

CARBON FUND OF THE FOREST CARBON PARTNERSHIP FACILITY

## **Emission Reductions Payment Agreement**

*Indonesia Emission Reductions Program*

by and between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT,  
AS TRUSTEE OF TRANCHE A OF THE CARBON FUND  
OF THE FOREST CARBON PARTNERSHIP FACILITY

Dated 25-Nov-2020

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## **TABLE OF CONTENTS**

<b>ARTICLE I APPLICATION OF GENERAL CONDITIONS; DEFINITIONS.....</b>	<b>2</b>
SECTION 1.01 APPLICATION OF GENERAL CONDITIONS .....	2
SECTION 1.02 INCONSISTENCY WITH GENERAL CONDITIONS .....	3
<b>ARTICLE II ER PROGRAM DETAILS.....</b>	<b>3</b>
SECTION 2.01 DESCRIPTION OF THE ER PROGRAM; VERIFICATION .....	3
<b>ARTICLE III CONDITIONS OF EFFECTIVENESS .....</b>	<b>3</b>
SECTION 3.01 CONDITIONS OF EFFECTIVENESS TO BE FULFILLED .....	3
SECTION 3.02 CONDITIONS FOR BENEFIT OF TRUSTEE.....	3
SECTION 3.03 TERMINATION OF THE AGREEMENT .....	3
<b>ARTICLE IV PURCHASE AND SALE OF CONTRACT ERS .....</b>	<b>4</b>
SECTION 4.01 CONTRACT ER VOLUME AND UNIT PRICE .....	4
SECTION 4.02 TRANSFER OF CONTRACT ERS .....	4
SECTION 4.03 PERIODIC PAYMENT.....	4
SECTION 4.04 ADVANCE PAYMENTS .....	5
SECTION 4.05 ER PROGRAM IMPLEMENTATION; RECEIPT AND USE OF ERPA PAYMENTS .....	7
SECTION 4.06 APPLICATION FOR PAYMENT .....	8
<b>ARTICLE V CALL OPTION .....</b>	<b>8</b>
SECTION 5.01 CALL OPTION SPECIFICATIONS .....	8
SECTION 5.02 CALL OPTION VOLUME AND EXERCISE PRICE .....	8
<b>ARTICLE VI ER PROGRAM DEVELOPMENT AND FOCAL POINT.....</b>	<b>9</b>
SECTION 6.01 ER PROGRAM DEVELOPMENT.....	9
SECTION 6.02 FOCAL POINT .....	9
<b>ARTICLE VII ADDITIONAL COVENANTS .....</b>	<b>9</b>
SECTION 7.01 ADDITIONAL COVENANTS.....	9
<b>ARTICLE VIII HOST COUNTRY WITHDRAWAL FROM FACILITY .....</b>	<b>10</b>
<b>ARTICLE IX SUB-PROJECT ARRANGEMENTS.....</b>	<b>10</b>
SECTION 9.01 DEVELOPMENT OF SUB-PROJECT ARRANGEMENTS .....	10
<b>ARTICLE X MISCELLANEOUS .....</b>	<b>10</b>
SECTION 10.01 TERM OF THE AGREEMENT .....	10
SECTION 10.02 NOTICES .....	11
<b>SCHEDULE 1 CONDITIONS OF EFFECTIVENESS OF SALE AND PURCHASE.....</b>	<b>12</b>

<b>SCHEDULE 2 MINIMUM REPORTING PERIOD AMOUNTS .....</b>	<b>13</b>
<b>SCHEDULE 3 ER TRANSFER FORM .....</b>	<b>14</b>
<b>SCHEDULE 4 EXERCISE NOTICE .....</b>	<b>16</b>
<b>SCHEDULE 5 PRINCIPAL TERMS OF SUB-PROJECT ARRANGEMENTS .....</b>	<b>17</b>

**CARBON FUND OF THE FOREST CARBON PARTNERSHIP FACILITY  
EMISSION REDUCTIONS PAYMENT AGREEMENT**

("Agreement")

**PARTIES:** REPUBLIC OF INDONESIA ("**Program Entity**"), REPRESENTED BY THE MINISTRY OF ENVIRONMENT AND FORESTRY ("**MoEF**")

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("**IBRD**") IN ITS CAPACITY AS TRUSTEE OF TRANCHE A OF THE CARBON FUND ("**Fund**") OF THE FOREST CARBON PARTNERSHIP FACILITY ("**Trustee**") PURSUANT TO THE CHARTER ESTABLISHING THE FOREST CARBON PARTNERSHIP FACILITY ("**Charter**").

(hereinafter referred to together as "**Parties**" and individually as "**Party**")

**RECITALS:**

- A. Pursuant to the Charter, the Executive Directors of the IBRD have established the Forest Carbon Partnership Facility ("**Facility**") for the following purposes:
- (i) To assist REDD Country Participants in their efforts to achieve Emission Reductions from avoided deforestation and/or avoided forest degradation by providing them with financial and technical assistance in building their capacity to benefit from possible future systems of positive incentives for REDD;
  - (ii) To pilot a performance-based payment system for Emission Reductions generated from REDD activities, with a view to ensuring equitable benefit sharing and promoting future large scale positive incentives for REDD;
  - (iii) Within the approach to REDD, to test ways to sustain or enhance livelihoods of local communities and to conserve biodiversity; and
  - (iv) To disseminate broadly the knowledge gained in the development of the Facility and implementation of Readiness Preparation Proposals and ER programs.
- B. The ER Program is intended to be developed, implemented and operated in the Republic of Indonesia by MoEF. The Republic of Indonesia endorses the further development of the ER Program, approves the ER Program to be implemented in the Republic of Indonesia, and voluntarily participates in the ER Program. The MoEF has the authority under the Environment and Forestry Minister Regulation No. P.18/MenLHK-II/2015 about the Organization and Work Procedures of the Ministry of Environment and Forestry, and as confirmed by the Presidential Regulation No. 16 Year 2015 on the Ministry of Environment and Forestry, to sign this Agreement on behalf of the government of the Republic of Indonesia.
- C. The Program Entity wishes to sell and the Trustee wishes to purchase and make payment, upon the terms and conditions in this Agreement, for transferred Emission Reductions from the ER Program.

- D. In addition to this Agreement, the Program Entity has entered into a separate Emission Reductions Payment Agreement with the IBRD, acting as trustee of Tranche B of the Fund of the Facility ("**Trustee of Tranche B of the Fund**"), around the date of this Agreement for the purchase, transfer and payment of Tranche B of the Fund's pro rata share of 22,000,000 ERs to be generated and verified under the ER Program and offered to Tranche B of the Fund ("**Tranche B ERPA**").

**NOW THEREFORE** the Parties hereby agree as follows:

## **Article I**

### **Application of General Conditions; Definitions**

#### **Section 1.01**      *Application of General Conditions*

- (a) The International Bank for Reconstruction and Development's "General Conditions Applicable to Emission Reductions Payment Agreements for Forest Carbon Partnership Facility Emission Reductions Programs" dated November 1, 2014 ("**General Conditions**"), set forth the terms and conditions applicable to this Agreement and constitute an integral part of this Agreement, with the modifications set forth in Sections 1.01(b) and (c) of this Agreement.
- (b) The following definition shall be added to Section 2.01 of the General Conditions:
- “Disbursement and Financial Information Letter’ means the letter transmitted by the Trustee to the Program Entity, and/or if applicable, the ERPA Payment Receipt Entity, with instructions related to the application for payment under the ERPA.”
- (c) Sections 18.03(b) and 18.03(c) of the General Conditions shall be deleted in their entirety and replaced as follows:
- “(b) If the Dispute has not been resolved by the Parties within one hundred eighty (180) calendar 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 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. Unless the ERPA provides for otherwise, the place of conciliation shall be the capital of the Host Country.
- (c) 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 appointing authority shall be the Secretary-General of the Permanent Court of Arbitration, and the number of arbitrators shall be one. The place of arbitration shall be Singapore.”
- (d) Unless otherwise defined in this Agreement, any capitalized terms in this Agreement shall have the meaning ascribed to such terms in the General Conditions.
- (e) Any reference made in this Agreement to a specific Article or Section shall, unless expressly provided for otherwise, be deemed to be a reference to the corresponding Article or Section in this Agreement.

**Section 1.02      *Inconsistency with General Conditions***

If any provision of this Agreement is inconsistent with a provision of the General Conditions, the provision of this Agreement shall prevail to the extent of such inconsistency.

**Article II  
ER Program Details**

**Section 2.01      *Description of the ER Program; Verification***

- (a)      The ER Program is:                      Indonesia Emission Reductions Program, as further described in the ER Program Document.
- (b)      The Host Country is:                      Republic of Indonesia
- (c)      Verification:                                  With respect to Section 8.02(a) of the General Conditions, the Trustee, in cooperation with the Program Entity, shall arrange for Verification of generated, monitored and reported Contract ERs and Additional ERs, and shall mutually agree on any contracted Independent Reviewer for Verification purposes.

**Article III  
Conditions of Effectiveness**

**Section 3.01      *Conditions of Effectiveness to be fulfilled***

The obligations regarding the sale, transfer and payment for Emission Reductions in Articles III and V of the General Conditions will not take effect until all of the conditions of effectiveness of sale and purchase included in Schedule 1 to this Agreement ("**Conditions of Effectiveness**"), in form and substance satisfactory to the Trustee following consultations with the participants of Tranche A of the Fund ("**Tranche A Participants**"), have been fulfilled.

**Section 3.02      *Conditions for benefit of Trustee***

The Conditions of Effectiveness are for the benefit of, and may only be waived or deferred by, the Trustee.

