



Letter of Intent

December 21, 2016

Mr. Aiyaz Sayed-Khaiyum
Attorney-General and Minister for Economy
Ministry of Economy
P O Box 2212
Government Building
Suva
Republic of Fiji

Dear Minister,

***Letter of Intent: Potential Transfer of Emission Reductions from the
'Reducing Emissions and Enhancing Livelihoods in Fiji' program
in the Republic of Fiji***

This letter ("**Letter of Intent**") confirms the principal terms of understanding about the interest of the International Bank for Reconstruction and Development ("**IBRD**") acting as the trustee of the Carbon Fund of the Forest Carbon Partnership Facility ("**FCPF**", and the IBRD in its capacity as trustee, the "**Trustee**") in the possible payment for the rights, title, and interest associated with greenhouse gas emission reductions ("**ERs**"), resulting from the 'Reducing Emissions and Enhancing Livelihoods in Fiji' program in the Republic of Fiji ("**ER Program**") described in your recently submitted ER Program Idea Note ("**ER-PIN**").

The IBRD and the Republic of Fiji ("**Program Entity**", and together referred to as "**Parties**"), represented by the Ministry of Economy ("**MoE**"), agree that this Letter of Intent shall create a legally binding agreement between the IBRD and the Program Entity. In the event that the Program Entity intends to be represented by a ministry other than MoE to negotiate and execute an Emission Reductions Payment Agreement ("**ERPA**") for the ER Program with the Trustee, the Program Entity shall make such decision prior to the ERPA Negotiation Start Date (as defined in Clause 3.3 below), shall notify the Trustee promptly of such other ministry and shall ensure that such other ministry is fully aware of the Program Entity's rights and obligations under this Letter of Intent.

The Trustee has entered into this Letter of Intent in reliance upon the representation from the Program Entity that the Program Entity has the power and legal capacity to sign this Letter of Intent and to negotiate and execute an ERPA.

1. The Transaction

1.1 The Program Entity intends to negotiate to transfer and the Trustee intends to negotiate to pay for, on behalf of the participants in the Carbon Fund of the FCPF, on a seniority basis, ERs from the ER Program, measured in tons of carbon dioxide equivalent, free of all third party interests based on the price per ER to be agreed upon between the Parties, on the basis of the Recommendations of the Working Group on the Methodological Framework and Pricing Approach for the Carbon Fund of the FCPF (FMT Note 2012-8), as approved by the FCPF Participants Committee in Resolution PC/12/2012/3 (Methodological Framework and Pricing Approach for the Carbon Fund of the FCPF), at the time that the Parties conclude negotiations of the ERPA (“**Contract ERs**”), provided that:

- (i) The Trustee shall not purchase more than 3.6 million (in words: three million six hundred thousand) ERs from the ER Program (“**Maximum Contract Volume**”);
- (ii) The ER Program conforms to the World Bank environmental and social safeguards;
- (iii) The ER Program Reference Level, ER Program Monitoring System, ER Program Document, and “due diligence” are completed to the satisfaction of the Trustee;
- (iv) There is sufficient tranche capital available in the Carbon Fund of the FCPF to purchase the Contract ERs;
- (v) All necessary approvals, including any necessary approvals by the IBRD’s management and the participants in the Carbon Fund of the FCPF, are obtained; and
- (vi) An ERPA, satisfactory for the Trustee and the Program Entity, is executed between the Trustee and the Program Entity, subject to IBRD’s “General Conditions Applicable to Emission Reductions Payment Agreements for Forest Carbon Partnership Facility Emission Reductions Programs” dated November 1, 2014, as amended from time to time prior to ERPA signature.

2. Costs

2.1 Only in the event the Program Entity violates its obligations under Clause 3 of this Letter of Intent, the Trustee shall be entitled to request from the Program Entity reimbursement of all documented ER Program preparation costs incurred by the Trustee until the end of the Exclusivity Period (as defined below), up to a maximum amount of US\$ 650,000.00 (in words: six hundred and fifty thousand United States dollars) (“**Program Preparation Costs**”). These Program Preparation Costs include, but are not limited to, the costs incurred in relation to the initial ER Program assessment, including due diligence costs, preparation of the ER Program Document, and costs related to the negotiation and execution of the ERPA. For the avoidance of doubt, this Clause 2.1 shall not apply where ERPA negotiations fail, although conducted in good faith (as described in Clause 3.4 below), due to the disagreement

of the Parties on any commercial terms of the ERPA (such as ER price, allocation of costs and provision of advance financing).

