Forest Carbon Partnership Facility

ERPA General Conditions

- Overview -
Overview

I. Roadmap to Endorsement of General Conditions for the Emission Reductions Payment Agreement (ERPA)

II. Structure of ERPA
   • Commercial Terms
   • General Conditions

III. Next Steps
I. Roadmap to
PC Endorsement of ERPA General Conditions
## Process of Endorsing ERPA General Conditions

<table>
<thead>
<tr>
<th>Time</th>
<th>Action</th>
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<tbody>
<tr>
<td><strong>June 16-19, 2014</strong></td>
<td>CF10 (Bonn, Germany)</td>
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<tr>
<td><strong>July 1-4, 2014</strong></td>
<td>PC17 (Lima, Peru); presentation of ERPA GCs</td>
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<tr>
<td><strong>September 16, 2014</strong></td>
<td>Circulation of revised ERPA GCs to all FCPF participants</td>
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<tr>
<td><strong>September 16–October 10, 2014</strong></td>
<td>Review and Commenting Period</td>
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<td><strong>October 6-8, 2014</strong></td>
<td>CF11 (Washington, DC)</td>
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<tr>
<td><strong>October 20/21, 2014</strong></td>
<td>Posting of final version of ERPA GCs on PC18 website (taking into account comments received)</td>
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<tr>
<td><strong>October 31, 2014</strong></td>
<td>Pre-PC18 workshop on ERPA GCs</td>
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<tr>
<td><strong>October 31 - November 1, 2014</strong></td>
<td>PC18 (Arusha, Tanzania); <strong>decision sought regarding endorsement of ERPA GCs by PC</strong></td>
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II.

Structure of ERPA
Structure of ERPA

- **Commercial Terms**
  - Negotiated during ERPA negotiations
  - Based on ERPA template

- **General Conditions**
  - Non-Negotiable
  - To be endorsed by PC
ERPA Negotiations

ERPA Negotiations of Commercial Terms, e.g.

- Volume
- Unit Price
- Advance Payment
- Conditions of Sale and Purchase
- Option
- Cost Recovery Discount

PLUS General Conditions (non-negotiable)

REDD Country / authorized entity (Seller)

Trustee of FCPF Carbon Fund (Buyer)
<table>
<thead>
<tr>
<th>Commercial Terms (negotiable)</th>
<th>General Conditions (non-negotiable)</th>
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<tbody>
<tr>
<td>• Contract ER Volume</td>
<td>• Transfer &amp; Payment</td>
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<tr>
<td>• Unit Price</td>
<td>• Title to ERs</td>
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<tr>
<td>• Advance Payment</td>
<td>• ER Program Operation &amp; Management</td>
</tr>
<tr>
<td>• Conditions of Sale and Purchase</td>
<td>• Benefits &amp; Benefit Sharing</td>
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<tr>
<td>• Options</td>
<td>• ER Program Buffer</td>
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<tr>
<td>• Cost Recovery Discount</td>
<td>• Events of Default &amp; Remedies</td>
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<td>• Dispute Resolution</td>
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<td>• Governing Law</td>
</tr>
</tbody>
</table>
General Conditions
- Transfer & Payment -

ER Program

ERs (generated & measured)

ER Monitoring Report

ERs (verified)

Verification Report

Transfer Form

Transfer

Contract ERs

Transfer

Buyer

$\$ (Unit Price)

(\text{minus Cost Recovery Discount and Advance Payment(s), if any})

Seller
General Conditions
- Title to ERs -

Prior to ERPA Signature

ERPA Signature

Prior to ER Transfer

ER Transfer

After ER Transfer

Seller demonstrates ability to transfer title to ERs

If validity of transfer of title to (verified) ERs is contested, ER Program Buffer or remedies needed
General Conditions
- ER Program Operation & Management -

Buyer

Seller

Seller responsible for ER Program Operation & Management

Sub-Entity

Sub-Arrangement

ER Program Operation & Management

ERPA

Buyer

Seller may use Sub-Entities to operate and manage ER Program
General Conditions
- Benefit Sharing (Example) -

Beneficiary

Feedback & Grievance Redress or Other Mechanism

Reporting on Benefit Sharing

Benefit Sharing Plan

Monetary & Non-Monetary Benefits

Buyer

ERPA $$

Seller

Beneficiary

Beneficiary

Beneficiary

Beneficiary
General Conditions
- ER Program Buffer -

ER Program Buffer Guidelines

ER Program Buffer

ER Program Buffer Guidelines

Buffer ERs

Contract ERs

Buffer ERs

Contract ERs

Buffer ER Reserve

Remaining ER Volume

Contract ER Volume for ERPA Term

ERPA

ERPA Term

Reporting Period 1

Reporting Period 2
General Conditions
- Events of Default & Remedies (1) -

Events of Default (Seller)

- Adverse Change in Status of Seller
- ER Transfer Failure
- Material Delay in ER Program Development
- Engagement in Sanctionable Practices
- Material Breach
- Reversal (unless cured through Reversal Management Mechanism)
- ER Title Transfer Failure (unless cured through ER Program Buffer)
- Failure to Implement Reversal Management Mechanism, Safeguards Plans, Benefit Sharing Plan, etc.
General Conditions
- Events of Default & Remedies (2) -

Events of Default (Buyer)

- Payment Failure
- Material Breach
General Conditions
- Events of Default & Remedies (3) -

Event of Default

Default Notice

Action Plan (with time period)

Cure Period (90 days)

Transfer Failure
- Volume Reduction/Call Option
- Termination
- Advance Payment recovery

Delay in ER Program Development
- Volume Reduction/Call Option

Intentional Breach
- Termination
- Advance Payment recovery
- Liquidated Damages

Other Events of Default
- Termination
- Advance Payment recovery
General Conditions
- Dispute Resolution & Governing Law -

ERPA

Dispute Resolution
- Bilateral Settlement
- UNCITRAL Conciliation
- UNCITRAL Arbitration

Governing Law
- English Law
III.

Next Steps
Next Steps

• Finalization of ERPA GCs (October 13-17, 2014) and posting of ERPA GCs on PC18 website soon thereafter

• Pre-PC18 workshop (October 31, 2014 in Arusha, Tanzania): Presentation of comments received and how such comments have been taken into account in the final version of the ERPA GCs

• PC18 (October 31-November 1, 2014 in Arusha, Tanzania): ERPA GC endorsement decision
  - Each PC member has one vote
  - If unanimous support by all PC members for ERPA GC endorsement cannot be obtained, decision can be taken by 2/3 majority of PC members present and voting at the meeting