**Section 3.03      *Termination of the Agreement***

- (a)      If any of the Conditions of Effectiveness have not been fulfilled by the Program Entity within twelve (12) months from the date of this Agreement, as may be extended by the Trustee in accordance with **Error! Reference source not found.**Section 3.03(a)(i) below ("**Conditions Fulfillment Date**"), the Trustee may, at its discretion:
  - (i)      extend the Conditions Fulfillment Date and, possibly, reduce the Contract ER Volume and one or more Minimum Reporting Period Amount(s) by the amount of Emission Reductions that, in the Trustee's reasonable opinion, can no longer be expected to be generated and transferred due to the delay in the Condition Fulfillment Date; or

- (ii) terminate this Agreement by written notice to the Program Entity.
- (b) In case of termination of this Agreement pursuant to Section 3.03(a)(ii), the Program Entity shall, within thirty (30) calendar days of receiving the request of the Trustee, repay to the Trustee any unrecovered Advanced Expense Payment.
- (c) Without prejudice to Sections 3.03(a) and (b), the Trustee shall declare the availability of sufficient capital in Tranche A of the Carbon Fund for the payment of Contract ERs. If such declaration has not been fulfilled by the Trustee within twelve (12) months from the date of this Agreement, as may be extended by the Program Entity in accordance with the Section 3.03(c)(i) below ("**Declaration Fulfillment Date**"), the Program Entity may, at its discretion:
  - (i) extend the Declaration Fulfillment Date; or
  - (ii) terminate this Agreement by written notice to the Trustee.

## Article IV

### Purchase and Sale of Contract ERs

#### Section 4.01 *Contract ER Volume and Unit Price*

- (a) Contract ERs are: Tranche A Pro Rata Share (as defined below) of the first 22,000,000 ERs generated by the ER Program as set out in Schedule 2 to this Agreement ("**Contract ER Volume**").
- (b) The Unit Price is: USD 5.00 per transferred Contract ER

#### Section 4.02 *Transfer of Contract ERs*

- (a) The Minimum Reporting Period Amounts and Cumulative Amounts of Contract ERs to be transferred to the Trustee each Reporting Period in accordance with Section 3.02 of the General Conditions are set out in Schedule 2 to this Agreement.
- (b) From the first ERs that are being generated and verified under the ER Program during each Reporting Period, minus the ERs to be set aside as Buffer ERs in the ER Program Buffer, Tranche A of the Fund shall receive its pro rata share of overall contributions to the Fund (approx. 5%) ("**Tranche A Pro Rata Share**") and Tranche B of the Fund shall receive its pro rata share of overall contributions to the Fund (approx. 95%) ("**Tranche B Pro Rata Share**") as Contract ERs.

#### Section 4.03 *Periodic Payment*

- (a) The Periodic Payment for transferred Contract ERs and/or Additional ERs, if any, shall be calculated in the following manner:

**Periodic Payment for transferred Contract ERs and/or Additional ERs (as applicable):**

Unit Price / Exercise Price	X	The number of Contract ERs / Additional ERs transferred to the Trustee (as Verified in the respective final Verification Report)	-	Any Advance Payment(s) made in accordance with Section 4.04	-	Any Taxes paid by the Trustee in accordance with Section 5.04 of the General Conditions
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- (b) In the event that any deduction of any Advance Payment installments, made in accordance with and subject to Section 4.04, or any Taxes paid by the Trustee in accordance with Section 5.04 of the General Conditions would make the Periodic Payment for that Reporting Period a negative number, the Trustee will carry forward any amounts not deducted in that Reporting Period to the following Reporting Period.

**Section 4.04      *Advance Payments***

- (a) The Trustee shall make advance payments on behalf of the Program Entity in the amount of the Tranche A Pro Rata Share for any fees, charges, costs or other expenses charged by a Registry system or any other relevant authority or entity in relation to Registration, issuance and forwarding of Contract ERs or Additional ERs or the ER Transfer, payable by the Program Entity in accordance with Section 5.04(a) of the General Conditions ("**Advanced Expense Payment**").
- (b) In addition to Section 4.04(a) and starting after Verification of ERs generated during Reporting Period 1, the Program Entity may request the Trustee to make one or more interim advance payment(s) ("**Interim Advance Payment**"), provided that any payment by the Trustee of any Interim Advance Payment shall be subject to the following conditions:
- (i) The Program Entity has fulfilled all Conditions of Effectiveness referred to in Section 3.01 and specified in Schedule 1 to this Agreement, in form and substance satisfactory to the Trustee following consultations with Tranche A Participants;
- (ii) A final Verification Report has been submitted to the Trustee for the Reporting Period preceding the respective Interim Progress Reporting Period (as specified in subparagraph (iii) below) and the Program Entity has monitored ERs generated under the ER Program ("**Monitored ERs**") during each such Interim Progress Reporting Period and has documented its monitoring results by submission of an interim progress report ("**Interim Progress Report**") to the Trustee, in form and substance satisfactory to the Trustee following consultations with Tranche A Participants. As a separate annex to the Interim Progress Report, the Program Entity shall provide:
- (A) evidence satisfactory to the Trustee that the Program Activity is being implemented in accordance with the Safeguards Plans and that the Benefit Sharing Plan has been implemented in accordance with its terms (including any feedback and grievance redress mechanism described in any of such documents); and



- (B) information on the generation and/or enhancement of Priority Non-Carbon Benefits (to the extent not yet provided for under any relevant Safeguards Plan, if applicable) under the ER Program;
- (iii) Interim Advance Payment instalments to be made by Tranche A of the Fund shall be limited to the Tranche A Pro Rata Share of the following amounts:
  - (A) For Interim Progress Reporting Period 1 (January 1 – December 31, 2021):
 

50% of the value of Monitored ERs (i.e., Unit Price times Monitored ERs times 50%), unless the first Verification of monitored ERs during the Reporting Period 1 verifies less than 50% of ERs previously monitored and reported for Reporting Period 1 in which case the percentage amount for the Interim Advance Payment will be reduced to half of the actual percentage of verified ERs against monitored ERs for Reporting Period 1; and
  - (B) For Interim Progress Reporting Period 2 (January 1 – December 31, 2023):
 

50% of the value of Monitored ERs (i.e., Unit Price times Monitored ERs times 50%), unless the second Verification of monitored ERs during the Reporting Period 2 verifies less than 50% of ERs previously monitored and reported for Reporting Period 2 in which case the percentage amount for the Interim Advance Payment will be reduced to half of the actual percentage of verified ERs against monitored ERs for Reporting Period 2.
- (iv) The sum of all Interim Advance Payment installments made under this Agreement and the Tranche B ERPA shall not exceed USD 42,500,000 (“**Interim Advance Payment Cap**”).
- (v) Upon all conditions for each Interim Advance Payment instalment under subparagraphs (i), (ii), (iii) and (iv) above being fulfilled, in form and substance satisfactory to the Trustee, the Trustee shall notify the Program Entity accordingly and shall disburse the Tranche A Pro Rata Share of the Interim Advance Payment installment to the Program Entity within thirty (30) calendar days following receipt by the Program Entity of such notification.
- (c) In addition to Section 4.04(a) and Section 4.04(b) above, the Program Entity may request the Trustee to make an ER advance payment (“**ER Advance Payment**”) to the Program Entity for Contract ERs and/or Additional ERs generated by the ER Program during a Reporting Period, as evidenced in the ER Monitoring Report for that Reporting Period and pending subsequent final Verification and ER Transfer, provided that any payment of any ER Advance Payment shall be made by the Trustee subject to the following conditions:
  - (i) The Trustee determines, in its sole and absolute discretion following consultations with Tranche A Participants, whether it is willing to make an ER Advance Payment;
  - (ii) The ER Advance Payment to be made by Tranche A of the Fund shall be limited to the Tranche A Pro Rata Share of such payment;
  - (iii) The Program Entity has fulfilled all Conditions of Effectiveness referred to in Section 3.01 and specified in Schedule 1 to this Agreement, in form and substance satisfactory to the Trustee following consultations with Tranche A Participants;

- (iv) Upon all the conditions for the ER Advance Payment under subparagraphs (i), (ii) and (iii) above being fulfilled, in form and substance satisfactory to the Trustee, the Trustee shall notify the Program Entity accordingly and shall disburse the Tranche A Pro Rata Share of the ER Advance Payment to the Program Entity within thirty (30) calendar days following receipt by the Program Entity of such notification; and
- (v) In the event that the subsequent final Verification Report for that Reporting Period verifies an ER amount that is less than the amount that was reported in the ER Monitoring Report and the value of such Verified amount of Contract ERs and/or Additional ERs (i.e. Unit Price/Exercise Price (as applicable) X Contract ERs/Additional ERs (as applicable) generated during that Reporting Period (as evidenced in the final Verification Report)) is less than the ER Advance Payment, the Trustee shall be entitled to recover the Tranche A Pro Rata Share of the overpaid amount from any future Periodic Payment to be made to the Program Entity under this Agreement for transferred ERs or, if no such subsequent Periodic Payment will be due, request prompt repayment of such overpaid amount from the Program Entity.
- (d) The Trustee shall be entitled to deduct in full any Advance Payment(s) made to the Program Entity by Tranche A of the Fund, as applicable, from Periodic Payments for transferred Contract ERs/Additional ERs under this Agreement.
- (e) In the event that any outstanding Advance Payment made under this Agreement cannot be recovered in full from the last Periodic Payment due for transferred Contract ERs/Additional ERs to be made under this Agreement, the Trustee may request prompt repayment of the outstanding Advance Payment amount from the Program Entity to the Trustee.
- (f) Notwithstanding Section 5.03(c) of the General Conditions, legal title to any Contract ERs and/or Additional ERs for which an Advance Payment has been made shall transfer to the Trustee upon completion of the ER Transfer of such ERs to the Trustee.

