

# IJGlobal ESG Award – Agribusiness, LatAm – Raízen

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The CRA green bond issued by Raízen wins the IJGlobal ESG Award 2023 for agribusiness in Latin America – a fascinating sector that is set to grow significantly and is key for ESG developments.

One of the independent panel of judges said: “The CRA Raízen project utilises ESG principles to introduce green bonds into Brazil's agribusiness sector. The initiative highlights outcomes such as job creation, enhanced health standards, and a notable reduction in carbon footprint.”

Another judge added: “I score Pinheiro Neto Advogados highly for its role on this transaction because they have demonstrated innovation in the agribusiness sector by structuring a significant green financing transaction with a focus on renewable energy and energy efficiency, while also achieving measurable social and environmental impacts through job creation, clean energy generation, improved health, reduced carbon footprint, and responsible land use.”



The bond raised by Raízen – Brazil’s largest sugar and ethanol (S&E) player and its second largest fuel distributor, with a growing renewable energy strategy and access to end-users – is valued at \$400 million and closed on 6 September 2022.

According to the submission by Pinheiro Neto Advogados: “As the world strives to achieve decarbonisation targets and transform the global energy sector to incorporate a greater share of sustainable energy sources, biofuels are expected to experience a surge in demand.

“Enhancing productivity in ethanol production becomes a critical priority and an integral part of the transformative process. The deal in hand is believed to play a part in this process, as Raízen will have the resources needed to expand its business and provide even more renewable energy arising from its sugarcane production.”

This transaction is one of the most relevant agribusiness receivables certificates (CRA) issuances of the year in terms of volume and in respect of its relation to ESG.

Raízen used the proceeds of the green bonds that backed the CRAs to finance renewable energy and energy efficiency projects and assets. Additionally, the deal was structured and closed in a tight time frame, considering its complexity and the number of players involved.

The submission states: “With our assistance, the CRAs were successfully issued as green bonds in the context of a structured financing transaction. Pinheiro Neto assisted the underwriters in the issuance of CRAs with green characteristics, which are innovative for a sector in which ESG projects have long been overlooked – the Brazilian agribusiness sector.”

The resources received by Raizen through the issuance need to be allocated to investments and financing needs related to the cultivation of sugarcane, the commercialisation, processing or industrialization of raw materials and agricultural products or inputs, the construction expenses of second-generation ethanol industrial plants, or the acquisition of machinery and implements used in agricultural activity, especially in relation to the production of sugar and sale of sugarcane ethanol.

Due to the ESG characteristic of the transaction, part of the resources shall also be allocated to eligible projects focusing on renewable energy and energy efficiency, as defined in the Green Financing Framework dated August 2022, duly verified by Sustainalytics that same month.

Therefore, the whole process shall be conducted considering the Green Bond Principles Voluntary Process Guidelines for Issuing Green Bonds (GBP) and so shall provide the upmost transparency to the investors regarding the management of proceeds, considering all the reporting mechanisms and obligations present in the transaction documents.

According to the submission: “Investments in renewable energy projects funded by the CRA’s resources lead to the creation of local job opportunities. These projects require a skilled workforce to construct, operate, and maintain renewable energy infrastructure, such as the sugarcane plantations operated by Raízen to which the resources arising from the CRA have been allocated.”

On the clean energy front, the submission has to say: “The CRA, by funding renewable energy projects, increases access to clean and affordable energy for the population. This can be particularly impactful in regions where traditional energy sources may be unreliable. Not only local communities, but the whole country have benefited from improved energy security.”

On reduced carbon footprint: “Sugarcane bagasse works as an input for second-generation ethanol, reducing carbon footprint by 35% compared to the required processing to produce first-generation ethanol.

“By reutilising sugarcane bagasse, Raízen will have increased its production by up to 50% without expanding the planting area – a milestone for responsible land use and conscious production.

“Raízen increased its aim for reducing the carbon footprint of ethanol and sugar in its operations from 10% to 20% by 2030 from a 2018-19 baseline, greatly evidenced by the structuring and issuance of the green CRA in hand.”

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