



Forest Carbon Partnership Facility

ERPA Negotiation Process and Commercial Terms Template

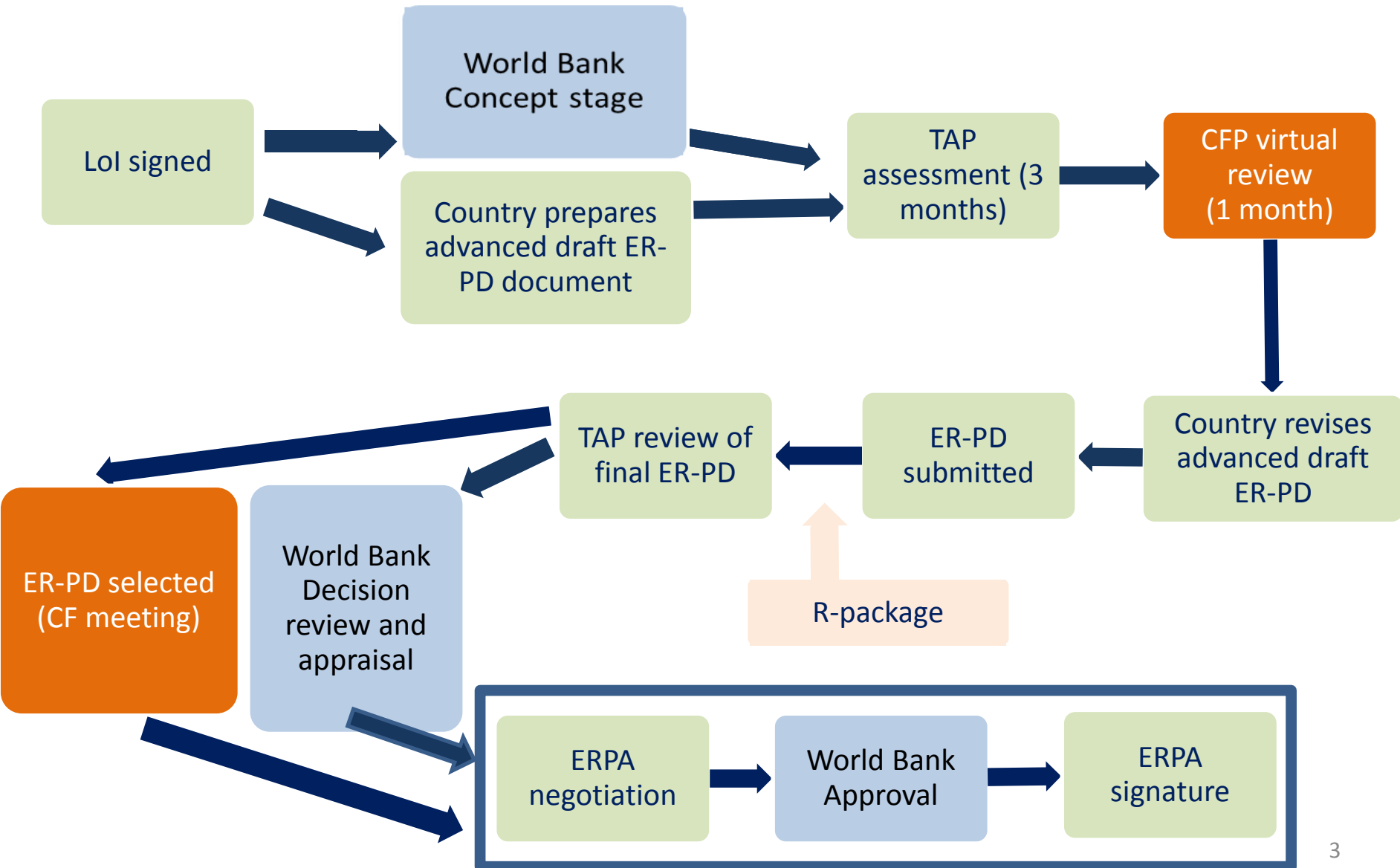
FCPF Carbon Fund Meeting (CF14)