#### **Section 4.05**      ***ER Program Implementation; Receipt and Use of ERPA Payments***

- (a) The Indonesian Environmental Fund Management Agency (BLU-BPDLH) (“**ERPA Payment Recipient Entity**”) shall receive Periodic Payments and Advance Payments (together referred to as “**ERPA Payments**”) under this Agreement on behalf of the Program Entity. After receiving ERPA Payments, the ERPA Payment Recipient Entity shall transfer all of such ERPA Payments to eligible Beneficiaries over time in accordance with the Benefit Sharing Plan. The responsibilities of the ERPA Recipient Entity under this Agreement shall be limited to its role as the ERPA Payment Recipient Entity, its responsibilities related to the receipt of ERPA Payments, transferring such ERPA Payments to eligible Beneficiaries under the Benefit Sharing Plan, and the financial monitoring over the use of ERPA payments by the eligible Beneficiaries in accordance with the Benefit Sharing Plan.
- (b) The Trustee shall be deemed to have fulfilled its respective payment obligation towards the Program Entity under this Agreement once it has made ERPA Payments to the ERPA Payment Recipient Entity. The Program Entity, represented by MoEF, agrees that when serving as Trustee and to the extent it follows the instructions given by the Program Entity, through MoEF, the IBRD in its individual capacity and as Trustee shall not, under any circumstances, be liable for any direct or indirect loss or damage whatsoever caused to the Program Entity or the ERPA Payment Recipient Entity as a result of making the ERPA Payments to the ERPA Payment Recipient Entity.

- (c) For the avoidance of doubt, despite the delegation of certain responsibilities of the Program Entity under this Agreement to the ERPA Payment Recipient Entity as set out in Section 4.05(a), the Program Entity shall remain fully responsible and accountable under this Agreement for the way the ERPA Payment Recipient Entity carries out its delegated responsibilities on behalf of the Program Entity. In particular, in the event that the ERPA Payment Recipient Entity fails to observe, implement or meet all requirements contained in the Benefit Sharing Plan and Safeguards Plans provided for under this Agreement (including any feedback and grievance redress mechanism provided for under the ER Program, the Benefit Sharing Plan and/or any Safeguards Plan), such failure shall constitute an event of default by the Program Entity (Event of Default) under Section 16.01(a)(vii) of the General Conditions.

## Section 4.06 *Application for Payment*

Any ERPA Payments to be made by the Trustee under and subject to Section 4.03 (in conjunction with Section 5.03 of the General Conditions) and Section 4.04 of this Agreement shall require the ERPA Payment Recipient Entity to submit on behalf of the Program Entity an application for payment electronically or otherwise to the Trustee, in form and substance satisfactory to the Trustee, in accordance with the Disbursement and Financial Information Letter (“**Application for Payment**”), and such additional instructions as the IBRD may specify from time to time by notice to the ERPA Payment Recipient Entity. Any time period provided for in this Agreement or the General Conditions for such payment to become due shall not start running before such Application for Payment has been submitted by the ERPA Payment Recipient Entity on behalf of the Program Entity.

## Article V

### Call Option

Section 5.01 *Call Option Specifications*

- (a) The Grantee is: Trustee
- (b) The Grantor is: Program Entity

Section 5.02 *Call Option Volume and Exercise Price*

- |     |                           |   |
|-----|---------------------------|---|
| (a) | The Additional ERs are:   | <p>In the event that the ER Program generates in a Reporting Period ERs in excess of the Contract ER Volume the Parties agree to grant the Grantee a Call Option to purchase such additional ERs (“<b>Additional ERs</b>”).</p> <p>Subject to the Maximum Option Volume (see below), the Grantee may exercise the Call Option for all or part of the Tranche A Pro Rata Share in Additional ERs and, if applicable, for any additional amount of Additional ERs for which the Trustee of Tranche B of the Fund has not exercised its call option in full after a Reporting Period under the Tranche B ERPA.</p> |
| (b) | Maximum Option Volume is: | Tranche A Pro Rata Share of 20,000,000 Additional ERs   |

- (c) Exercise Price is: The Exercise Price per transferred Additional ER shall be negotiated and agreed within sixty (60) calendar days following receipt of a final Verification Report indicating that Additional ERs have been generated under the ER Program during a Reporting Period. If the Parties cannot agree on an Exercise Price within such time period, the Call Option shall lapse upon the end of such time period for that Reporting Period, and that Reporting Period only.
- (d) Exercise Period: Within sixty (60) calendar days following agreement between the Parties on an Exercise Price for Additional ERs.
- (e) Exercise Completion Date is: Ninety (90) calendar days following receipt by the Grantor of the Exercise Notice.
- (f) Increase of Maximum Option Volume: In the event that the Maximum Option Volume is increased by the Trustee under Sections 13.02(c) and/or 16.03 of the General Conditions, the Grantee may exercise the portion of the Call Option increased due to the exercise of the remedies first before it exercises the portion of the Call Option granted under Section 5.02(a). For the avoidance of doubt, the Exercise Price payable for the Additional ERs increased due to the exercise of the remedies will be the Unit Price.

## **Article VI**

### **ER Program Development and Focal Point**

#### **Section 6.01**      *ER Program Development*

The ER Program Start Date is:      June 18, 2019

#### **Section 6.02**      *Focal Point*

Both the Trustee and the Program Entity shall serve as joint Focal Points for communications with respect to the ER Program Activity. The Trustee shall be responsible for preparing and submitting the Distribution Letter.

## **Article VII**

### **Additional Covenants**

#### **Section 7.01**      *Additional Covenants*

- (a) In addition to Section 5.01(b)(i) of the General Conditions, the Program Entity shall monitor and report to the Trustee on the implementation of the Safeguards Plans and Benefit Sharing Plan during Reporting Periods. The Program Entity shall monitor and report to the Trustee on the implementation of the Safeguards Plans annually after the date of this Agreement. The Program Entity shall first monitor and report to the Trustee on the implementation of the Benefit Sharing Plan six (6) months after receipt of the first Periodic Payment and annually thereafter. The Program Entity may coordinate the annual monitoring and reporting of the Safeguards Plans and the Benefit Sharing Plan, provided that the Program Entity notifies the Trustee and the Trustee accepts such

coordinated timelines. The Trustee reserves the right to initiate a separate monitoring of the implementation of the Safeguards Plans and/or the Benefit Sharing Plan annually after the date of this Agreement by an independent Third Party monitor. Sections 9.01(g) and (k) as well as Section 9.05(d) of the General Conditions shall apply to such Third Party monitor *mutatis mutandis*.

- (b) The Program Entity shall apply technical corrections to improve the carbon accounting in order to reduce uncertainty. The Program Entity shall do this in line with the areas of improvement (“**Areas for Improvement**”) described in the TAP’s Technical Assessment Report (May 2, 2019) and the FMT’s Assessment Note (May 21, 2019), and shall do this following the provisions included in the "Guideline on the application of the methodological framework Number 2: Technical corrections to GHG emissions and removals reported in the reference period" dated November 2018 (“**Guideline**”). Such technical corrections shall be included in the Reference Level and shall be used for any ER Monitoring Report. If the Program Entity does not provide the Trustee with a detailed description of the technical corrections taking into account the Areas for Improvement and in accordance with the Guideline at the latest three (3) months prior to the end of the first Reporting Period, this shall constitute a material breach by the Program Entity (Event of Default) under Section 16.01(a)(vi) of the General Conditions.

## **Article VIII**

### **Host Country Withdrawal from Facility**

For the avoidance of doubt, the Host Country’s withdrawal from the Facility will not terminate this Agreement or alter in any other respect the Program Entity's obligations under this Agreement.

## **Article IX**

### **Sub-Project Arrangements**

#### **Section 9.01**      *Development of Sub-Project Arrangements*

- (a) The Program Entity shall ensure that any Sub-Project Arrangement contains the principal terms included in Schedule 5 to this Agreement and none of the terms of the Sub-Project Arrangements are inconsistent with the terms of this Agreement.
- (b) The Program Entity shall ensure that any Sub-Project Entity complies with all of the requirements set out in the Sub-Project Arrangement.

## **Article X**

### **Miscellaneous**

#### **Section 10.01**      *Term of the Agreement*

This Agreement will become effective through execution by both Parties as of the date first above written. Unless terminated earlier in accordance with the General Conditions or Section 3.03, this Agreement shall terminate upon transfer of all the Contract ERs and Additional ERs, if any, the payment of Periodic Payments in respect thereof, and the repayment of any yet unrecovered and outstanding Advance Payment amounts, if applicable, subject to the survival of provisions as identified in Section 18.11 of the General Conditions, but in any event by no later than December 31, 2025.

**Section 10.02      Notices**

Any notice, communication, request or correspondence required or permitted under the terms of this Agreement shall be in writing, in the English language (it being understood that any such communication in a language other than English shall be of no force and effect), and shall be delivered personally, or via courier, mail, or facsimile to the address and telecopier numbers provided below.

For the Program Entity:

Ministry of Environment and Forestry  
Gedung Manggala Wanabakti, Jl. Jenderal Gatot Subroto  
Jakarta 12070  
Republic of Indonesia

Email: Banghen\_11@yahoo.co.id  
Tel.: +62 21 5730191

For the Trustee:

Carbon Fund of the Forest Carbon Partnership Facility  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Email: fcpfsecretariat@worldbank.org  
Tel.: +1-202-458-4416

**IN WITNESS WHEREOF**, the Parties hereto have caused this Agreement to be duly executed as of the date first above written.

**INTERNATIONAL BANK FOR RECON-  
STRUCTION AND DEVELOPMENT,  
AS TRUSTEE OF TRANCHE A OF THE  
CARBON FUND OF THE FOREST  
CARBON PARTNERSHIP FACILITY**

**REPUBLIC OF INDONESIA,  
REPRESENTED BY THE MINISTRY  
OF ENVIRONMENT AND FORESTRY**

Satu Kahkonen  
(Authorized signatory)

By: Satu Kahkonen  
Title: Country Director  
Indonesia and Timor-Leste

Bambang Hendroyono  
(Authorized signatory)

By: Bambang Hendroyono  
Title: Secretary General

## **SCHEDULE 1**

### **CONDITIONS OF EFFECTIVENESS OF SALE AND PURCHASE**

- (1) Submission of a final Benefit Sharing Plan which, based on the advance draft version of the Benefit Sharing Plan provided by the date of this Agreement, takes into account specific guidance to be provided by the Trustee, following consultations with Tranche A Participants, on the outstanding issues that need further clarification in the final version of the Benefit Sharing Plan;
- (2) Submission of a letter in which the Program Entity documents its decision to use the ER Program Buffer as the Reversal Management Mechanism for its ER Program;
- (3) Submission of evidence demonstrating the Program Entity's ability to transfer Title to ERs, free of any interest, Encumbrance or claim of a Third Party; and
- (4) Submission of evidence, in form and substance satisfactory to the Trustee, demonstrating that the ER Program Measures that generated the ERs during the period from June 18, 2019 until the date of this Agreement were implemented in a manner consistent with the Safeguards Plans.

