

[DATE]

Mr./Mrs. []
[REDD Country Participant/ER Program Entity]
[Address]

Dear Mr./Mrs. []:

**Letter of Intent: Potential Purchase of Emission Reductions
from [Name of ER Program]**

This letter (“**Letter of Intent**”) confirms the principal terms of understanding about the interest of the International Bank for Reconstruction and Development (“**IBRD**”) acting as the trustee of the Carbon Fund of the Forest Carbon Partnership Facility (“**FCPF**”, and the IBRD in its capacity as trustee, the “**Trustee**”) in the possible purchase of the rights, title, and interest associated with greenhouse gas emission reductions (“**ERs**”), resulting from the [*Name of ER Program*] (“**ER Program**”) described in your recently submitted ER Program Idea Note (“**ER-PIN**”).

The IBRD and the [*REDD Country Participant/authorized entity*] (“**Program Entity**”, and together referred to as “**Parties**”) agree that this Letter of Intent shall create a legally binding agreement between the IBRD and the Program Entity.

The Trustee has entered into this Letter of Intent in reliance upon the representation from the Program Entity that the Program Entity has the power and legal capacity to sign this Letter of Intent and to negotiate and execute an Emission Reductions Payment Agreement (“**ERPA**”).

1. The Transaction and Purchase

1.1 The Program Entity intends to sell and the Trustee intends to purchase, on behalf of the participants in the Carbon Fund of the FCPF, on a seniority basis, such number of ERs from the ER Program, measured in tons of carbon dioxide equivalent, free of all third party interests that is equivalent to a contract value of up to [US\$] [INSERT CONTRACT VALUE] (“**Contract Value**”) based on the price per ER to be agreed upon between the Parties, on the basis of the Pricing Approach for the Carbon Fund of the FCPF at the time that the Parties conclude negotiations of the ERPA (“**Contract ERs**”), provided that:

- (i) [The Trustee shall not purchase more than [INSERT PERCENTAGE AMOUNT]% of the ERs expected to be generated by the ER Program ~~by the end of [2019]~~ based on the estimate provided in the ER-PIN (“**Maximum Contract Volume**”). In the event that the Maximum Contract Volume times the price per ER agreed upon between the Parties at the time ERPA negotiations are concluded results in an amount less than the Contract Value, the Contract Value will be reduced accordingly;]
- (ii) The ER Program conforms to the World Bank environmental and social safeguards;
- (iii) The ER Program Reference Level, ER Program Monitoring System, ER Program Document, and “due diligence” are completed to the satisfaction of the Trustee;

- (iv) There is sufficient tranche capital available in the Carbon Fund of the FCPF to purchase the Contract ERs;
- (v) All necessary approvals, including any necessary approvals by the IBRD's management and the participants in the Carbon Fund of the FCPF, are obtained; and
- (vi) An ERPA, satisfactory for the Trustee and the Program Entity, is executed between the Trustee and the Program Entity, subject to IBRD's "General Conditions" applicable to such agreements.

1.2 [In addition, the Parties intend to provide in the ERPA for the sale or purchase of an additional number of ERs from the ER Program (i.e., in excess of the Contract ERs) equivalent to up to [US\$] [INSERT TOTAL ADDITIONAL ER VALUE] based on the price per additional ER to be agreed upon between the Parties, on the basis of the Pricing Approach for the Carbon Fund of the FCPF, at the time that the Parties conclude negotiations of the ERPA ("**Additional ERs**").]

2. Costs

2.1 Only in the event the Program Entity violates its obligations under Clause 3 of this Letter of Intent, the Trustee shall be entitled to request from the Program Entity reimbursement of all documented ER Program preparation costs incurred by the Trustee until the end of the Exclusivity Period (as defined below), up to a maximum amount of [*insert amount in numbers and in words in US dollars*] ("**Program Preparation Costs**"). These Program Preparation Costs include, but are not limited to, the costs incurred in relation to the preparation and review of the ~~ER-PIN Carbon Finance Document~~, initial ER Program assessment, including due diligence costs, preparation of the ER Program Document, and costs related to the negotiation and completion of the ERPA.

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

3. Exclusivity Period

~~**3.1** The Parties agree that for a period of [X] months from the date of this Letter of Intent ("**Exclusivity Period**") they will use all reasonable endeavors to negotiate and execute an ERPA in good faith.~~

3.12 Subject to clause 3.2, the Program Entity agrees that for a period of [X] months from the date of this Letter of Intent ("**Exclusivity Period**")~~During the Exclusivity Period~~, other than with the Trustee, the Program Entity will not

- (i) Start any discussions or negotiations regarding the dealing in or sale of any ERs generated or to be generated by the ER Program with any person;
- (ii) Progress further any discussions or negotiations regarding the dealing in or sale of the ERs generated or to be generated by the ER Program with any person that may have already started and are still continuing at the date of this Letter of Intent; or
- (iii) Enter into an agreement with any other person regarding the dealing in or sale of the ERs generated or to be generated by the ER Program as a result of any such discussions or negotiations;

without the prior written consent of the Trustee.

