.4 million ton/year

## Industrial Pellets

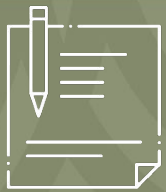


- 125.000 ton in operation
- 125.000 ton under construction
- Long term contracts with Enviva

Clients are global players in the forestry products and energy sectors



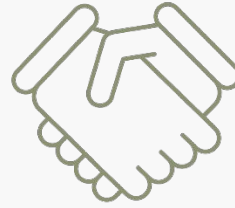
800 + employees



- **The Pellets will be sold with long-term take-or-pay contracts with fixed prices**
- **Prices in USD and FOB Colombia delivery**



Enviva plant and port



- 100% of production sold for 5-7 years (contracted, no spot price sales)
- Take-or-pay type of contract
- Fixed Price per ton in USD with known price indexation
- FOB delivery at the Santa Marta port in Colombia
- Off Takers are large global companies with good credit risk profile (Clients) such as Enviva, Engie, Drax



- Largest producer of pellets in the world with capacity of 5.5 million ton
- 7 plants and owned ports in the US Southeast
- +USD 10 bn contract backlog with 14 year term
- Listed in NYSE: EVA, market cap USD 1.3 bn
- EBITDA USD 141 MM, assets 995 MM, equity 233 MM



## The project generates significant and measurable environmental and social benefits



Forestry training for small landowners in middle Magdalena river region



### Environmental

- **Prevents deforestation of 4.000 hectares**

Existing plantations today don't have commercial viability. No sales.

Their owners are looking into removing the plantations to replace them with livestock farming

- **Reforestation of 7.000 hectares**
- **Capture of 900.000 tons of CO2**  
At the forestry plantations over 10 years
- **Use of 15.000 ton/year of sawmill waste**  
Today this waste is burned or disposed illegally with a negative environmental impact



### Social

- **1.500 jobs at forestry plantations**
- **40 jobs at pellet plant**
- **Generates long-term income for about 350 poor families in Bolivar and Magdalena regions**
- **Development and opportunities in a highly economically depressed region**

**INDEF Colombia created a non-for-profit foundation to provide technical assistance and capital for reforestation programs with small landowners who will supply biomass to the pellet plant**





## Financial Aspects

- Capex of USD \$16.7 MM
- Capital structure of 30% equity / 70% debt
- 22.9% equity IRR. 60% ownership. (10 years in USD)
- 33.5,% project equity IRR (10 years in USD)
- Payback. 5.5 years
- MOIC of 3.2x
- Predictable cash flow with significant environmental and social impact
- Concrete market opportunity and upside with enough room to absorb unexpected events



Pellet plant INDEF Chile

Eucalyptus Tereticornis plantation, San Sebastián de Buenavista, Magdalena, Colombia

**[www.indefco.co](http://www.indefco.co)**

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