## SCHEDULE 2

### MINIMUM REPORTING PERIOD AMOUNTS

Reporting Period		Minimum Reporting Period Amount of Contract ERs to be generated in this Reporting Period and subsequently transferred to the Trustee of Tranche A of the Fund	Cumulative Amount of Contract ERs which must be generated by the end of this Reporting Period and subsequently transferred to the Trustee of Tranche A of the Fund
<b>1</b>	June 18, 2019 – December 31, 2020	Tranche A Pro Rata Share of 5,000,000 ERs (approx. 250,000 ERs)	Tranche A Pro Rata Share of 5,000,000 ERs (approx. 250,000 ERs)
<b>2</b>	January 1, 2021 – December 31, 2022	Tranche A Pro Rata Share of 8,000,000 ERs (approx. 400,000 ERs)	Tranche A Pro Rata Share of 13,000,000 ERs (approx. 650,000 ERs)
<b>3</b>	January 1, 2023 – December 31, 2024	Tranche A Pro Rata Share of 9,000,000 ERs (approx. 450,000 ERs)	Tranche A Pro Rata Share of 22,000,000 ERs (approx. 1,100,000 ERs)



### SCHEDULE 3

#### ER TRANSFER FORM

##### [LETTERHEAD OF PROGRAM ENTITY]

**TO:** The International Bank for Reconstruction and Development as Trustee of Tranche A of the Carbon Fund of the Forest Carbon Partnership Facility

**ER Transfer Form for the Reporting Period from ..... [Date] ..... to ..... [Date] .....**

We refer to the Forest Carbon Partnership Facility Emission Reductions Payment Agreement dated [ ] between [ ] ("**Program Entity**") and the International Bank for Reconstruction and Development, as Trustee of Tranche A of the Carbon Fund of the Forest Carbon Partnership Facility ("**IBRD**" or "**Trustee**")[, as amended] ("**ERPA**"). Capitalized terms used and not specifically defined herein shall have the meanings assigned thereto in the ERPA.

#### 1. Notification of Transfer of ERs

In accordance with the ERPA, we hereby notify the Trustee that the following amount of Verified ERs has been transferred to the Trustee for this Reporting Period in accordance with the ERPA:

- \_\_\_\_\_ ERs, as Verified by Verification Report dated [INSERT DATE] of which \_\_\_\_\_ ERs are Contract ERs and, if any, \_\_\_\_\_ ERs are Additional ERs.

For the avoidance of doubt, by having transferred the above ERs, we also have transferred and assigned to the Trustee the right to cause those ERs to be forwarded into any Registry Account(s) of the Trustee's nominee(s) in accordance with any modality, procedure, process or mechanism established by any relevant authority, entity or registry.

#### 2. Invoice and Periodic Payment

We calculate that the gross payment amount for transferred ERs for this Reporting Period, before deducting the Advance Payment(s) and Taxes which the Trustee is entitled to deduct under the ERPA, is:

[US\$] \_\_\_\_\_ [[US\$][Unit Price] X [Volume of transferred Contract ERs]]  
Plus (if any)

[US\$] \_\_\_\_\_ [[US\$][Exercise Price] X [Volume of transferred Additional ERs]]

Equals

[US\$] \_\_\_\_\_ [gross payment amount]

Please pay the gross payment amount, less any Advance Payment(s) and Taxes which the Trustee is entitled to deduct under the ERPA (Periodic Payment) to the following bank account, in accordance with the ERPA:

Name of Payee's Bank: XXX

Swift Code: XXX  
Bank address: XXX  
Bank Account Number: 123456789

Name of Intermediary Bank: XXX  
Swift Code: XXX  
Bank address: XXX

Dated: \_\_\_\_\_, 20[ ]

For and on behalf \_\_\_\_\_[*Program Entity*]

by its authorized Representative

Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

## SCHEDULE 4

### EXERCISE NOTICE

#### [LETTERHEAD OF GRANTEE]

TO: [Grantor]

#### Exercise Notice for *[insert Reporting Period]*

We refer to the Emission Reductions Payment Agreement dated [INSERT DATE] ("**ERPA**") between [ ] ("**Program Entity**") and the International Bank for Reconstruction and Development ("**IBRD**"), as trustee of Tranche A of the Carbon Fund ("**Fund**") of the Forest Carbon Partnership Facility ("**Trustee**"), which includes the 'International Bank for Reconstruction and Development General Conditions Applicable to Emission Reductions Payment Agreements for Forest Carbon Partnership Facility Emission Reductions Programs' dated November 1, 2014 ("**General Conditions**"). Capitalized terms used and not specifically defined herein shall have the meanings assigned thereto in the ERPA and the General Conditions.

For the Reporting Period beginning [XX] and ending [XX], the Grantee hereby exercises its Call Option from the Grantor on the same terms and conditions as set out in the ERPA and transferred in accordance with the following:

Grantor:	Program Entity
Grantee:	Trustee of Tranche A of the Fund
Registry Account:	<i>[insert if known]</i>
Quantity of Additional ERs:	<i>[insert]</i>
Exercise Price:	<i>[insert price per ER as specified in ERPA]</i>
Exercise Completion Date:	<i>[Insert date [90] calendar days from the date of this Notice]</i>

Dated:

**For and on behalf of**  
**[insert legal name of Grantee]**

by its Authorized Representative

\_\_\_\_\_  
Authorized Representative

\_\_\_\_\_  
Please print name

## **SCHEDULE 5**

### **PRINCIPAL TERMS OF SUB-PROJECT ARRANGEMENTS**

Any Sub-Project Arrangement between the Program Entity and any Sub-Project Entity shall include, but not be limited to, the following principal terms:

1. The Sub-Project Entity shall:

- (a) Implement all applicable requirements of the ER Monitoring Plan, including those pertaining to environmental and social performance and operational management systems (unless the Program Entity exclusively monitors the data/info required to be included in the ER Monitoring Report in which case this obligation does not need to be included).
- (b) Installs, operates and maintains the facilities and equipment and retains staff necessary for gathering all such data as may be required by the ER Monitoring Plan, including by establishing and maintaining all related data measurement and collection systems as are necessary (unless the Program Entity exclusively installs, operates and maintains the facilities and equipment and retains staff necessary for gathering all such data as may be required by the ER Monitoring Plan in which case this obligation does not need to be included).
- (c) Implement its Sub-Project/ER Program Measures (as specified in the ERPD) in accordance with the terms of the ERPD.
- (d) For the avoidance of doubt, authorize the Program Entity to transfer any ERs generated from such Sub-Project/ER Program Measures to the FCPF Carbon Fund free of any third party interest or encumbrance.
- (e) Inform the Program Entity immediately after becoming aware of the occurrence of a Reversal Event under a Sub-Project/ER Program Measure.
- (f) Operate and implement its Sub-Project/ER Program Measures in compliance with the World Bank Operational Policies and any Safeguards Plans provided for under the ERPA.
- (g) Maintain and prepare its Sub-Project/ER Program Measures to allow for Verification.
- (h) Satisfy any obligations in respect of applications for all licenses, permits, consents and authorizations required to implement the Sub-Project/ER Program Measures.

2. The Program Entity shall:

- (a) Provide the Sub-Project Entity with the ERPD, the ER Monitoring Plan (if needed), the Safeguards Plans and any other information relevant to the implementation of the Sub-Project/ER Program Measures (including relevant communication between the Trustee and the Program Entity in relation to the ERPA).
- (b) Collect from the Sub-Project Entity, and, if necessary, confirm the accuracy of, all information required to be collected under the Monitoring Plan and the applicable Safeguards Plans.

CARBON FUND OF THE FOREST CARBON PARTNERSHIP FACILITY

## **Emission Reductions Payment Agreement**

*Indonesia Emission Reductions Program*

by and between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT,  
AS TRUSTEE OF TRANCHE B OF THE CARBON FUND  
OF THE FOREST CARBON PARTNERSHIP FACILITY

