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CARBON FUND OF THE FOREST CARBON PARTNERSHIP FACILITY

## Emission Reductions Payment Agreement

*People and Forests -  
A Sustainable Forest Management-Based Emission Reduction Program  
in the Terai Arc Landscape, Nepal*

by and between

NEPAL

and

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

Dated February 24, 2021

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

("Agreement")

**PARTIES:** NEPAL ("**Program Entity**"), REPRESENTED BY THE MINISTRY OF FINANCE ("**MoF**")

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 Nepal subject to a Letter of Approval to be issued by the Host Country.
- 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. The Program Entity, through the MoF, instructs:
  - (i) The Ministry of Forests and Environment ("**MoFE**") to implement the ER Program on behalf of the Program Entity in accordance with this Agreement; and
  - (ii) The Forest Development Fund ("**FDF**"), which was established under the Forests Act 2019 (Act No. 12 of the year 2019), to receive payments under this Agreement



as the ERPA Payment Recipient Entity, on behalf of the Program Entity, and transfer all of such payments received to eligible beneficiaries under the Benefit Sharing Plan.

- E. 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 9,000,000 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.
- (b) The following definitions 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.”
- “The Forest Development Fund Operations Manual” means the operational manual setting forth the administrative, financial, accounting, internal control, auditing, and reporting procedures, as necessary and appropriate, for the receipt and use of payments under the ERPA by the Forest Development Fund, as the same may be updated from time to time with the express prior written consent of the Trustee.”
- (c) Unless otherwise defined in this Agreement, any capitalized terms in this Agreement shall have the meaning ascribed to such terms in the General Conditions.
- (d) 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*

- (a)      The ER Program is:                      People and Forests - A Sustainable Forest Management-Based Emission Reduction Program in the Terai Arc Landscape, Nepal, as further described in the ER Program Document.
- (b)      The Host Country is:                      Nepal

## **Article III** **Conditions of Effectiveness of Sale and Purchase**

### **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 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.

## 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 9,000,000 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):**

$$\left[ \begin{array}{l} \text{Unit} \\ \text{Price /} \\ \text{Exercise} \\ \text{Price} \end{array} \right] \times \left[ \begin{array}{l} \text{The number of} \\ \text{Contract ERs /} \\ \text{Additional ERs} \\ \text{transferred to} \\ \text{the Trustee (as} \\ \text{Verified in the} \\ \text{respective final} \\ \text{Verification} \\ \text{Report)} \end{array} \right] - \left[ \begin{array}{l} \text{Any Advance} \\ \text{Payment(s)} \\ \text{made in} \\ \text{accordance} \\ \text{with Section} \\ \text{4.04} \end{array} \right] - \left[ \begin{array}{l} \text{Any Taxes paid} \\ \text{by the Trustee in} \\ \text{accordance with} \\ \text{Section 5.04 of} \\ \text{the General} \\ \text{Conditions} \end{array} \right]$$

- (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) If requested by the Program Entity, the Trustee may 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) 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.
- (c) 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.
- (d) 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.



- (e) 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 Program Entity, represented by MoF, shall implement the ER Program through the MoFE.
- (b) The FDF (“**ERPA Payment Recipient Entity**”) shall receive ERPA payments under this Agreement on behalf of the Program Entity. The Program Entity, represented by MoF, shall enter into a Subsidiary Agreement with FDF to set out the responsibilities of FDF regarding the receipt and use of Periodic Payments and Advance Payments (“**ERPA Payments**”) under this Agreement. The responsibilities of FDF under the Subsidiary Agreement shall be limited to its role as the ERPA Payment Recipient Entity, its responsibilities related to financial oversight over the receipt of ERPA Payments and forwarding of ERPA Payments to eligible beneficiaries under and in accordance with the Benefit Sharing Plan. Prior to the execution of the Subsidiary Agreement, the Program Entity, through MoF, shall provide a draft version to the Trustee for its review and shall not execute the Subsidiary Agreement, unless the Trustee has provided written approval of the draft Subsidiary Agreement as in form and substance satisfactory to the Trustee for the purposes of this Agreement.
- (c) Any ERPA Payment 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 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 Bank may specify from time to time by notice to the Program 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.
- (d) 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 FDF as the ERPA Payment Recipient Entity. The Program Entity, represented by MoF, agrees that when serving as Trustee and to the extent it follows the instructions given by the Program Entity, through MoF, 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 ERPA Payments to the ERPA Payment Recipient Entity.
- (e) For the avoidance of doubt, despite the delegation of certain responsibilities of the Program Entity to MoFE and FDF, through this Agreement and the Subsidiary Agreement, the Program Entity shall remain fully responsible and accountable under this Agreement for the way such entities carry out their respective delegated responsibilities on behalf of the Program Entity. In particular, in the event that MoFE or FDF 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.

