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 4th day of November, 2021

BETWEEN

Emergent Forest Finance Accelerator, Inc. (Donor)

AND

The Ministry of Environment and Energy of the Republic of Costa Rica (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 Payments \(^1\) 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 or increased CO2 absorptions represents one metric tonne of carbon dioxide equivalent ("ERs");

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

\(^1\) REDD+ Results Based Payments (RBP) refers to mechanism through which the funder is willing to make payments to a developing a country who measures, reports, and verifies REDD+ 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 and/or increase CO2 absorptions or removals during a period of time. In the context of Costa Rica, all emission reductions and/or increases in CO2 absorptions also undergo the technical assessments and procedures outlined in UNFCCC decisions, namely 1/CP.16, 12/CP.17, 13/CP.19 and 14/CP.19.
in reducing emissions derived from deforestation and forest degradation, as well as forest restoration;

v. The Recipient is a country that is a Party to the Paris Agreement and that is undertaking efforts to implement Article 5 of this Agreement by protecting and restoring forests in a manner consistent with the Call for Proposals ("CFP") that was published by the LEAF Coalition on April 22, 2021, based on its National REDD+ Strategy and seeking to contribute to its Nationally-Determined Contribution (NDC) and towards the ultimate objective of the UNFCCC;

vi. To that end, the Results Based Payments Donor will effectuate upon Delivery (as such term is defined below) of ERs on behalf of corporate donors and other third parties will provide the Recipient with 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;

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, as well as to increase CO2 absorptions;

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 Recipient in reducing emissions and increasing CO2 absorptions from national REDD+ activities; and

x. The Parties wish to initiate negotiations of a legally binding emission reduction payment 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.

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

iii. 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, payment
and volume), provided that the Parties may disclose the content of these discussion only to its employees, technical advisors or contractors 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/or increased CO2 absorptions, 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 their registration in Costa Rica’s registry for Results Based Payments, and the fully executed retirement of the ERs in the ART registry as indicated in the ERPA, under which a transfer of title would not be required (such retirement each constituting a “Delivery”);

iv. Technical assessment of the ERs as outlined in COP decision 14/CP.19 and the associated summary of how safeguards are addressed and respected, and

v. 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

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 twelve (12) 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.

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") and the country’s NDC 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.

vi. Recipient will attest to, and provide evidence of, the existence of a National REDD+ Strategy or Action Plan applicable to Recipient’s national territory that enables delivery Results Based Payments scheme and allows the Delivery of the ERs.

vii. Recipient will adhere to the principles of free, prior and informed consent as required by ART-TREES, and whereas Recipient’s properly documented internal processes based on respect for national and international law will demonstrate the application of this principle. Recipient will also comply with the robust safeguards, anti-corruption and control provisions as required by ART TREES and the ERPA.

viii. 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.

Authorized Representative for
Emergent Forest Finance Accelerator, Inc.

[Signature]
Andrea Meza Murillo
Ministra Ambiente y Energía

Authorized Representative for

[Signature]

Eron Bloomgarden
Executive Director
Emergent Forest Finance Accelerator, Inc.

As witness:

Rocio Sanz Cortes

Carlos Alvarado Quesada
Presidente de la República de Costa Rica