Dated 25-Nov-2020

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## **TABLE OF CONTENTS**

<b>ARTICLE I APPLICATION OF GENERAL CONDITIONS; DEFINITIONS.....</b>	<b>2</b>
SECTION 1.01 APPLICATION OF GENERAL CONDITIONS .....	2
SECTION 1.02 INCONSISTENCY WITH GENERAL CONDITIONS .....	3
<b>ARTICLE II ER PROGRAM DETAILS.....</b>	<b>3</b>
SECTION 2.01 DESCRIPTION OF THE ER PROGRAM; VERIFICATION .....	3
<b>ARTICLE III CONDITIONS OF EFFECTIVENESS .....</b>	<b>3</b>
SECTION 3.01 CONDITIONS OF EFFECTIVENESS TO BE FULFILLED .....	3
SECTION 3.02 CONDITIONS FOR BENEFIT OF TRUSTEE.....	3
SECTION 3.03 TERMINATION OF THE AGREEMENT .....	3
<b>ARTICLE IV PURCHASE AND SALE OF CONTRACT ERS .....</b>	<b>4</b>
SECTION 4.01 CONTRACT ER VOLUME AND UNIT PRICE .....	4
SECTION 4.02 TRANSFER OF CONTRACT ERS .....	4
SECTION 4.03 PERIODIC PAYMENT.....	4
SECTION 4.04 RE-TRANSFER OF CONTRACT ERS .....	5
SECTION 4.05 ADVANCE PAYMENTS .....	6
SECTION 4.06 ER PROGRAM IMPLEMENTATION; RECEIPT AND USE OF ERPA PAYMENTS .....	8
SECTION 4.07 APPLICATION FOR PAYMENT .....	9
<b>ARTICLE V CALL OPTION .....</b>	<b>9</b>
SECTION 5.01 CALL OPTION SPECIFICATIONS .....	9
SECTION 5.02 CALL OPTION VOLUME AND EXERCISE PRICE .....	9
<b>ARTICLE VI ER PROGRAM DEVELOPMENT AND FOCAL POINT.....</b>	<b>10</b>
SECTION 6.01 ER PROGRAM DEVELOPMENT.....	10
SECTION 6.02 FOCAL POINT .....	10
<b>ARTICLE VII ADDITIONAL COVENANTS .....</b>	<b>10</b>
SECTION 7.01 ADDITIONAL COVENANTS.....	10
<b>ARTICLE VIII HOST COUNTRY WITHDRAWAL FROM FACILITY .....</b>	<b>11</b>
<b>ARTICLE IX SUB-PROJECT ARRANGEMENTS.....</b>	<b>11</b>
SECTION 9.01 DEVELOPMENT OF SUB-PROJECT ARRANGEMENTS .....	11
<b>ARTICLE X MISCELLANEOUS .....</b>	<b>11</b>
SECTION 10.01 TERM OF THE AGREEMENT .....	11
SECTION 10.02 NOTICES .....	11
<b>SCHEDULE 1 CONDITIONS OF EFFECTIVENESS OF SALE AND PURCHASE.....</b>	<b>13</b>

<b>SCHEDULE 2 MINIMUM REPORTING PERIOD AMOUNTS .....</b>	<b>14</b>
<b>SCHEDULE 3 ER TRANSFER FORM .....</b>	<b>15</b>
<b>SCHEDULE 4 ER RE-TRANSFER FORM .....</b>	<b>17</b>
<b>SCHEDULE 5 EXERCISE NOTICE .....</b>	<b>18</b>
<b>SCHEDULE 6 PRINCIPAL TERMS OF SUB-PROJECT ARRANGEMENTS .....</b>	<b>19</b>

**CARBON FUND OF THE FOREST CARBON PARTNERSHIP FACILITY  
EMISSION REDUCTIONS PAYMENT AGREEMENT**

("Agreement")

**PARTIES:** REPUBLIC OF INDONESIA ("**Program Entity**"), REPRESENTED BY THE MINISTRY OF ENVIRONMENT AND FORESTRY ("**MoEF**")

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("**IBRD**") IN ITS CAPACITY AS TRUSTEE OF TRANCHE B OF THE CARBON FUND ("**Fund**") OF THE FOREST CARBON PARTNERSHIP FACILITY ("**Trustee**") PURSUANT TO THE CHARTER ESTABLISHING THE FOREST CARBON PARTNERSHIP FACILITY ("**Charter**").

(hereinafter referred to together as "**Parties**" and individually as "**Party**")

**RECITALS:**

- A. Pursuant to the Charter, the Executive Directors of the IBRD have established the Forest Carbon Partnership Facility ("**Facility**") for the following purposes:
- (i) To assist REDD Country Participants in their efforts to achieve Emission Reductions from avoided deforestation and/or avoided forest degradation by providing them with financial and technical assistance in building their capacity to benefit from possible future systems of positive incentives for REDD;
  - (ii) To pilot a performance-based payment system for Emission Reductions generated from REDD activities, with a view to ensuring equitable benefit sharing and promoting future large scale positive incentives for REDD;
  - (iii) Within the approach to REDD, to test ways to sustain or enhance livelihoods of local communities and to conserve biodiversity; and
  - (iv) To disseminate broadly the knowledge gained in the development of the Facility and implementation of Readiness Preparation Proposals and ER programs.
- B. The ER Program is intended to be developed, implemented and operated in the Republic of Indonesia by MoEF. The Republic of Indonesia endorses the further development of the ER Program, approves the ER Program to be implemented in the Republic of Indonesia, and voluntarily participates in the ER Program. The MoEF has the authority under the Environment and Forestry Minister Regulation No. P.18/MenLHK-II/2015 about the Organization and Work Procedures of the Ministry of Environment and Forestry, and as confirmed by the Presidential Regulation No. 16 Year 2015 on the Ministry of Environment and Forestry, to sign this Agreement on behalf of the government of the Republic of Indonesia.
- C. The Program Entity wishes to sell and the Trustee wishes to purchase and make payment, upon the terms and conditions in this Agreement, for transferred Emission Reductions from the ER Program.



- D. In addition to this Agreement, the Program Entity has entered into a separate Emission Reductions Payment Agreement with the IBRD, acting as trustee of Tranche A of the Fund of the Facility ("**Trustee of Tranche A of the Fund**"), around the date of this Agreement for the purchase, transfer and payment of Tranche A of the Fund's pro rata share of 22,000,000 ERs to be generated and verified under the ER Program and offered to Tranche A of the Fund ("**Tranche A ERPA**").

**NOW THEREFORE** the Parties hereby agree as follows:

## **Article I**

### **Application of General Conditions; Definitions**

#### **Section 1.01**      *Application of General Conditions*

- (a) The International Bank for Reconstruction and Development's "General Conditions Applicable to Emission Reductions Payment Agreements for Forest Carbon Partnership Facility Emission Reductions Programs" dated November 1, 2014 ("**General Conditions**"), set forth the terms and conditions applicable to this Agreement and constitute an integral part of this Agreement, with the modifications set forth in Sections 1.01(b) and (c) of this Agreement.
- (b) The following definition shall be added to Section 2.01 of the General Conditions:
- “Disbursement and Financial Information Letter’ means the letter transmitted by the Trustee to the Program Entity, and/or if applicable, the ERPA Payment Receipt Entity, with instructions related to the application for payment under the ERPA.”
- (c) Sections 18.03(b) and 18.03(c) of the General Conditions shall be deleted in their entirety and replaced as follows:
- “(b) If the Dispute has not been resolved by the Parties within one hundred eighty (180) calendar 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 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. Unless the ERPA provides for otherwise, the place of conciliation shall be the capital of the Host Country.
- (c) 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 appointing authority shall be the Secretary-General of the Permanent Court of Arbitration, and the number of arbitrators shall be one. The place of arbitration shall be Singapore.”
- (d) Unless otherwise defined in this Agreement, any capitalized terms in this Agreement shall have the meaning ascribed to such terms in the General Conditions.
- (e) Any reference made in this Agreement to a specific Article or Section shall, unless expressly provided for otherwise, be deemed to be a reference to the corresponding Article or Section in this Agreement.

**Section 1.02**      *Inconsistency with General Conditions*

If any provision of this Agreement is inconsistent with a provision of the General Conditions, the provision of this Agreement shall prevail to the extent of such inconsistency.

**Article II**  
**ER Program Details**

**Section 2.01**      *Description of the ER Program; Verification*

- (a)      The ER Program is:                      Indonesia Emission Reductions Program, as further described in the ER Program Document.
- (b)      The Host Country is:                      Republic of Indonesia
- (c)      Verification:                                  With respect to Section 8.02(a) of the General Conditions, the Trustee, in cooperation with the Program Entity, shall arrange for Verification of generated, monitored and reported Contract ERs and Additional ERs, and shall mutually agree on any contracted Independent Reviewer for Verification purposes.

**Article III**  
**Conditions of Effectiveness**

**Section 3.01**      *Conditions of Effectiveness to be fulfilled*

The obligations regarding the sale, transfer and payment for Emission Reductions in Articles III and V of the General Conditions will not take effect until all of the conditions of effectiveness of sale and purchase included in Schedule 1 to this Agreement (“**Conditions of Effectiveness**”), in form and substance satisfactory to the Trustee following consultations with the participants of Tranche B of the Fund (“**Tranche B Participants**”), have been fulfilled.

**Section 3.02**      *Conditions for benefit of Trustee*

The Conditions of Effectiveness are for the benefit of, and may only be waived or deferred by, the Trustee.

**Section 3.03**      *Termination of the Agreement*

- (a)      If any of the Conditions of Effectiveness have not been fulfilled by the Program Entity within twelve (12) months from the date of this Agreement, as may be extended by the Trustee in accordance with Section 3.03(a)(i) below (“**Conditions Fulfillment Date**”), the Trustee may, at its discretion:
  - (i)      extend the Conditions Fulfillment Date and, possibly, reduce the Contract ER Volume and one or more Minimum Reporting Period Amount(s) by the amount of Emission Reductions that, in the Trustee’s reasonable opinion, can no longer be expected to be generated and transferred due to the delay in the Condition Fulfillment Date; or

- (ii) terminate this Agreement by written notice to the Program Entity.
- (b) In case of termination of this Agreement pursuant to Section 3.03(a)(ii), the Program Entity shall, within thirty (30) calendar days of receiving the request of the Trustee, repay to the Trustee any unrecovered Advanced Expense Payment.
- (c) Without prejudice to Sections 3.03(a) and (b), the Trustee shall declare the availability of sufficient capital in Tranche B of the Carbon Fund for the payment of Contract ERs. If such declaration has not been fulfilled by the Trustee within twelve (12) months from the date of this Agreement, as may be extended by the Program Entity in accordance with the Section 3.03(c)(i) below ("**Declaration Fulfillment Date**"), the Program Entity may, at its discretion:
  - (i) extend the Declaration Fulfillment Date; or
  - (ii) terminate this Agreement by written notice to the Trustee.

