

Letter of Approval

To: Prototype Carbon Fund
The World Bank
1818 H Street NW
Washington DC 20433
USA

Sofia, 14.07.2004

Ref: Prototype Carbon Fund, Pernik District Heating Project

1. I wish to refer to the request by TOPLOFIKACIA PERNIK EAD that the above mentioned project be considered for the purchase of emission reductions by the Prototype Carbon Fund (PCF), established by the International Bank for Reconstruction and Development (IBRD). I also wish to refer to the Host Country Umbrella Agreement between the Republic of Bulgaria and the IBRD as Trustee of the PCF of November 14, 2002.
 2. The Republic of Bulgaria appreciates that the objective of the PCF is to buy emission reductions from Projects which will generate greenhouse gas Emission Reductions that in due course are expected to be eligible for transfer under Article 6 of the Kyoto Protocol to the UN Convention on Climate Change (UNFCCC) according to the terms of the UNFCCC, the Kyoto Protocol and the decisions, guidelines and modalities adopted there under.
 3. As the authorized representative of the Republic of Bulgaria, I hereby confirm that the Republic of Bulgaria approves the further development of the *Pernik District Heating Project* and approves this project for the purpose of Article 6 of the Kyoto Protocol. The Republic of Bulgaria considers that the project will assist in achieving sustainable development and authorizes the PCF Trustee (and as appropriate the PCF Participants) and TOPLOFIKACIA PERNIK to participate, under its responsibility, in actions leading to the generation, transfer or acquisition of Emission Reductions from that Project, and agrees to take whatever steps may be required under the UNFCCC and Kyoto Protocol for these purposes.
 4. As the authorized representative of the Republic of Bulgaria, I also confirm that:
 - (a) by this endorsement and approval the Republic of Bulgaria is committing itself to render such assistance as may be necessary for the purposes of the UNFCCC, such as the verification and certification of the greenhouse gas emission reductions from that project for the purposes of Article 6 of the Kyoto
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Protocol, in accordance with the UNFCCC, the Kyoto Protocol and the decisions, guidelines and modalities adopted there under;

- (b) the Emission Reductions to be generated by the Pernik District Heating Project have not been sold, assigned or transferred to any party (other than referred to in paragraph (a) of this Section), or otherwise subjected to any Lien;
- (c) the Republic of Bulgaria will issue and transfer 100 % of the verified Emission Reduction Units generated by this Project in the period 2008 - 2012 according to the Host Country Umbrella Agreement.
- (d) the Republic of Bulgaria acknowledges that all the terms and conditions providing for the purchase of certain Emission Reductions generated by the Project and the delivery schedule shall be agreed between Toplofikacia Pernik EAD and the PCF in a separate Emission Reductions Purchase Agreement.

5. Bulgaria also confirms that it will set aside for the Pernik District Heating Project an amount of Assigned Amount Units (AAUs) corresponding to the 84 035 tCO₂ equivalent expected to be generated by the Project prior to 2008 in accordance with the Host Country Umbrella Agreement.

6. Bulgaria is currently in the process of establishing an AAU management and investment scheme. Once the scheme is operational 84 035 AAUs will be allocated to the PCF.

7. The transfer of the amount of 84 035 AAUs will take place after the Bulgaria's Assigned Amounts Registry has been established, provided that

- (a) Toplofikacia Pernik EAD or the PCF have submitted Verification documents verifying the generation of an equivalent amount of Emission Reductions; and
- (b) such amount will be available in Bulgaria's Assigned Amounts Registry.

8. This letter will form part of the Project Design Document for the Project. For their interest in this matter I will send a copy of this letter to the Secretariat of the UNFCCC.

Sincerely

By

Dolores Arsenova
Minister

A handwritten signature in black ink, appearing to read 'Dolores Arsenova', is written over a horizontal line. The signature is fluid and cursive, with a large loop at the end.