

MEMORANDUM OF UNDERSTANDING
REGARDING
BILATERAL CO-OPERATION
BETWEEN
THE FEDERAL MINISTER OF AGRICULTURE, FORESTRY, ENVIRONMENT
AND WATER MANAGEMENT OF THE REPUBLIC OF AUSTRIA
AND
THE MINISTER OF THE ENVIRONMENT OF THE REPUBLIC OF ESTONIA
FOR THE REALISATION OF PROJECTS IN THE FIELD OF THE JOINT
IMPLEMENTATION UNDER ARTICLE 6 OF THE KYOTO PROTOCOL

The Minister of Agriculture, Forestry, Environment and Water Management of the Republic of Austria and the Minister of the Environment of the Republic of Estonia, hereinafter referred to as Partners,

Noting that Austria and Estonia, represented by the Partners, have ratified the United Nations Framework Convention on Climate Change,

Recognizing that Austria and Estonia, represented by the Partners, have ratified the Kyoto Protocol to the United Nations Framework Convention on Climate Change, hereinafter the Kyoto Protocol,

Noting that in accordance with Article 4, paragraph 2(a) of the Convention on Climate Change, partners of the Convention may implement national policies and measures on the mitigation of climate change jointly with other parties of the Convention.

Having regard to Article 6, paragraph 1 of the Kyoto Protocol, which, inter alia, states that for the purpose of meeting its commitments under Article 3 of the Protocol any party included in Annex I may transfer to, or acquire from, any other such party emission reduction units resulting from projects aimed at reducing anthropogenic emissions by sources or enhancing anthropogenic removals by sinks of greenhouse gases in any sector of the economy,

Having also regard to Article 17 of the Kyoto Protocol according to which parties included in the Annex B to the Protocol may participate in emissions trading for the purposes of fulfilling their commitments under Article 3 of the Kyoto Protocol,

Have reached the following understanding:

Article 1

Definitions

For the purposes of the present Memorandum of Understanding:

1. “Assigned Amount” means the quantity of greenhouse gases that a country can release calculated pursuant to the Kyoto Protocol, during the first quantified emission limitation and reduction commitment period of that Protocol from 2008 to 2012;
2. “Assigned Amount Unit”, AAU, means a unit issued in the national registry of a country pursuant to the Kyoto Protocol and is equal to one metric tonne of carbon dioxide equivalent;
3. “Baseline” means the situation as described in a validation report of a project design document, that would have occurred without the implementation of a project, in particular with respect to greenhouse gas emissions;
4. “Emission Reduction” means reduction in emissions of greenhouse gases generated by a project during its lifetime in excess of the applicable baseline.
5. “Emission Reduction Unit”, ERU, means a unit issued in the national registry of a country based on the emission reduction and is equal to one metric tonne of carbon dioxide equivalent;
6. “Greenhouse Gases” means the six gases listed in Annex A to the Kyoto Protocol, which are carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulphur hexafluoride (SF₆);
7. “Host Country” means the country in which the project takes place and which transfers AAUs and/or ERUs generated by the project;
8. “Independent Entity” means an entity, such as an environmental auditing company, which is independent and impartial from the Partners and the project legal entities;
9. “Legal Entity” means a private or state owned company or any private institution or state authority responsible for project implementation.
10. “Purchasing Country” means the country investing in the project and acquiring AAUs and/or ERUs;
11. “Validation” means the determination by an independent entity of the project design, including its baseline; and
12. “Verification” means a procedure whereby the amount of emission reductions generated by a project is confirmed by an independent entity or by Estonia;

Article 2

Objective

The objective of this Memorandum of Understanding is to facilitate the implementation of projects in Estonia to reduce emissions of greenhouse gases, to ensure the appropriate implementation of the relevant provisions of the Kyoto Protocol pertaining to article 6 and the additional guidelines to be adopted by the parties to the Protocol and to ensure the transfer to Austria of the emissions reductions units resulting from such projects as well as assigned amount units linked to emission reductions attained before the beginning of the first commitment period of the Kyoto Protocol.

The general terms and procedures for co-operation between the Partners are laid down in this Memorandum. This Memorandum will also apply to individual joint implementation projects under Article 6 of the Kyoto Protocol. The specific terms and procedures in respect of each project will be agreed case by case in the emission reduction purchase agreements.

Article 3

Emission Reduction Purchase Agreements

The Party of Emission Reduction Purchase Agreement from Estonian side and legal entity approved by designated focal point of Austria from Austrian side are fully responsible for project proposals, project design documents including establishment of baselines, additionality assessment, monitoring and other technical and economical specifications. They will further be responsible for initiating the verification procedure. Emission Reduction Purchase Agreements should also include provisions for any failure to deliver agreed ERUs and AAUs to the purchaser.

The Partners and their designated focal points are responsible for registering the ERUs and AAUs in their respective national registry on behalf of the legal entities authorized to participate in joint implementation projects.