## Article IV

### Purchase and Sale of Contract ERs

#### Section 4.01      *Contract ER Volume and Unit Price*

- (a) Contract ERs are:      Tranche B Pro Rata Share (as defined below) of the first 22,000,000 ERs generated by the ER Program as set out in Schedule 2 to this Agreement ("**Contract ER Volume**").
- (b) The Unit Price is:      USD 5.00 per transferred Contract ER

#### Section 4.02      *Transfer of Contract ERs*

- (a) The Minimum Reporting Period Amounts and Cumulative Amounts of Contract ERs to be transferred to the Trustee each Reporting Period in accordance with Section 3.02 of the General Conditions are set out in Schedule 2 to this Agreement.
- (b) From the first ERs that are being generated and verified under the ER Program during each Reporting Period, minus the ERs to be set aside as Buffer ERs in the ER Program Buffer, Tranche A of the Fund shall receive its pro rata share of overall contributions to the Fund (approx. 5%) ("**Tranche A Pro Rata Share**") and Tranche B of the Fund shall receive its pro rata share of overall contributions to the Fund (approx. 95%) ("**Tranche B Pro Rata Share**") as Contract ERs.

#### Section 4.03      *Periodic Payment*

- (a) The Periodic Payment for transferred Contract ERs and/or Additional ERs, if any, shall be calculated in the following manner:

**Periodic Payment for transferred Contract ERs and/or Additional ERs (as applicable):**

Unit Price / Exercise Price	X	The number of Contract ERs / Additional ERs transferred to the Trustee (as Verified in the respective final Verification Report)	-	Any Advance Payment(s) made in accordance with Section 4.05	-	Any Taxes paid by the Trustee in accordance with Section 5.04 of the General Conditions
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- (b) In the event that any deduction of any Advance Payment installments, made in accordance with and subject to Section 4.05, or any Taxes paid by the Trustee in accordance with Section 5.04 of the General Conditions would make the Periodic Payment for that Reporting Period a negative number, the Trustee will carry forward any amounts not deducted in that Reporting Period to the following Reporting Period.

**Section 4.04      *Re-transfer of ERs***

- (a) Notwithstanding Section 5.02(g) of the General Conditions, the Trustee shall re-transfer to the Program Entity all Contract ERs and if any, Additional ERs that have been transferred to and paid for under this Agreement by Tranche B of the Fund (“**ER Re-transfer**”) and shall not prevent the Program Entity from using such re-transferred Contract ERs to meet its nationally determined contributions (“**NDCs**”) under the Paris Agreement, as may be appropriate and as consistent with the applicable modalities, procedures and guidelines under the Paris Agreement. Such re-transferred Contract ERs and if any, Additional ERs should contribute to the highest possible ambition of the Host Country in the implementation of its NDC and not lead to double claiming of emission reductions.
- (b) Any ER Re-transfer shall include the transfer of all rights, titles and interests attached to such re-transferred ERs, provided that the Program Entity may use such re-transferred ERs for the purpose of achievement of the Host Country’s NDCs only. In particular, the Project Entity is prohibited from selling such re-transferred ERs again to any Third Party or from using them for any other purpose.
- (c) Within thirty (30) calendar days following the Periodic Payment, the Trustee shall provide the Program Entity with a signed ER re-transfer form (“**ER Re-transfer Form**”) to document the ER Re-transfer of previously transferred and paid for Contract ERs (in the form attached in Schedule 4 to this Agreement). The ER Re-transfer shall be free of charge to the Program Entity.
- (d) In the event that a Registry system has not been set up or has not been determined at the time of the ER Re-transfer, any ER Re-transfer will be deemed completed upon receipt by the Program Entity of the ER Re-transfer Form.
- (e) In the event that a Registry system has been set up or has been determined at the time of the ER Re-transfer, any ER Re-transfer will be deemed completed upon:
- (i) receipt by the Program Entity of the ER Re-transfer Form; and

- (ii) crediting of such re-transferred ERs to the Registry Account nominated by the Program Entity, as specified in the ER Re-transfer Form and in accordance with the rules of the respective Registry system.
- (f) The Program Entity shall take all reasonable steps required to assist the Trustee in the ER Re-transfer.

#### **Section 4.05**      *Advance Payments*

- (a) The Trustee shall make advance payments on behalf of the Program Entity in the amount of the Tranche B Pro Rata Share for any fees, charges, costs or other expenses charged by a Registry system or any other relevant authority or entity in relation to Registration, issuance and forwarding of Contract ERs or Additional ERs or the ER Transfer, payable by the Program Entity in accordance with Section 5.04(a) of the General Conditions ("**Advanced Expense Payment**").
- (b) In addition to Section 4.05(a) and starting after Verification of ERs generated during Reporting Period 1, the Program Entity may request the Trustee to make one or more interim advance payment(s) ("**Interim Advance Payment**"), provided that any payment by the Trustee of any Interim Advance Payment shall be subject to the following conditions:
  - (i) The Program Entity has fulfilled all Conditions of Effectiveness referred to in Section 3.01 and specified in Schedule 1 to this Agreement, in form and substance satisfactory to the Trustee following consultations with Tranche B Participants;
  - (ii) A final Verification Report has been submitted to the Trustee for the Reporting Period preceding the respective Interim Progress Reporting Period (as specified in subparagraph (iii) below) and the Program Entity has monitored ERs generated under the ER Program ("**Monitored ERs**") during each such Interim Progress Reporting Period and has documented its monitoring results by submission of an interim progress report ("**Interim Progress Report**") to the Trustee, in form and substance satisfactory to the Trustee following consultations with Tranche B Participants. As a separate annex to the Interim Progress Report, the Program Entity shall provide:
    - (A) evidence satisfactory to the Trustee that the Program Activity is being implemented in accordance with the Safeguards Plans and that the Benefit Sharing Plan has been implemented in accordance with its terms (including any feedback and grievance redress mechanism described in any of such documents); and
    - (B) information on the generation and/or enhancement of Priority Non-Carbon Benefits (to the extent not yet provided for under any relevant Safeguards Plan, if applicable) under the ER Program;
  - (iii) Interim Advance Payment instalments to be made by Tranche B of the Fund shall be limited to the Tranche B Pro Rata Share of the following amounts:
    - (A) For Interim Progress Reporting Period 1 (January 1 – December 31, 2021):  
  
50% of the value of Monitored ERs (i.e., Unit Price times Monitored ERs times 50%), unless the first Verification of monitored ERs during the Reporting Period 1 verifies less than 50% of ERs previously monitored and reported for Reporting Period 1 in which case the percentage amount for the Interim Advance Payment

will be reduced to half of the actual percentage of verified ERs against monitored ERs for Reporting Period 1; and

(B) For Interim Progress Reporting Period 2 (January 1 – December 31, 2023):

50% of the value of Monitored ERs (i.e., Unit Price times Monitored ERs times 50%), unless the second Verification of monitored ERs during the Reporting Period 2 verifies less than 50% of ERs previously monitored and reported for Reporting Period 2 in which case the percentage amount for the Interim Advance Payment will be reduced to half of the actual percentage of verified ERs against monitored ERs for Reporting Period 2.

- (iv) The sum of all Interim Advance Payment installments made under this Agreement and the Tranche A ERPA shall not exceed USD 42,500,000 (“**Interim Advance Payment Cap**”).
  - (v) Upon all conditions for each Interim Advance Payment instalment under subparagraphs (i), (ii), (iii) and (iv) above being fulfilled, in form and substance satisfactory to the Trustee, the Trustee shall notify the Program Entity accordingly and shall disburse the Tranche B Pro Rata Share of the Interim Advance Payment installment to the Program Entity within thirty (30) calendar days following receipt by the Program Entity of such notification.
- (c) In addition to Section 4.05(a) and Section 4.05(b) above, the Program Entity may request the Trustee to make an ER advance payment (“**ER Advance Payment**”) to the Program Entity for Contract ERs and/or Additional ERs generated by the ER Program during a Reporting Period, as evidenced in the ER Monitoring Report for that Reporting Period and pending subsequent final Verification and ER Transfer, provided that any payment of any ER Advance Payment shall be made by the Trustee subject to the following conditions:
- (i) The Trustee determines, in its sole and absolute discretion following consultations with Tranche B Participants, whether it is willing to make an ER Advance Payment;
  - (ii) The ER Advance Payment to be made by Tranche B of the Fund shall be limited to the Tranche B Pro Rata Share of such payment;
  - (iii) The Program Entity has fulfilled all Conditions of Effectiveness referred to in Section 3.01 and specified in Schedule 1 to this Agreement, in form and substance satisfactory to the Trustee following consultations with Tranche B Participants;
  - (iv) Upon all the conditions for the ER Advance Payment under subparagraphs (i), (ii) and (iii) above being fulfilled, in form and substance satisfactory to the Trustee, the Trustee shall notify the Program Entity accordingly and shall disburse the Tranche B Pro Rata Share of the ER Advance Payment to the Program Entity within thirty (30) calendar days following receipt by the Program Entity of such notification; and
  - (v) In the event that the subsequent final Verification Report for that Reporting Period verifies an ER amount that is less than the amount that was reported in the ER Monitoring Report and the value of such Verified amount of Contract ERs and/or Additional ERs (i.e. Unit Price/Exercise Price (as applicable) X Contract ERs/Additional ERs (as applicable) generated during that Reporting Period (as evidenced in the final Verification Report)) is less than the ER Advance Payment, the Trustee shall be entitled to recover the Tranche B Pro Rata Share of the overpaid amount from any future Periodic Payment to be made to

the Program Entity under this Agreement for transferred ERs or, if no such subsequent Periodic Payment will be due, request prompt repayment of such overpaid amount from the Program Entity.

- (d) The Trustee shall be entitled to deduct in full any Advance Payment(s) made to the Program Entity by Tranche B of the Fund, as applicable, from Periodic Payments for transferred Contract ERs/Additional ERs under this Agreement.
- (e) In the event that any outstanding Advance Payment made under this Agreement cannot be recovered in full from the last Periodic Payment due for transferred Contract ERs/Additional ERs to be made under this Agreement, the Trustee may request prompt repayment of the outstanding Advance Payment amount from the Program Entity to the Trustee.
- (f) Notwithstanding Section 5.03(c) of the General Conditions, legal title to any Contract ERs and/or Additional ERs for which an Advance Payment has been made shall transfer to the Trustee upon completion of the ER Transfer of such ERs to the Trustee.