- 2.2 With the exception stipulated in Clause 2.1 above, the Trustee shall be responsible for all Program Preparation Costs incurred by the Trustee until the end of the Exclusivity Period (as defined below).

3. Exclusivity Period

- 3.1 Subject to Clause 3.2, Clause 3.3 and Clause 3.4 below and limited to the Maximum Contract Volume, the Program Entity agrees that for a period of twenty four (24) months from the date of this Letter of Intent ("**Exclusivity Period**"), other than with the Trustee, the Program Entity will not:

- (i) Start any discussions or negotiations regarding the dealing in or transfer of any ERs, which are part of the Maximum Contract Volume (as specified under Clause 1.1(i) above), generated or to be generated by the ER Program with any person;
- (ii) Progress further any discussions or negotiations regarding the dealing in or transfer of the ERs, which are part of the Maximum Contract Volume (as specified under Clause 1.1(i) above), generated or to be generated by the ER Program with any person that may have already started and are still continuing at the date of this Letter of Intent; or
- (iii) Enter into an agreement with any other person regarding the dealing in or transfer of the ERs, which are part of the Maximum Contract Volume (as specified under Clause 1.1(i) above), generated or to be generated by the ER Program as a result of any such discussions or negotiations,

without the prior written consent of the Trustee.

- 3.2 Where the Program Entity has specified in the ER-PIN (or otherwise notifies the Trustee in writing) that it may offer ERs expected to be generated by the ER Program to entities other than the Trustee ("**Third Party Transfers**") then Clause 3.1 shall not apply provided and to the extent that:

- (i) The Third Party Transfers process is compatible with Clause 1.1 above, including, but not limited to, providing the Trustee with seniority over the delivery of the Maximum Contract Volume (as specified under Clause 1.1(i) above);
- (ii) The Program Entity keeps the Trustee reasonably informed regarding any aspect of the Third Party Transfers process that could be or could become incompatible with Clause 1.1 above (e.g., regarding the Trustee's seniority over the delivery of the Maximum Contract Volume) and, if requested by the Trustee, will agree with the Trustee in good faith and implement measures to remedy such incompatibilities; and

(iii) The Program Entity and the Trustee have agreed on any additional procedures reasonably required to address the use by the Program Entity of material or information held by the Trustee for the purposes of a Third Party Transfers process.

3.3 The Parties agree that, following the submission of the ER Program Document to the Carbon Fund of the FCPF and provided that the Carbon Fund of the FCPF decides to proceed with ERPA negotiations (“**ERPA Negotiation Start Date**”), the Parties will use all reasonable endeavors to negotiate and execute an ERPA in good faith and on the basis of the terms of this Letter of Intent, within the remaining part of the Exclusivity Period (i.e. the period from the ERPA Negotiation Start Date to the end of the Exclusivity Period). In the event that the remaining part of the Exclusivity Period is less than ten (10) months (“**ERPA Negotiation Period**”), the Exclusivity Period shall extend to the end of the ERPA Negotiation Period.

3.4 Each Party shall be deemed to negotiate an ERPA in good faith as long as it conducts its negotiations in a fair and reasonable manner with a sincere intention to reach a final agreement with the other Party on the terms of the ERPA by the end of the ERPA Negotiation Period.

4. **Provision of Information**

To enable the Trustee to evaluate and consider the ER Program and to negotiate the ERPA, the Program Entity shall provide all reasonable and relevant information and assistance required by the Trustee, its staff and its consultants.

5. **Disclosure of Information**

All information disclosed by the Parties under this Letter of Intent shall be public, i.e., non-confidential, and be disclosed. In the event that either Party requests during the ERPA negotiations that the ERPA be treated as a confidential document, such requesting Party shall disclose its rationale for such request.

6. **Carbon Fund Participant Payment Default**

6.1 The Program Entity understands that (i) the IBRD is not intending to pay for any ERs from the ER Program personally or in its individual capacity but only as a trustee of the relevant tranche of the Carbon Fund of the FCPF and (ii) the obligations and liabilities of the Trustee under any ERPA will be limited to the assets of the relevant tranche of the Carbon Fund and that neither the Trustee, IBRD, any of its affiliated entities, the participants of the relevant tranche of the Carbon Fund of the FCPF, nor any of their respective officers, directors, employees, partners, members or shareholders, will assume or will be subject to any personal liability for any of the obligations, claims or liabilities under or in connection with any ERPA.

