

Letter of Intent

Note: Nothing contained in this Letter will be deemed a commitment on the part of either Party to consummate the transaction described herein or any aspect thereof, nor will any component contained herein constitute an offer to buy or sell credits.

This Letter of Intent is made on the 30 day of october 2021

BETWEEN

Emergent Forest Finance Accelerator, Inc. (Donor)

AND

Ministry of Environment, Water and Ecological Transition (Recipient)

Whereas,

- i. The Lowering Emissions by Accelerating Forest finance (“**LEAF**”) Coalition is a public-private coalition that seeks to end tropical deforestation and significantly reduce global greenhouse gas emissions by rewarding jurisdictions with tropical and sub-tropical forests that successfully reduce deforestation and forest degradation;
- ii. The Donor is a U.S. based non-profit organization that serves as the administrative coordinator of the LEAF Coalition and works with participants in the LEAF Coalition and tropical forest countries in an effort to create a new marketplace in large-scale transactions of high-integrity REDD+ carbon credits at the jurisdictional level, including by providing ex-post results-based finance for emission reductions derived from deforestation and degradation of forests;
- iii. The Donor provides Results-Based Payments¹ to contribute to climate and forest protection for emission reductions derived from deforestation and degradation of forests from jurisdictional programs that are validated, verified, and issued through the Architecture for REDD+ Transactions (“**ART**”), whereby each emission reduction represents one metric tonne of carbon dioxide equivalent (“**ERs**”);

¹ Results Based Payments (RBP) refers to mechanism through which the funder is willing to make payments to an agent who assumes responsibility for achieving pre-defined results. In this context, RBP are the final phase in REDD+ that provides financial incentives to countries that have proved through rigorous ART TREES evaluation to reduce emissions derived from deforestation and degradation of forests during a period of time.

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- iv. Participants in the LEAF Coalition have indicated interest in having the Donor provide Results Based Payments to Recipient for ERs in recognition of Recipient's achievements in reducing emissions derived from deforestation and forest degradation;
- v. The Recipient is a jurisdiction² that is undertaking efforts to protect and restore forests in a manner consistent with the Call for Proposals ("CFP") that was published by the LEAF Coalition on April 22, 2021;
- vi. To that end, the Results Based Payments the Donor will effectuate upon Delivery (as such term is defined below) of ERs on behalf of corporate donors and other third parties are intended to provide the Recipient revenue to support ongoing commitments to the climate objectives of the Paris Agreement, sustainable economic development with a priority for forest protection and forest restoration including the Recipient's National REDD+ Strategy, and implementation of robust financial, environmental and social safeguards;³
- vii. The Donor wishes to formally express its interest in making Results Based Payments for ERs from the Recipient;
- viii. The Recipient has submitted a proposal in response to the CFP, and the Recipient wishes to formally express interest in receiving Results Based Payments from Donor for ERs in recognition of its efforts to reduce emissions from deforestation and forest degradation;
- ix. The Donor and Recipient (each a "**Party**" and collectively "**Parties**") have initiated discussions to explore the development of a Results Based Payment scheme for ERs to support the government of Ecuador in reducing emissions from national REDD+ activities; and
- x. The Parties wish to initiate negotiations of a legally binding emission reduction purchase agreement ("**ERPA**") to govern the terms of the Results Based Payment scheme, under which there will not be transfer of ownership of title of ERs.

A. Cooperation Principles

- i. The objective of this Letter of Intent ("**LOI**") is to establish a mutual spirit of collaboration between the Parties.

² A jurisdiction on a national scale corresponds to what is described in the ART TREES 2.0 standard. For the purpose of this Letter of Intent, the national jurisdiction refers to the Continental Republic of Ecuador.

³ For purposes of this LOI, the Recipient submitted a response to the CFP applying to pathways 1 and 2, which do not require transfer of ownership of REs.

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The Parties agree to negotiate the terms of the ERPA in good faith.

- ii. This LOI and the Recipient's proposal to the LEAF Coalition in response to the CFP will be made publicly available. The Parties will endeavor to cooperate on the initial public announcement regarding the signing of this LOI. Until such time as an ERPA is signed between the Parties, each Party will treat as confidential any discussions regarding commercial terms of the ERPA being negotiated (including terms and conditions, price and quantity), provided that the Parties may disclose the content of these discussion only to its employees or contactors who have a need to know this confidential information to further the purposes of this LOI and who are bound to protect the confidential information, the Donor may also share the content of such discussions with members of the LEAF Coalition that are instructed to keep such information confidential, and the Recipient will not reveal the identity of LEAF Coalition members interested in having the Donor provide Results Based Payments for ERs of the Recipient. The Recipient and the Donor agree to make the ERPA publicly available after the ERPA is signed.