#### **Section 4.06**      ***ER Program Implementation; Receipt and Use of ERPA Payments***

- (a) The Indonesian Environmental Fund Management Agency (BLU-BPDLH) (“**ERPA Payment Recipient Entity**”) shall receive Periodic Payments and Advance Payments (together referred to as “**ERPA Payments**”) under this Agreement on behalf of the Program Entity. After receiving ERPA Payments, the ERPA Payment Recipient Entity shall transfer all of such ERPA Payments to eligible Beneficiaries over time in accordance with the Benefit Sharing Plan. The responsibilities of the ERPA Recipient Entity under this Agreement shall be limited to its role as the ERPA Payment Recipient Entity, its responsibilities related to the receipt of ERPA Payments, transferring such ERPA Payments to eligible Beneficiaries under the Benefit Sharing Plan, and the financial monitoring over the use of ERPA payments by the eligible Beneficiaries in accordance with the Benefit Sharing Plan.
- (b) The Trustee shall be deemed to have fulfilled its respective payment obligation towards the Program Entity under this Agreement once it has made ERPA Payments to the ERPA Payment Recipient Entity. The Program Entity, represented by MoEF, agrees that when serving as Trustee and to the extent it follows the instructions given by the Program Entity, through MoEF, the IBRD in its individual capacity and as Trustee shall not, under any circumstances, be liable for any direct or indirect loss or damage whatsoever caused to the Program Entity or the ERPA Payment Recipient Entity as a result of making the ERPA Payments to the ERPA Payment Recipient Entity.
- (c) For the avoidance of doubt, despite the delegation of certain responsibilities of the Program Entity under this Agreement to the ERPA Payment Recipient Entity as set out in Section 4.06(a), the Program Entity shall remain fully responsible and accountable under this Agreement for the way the ERPA Payment Recipient Entity carries out its delegated responsibilities on behalf of the Program Entity. In particular, in the event that the ERPA Payment Recipient Entity fails to observe, implement or meet all requirements contained in the Benefit Sharing Plan and Safeguards Plans provided for under this Agreement (including any feedback and grievance redress mechanism provided for under the ER Program, the Benefit Sharing Plan and/or any Safeguards Plan), such failure shall constitute an event of default by the Program Entity (Event of Default) under Section 16.01(a)(vii) of the General Conditions.

## Section 4.07 *Application for Payment*

Any ERPA Payments to be made by the Trustee under and subject to Section 4.03 (in conjunction with Section 5.03 of the General Conditions) and Section 4.05 of this Agreement shall require the ERPA Payment Recipient Entity to submit on behalf of the Program Entity an application for payment electronically or otherwise to the Trustee, in form and substance satisfactory to the Trustee, in accordance with the Disbursement and Financial Information Letter (“**Application for Payment**”), and such additional instructions as the IBRD may specify from time to time by notice to the ERPA Payment Recipient Entity. Any time period provided for in this Agreement or the General Conditions for such payment to become due shall not start running before such Application for Payment has been submitted by the ERPA Payment Recipient Entity on behalf of the Program Entity.

## Article V

### Call Option

## Section 5.01 *Call Option Specifications*

- (a) The Grantee is: Trustee
- (b) The Grantor is: Program Entity

## Section 5.02 *Call Option Volume and Exercise Price*

- |     |                           |   |
|-----|---------------------------|---|
| (a) | The Additional ERs are:   | <p>In the event that the ER Program generates in a Reporting Period ERs in excess of the Contract ER Volume the Parties agree to grant the Grantee a Call Option to purchase such additional ERs (“<b>Additional ERs</b>”).</p> <p>Subject to the Maximum Option Volume (see below), the Grantee may exercise the Call Option for all or part of the Tranche B Pro Rata Share in Additional ERs and, if applicable, for any additional amount of Additional ERs for which the Trustee of Tranche A of the Fund has not exercised its call option in full after a Reporting Period under the Tranche A ERPA.</p> |
| (b) | Maximum Option Volume is: | Tranche B Pro Rata Share of 20,000,000 Additional ERs   |
| (c) | Exercise Price is:        | <p>The Exercise Price per transferred Additional ER shall be negotiated and agreed within sixty (60) calendar days following receipt of a final Verification Report indicating that Additional ERs have been generated under the ER Program during a Reporting Period. If the Parties cannot agree on an Exercise Price within such time period, the Call Option shall lapse upon the end of such time period for that Reporting Period, and that Reporting Period only.</p>  |
| (d) | Exercise Period:          | Within sixty (60) calendar days following agreement between the Parties on an Exercise Price for Additional ERs.  |



- (e) Exercise Completion Date is: Ninety (90) calendar days following receipt by the Grantor of the Exercise Notice.
- (f) Increase of Maximum Option Volume: In the event that the Maximum Option Volume is increased by the Trustee under Sections 13.02(c) and/or 16.03 of the General Conditions, the Grantee may exercise the portion of the Call Option increased due to the exercise of the remedies first before it exercises the portion of the Call Option granted under Section 5.02(a). For the avoidance of doubt, the Exercise Price payable for the Additional ERs increased due to the exercise of the remedies will be the Unit Price.

## Article VI ER Program Development and Focal Point

### Section 6.01 *ER Program Development*

The ER Program Start Date is: June 18, 2019

### Section 6.02 *Focal Point*

Both the Trustee and the Program Entity shall serve as joint Focal Points for communications with respect to the ER Program Activity. The Trustee shall be responsible for preparing and submitting the Distribution Letter.

## Article VII Additional Covenants

### Section 7.01 *Additional Covenants*

- (a) In addition to Section 5.01(b)(i) of the General Conditions, the Program Entity shall monitor and report to the Trustee on the implementation of the Safeguards Plans and Benefit Sharing Plan during Reporting Periods. The Program Entity shall monitor and report to the Trustee on the implementation of the Safeguards Plans annually after the date of this Agreement. The Program Entity shall first monitor and report to the Trustee on the implementation of the Benefit Sharing Plan six (6) months after receipt of the first Periodic Payment and annually thereafter. The Program Entity may coordinate the annual monitoring and reporting of the Safeguards Plans and the Benefit Sharing Plan, provided that the Program Entity notifies the Trustee and the Trustee accepts such coordinated timelines. The Trustee reserves the right to initiate a separate monitoring of the implementation of the Safeguards Plans and/or the Benefit Sharing Plan annually after the date of this Agreement by an independent Third Party monitor. Sections 9.01(g) and (k) as well as Section 9.05(d) of the General Conditions shall apply to such Third Party monitor *mutatis mutandis*.
- (b) The Program Entity shall apply technical corrections to improve the carbon accounting in order to reduce uncertainty. The Program Entity shall do this in line with the areas of improvement (“**Areas for Improvement**”) described in the TAP’s Technical Assessment Report (May 2, 2019) and the FMT’s Assessment Note (May 21, 2019), and shall do this following the provisions included in the "Guideline on the application of the methodological framework Number 2: Technical corrections

to GHG emissions and removals reported in the reference period" dated November 2018 ("**Guideline**"). Such technical corrections shall be included in the Reference Level and shall be used for any ER Monitoring Report. If the Program Entity does not provide the Trustee with a detailed description of the technical corrections taking into account the Areas for Improvement and in accordance with the Guideline at the latest three (3) months prior to the end of the first Reporting Period, this shall constitute a material breach by the Program Entity (Event of Default) under Section 16.01(a)(vi) of the General Conditions.

## **Article VIII**

### **Host Country Withdrawal from Facility**

For the avoidance of doubt, the Host Country's withdrawal from the Facility will not terminate this Agreement or alter in any other respect the Program Entity's obligations under this Agreement.

## **Article IX**

### **Sub-Project Arrangements**

#### **Section 9.01**      *Development of Sub-Project Arrangements*

- (a) The Program Entity shall ensure that any Sub-Project Arrangement contains the principal terms included in Schedule 6 to this Agreement and none of the terms of the Sub-Project Arrangements are inconsistent with the terms of this Agreement.
- (b) The Program Entity shall ensure that any Sub-Project Entity complies with all of the requirements set out in the Sub-Project Arrangement.

## **Article X**

### **Miscellaneous**

#### **Section 10.01**      *Term of the Agreement*

This Agreement will become effective through execution by both Parties as of the date first above written. Unless terminated earlier in accordance with the General Conditions or Section 3.03, this Agreement shall terminate upon transfer of all the Contract ERs and Additional ERs, if any, the payment of Periodic Payments in respect thereof, and the repayment of any yet unrecovered and outstanding Advance Payment amounts, if applicable, subject to the survival of provisions as identified in Section 18.11 of the General Conditions, but in any event by no later than December 31, 2025.

#### **Section 10.02**      *Notices*

Any notice, communication, request or correspondence required or permitted under the terms of this Agreement shall be in writing, in the English language (it being understood that any such communication in a language other than English shall be of no force and effect), and shall be delivered personally, or via courier, mail, or facsimile to the address and telecopier numbers provided below.

For the Program Entity:

Ministry of Environment and Forestry

Gedung Manggala Wanabakti, Jl. Jenderal Gatot Subroto  
Jakarta 12070  
Republic of Indonesia

Email: Banghen\_11@yahoo.co.id  
Tel.: +62 21 5730191

For the Trustee:

Carbon Fund of the Forest Carbon Partnership Facility  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Email: fcpfsecretariat@worldbank.org  
Tel.: +1-202-458-4416

**IN WITNESS WHEREOF**, the Parties hereto have caused this Agreement to be duly executed as of the date first above written.