Paris, June 20-22, 2016



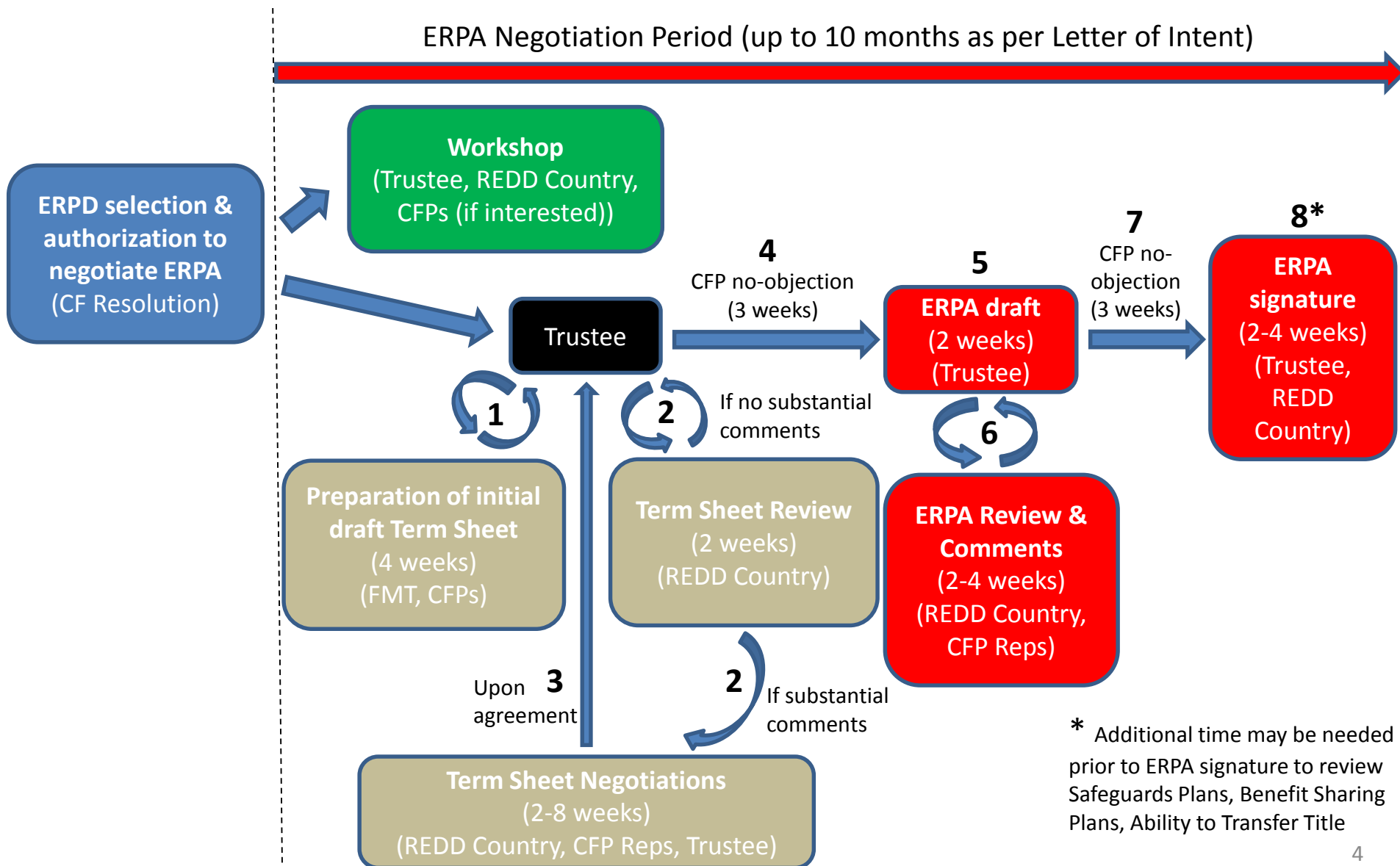
ERPA NEGOTIATION PROCESS

Carbon Fund Process



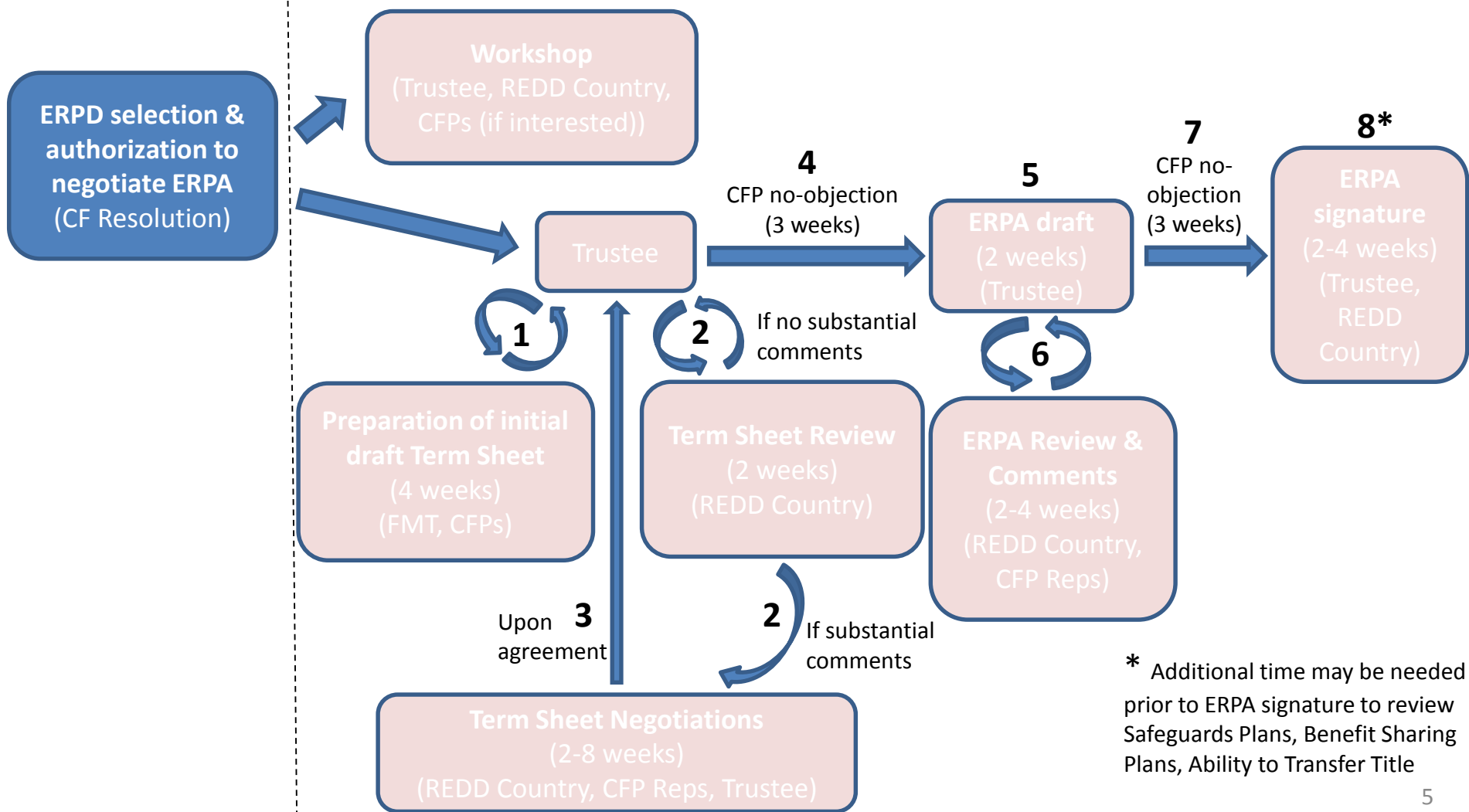
ERPA Negotiation Process

- Chart -



ERPD Selection

ERPA Negotiation Period (up to 10 months as per Letter of Intent)