6.2 The Program Entity further understands that any payment obligations of the Trustee under or in connection with any ERPA will be limited to assets of the relevant tranche of the Carbon Fund of the FCPF, which consist primarily of the funding to be provided to the Trustee by

the participants of the relevant tranche of the Carbon Fund of the FCPF. Under the FCPF Charter, participants of a tranche of the Carbon Fund of the FCPF are required to make payment to the Trustee up to their respective contribution to the respective tranche of the Carbon Fund of the FCPF upon periodic demands for payment issued by the Trustee. In the event one or more participants of a tranche of the Carbon Fund of the FCPF fail to make payment to the Trustee for whatever reason, the Trustee may not have sufficient funds available to meet its payment obligations when due under the ERPA, in which case the Trustee will not have any liability whatsoever in connection with such lack of available funding.

7. Termination

7.1 Unless the Parties otherwise agree, this Letter of Intent and the understandings it provides will terminate:

- (i) Upon execution of an ERPA between the Program Entity and the Trustee;
- (ii) If an ERPA is not executed prior to the end of the Exclusivity Period, and if applicable, upon reimbursement of Program Preparation Costs in accordance with Clause 2 noted above; or
- (iii) If the Participants of the respective Tranche of the Carbon Fund of the FCPF decide not to proceed to negotiating an ERPA for the ER Program.

7.2 If the ERPA Negotiation Period has not started within eighteen (18) months from the date of this Letter of Intent, the Trustee may, at its sole and absolute discretion, either terminate this Letter of Intent and the understandings it provides or extend the deadline provided in this Clause 7.2.

8. Governing Law and Disputes

8.1 This agreement will be governed and construed in accordance with English law.

8.2 The Parties shall endeavor to settle amicably any dispute between them arising out of or relating to the Letter of Intent (“**Dispute**”). Upon the written request of either Party (“**Initial Request**”), the Parties shall meet promptly to consider the Dispute. If the Dispute has not been resolved by the Parties within sixty (60) days of the date of the Initial Request, the Parties may seek an amicable settlement of the Dispute by conciliation, which shall take place in accordance with the UNCITRAL Conciliation Rules as at present in force. The location of these conciliation proceedings shall be in Suva, Republic of Fiji, and the language shall be English. The Parties shall endeavor to reach agreement on the name of a sole conciliator, failing which either Party may request the Secretary-General of the Permanent Court of Arbitration to appoint the sole conciliator.

8.3 Should either Party refuse to seek an amicable settlement by conciliation, or should the conciliation proceedings be unsuccessfully terminated, either Party may, by notice in writing to the other, refer the settlement of the Dispute to arbitration in accordance with the UNCITRAL Arbitration Rules as at present in force. The location of these arbitration proceedings shall be in Singapore and the language shall be English. The appointing authority shall be the Secretary-General of the Permanent Court of Arbitration, and the number of arbitrators shall be one.

9. Assignment

Both Parties acknowledge that IBRD may agree to act as trustee for its other IBRD administered carbon funds. The IBRD may assign its rights under this Letter of Intent to IBRD acting as trustee of such other carbon fund(s).

10. Immunities

Nothing in this Letter of Intent shall be considered to be a waiver of any privileges and immunities of the IBRD or the Trustee.

IN WITNESS WHEREOF, the Parties hereto have caused this Letter of Intent to be duly executed and agree that it shall be binding and of legal effect from the date of this letter.

On behalf of the International Bank for Reconstruction and Development, in its capacity as trustee of the Carbon Fund of the Forest Carbon Partnership Facility:

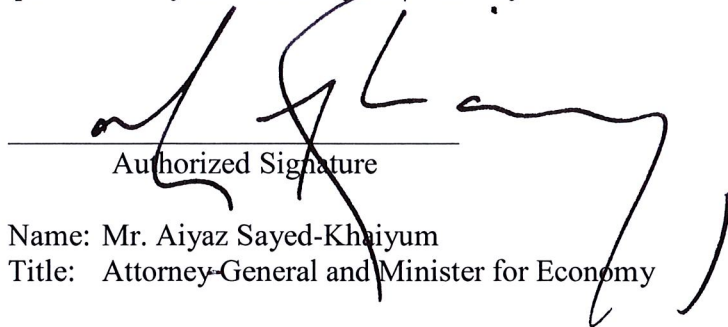


Authorized Signature

Name: Mr. James Reichert

Title: Acting Country Director, Timor-Leste, Papua New Guinea & Pacific Islands

On behalf of the Republic of Fiji, represented by the Ministry of Economy:



Authorized Signature

Name: Mr. Aiyaz Sayed-Khaiyum

Title: Attorney-General and Minister for Economy