

CARBON FUND OF THE FOREST CARBON PARTNERSHIP FACILITY

Emission Reductions Payment Agreement

for the REDD+ Emission Reductions Program of Costa Rica

by and between

REPUBLIC OF COSTA RICA

and

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

Dated 08-Dec-2020

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

("Agreement")

PARTIES: REPUBLIC OF COSTA RICA ("**Program Entity**"), REPRESENTED BY THE MINISTRY OF ENVIRONMENT AND ENERGY ("**MINAE**")

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 Costa Rica subject to the Letter of Approval 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 MINAE, instructs:
 - (i) The National Fund for Forest Financing ("**FONAFIFO**") and the National System of Conservation Areas ("**SINAC**") to implement the ER Program on behalf of the Program Entity in accordance with this Agreement and their respective mandates;

- (ii) The Environmental Bank Foundation (“**FUNBAM**”), as the ERPA Payment Recipient Entity, to receive payments under this Agreement on behalf of the Program Entity, and transfer all of such received payments to FONAFIFO, SINAC and eligible Beneficiaries under the Benefit Sharing Plan, in accordance with Executive Decree N° 40464-MINAE, April 3, 2017 and the Law N° 8640 of July 3, 2018; and
 - (iii) The REDD+ Secretariat of MINAE to provide oversight and coordination among FONAFIFO, SINAC and FUNBAM to implement the ER Program, the Benefit Sharing Plan, and to fulfill the terms of this Agreement on behalf of the Program Entity.
- 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 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 12,000,000 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.
- (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) Without prejudice to the second and third Reporting Period, Section 5.01(a) of the General Conditions shall require the Program Entity to provide the Trustee with an ER Monitoring Report for the first Reporting Period, in form and substance satisfactory to the Trustee, within forty five (45) calendar days following the date of this Agreement.
- (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. The term “**Third Party**” shall mean an entity other than the Trustee, the Program Entity or the ERPA Payment Recipient Entity.
- (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*

- (a) The ER Program is: REDD+ Emission Reductions Program of Costa Rica, as further described in the ER Program Document.
- (b) The Host Country is: Republic of Costa Rica

**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, as an integral part of 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*

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(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.

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 12,000,000 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**") as Contract ERs 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**").

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):

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

- (b) In the event that any deduction of any 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 Additional ERs, if any, 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 and Additional ERs, if any, 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 Additional ERs, if any, 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 NDC 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 and Additional ERs, if any (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 5.02(h) of the General Conditions does not apply.

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

- (a) The Program Entity, represented by MINAE, shall implement the ER Program through FONAFIFO and SINAC in accordance with their respective mandates.
- (b) The Program Entity, through FUNBAM (“**ERPA Payment Recipient Entity**”), shall receive Periodic Payments under this Agreement in accordance with Executive Decree N° 40464-MINAE of April 3, 2017 and the Law N° 8640 of July 3, 2018.
- (c) The Program Entity, represented by MINAE, shall enter into a Subsidiary Agreement (“**Subsidiary Agreement**”) with FUNBAM, to set out the responsibilities of FUNBAM, among others, regarding the receipt and use of Periodic Payments made under this Agreement. The responsibilities of FUNBAM 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 and forwarding of Periodic Payments to FONAFIFO, SINAC and eligible Beneficiaries under the

(d) Any Periodic Payments to be made by the Trustee under and subject to Section 4.03 (in conjunction with Section 5.03 of the General Conditions) of this Agreement shall require the ERPA Payment Recipient Entity to submit a request for payment to the Trustee on behalf of the Program Entity in the form of 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**”).

(e) The Trustee shall be deemed to have fulfilled its respective payment obligation towards the Program Entity under this Agreement once it has made a Periodic Payment to FUNBAM as the ERPA Payment Recipient Entity. The Program Entity, represented by MINAE agrees that when serving as Trustee and to the extent it follows the instructions given by the Program Entity, through MINAE, 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 Periodic Payment to the ERPA Payment Recipient Entity.

(f) For the avoidance of doubt, despite the delegation of certain responsibilities of the Program Entity under this Agreement to FONAFIFO, SINAC and FUNBAM (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 FONAFIFO, SINAC and/or FUNBAM fail 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 5.01 *Call Option Specifications*

- Section 5.02
- Call Option Volume and Exercise Price*

- 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.