ERPA Negotiation Process

- ERPD Selection -

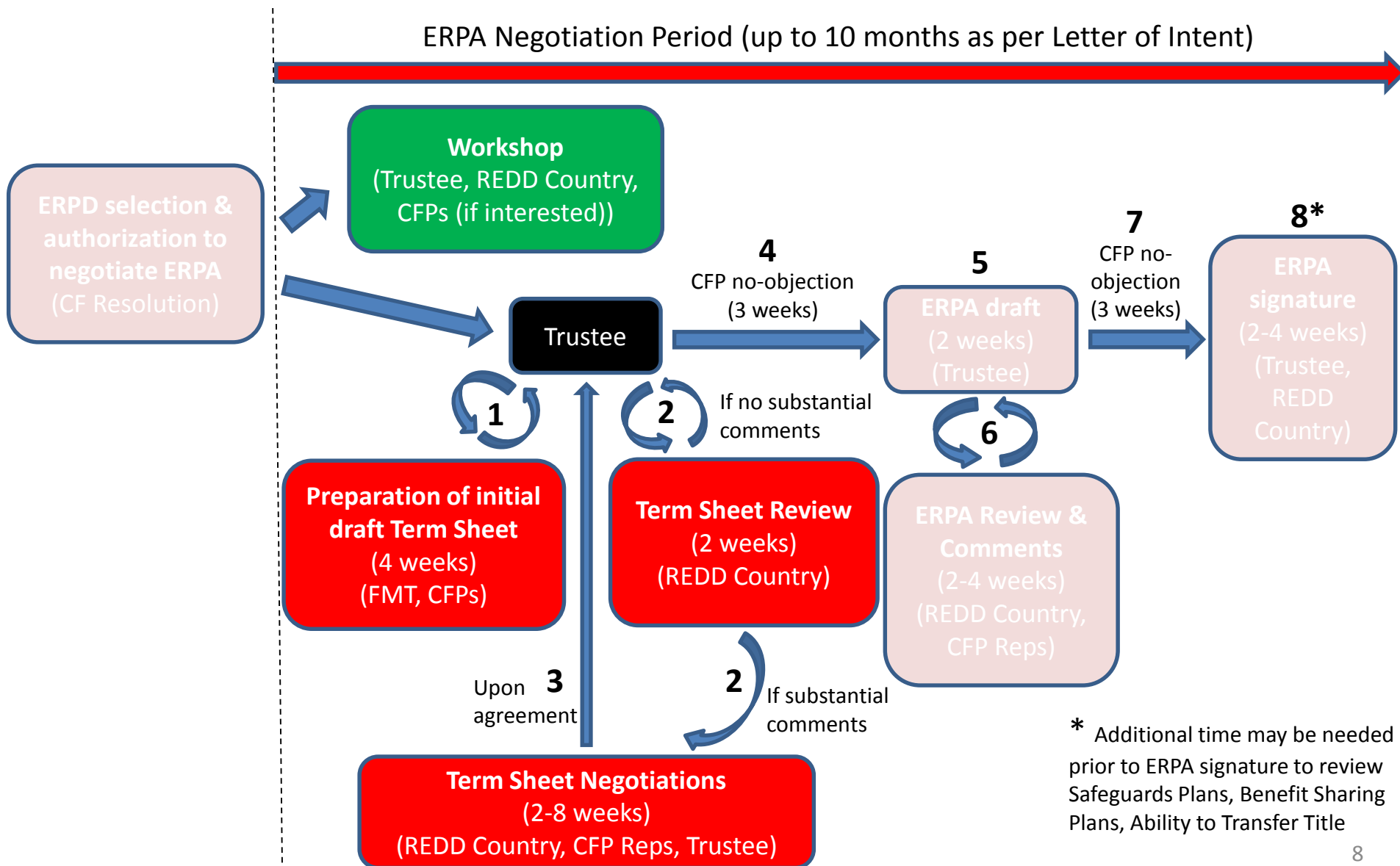
- ERPD selection would require a **CF Resolution**:
 - **(Provisional) selection of ER Program** into CF portfolio of a Tranche pending ERPA signature
 - **(Provisional) authorization** of Trustee to lead ERPA Term Sheet negotiation/ERPA drafting and finalization process in accordance with the ERPA negotiation process presented herein and subject to completion of Bank due diligence and final Bank approval, provided that ERPA Term Sheet negotiations shall not start before Bank management has appraised the ER Program
 - If provisional, condition(s) that need to be fulfilled for final selection/authorization to be deemed approved (e.g. revision of ER-PD)
 - Unless decided otherwise by CFPs, CFPs commit to self-select, prior to the start of ERPA negotiations, one (1) CFP representative from each Tranche (**CFP Reps**) for the ERPA Term Sheet negotiation/ERPA drafting and finalization process and notify FMT accordingly (see next slide)
 - List of **key issues** to be addressed by REDD Country before ERPA signature, if any

