

United States Position
Proposed IFC Investment in Braskem Idesa S.A.P.I. for the Etileno XXI Project
May 17, 2012

The United States thanks staff and management for their responsiveness to questions, especially on the environmental issues for which the IFC is effectively leading for external financiers. The United States has had a long dialogue with IFC staff, as well as with staff from other development institutions that are co-investing along IFC in this project.

The United States appreciates the significant economic benefits that this project will generate for Mexico. Reform of the hydrocarbons sector through greater private sector participation should contribute to long-term sustainability of this sector. This is the first major petrochemical project in Mexico to be undertaken by a private sector company in more than 20 years, and is by far the largest foreign direct investment by a Brazilian company.

Notwithstanding these positive aspects of the operation, the United States has serious questions about the adequacy of IFC's additionality, given the globalized market for petrochemical investments, the financial strength of the companies, the high profitability of the project, and the potential for the sponsors to finance this through increased equity shares and loans from commercial banks. Braskem and its parent companies - Odebrecht and Petrobras - have strong balance sheets, have been able to raise significant capital on the markets and have financed other petrochemical investments and acquisitions in recent years.

In addition, the United States would like to highlight several environmental issues. The lack of recent established baseline data for air, water and noise quality for this highly industrialized area, makes it hard to determine if this project, as constructed and operated, will comply with IFC standards. For a project of this magnitude, baseline data should be part of the initial assessment. The United States appreciates staff's clarification that a corrective action plan would be legally required for non-compliant levels of air, water, or noise pollution. The United States expects that corrective action plans will require steps to ensure that the IFC pollution limits for ambient air, water and noise are not exceeded.

Therefore, consistent with our position when this project was considered at the Inter-American Development Bank, the United States wishes to be recorded as abstaining on additionality and environmental policy grounds.