



# Forest Carbon Partnership Facility

## **Letter of Intent (Costa Rica)**

FCPF Carbon Fund Meeting (CF7)

Paris, June 24-25, 2013

# History

- **Resolution CFM/6/2013/1 adopted at CF6 meeting in March 2013 in Washington DC**
  - Selecting Costa Rica's ER-PIN in CF pipeline
  - Authorizing CF Trustee to negotiate a Letter of Intent (LoI) with Costa Rica for
    - Maximum Contract Value of USD 63 million
    - Maximum Contract Volume of 12 million ERs
  - Endorsing a LoI template
- **Negotiations of LoI with FONAFIFO, Costa Rica (May-June 2013) and agreement on final execution version**
- **Approval of LoI by CF Participants either at CF7 or after 2-week no objection period**

# Costa Rica Lol Execution Version (1)

Issue	Edits (as compared with Lol template)
<b>Costs</b> <b>(Clause 2.1)</b>	<ul style="list-style-type: none"><li>• Recovery of up to <b>USD 650,000</b> in Program Preparation Costs (PPC) in the event of a violation of the exclusivity clauses in the LOI</li><li>• <i>Clarification</i>: PPC recovery clause does not apply where ERPA negotiations fail (although conducted in good faith), due to disagreement on any commercial ERPA terms (e.g. ER price, cost recovery, advance financing)</li></ul>
<b>Exclusivity Period</b> <b>(Clause 3.1-3.4)</b>	<ul style="list-style-type: none"><li>• Exclusivity Period of <b>20 months</b> (from date of Lol)<ul style="list-style-type: none"><li>➤ Includes minimum ERPA Negotiation Period of 10 months (from date the CF decides to proceed with ERPA negotiations (ERPA Negotiation Start Date))</li><li>➤ If ERPA Negotiation Start Date is later than 10 months from the date of the Lol, Exclusivity Period (automatically) extends to allow for a minimum ERPA Negotiation Period of 10 months (Clause 3.3)</li></ul></li><li>• <b>'Good faith'</b> defined as conducting ERPA negotiations 'in a fair and reasonable manner with a sincere intention to reach a final agreement on ERPA terms by end of the Negotiation Period' (Clause 3.4)</li></ul>

# Costa Rica Lol Execution Version (2)

Issue	Edits (as compared with Lol template)
<b>Disclosure of Information (Clause 5)</b>	<ul style="list-style-type: none"><li>• Lol is a <b>public document</b> (non-confidential)</li><li>• In the event that either Party to the Lol requests during ERPA negotiations that the ERPA shall be a confidential document, such requesting Party shall disclose its rationale for such request</li></ul>
<b>Termination (Clause 7)</b>	<ul style="list-style-type: none"><li>• Insertion of an <b>additional termination event</b>, namely if the ERPA Negotiation Period has not started within 12 months from the date of the Lol</li></ul>
<b>Dispute Resolution (Clause 8.2-8.3)</b>	<ul style="list-style-type: none"><li>• Location of UNCITRAL conciliation/arbitration proceedings in <b>Miami, USA</b></li><li>• Language of UNCITRAL conciliation/arbitration proceedings in <b>English with simultaneous translation into Spanish</b></li></ul>