ERPA Negotiation Process

- CFP Rep Responsibilities -

- As final ERPA signatory, **Trustee will lead** the ERPA Term Sheet/ERPA drafting and finalization process.
- **Unless CFPs decide otherwise, CFP Reps would be expected to:**
 - **Represent** all CFPs in the respective CF Tranche they represent during the ERPA Term Sheet/ERPA drafting and finalization process
 - **Attend** any meetings (in person or electronically) during the ERPA Term Sheet/ERPA drafting and finalization process and **inform** their respective CF Tranche CFPs on outcome of meetings (Trustee to be copied)
 - **Liaise** with the other CFPs in the respective CF Tranche they represent to ensure that other CFPs are kept informed and **seek** their **feedback** on substantial issues raised by REDD Country throughout the process
 - **Act as focal point** for Trustee during face-to-face meetings to provide guidance to Trustee on respective CF Tranche CFPs' viewpoint on issues related to ERPA Term Sheet/ERPA negotiations

ERPA Term Sheet Negotiation Process



ERPA Negotiation Process

- Upon ERPD Selection -

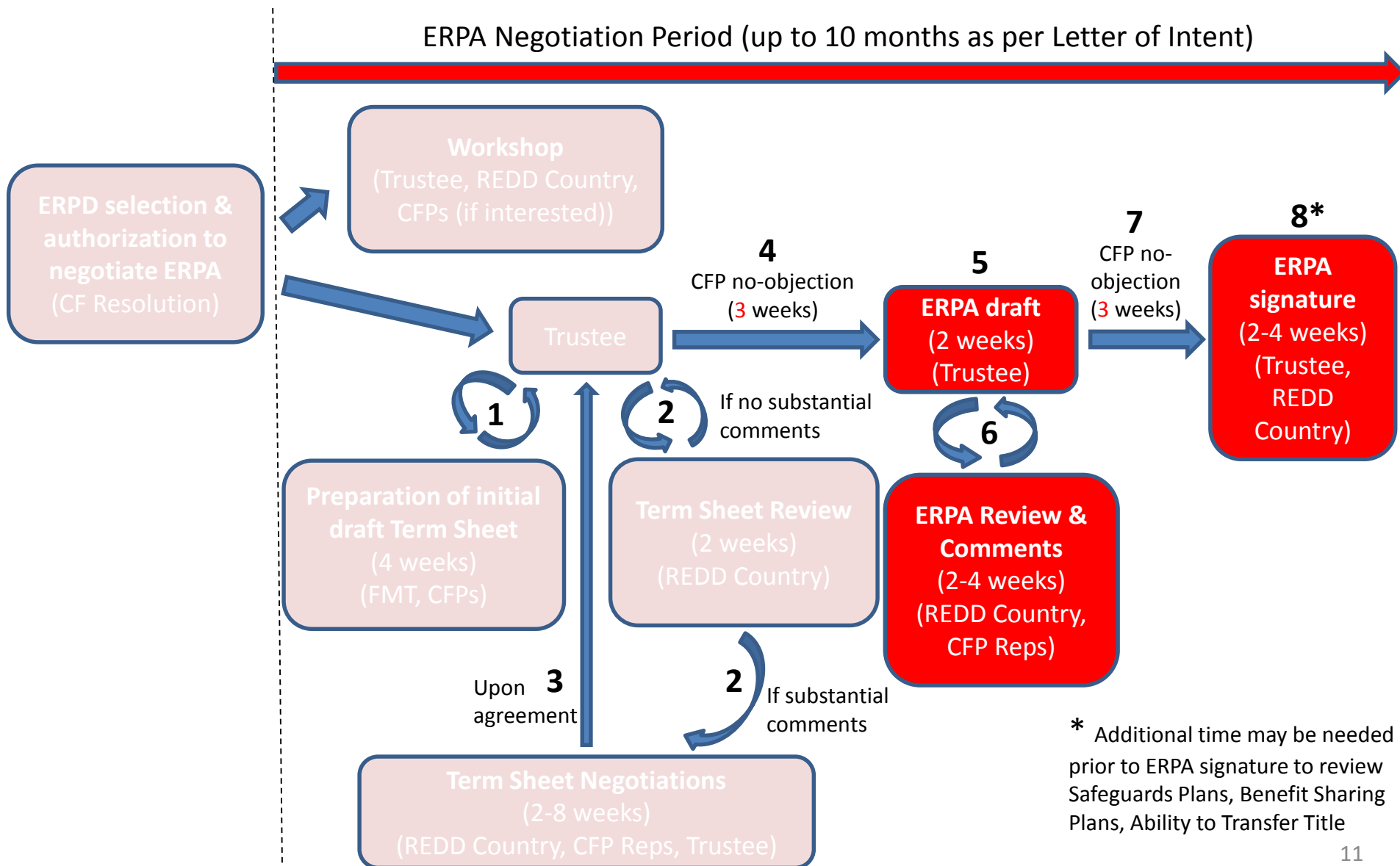
- Trustee organizes a (mandatory) in-person **workshop** for the selected ER Program(s) (in REDD Country or other agreed location) with relevant REDD Country/ies to (1) refresh ERPA General Conditions and, in particular, (2) explain ERPA Commercial Terms and implications. Trustee may invite any CFP interested in joining the workshop.
- Trustee shares with CFPs an **ERPA Term Sheet** (including placeholders for all Commercial Terms)