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

(i) The Third Party Sales process is compatible with clause 1.1 of this Letter of Intent, including, but not limited to, the volume and seniority of delivery of ERs offered to the Trustee under the ER-PIN and this Letter of Intent;

(ii) The Program Entity keeps the Trustee reasonably informed regarding any aspect of the Third Party Sales process that could be or could become incompatible with clause 1.1 of this Letter of Intent and, if requested by the Trustee, will agree with the Trustee in good faith and implement measures to remedy such incompatibilities; and

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

3.3 The Parties agree that, following the submission of the ER Program Document to the Carbon Fund of the FCPF and provided that the Carbon Fund of the FCPF decides to proceed with ERPA negotiations, the Parties will use all reasonable endeavors to negotiate and execute an ERPA in good faith within the remaining part of the Exclusivity Period.

4. Provision of Information

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

5. Disclosure of Information

5.1 All information disclosed by the Parties under this Letter of Intent, all subsequent commercial negotiations and any agreement entered into between the Parties (collectively, the “**Confidential Information**”) shall be kept confidential and not disclosed unless:

- (i) at the time of disclosure, the Confidential Information is public or which after disclosure becomes public other than by disclosure by either Party in violation of this provision;
- (ii) the disclosing Party has been given prior written consent by the other Party to make that disclosure; or
- (iii) the Confidential Information is required to be disclosed under any applicable laws and regulations or by any subpoena or similar legal process.

5.2 Notwithstanding the foregoing, the Program Entity agrees that the Trustee may disclose the Confidential Information to the participants in the Carbon Fund of the FCPF.

5.3 This Section 5 shall survive for a period of five (5) years after any termination under this Letter of Intent, unless the Parties otherwise agree in writing.

6. Carbon Fund Participant Payment Default

- 6.1 The Program Entity understands that (i) the IBRD is not intending to purchase any ERs from the ER Program personally or in its individual capacity but only as a trustee of the relevant tranche of the Carbon Fund of the FCPF and (ii) the obligations and liabilities of the Trustee under any ERPA will be limited to the assets of the relevant tranche of the Carbon Fund and that neither Trustee, IBRD, any of its affiliated entities, the participants of the relevant tranche of the Carbon Fund of the FCPF, nor any of their respective officers, directors, employees, partners, members or shareholders, will assume or will be subject to any personal liability for any of the obligations, claims or liabilities under or in connection with any ERPA.
- 6.2 The Program Entity further understands that any payment obligations of the Trustee under or in connection with any ERPA will be limited to assets of the relevant tranche of the Carbon Fund of the FCPF, which consist primarily of the funding to be provided to the Trustee by the participants of the relevant tranche of the Carbon Fund of the FCPF. Under the FCPF Charter, participants of a tranche of the Carbon Fund of the FCPF are required to make payment to the Trustee up to their respective contribution to the respective tranche of the Carbon Fund of the FCPF upon periodic demands for payment issued by the Trustee. In the event one or more participants of a tranche of the Carbon Fund of the FCPF fail to make payment to the Trustee for whatever reason, the Trustee may not have sufficient funds available to meet its payment obligations when due under the ERPA, in which case the Trustee will not have any liability whatsoever in connection with such lack of available funding.

7. Termination

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

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

8. Governing Law and Disputes

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

The Parties shall endeavor to settle amicably any dispute between them arising out of or relating to the Letter of Intent ("Dispute"). Upon the written request of either Party ("Initial Request"), the Parties shall meet promptly to consider the Dispute. If the Dispute has not been resolved by the Parties within sixty (60) days of the date of the Initial Request, the Parties may seek an amicable settlement of the Dispute by conciliation, which shall take place in accordance with the UNCITRAL Conciliation Rules as at present in force. The 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.

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.
~~Any dispute between the Parties arising out of or relating to this Letter of Intent shall be finally settled by arbitration in accordance with the UNCITRAL Arbitration Rules.~~

9. Assignment

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

10. Immunities

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

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

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

Authorized Signature

Name: Joelle Chassard

Title: Manager, Carbon Finance Unit

Date:

On behalf of the Program Entity:

Authorized Signature

Name:

Title:

Date: