

REPUBLIC OF BULGARIA



MINISTRY OF ENVIRONMENT AND WATER

Letter of Approval

Undersigned, as a legal and authorised representative of Bulgaria,

Acknowledging that the Republic of Bulgaria has ratified the United Nations Framework Convention on Climate Change in 1995

Taking into consideration that the Republic of Bulgaria has ratified the Kyoto Protocol in 2002

Recalling that the Republic of Bulgaria and the Republic of Austria have signed a Memorandum of Understanding regarding bilateral co-operation for the realisation of Joint Implementation projects between the Republic of Bulgaria and the Republic of Austria

Referring to:

Proposal named:

VACHA CASCADE JOINT IMPLEMENTATION PROJECT,

Hereafter to be referred to as 'the Project',

Located in the Rhodope Mountains, Municipality of Devin, South Bulgaria.

And

the final draft of the Emission Reduction Purchase Agreement to be concluded between the Republic of Austria, Federal Minister of Agriculture, Forestry, Environment and Water Management, represented by Kommunalkredit Public Consulting GmbH and Natsionalna Elektricheska Kompania EAD (NEK), Sofia hereafter referred to as 'the ERPA'. Terms defined

in the ERPA and not defined otherwise in this Letter of Approval shall have the same meaning as in the ERPA.

Bulgaria declares, agrees, warrants and undertakes as follows:

Bulgaria has ratified the Kyoto Protocol.

Bulgaria will comply with the requirements to participate in Article 6 KP projects as stated in the Marrakech Declaration no later than September 1st 2006.

Bulgaria recognises the Project to be a Joint Implementation project in accordance with article 6 of the Kyoto Protocol and its underlying decisions.

Bulgaria approves and acknowledges the Project and authorizes the implementation and performance of the Project on its territory.

Bulgaria authorises the Contractor and any future operator of the Project to generate ERUs, as applicable, by operation of the Project, in accordance with article 6 of the Kyoto Protocol and commits itself to render such assistance as may be necessary in the verification, issuance and transfer of any Emission Reductions generated by the Project.

Bulgaria acknowledges and expressly agrees to the provisions of the ERPA providing for the purchase of certain Emission Reductions generated by the Project and the delivery schedule as annex to the ERPA.

Bulgaria agrees to the transfer in accordance with the ERPA of up to 100 % of verified ERUs generated by the Project during the period 1.1.2008 – 31.12.2012 to the Republic of Austria, through the transfer of ERUs by Bulgaria to the Austrian register or through any other mechanism accepted by COP/MOP. Bulgaria acknowledges May, 1st 2009 as date for the first transfer of ERUs.

The transfer of ERUs is irrespective of any legal or other transfer of the Project to another operator.

In case the Kyoto protocol does not enter into force, Bulgaria and Austria consider the transfer to Austria as a transfer of the Greenhouse Gas Emission Reductions generated by the Project on a bilateral basis in accordance with the ERPA.

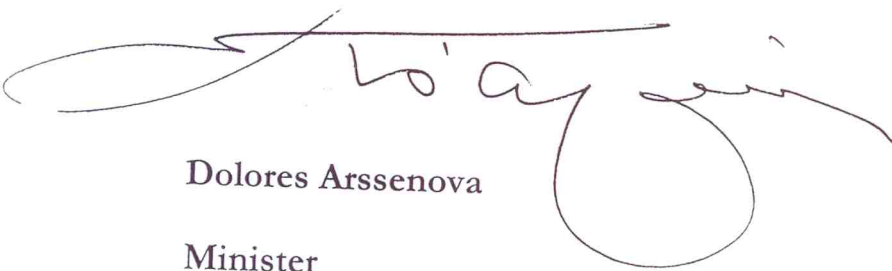
Bulgaria acknowledges the right of first refusal of the Republic of Austria under the ERPA with regard to the Emission Reductions generated by the Project after December, 31st 2012. A transfer to Austria in accordance with the ERPA of up to 100 % of such Emission Reductions has to be approved by Bulgaria separately.

Bulgaria shall comply with the participation requirements as stated under article 2 in the Annex to the Marrakech Declaration (Decision -/CP 7 (Article 17)) (Modalities, rules and guidelines for emissions trading), no later than September, 1st 2006.

Should Bulgaria at any time consider to allocate allowances to the Project or otherwise include the Project in a national allocation plan in such a way that it shall no longer be able to generate ERUs, Bulgaria will, taking into account the early action taken by the Project company, allocate a number of allowances to the Project that is equal to the number of tons of carbon dioxide equivalent that would have been emitted in the absence of the Project as expressed in the baseline.

If Bulgaria, at any time during the implementation of the Emission Reduction Purchase Agreement, satisfies the eligibility requirements for the Track I Procedure under the Kyoto Rules, it shall notify the Republic of Austria and Contractor. Bulgaria agrees that, if both itself and the Republic of Austria fulfil these requirements, Contractor may choose to apply the Track I Procedure to the Project.

Signed:



Dolores Arsenova
Minister

March 01, 2004
Sofia, Bulgaria