- FMT, following consultations with all respective Tranche CFPs, prepare a **first draft ERPA Term Sheet** to be negotiated with REDD Country (indicating any differences between Tranches, if any) and submit such draft to CFPs for a 2-week no objection
- Following no objection, Trustee submits ERPA Term Sheet as **'initial draft' to REDD Country** for review (2 weeks) and feedback to Trustee

ERPA Negotiation Process

- ERPA Term Sheet Negotiation -

- If REDD Country has **no or only minor comments/questions**:
 - Trustee may, if deemed necessary, initiate a video/teleconference to clarify outstanding issues between Trustee, REDD Country and CFP Reps;
 - Trustee will then address such comments, update/clarify draft ERPA Term Sheet and inform REDD Country/all CFPs accordingly and submit draft ERPA Term Sheet to all CFPs in each Tranche for approval on a no-objection basis (3 weeks)
- If REDD Country has **substantial comments/questions**:
 - Trustee will inform all CFPs accordingly, request REDD Country to provide counter-proposal (to be shared with all CFPs) and organize an in-person meeting between REDD Country, Trustee and CFP Reps (in REDD Country or other agreed location) to negotiate and agree on draft ERPA Term Sheet
 - Upon agreement between REDD Country and CFP Reps on draft ERPA Term Sheet, acceptable to Trustee, Trustee will inform all CFPs accordingly and submit draft ERPA Term Sheet to all CFPs in each Tranche for approval on a no-objection basis (3 weeks)