**INTERNATIONAL BANK FOR RECON-  
STRUCTION AND DEVELOPMENT,  
AS TRUSTEE OF TRANCHE B OF THE  
CARBON FUND OF THE FOREST  
CARBON PARTNERSHIP FACILITY**

**REPUBLIC OF INDONESIA,  
REPRESENTED BY THE MINISTRY  
OF ENVIRONMENT AND FORESTRY**

Satu Kahkonen  
(Authorized signatory)

By: Satu Kahkonen  
Title: Country Director  
Indonesia and Timor-Leste

Bambang Hendroyono  
(Authorized signatory)

By: Bambang Hendroyono  
Title: Secretary General

## **SCHEDULE 1**

### **CONDITIONS OF EFFECTIVENESS OF SALE AND PURCHASE**

- (1) Submission of a final Benefit Sharing Plan which, based on the advance draft version of the Benefit Sharing Plan provided by the date of this Agreement, takes into account specific guidance to be provided by the Trustee, following consultations with Tranche B Participants, on the outstanding issues that need further clarification in the final version of the Benefit Sharing Plan;
- (2) Submission of a letter in which the Program Entity documents its decision to use the ER Program Buffer as the Reversal Management Mechanism for its ER Program;
- (3) Submission of evidence demonstrating the Program Entity's ability to transfer Title to ERs, free of any interest, Encumbrance or claim of a Third Party; and
- (4) Submission of evidence, in form and substance satisfactory to the Trustee, demonstrating that the ER Program Measures that generated the ERs during the period from June 18, 2019 until the date of this Agreement were implemented in a manner consistent with the Safeguards Plans.

## SCHEDULE 2

### MINIMUM REPORTING PERIOD AMOUNTS

Reporting Period		Minimum Reporting Period Amount of Contract ERs to be generated in this Reporting Period and subsequently transferred to the Trustee of Tranche B of the Fund	Cumulative Amount of Contract ERs which must be generated by the end of this Reporting Period and subsequently transferred to the Trustee of Tranche B of the Fund
1	June 18, 2019 – December 31, 2020	Tranche B Pro Rata Share of 5,000,000 ERs (approx. 4,750,000 ERs)	Tranche B Pro Rata Share of 5,000,000 ERs (approx. 4,750,000 ERs)
2	January 1, 2021 – December 31, 2022	Tranche B Pro Rata Share of 8,000,000 ERs (approx. 7,600,000 ERs)	Tranche B Pro Rata Share of 13,000,000 ERs (approx. 12,350,000 ERs)
3	January 1, 2023 – December 31, 2024	Tranche B Pro Rata Share of 9,000,000 ERs (approx. 8,550,000 ERs)	Tranche B Pro Rata Share of 22,000,000 ERs (approx. 20,900,000 ERs)

### SCHEDULE 3

#### ER TRANSFER FORM

##### [LETTERHEAD OF PROGRAM ENTITY]

**TO:** The International Bank for Reconstruction and Development as Trustee of Tranche B of the Carbon Fund of the Forest Carbon Partnership Facility

**ER Transfer Form for the Reporting Period from ..... [Date] ..... to ..... [Date] .....**

We refer to the Forest Carbon Partnership Facility Emission Reductions Payment Agreement dated [ ] between [ ] ("**Program Entity**") and the International Bank for Reconstruction and Development, as Trustee of Tranche B of the Carbon Fund of the Forest Carbon Partnership Facility ("**IBRD**" or "**Trustee**")[, as amended] ("**ERPA**"). Capitalized terms used and not specifically defined herein shall have the meanings assigned thereto in the ERPA.

#### 1. Notification of Transfer of ERs

In accordance with the ERPA, we hereby notify the Trustee that the following amount of Verified ERs has been transferred to the Trustee for this Reporting Period in accordance with the ERPA:

- \_\_\_\_\_ ERs, as Verified by Verification Report dated [INSERT DATE] of which \_\_\_\_\_ ERs are Contract ERs and, if any, \_\_\_\_\_ ERs are Additional ERs.

For the avoidance of doubt, by having transferred the above ERs, we also have transferred and assigned to the Trustee the right to cause those ERs to be forwarded into any Registry Account(s) of the Trustee's nominee(s) in accordance with any modality, procedure, process or mechanism established by any relevant authority, entity or registry.

#### 2. Invoice and Periodic Payment

We calculate that the gross payment amount for transferred ERs for this Reporting Period, before deducting the Advance Payment(s) and Taxes which the Trustee is entitled to deduct under the ERPA, is:

[US\$] \_\_\_\_\_ [[US\$][Unit Price] X [Volume of transferred Contract ERs]]  
Plus (if any)

[US\$] \_\_\_\_\_ [[US\$][Exercise Price] X [Volume of transferred Additional ERs]]

Equals

[US\$] \_\_\_\_\_ [gross payment amount]

Please pay the gross payment amount, less any Advance Payment(s) and Taxes which the Trustee is entitled to deduct under the ERPA (Periodic Payment) to the following bank account, in accordance with the ERPA:

Name of Payee's Bank: XXX

Swift Code: XXX  
Bank address: XXX  
Bank Account Number: 123456789

Name of Intermediary Bank: XXX  
Swift Code: XXX  
Bank address: XXX

Dated: \_\_\_\_\_, 20[ ]

For and on behalf \_\_\_\_\_ [*Program Entity*]

by its authorized Representative

Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

## SCHEDULE 4

### ER RE-TRANSFER FORM

#### [LETTERHEAD OF IBRD]

**TO:** Republic of Indonesia

**ER Re-transfer Form for the Reporting Period from ..... [Date] ..... to .....  
[Date] .....**

We refer to the Forest Carbon Partnership Facility Emission Reductions Payment Agreement dated [ ] between [ ] ("**Program Entity**") and the International Bank for Reconstruction and Development, as Trustee of Tranche B of the Carbon Fund of the Forest Carbon Partnership Facility ("**IBRD**" or "**Trustee**"), as amended] ("**ERPA**"). Capitalized terms used and not specifically defined herein shall have the meanings assigned thereto in the ERPA.

#### **1. Receipt of and payment for ERs**

We acknowledge receipt from the Program Entity of and payment by the Trustee for the following amount of Verified ERs for this Reporting Period in accordance with the ERPA:

- \_\_\_\_\_ ERs ("**Transferred ERs**"), as Verified by Verification Report dated [INSERT DATE].

#### **2. Re-transfer of Transferred ERs**

In accordance with the ERPA, we hereby re-transfer, on behalf of the participants of Tranche B of the Carbon Fund of the Forest Carbon Partnership Facility and free of charge to the Program Entity, all Transferred ERs back to the Program Entity to the following registry account of the Program Entity:

[INSERT DETAILS OF REGISTRY ACCOUNT].

By: \_\_\_\_\_  
(Authorized Signatory)

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_



## SCHEDULE 5

### EXERCISE NOTICE

#### [LETTERHEAD OF GRANTEE]

TO: [Grantor]

#### Exercise Notice for *[insert Reporting Period]*

We refer to the Emission Reductions Payment Agreement dated [INSERT DATE] ("**ERPA**") between [ ] ("**Program Entity**") and the International Bank for Reconstruction and Development ("**IBRD**"), as trustee of Tranche B of the Carbon Fund ("**Fund**") of the Forest Carbon Partnership Facility ("**Trustee**"), which includes the 'International Bank for Reconstruction and Development General Conditions Applicable to Emission Reductions Payment Agreements for Forest Carbon Partnership Facility Emission Reductions Programs' dated November 1, 2014 ("**General Conditions**"). Capitalized terms used and not specifically defined herein shall have the meanings assigned thereto in the ERPA and the General Conditions.

For the Reporting Period beginning [XX] and ending [XX], the Grantee hereby exercises its Call Option from the Grantor on the same terms and conditions as set out in the ERPA and transferred in accordance with the following:

Grantor:	Program Entity
Grantee:	Trustee of Tranche B of the Fund
Registry Account:	<i>[insert if known]</i>
Quantity of Additional ERs:	<i>[insert]</i>
Exercise Price:	<i>[insert price per ER as specified in ERPA]</i>
Exercise Completion Date:	<i>[Insert date [90] calendar days from the date of this Notice]</i>

Dated:

**For and on behalf of**  
**[insert legal name of Grantee]**

by its Authorized Representative

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Authorized Representative

---

Please print name

## **SCHEDULE 6**

### **PRINCIPAL TERMS OF SUB-PROJECT ARRANGEMENTS**

Any Sub-Project Arrangement between the Program Entity and any Sub-Project Entity shall include, but not be limited to, the following principal terms:

1. The Sub-Project Entity shall:

- (a) Implement all applicable requirements of the ER Monitoring Plan, including those pertaining to environmental and social performance and operational management systems (unless the Program Entity exclusively monitors the data/info required to be included in the ER Monitoring Report in which case this obligation does not need to be included).
- (b) Installs, operates and maintains the facilities and equipment and retains staff necessary for gathering all such data as may be required by the ER Monitoring Plan, including by establishing and maintaining all related data measurement and collection systems as are necessary (unless the Program Entity exclusively installs, operates and maintains the facilities and equipment and retains staff necessary for gathering all such data as may be required by the ER Monitoring Plan in which case this obligation does not need to be included).
- (c) Implement its Sub-Project/ER Program Measures (as specified in the ERPD) in accordance with the terms of the ERPD.
- (d) For the avoidance of doubt, authorize the Program Entity to transfer any ERs generated from such Sub-Project/ER Program Measures to the FCPF Carbon Fund free of any third party interest or encumbrance.
- (e) Inform the Program Entity immediately after becoming aware of the occurrence of a Reversal Event under a Sub-Project/ER Program Measure.
- (f) Operate and implement its Sub-Project/ER Program Measures in compliance with the World Bank Operational Policies and any Safeguards Plans provided for under the ERPA.
- (g) Maintain and prepare its Sub-Project/ER Program Measures to allow for Verification.
- (h) Satisfy any obligations in respect of applications for all licenses, permits, consents and authorizations required to implement the Sub-Project/ER Program Measures.

2. The Program Entity shall:

- (a) Provide the Sub-Project Entity with the ERPD, the ER Monitoring Plan (if needed), the Safeguards Plans and any other information relevant to the implementation of the Sub-Project/ER Program Measures (including relevant communication between the Trustee and the Program Entity in relation to the ERPA).
- (b) Collect from the Sub-Project Entity, and, if necessary, confirm the accuracy of, all information required to be collected under the Monitoring Plan and the applicable Safeguards Plans.