



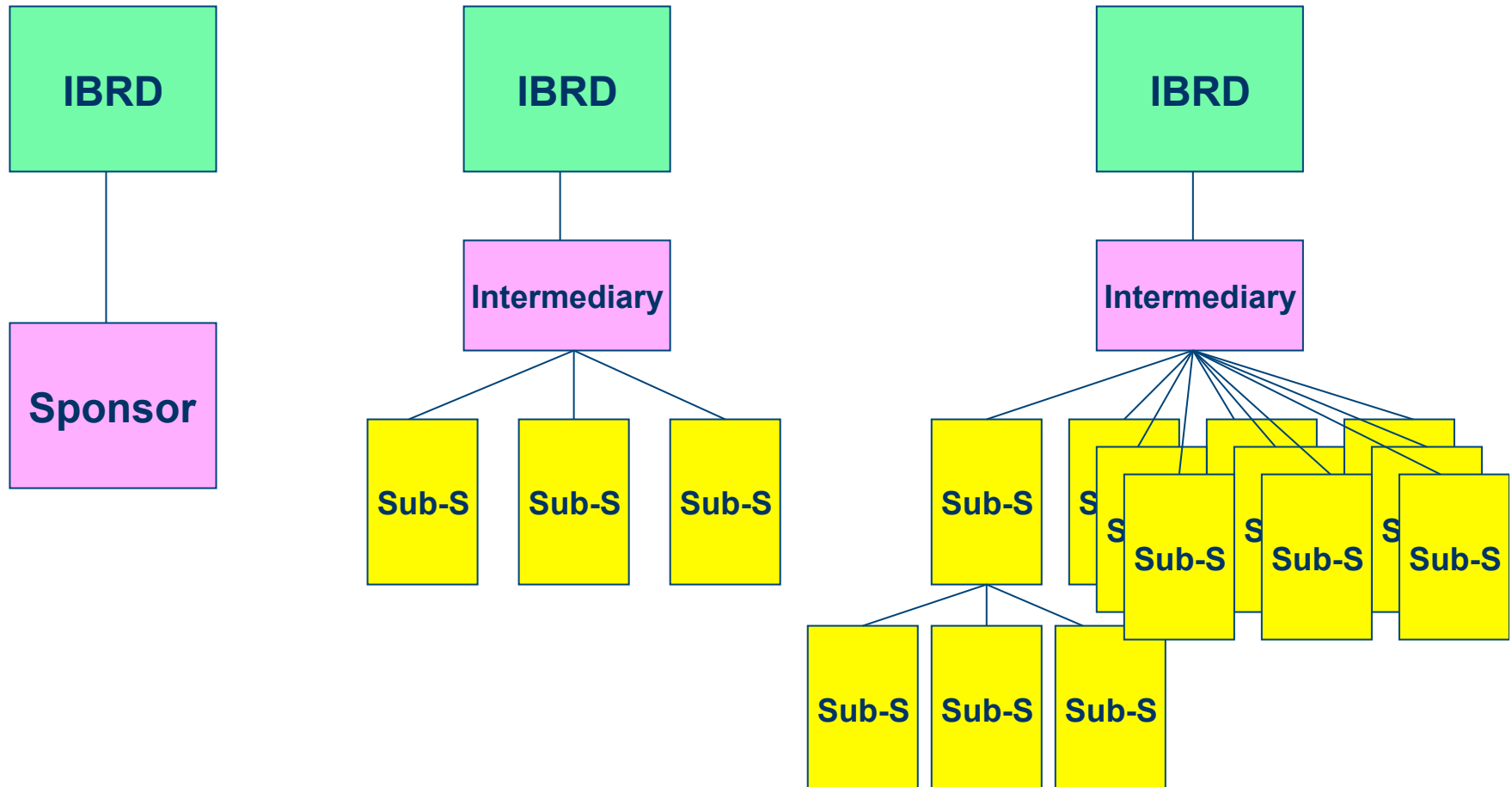
# **IBRD Emission Reductions Purchase Agreement and General Conditions**

**BioCarbon Fund Training Seminar**

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**The World Bank,  
Washington, DC**

# Project Structures



# ERPA and GC Structure

## Risk Allocation

### BioCF

- Kyoto risk
  - Registration risk
    - Approval
    - Eligibility, compliance
    - Baseline
  - Baseline risk (registration and renewal)
  - Issuance of CERs
- Project related risk
  - Maintenance/permanence of ERs

### Project Sponsor

- Host Country risk
  - Eligibility (forest definition)
- Project related risk
  - Financial
  - Compliance with Host Country laws (permits etc)
  - Operation, management, maintenance
  - Production of ERs
  - Maintenance/permanence of ERs

# ERPA and GC Structure

## Risk Mitigation

### Kyoto Risk

- Letter of no objection
- HC ratification, HC LoA and forest definition condition precedent to ERPA
- Baseline risk mitigation
  - Conservative Baseline
  - Annual purchase amount no more than 80% of expected amount
- Communication rights with EB

### Project Risk

- Payment on delivery
- Seniority
  - Purchase 1<sup>st</sup> ERs
  - “Sweeping”
- Sharing excess ERs – performance incentive
- Communication rights with EB
- Option – Fund management risk mitigation tool

# ERPA and GC Structure

## Risk Mitigation

### Permanence Risk

- Permanence strategy – fire, pest, illegal logging, weather mitigation
- “Remainder”/Reserve Pool
  - “self insurance”
  - tCER vs ICER may affect
  - ERUs?
- “Hold Back” – Commercially possible? Real value?

# ERPA and GC Terms

## Purpose

- Record the agreement
- Identify responsibilities
  - Trustee: payment, verification, communication
  - Sponsor: operation of the project, implementation of the MP, creation, delivery and maintenance of ERs
- Establish rights
  - Trustee: receive ERs, option, default remedies
  - Sponsor: receive \$, default remedies
- Manage risks – risk allocation
- ERPA – project (and Fund) specific negotiable terms
- General Conditions – standard, non-negotiable purchase and sale terms

# ERPA and GC Terms

## Key Provisions

- What is being purchased – Verified ER
- How it is delivered – transfer form
- Payment – on delivery, less costs (capped) and holdback (if applicable)
- Rights of communication
- Governing law

# ERPA and GC Terms

## Key Provisions

- Defaults

- Unintentional

- Transfer failure – no penalty for under delivery; decrease contract amount; increase option
- Permanence failure – transfer “Remainder ERs” or it will become a “Transfer Failure”; not pay the Hold Back
- Others – right to terminate and recover outstanding costs

- Intentional

- Right to recover costs and damages; termination





## ERPA and GC

Any Questions?