ERPA Drafting & Finalization Process



ERPA Negotiation Process

- ERPA Drafting & Finalization -

- Upon ERPA Term Sheet approval by all CFPs in each Tranche:
 - Trustee will draft an **ERPA for each Tranche** on the basis of the commercial terms agreed in the ERPA Term Sheet and circulate such draft ERPAs to **REDD Country and CFP Reps** for comments;
 - May be followed, if necessary, by a video/teleconference to clarify outstanding issues between Trustee, REDD Country and CFP Reps
- Once draft ERPAs have been agreed between Trustee, REDD Country and CFP Reps, Trustee will submit **final draft ERPAs to all CFPs** in each Tranche for approval on a no-objection basis (3 weeks)
- Upon ERPA approval by all CFPs in each Tranche and World Bank approval, **Trustee will sign and the REDD Country will countersign final ERPAs for each Tranche**
- **Upon first ERPA signature**, Trustee may only accept additional contributions (new & existing participants) into a Tranche subject to approval by CFPs of such Tranche (double 2/3rd majority decision)



ERPA COMMERCIAL TERMS TEMPLATE

ERPA Commercial Terms (1)

Issue	Commercial Terms
1. Contract ER Volume	<ul style="list-style-type: none">• [X] ERs• Seniority/Percentage• Sweep/no sweep• Contract ERs may be used by Seller for Seller's NDC compliance purposes: [Yes][No]• Reporting Periods (e.g. multi-year; start of first Reporting Period prior to ERPA signature)
2. Unit Price (Contract ER)	<ul style="list-style-type: none">• USD [X]
3. Advance Payment (AP)	<ul style="list-style-type: none">• Type(s) of AP<ul style="list-style-type: none">– Upfront AP– Interim AP– ER Advance Payment• Amount(s): (USD [X])/capped at [X]% of contract value (Contract ER Volume X Unit Price)• Disbursement milestones• [Security]

ERPA Commercial Terms (2)

Issue	Commercial Terms
4. [Cost Recovery Discount] 5. Options (for Additional ERs)	<ul style="list-style-type: none">• [Yes ([X]%) / No]• Type of Option<ul style="list-style-type: none">– Call Option– Put Option– Right of First Refusal• Option Volume: [X] Additional ERs• Exercisable after:<ul style="list-style-type: none">– (full) Contract ER Volume delivery; or– (full) Minimum Reporting Period Amount delivery each Reporting Period• Additional ERs may be used by Seller for Seller's NDC compliance purposes: [Yes][No]
6. Exercise Price (Additional ER)	<ul style="list-style-type: none">• USD [X]
7. Confidentiality	<ul style="list-style-type: none">• ERPA shall be [non-confidential][confidential]; if confidentiality is requested, a rationale for such request has to be presented

ERPA Commercial Terms (3)

Issue	Commercial Terms
8. (Additional) Covenants/ Obligations	<ul style="list-style-type: none">• [List additional covenants/obligations to be complied with by [Seller][Buyer], if any]
9. (Additional) Representations and Warranties	<ul style="list-style-type: none">• [List additional representations and warranties to be given by [Seller][Buyer], if any]
10. (Additional) Events of Default	<ul style="list-style-type: none">• [List additional Events of Default for [Seller] [Buyer], if any]
11. (Additional) Conditions of Effectiveness – Schedule 2	<ul style="list-style-type: none">• [List additional conditions Seller must fulfill before sale and payment obligations under ERPA become effective, if any]
12. Modifications to ERPA General Conditions	<ul style="list-style-type: none">• [Taking into account that the ERPA GCs are, in principle, non-negotiable, [Seller][Buyer] may request modifications but would have to provide rationale for doing so]



THANK YOU