**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:      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 ("**Additional ERs**").  
  
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.
- (b)      Maximum Option Volume is:      Tranche A Pro Rata Share of 4,000,000 Additional ERs
- (c)      Exercise Price is:      The Exercise Price per transferred Additional ER shall be negotiated and agreed between the Parties within sixty (60) calendar days following receipt by the Trustee 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:      The Trustee shall notify the Program Entity of its decision to exercise the Call Option ("**Exercise Notice**") within sixty (60) calendar days following agreement between the Parties on an Exercise Price for such Additional ERs.
- (e)      Exercise Completion Date is:      The Grantor must complete the transfer of Additional ERs for which the Call Option has been exercised within 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 22, 2018

**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*.

**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 Finance  
Singhadurbar, Kathmandu  
Nepal  
  
Email: [pasecretary@mof.gov.np](mailto:pasecretary@mof.gov.np)  
Tel.: 977-1-4211161

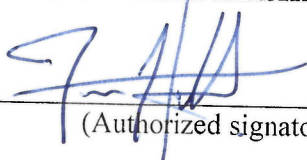
For the Trustee:

Carbon Fund of the Forest Carbon Partnership Facility  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America  
  
Email: [fcpssecretariat@worldbank.org](mailto:fcpssecretariat@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



(Authorized signatory)

By: Faris H. Hadad-Zervos  
Title: Country Director for  
Maldives, Nepal and Sri Lanka



NEPAL, REPRESENTED BY THE  
MINISTRY OF FORESTS AND  
ENVIRONMENT



(Authorized signatory)

By: Dr. Bishwa Nath Oli  
Title: Secretary, Ministry of Forests & Env.



## **SCHEDULE 1**

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

- (1) Submission of a Letter of Approval;
- (2) 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;
- (3) Submission of the Forest Development Fund Operations Manual, which will be developed based on the Forestry Regulation to be issued by the Council of Ministers, and will have a section on the ER Program that shall be found in form and substance satisfactory to the Trustee and may be updated from time to time with agreement with the Trustee;
- (4) Submission of the executed Subsidiary Agreement between the Program Entity, through MoF, and FDF (as ERPA Payment Recipient Entity), subject to the Trustee's prior review of and consent to the draft of such Subsidiary Agreement; and
- (5) 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 22, 2018 until the date of this Agreement were implemented in a manner consistent with the Safeguards Plans.

**SCHEDULE 2**

**MINIMUM REPORTING PERIOD AMOUNTS**

<b>Reporting Period</b>		<b>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</b>	<b>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>
<b>1</b>	June 22, 2018 – December 31, 2021	Tranche A Pro Rata Share of 4,000,000 ERs (approx. 200,000 ERs)	Tranche A Pro Rata Share of 4,000,000 ERs (approx. 200,000 ERs)
<b>2</b>	January 1, 2022 – December 31, 2024	Tranche A Pro Rata Share of 5,000,000 ERs (approx. 250,000 ERs)	Tranche A Pro Rata Share of 9,000,000 ERs (approx. 450,000 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.

## SCHEDULE 6

### LETTER OF APPROVAL TEMPLATE

#### [LETTERHEAD OF APPROVING ENTITY]

To: [ ]

[place, date]

Dear [ ],

Ref: [Name of ER Program]

1. I wish to refer to the request by the [Program Entity] that the above mentioned [Name of ER Program] (ER Program) be considered for funding by the Carbon Fund (Carbon Fund) of the Forest Carbon Partnership Facility (FCPF), administered as a trust fund by the International Bank for Reconstruction and Development (IBRD).
2. As authorized representative of the designated national authority for REDD+ of [Host Country] I hereby:
  - (a) endorse the further development of the ER Program and approve this ER Program to being implemented in [Host Country]; and
  - (b) approve and authorize the voluntary participation of the [Host Country], the IBRD as trustee of the Carbon Fund, the Carbon Fund participants, and the [Program Entity] in the ER Program.
3. By this endorsement and approval [Host Country] is committing itself to facilitate and render such assistance as may be necessary in any potential future process related to ER Program registration as well as verification and transfer to the Carbon Fund of greenhouse gas emission reductions generated by the ER Program.
4. [Host Country] also confirms that the [Program Entity] is authorized to enter into project agreements with regard to the ER Program, which may include the transfer of and payment for greenhouse gas emission reductions generated by the ER Program.
5. This letter of approval is done in two originals in the [English] language.

Sincerely

By \_\_\_\_\_  
Authorized Representative of the [Name of authorized entity]  
[Name of Signatory]  
[Title]