B. Conditions for Possible Results Based Payments

The Parties acknowledge that each of the following conditions, among others, are necessary to complete the Results Based Payment that would be governed under the ERPA:

- i. Submission by the Recipient of a concept note and TREES Registration Document to the ART secretariat, with the Recipient obtaining appropriate validation of that Registration Document through the ART process;
- ii. Compliance by the Recipient with the requirements of v2.0 (or other applicable version) of the REDD+ Environmental Excellence Standard (“**TREES**”) developed by ART, including the Recipient’s submission of Monitoring Reports and obtaining verification of those reports, the related emissions reductions, and the Recipient’s conformance with environmental/social safeguards pursuant to ART TREES;
- iii. Issuance of the ERs in accordance with the ART TREES standard, and the fully-executed retirement of the ERs in the ART registry⁴ as indicated in the ERPA, under which a transfer of title would not be required (such retirement each constituting a “**Delivery**”); and
- iv. Execution of an ERPA by and between the Parties within the timeframe designated in Section D (Termination) below.

C. Each Party responsible for its own costs

⁴ Retirement of ERs on the ART Registry will be consistent with Ecuador’s REDD+ accounting for emission reductions.

Each of the Parties shall pay all costs and expenses incurred by it in negotiating an ERPA and evaluating the potential Results Based Payment scheme.

D. Termination

This LOI will terminate upon execution of an ERPA by the Parties or within eighteen (18) months of the date of execution of this LOI, whichever occurs first. The LOI may be extended upon mutual agreement by the Parties.

E. Description of Potential Results Based Payment

In addition to the items described in Section B above, the following description of key components of the proposed Results Based Payment that will be governed by the ERPA are indicative and for discussion purposes only. Applicable terms will be discussed and finalized by the Parties prior to the completion of a binding ERPA.

- i. *Recipient and Donor will enter into an ERPA for a pre-determined volume of ERs on a forward basis, over a period of ER vintages expected to be approximately five years. Results Based Payment will be made by Donor upon Recipient's Delivery of ERs to Donor.⁵*
- ii. *Donor will provide Recipient with a guaranteed price of USD 10 per ton of CO₂e for ERs.*
- iii. *Recipient will make a high-level investment framework for its use of proceeds from Results Based Payments for the ERs consistent with the CFP ("**Use of Proceeds**") publicly available and share information of the website where this information will be available.*
- iv. *Recipient will identify a third-party financial intermediary qualified as an accredited entity by the Global Environmental Facility, the Green Climate Fund, and/or otherwise approved by Donor ("**Financial Intermediary**"). Donor will make Results Based Payments for ERs through the Financial Intermediary and such payments will be used for activities consistent with the Use of Proceeds.*
- v. *Recipient will make publicly available any relevant and available data, information, and materials about the program as validated by ART-TREES related to the generation of the ERs.*

⁵ Results Based Payments would be done once the Recipient retires the ERs from the ART Registry (and from the accounting of Ecuador's REDD+ Emission Reductions) and delivers documentary evidence thereof to the Donor.

- vi. *Recipient will attest to, and provide evidence of, the existence of a National REDD+ Strategy or Action Plan applicable to Recipient's jurisdiction that enables del Results Based Payments scheme and allows the Delivery of the ERs.*
- vii. *Recipient will adhere to the principles of free, prior and informed consent and comply with robust safeguards, anti-corruption and monitoring provisions as required under ART TREES and the ERPA.*
- viii. *Sample transaction vintages, volumes and pathways based on Recipient's proposal in response to the CFP (for discussion purposes only):*

Vintage Year	Credit Volume (tCO ₂ e)	Transaction Pathway ⁶
Total		

- ix. *Donor and Recipient intend to negotiate such other provisions for the ERPA and to effectuate Delivery of, and deliver Results Based Payments for, the ERs.*

F. Agreement


Once executed, this LOI will constitute a non-binding indication of interest of the Parties to, in good faith, continue discussions and use reasonable efforts to negotiate an ERPA that will govern the terms of the Results Based Payment scheme. Nothing in this LOI creates any legally binding rights or obligations for either Party, except as regards preserving the confidentiality of ERPA commercial terms negotiated in advance of any ERPA signing and related information pursuant to Section A (iii) above. This LOI may be executed in counterparts.

⁶ Transaction Pathways refers to the nature of the transaction and expectations of participants as described in the CFP.

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**Authorized Representative for
Emergent Forest Finance Accelerator, Inc.**

**Authorized Representative for Republic of
Ecuador**

DocuSigned by:

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Eron Bloomgarden

CEO



Firmado electrónicamente por:
**GUSTAVO RAFAEL
MANRIQUE MIRANDA**

Gustavo Manrique Miranda

**Minister of Environmet, water, and Ecological
Transition**

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