The designated focal point of Austria will promptly inform Estonia of eligible legal entity under article 6 of the Kyoto Protocol.

Article 4
Designated focal points

The Partners will, at the latest one month after the entering into effect of this Memorandum, designate their respective national focal point responsible for approving joint implementation projects and inform each other about their designation.

Article 5
Co-operation of the Partners

The Partners represent and warrant that, as of the taking effect of this Memorandum, they are in compliance with their relevant obligations under the Convention on Climate Change, the Kyoto Protocol and any decisions, modalities, guidelines and procedures there under and that they are not prevented, pursuant to the Kyoto Protocol and the relevant rules there under, from transferring or acquiring ERUs or AAUs to be transferred under the Emission Reduction Purchase Agreements. Therefore the Partners will co-operate with each other in accordance with the mechanism for Joint Implementation of the Kyoto Protocol.

Estonia as host country will use its good offices and take such actions as are reasonable and appropriate to enable the development, financing, construction, operation, insurance and maintenance of the projects implemented jointly with due diligence, speed and efficiency so as to generate the maximum number of emission reductions. Estonia also will grant any independent entity and any authorized representative of Austria as purchasing country access to the project sites and any relevant information for the purposes of this Memorandum.

Article 6
Acquisition, Transfer and Sale of Emission Reductions

Terms and conditions for the acquisition, transfer and sale of ERUs and AAUs will be set forth in a emission reduction purchase agreement. To the emission reduction purchase agreement will be attached a Letter of Approval of the project by Austria through its designated focal point.

The approval by Estonia through its designated focal point is necessary for the entering into a definite emission reduction purchase agreement. For that purpose the project participants will provide the Estonian designated focal point with all relevant project documentation.

The Letter of Approval will contain the affirmation that Estonia will transfer to Austria the amount of ERUs and AAUs, which are claimed under the emission reduction purchase agreement.

All ERUs and AAUs acquired, transferred and sold according to the emission reduction purchase agreement will be delivered to Austria in a manner consistent with the Convention on Climate Change, the Kyoto Protocol and relevant decisions, modalities, guidelines and procedures there under.

Estonia will debit the total ERUs and AAUs acquired, transferred and sold, from its assigned amount. It will notify the Secretariat of the Convention on Climate Change, in a manner satisfactory to Austria, of a emission reduction purchase agreement and of its intention to debit its assigned amount.

Article 7

Verification of Emission Reductions

The greenhouse gas emission reductions generated by a project will be subject to verification in accordance with the Convention on Climate Change, the Kyoto Protocol and relevant decisions, modalities, guidelines and procedures there under.

Article 8

Information

The designated focal point will promptly inform each other of any event or situation that might affect the projects implemented jointly. They will also ensure that all relevant authorities and organizations are informed of this Memorandum, the project Memorandums and the implementation thereof.

Article 9

Project Categories

The provisions of this Memorandum of Understanding, while not limited in scope, will apply in any case to the following project categories in so far as the technical implementation of the projects corresponds to the current state of technological development:

- a. Construction (or retrofitting) of CHP installations;
- b. Fuel switch in energy conversion installations to renewable or from fuels with high carbon content to fuels with lower carbon content, in particular in existing distance-heating systems;
- c. Construction (or retrofitting) of power generation installations operated with renewable (in particular hydropower, wind power, biogas or biomass CHP);
- d. Projects leading to avoidance or (energetic) recovery of greenhouse gas emissions from landfills;

Projects leading to reduction of final energy consumption in residential buildings, public and private service buildings as well as in industrial applications and processes (including waste heat potentials).

Concerning projects not listed under paragraph 1 above, the Partners will decide jointly on how far provisions of this Memorandum of Understanding can be applied or need to be changed to support the realization of such projects.

The selected projects will have overall positive impacts on the environment and will contribute to the social development of the Republic of Estonia.

Projects aiming at the construction or retrofitting of nuclear power plants will be excluded under this Memorandum of Understanding.

Article 10

Review

The Partners will periodically review the provisions set out in this Memorandum. The first review will commence no later than the year before the beginning of the first commitment period of the Kyoto Protocol.

Article 11
Amendments

Changes of this Memorandum require written form. The changes will enter into effect thirty days after the date when the Partners have notified each other that the respective requirements for the entry into effect of the changes have been complied with.

Article 12
Settlement of Disputes

Any dispute concerning interpretation or implementation of this Memorandum will be solved through diplomatic channels.

Article 13
Final Provisions

This Memorandum will take effect on the day of signature. This Memorandum is executed in two originals in the English language.

SIGNED at _____, on _____ 2006.

The Federal Minister
for Agriculture, Forestry, Environment
and Water Management of the Republic of Austria
Josef Pröll

The Minister for the Environment
of the Republic of Estonia
Villu Reiljan