- (b) Maximum Option Volume is: 5,000,000 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: January 1, 2018.

Section 6.02 *Focal Point*

Both the Trustee and the Program Entity, through MINAE, 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*

In addition to Section 5.01(b)(i) of the General Conditions, the Program Entity, through MINAE, shall monitor and report to the Trustee on the implementation of the Safeguards Plans and Benefit Sharing Plan during Reporting Periods. The Program Entity, through MINAE, shall monitor and report to the Trustee on the implementation of the Safeguards Plans annually after the date of this Agreement. The Program Entity, through MINAE, 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, through MINAE, may coordinate the annual monitoring and reporting of the Safeguards Plans and the Benefit Sharing Plan, provided that the Program Entity, through MINAE, 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, through MINAE, 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, through MINAE, 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 on the date it has been duly executed by all Parties pursuant to applicable legal procedures. 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, 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. In any case, in order to maintain proper coordination by the Program Entity, the Program Entity shall be copied on all communications relating to this Agreement.

For the Program Entity:

Ministry of Environment and Energy
Avenida 8, Calle 25A, Barrio González Lahmann, Catedral, 10104
San José, San José
Republic of Costa Rica
Email: ministrominae@minae.go.cr
Tel.: (506) 2257-1417 / (506) 2257-5456
Fax: 2257-0697

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.

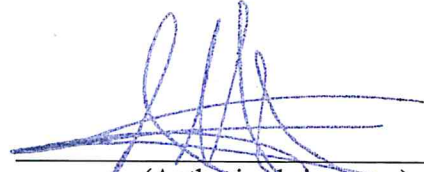
**INTERNATIONAL BANK FOR RECON-
STRUCTION AND DEVELOPMENT,
AS TRUSTEE OF TRANCHE B OF THE
CARBON FUND OF THE FOREST
CARBON PARTNERSHIP FACILITY**

Andrea C. Guedes

(Authorized signatory)

By: Andrea Guedes
Title: Acting Country Director

**REPUBLIC OF COSTA RICA,
REPRESENTED BY THE MINISTRY
OF ENVIRONMENT AND ENERGY**



(Authorized signatory)

By: Andrea Meza
Title: Minister

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, as may be updated from time to time with prior agreement of the Trustee;
- (2) Submission of evidence demonstrating the Program Entity's ability to transfer Title to ERs, free of legally recognized interest, Encumbrance or claim of a Third Party;
- (3) Submission of the executed Subsidiary Agreement between FUNBAM (as the ERPA Payment Recipient Entity) and the Program Entity, represented by MINAE, subject to the Trustee's prior review of and consent to the draft of such Subsidiary Agreement; and
- (4) The Program Entity has obtained approval of this Agreement from the Comptroller General's Office (Contraloría General de la República de Costa Rica).

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	January 1, 2018 – December 31, 2019	Tranche B Pro Rata Share of 3,400,000 ERs (approx. 3,230,000 ERs)	Tranche B Pro Rata Share of 3,400,000 ERs (approx. 3,230,000 ERs)
2	January 1, 2020 – December 31, 2021	Tranche B Pro Rata Share of 3,400,000 ERs (approx. 3,230,000 ERs)	Tranche B Pro Rata Share of 6,800,000 ERs (approx. 6,460,000 ERs)
3	January 1, 2022 – December 31, 2024	Tranche B Pro Rata Share of 5,200,000 ERs (approx. 4,940,000 ERs)	Tranche B Pro Rata Share of 12,000,000 ERs (approx. 11,400,000 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 the Republic of Costa Rica ("**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 any 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 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 Costa Rica

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] of which _____ ERs are Contract ERs and, if any, _____ ERs are Additional ERs.

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 Costa Rica ("**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:	[insert if known]
Quantity of Additional ERs:	[insert]
Exercise Price:	[insert price per ER as agreed pursuant to the ERPA]
Exercise Completion Date:	[Insert date [90] calendar days from the date of this Notice]

Dated:

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

by its Authorized Representative

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 legally recognized 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.