



Green Development

Local Project Implementation Partnership Contract

This contract is between:

Green Development AS, of Norway (CME)

And

....., which is the Local Project Implementation Partners (LPIP)

This contract replaces all previous contracts and agreements between the two parties.

Green Development AS is the Coordinating and Managing Entity for the Small Scale CDM program “PoA for the reduction of emission from non-renewable fuel from cooking at household level” (CDM PoA).

Green Development AS¹ has signed an agreement that carbon credits from this program will be sold to the Ci-Dev Trustee². This contract is a back to back contract for sharing the revenue from the agreement between Green Development AS and Ci-Dev Trustee.

Under this agreement LPIP shall provide ethanol stove to households in Madagascar. When such solutions generate carbon credits, these carbon credits shall belong to Green Development and Green Development shall make a payment to LPIP for the households that LPIP has provided with an ethanol stove and included in the CDM program. The payments from Green Development to LPIP is the Carbon Credits sharing arrangement that is the basis for this agreement.

This contract is limited to solutions providing households in Madagascar with ethanol stoves.

1. Payment Structure

- a. Green Development will make payment to LPIP as part of the carbon credits sharing mechanism described in this contract. The payment shall be made to LPIP within 40 days of issuance of the carbon credits.
- b. The payments to LPIP shall be made annually. GD shall make all reasonable effort to ensure that the payment to LPIP can be made each year.
- c. Payments each year shall be based on the number of households registered as a project participating household by the end of June in the year in which the payment is made.
- d. Payments from Green Development to LPIP will be made for 4 years for each household included in the program.
- e. Payment from GD to LPIP will be³:
 - i. \$20 each year for each household that has been registered as a project participating household by June 30 of the calendar year and which is using a double burner stove

¹ Green Development AS is the counterpart of this contract. Green Development might outsource some of the services and support provided to LPIP in accordance with this agreement. Outsourcing such services does not limit the obligation of Green Development to ensure that the services are provided in accordance with this contract or the “Program Operational Manual” or the “Code of Sustainable Practice” as relevant.

² The Ci-Dev Trustee is the World Bank. The Ci-Dev Trustee buy carbon credits from the program, and such purchase of carbon credits is the basis and the condition for support from Green Development AS to LPIP in accordance with this contract. The Ci-Dev Trustee buy carbon Credits for the Ci-Dev fund, on behalf of the Ci-Dev participants so that the Ci-Dev participants might meet their obligations to reduce emission reductions.

³ Only apply for stoves included in the program until end of 2020. The program does not include any households included in the program after the end of 2020



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in each years up to end of 2020. Payment for each household using a double burner ethanol stove in year 2021 and afterwards will be \$10 each year

- ii. \$12 each year for each household that have been registered as a project participating household and which uses a single burner stove in each year up to 2020. Payment for each household using a single burner ethanol stove in year from 2021 and afterwards will be \$6 each year.
- iii. Payment will be limited to the number of months in which the stove has been used since the last payment an up until the cut-off date of 30th of June each year⁴.
- iv. Payment will be limited to 4 years, and only apply to households registered in the program by end of 2020, or until the volume threshold has been reached.

2. Duration of this agreement.

- a. This agreement last for all ethanol stoves installed until the end of 2020, or until the threshold of 50,000 stoves have been included in the program in Madagascar. The threshold of 50,000 stoves include the number of stoves distributed by all partners of Green Development, and is not limited to the number of stoves distributed by the LPIP that has signed this contract. Green Development shall inform LPIP each year about how many stoves have been included in the program, and also provide such information to LPIP whenever LPIP request this information. The volume limit of 50,000 might be extended to include 100,000 stoves, subject to extension of the purchase of CERs from the program by Ci-Dev Trustee, in accordance with agreement between Ci-Dev Trustee and Green Development AS.
- b. This agreement is limited to a total of 35,000 households to be included in the program by LPIP.
- c. Each party to this contract might terminate this contract at any time, with 3 months notice. The obligations related to the ethanol stoves that have been distributed by the time of the termination of this contract shall remain.
- d. In case of Force Major, the contract might be terminated with 2 months notice. Force Major Conditions include War, Act of War, Major National Disaster, or change in government policy that will make project or components of the program subject to taxation or prevent the “fair playing field” between parties that is directly or indirectly part of the program. Force Major also include situations in which the Ci-Dev Trustee fail to comply with their commitment to buy CERs from Green Development in accordance with the ERPA signed between Ci-Dev and Green Development or for any reason that the Ci-Dev Trustee. In a Force Major situation the parties can cancel the contract and all its obligations including the obligations for project components already implemented. Green Development shall however have an obligation to continue to make payment for the carbon credits equal 50% of what had to be paid if there was no Force Major Condition.
- e. So long as the LPIP distributes (a) more than 250 operational stoves each year; or (b) more than 500 cumulative operational stoves by the end of year 2, this sub-project agreement shall remain in full force and effect, and the CME and the LPIP shall not agree to terminate this sub-project agreement or amend it in any material way without the prior written consent of the Trustee. In the event that the Trustee establishes that the CPA Implementer has not complied with any of the applicable safeguard action plans or a material term of the

⁴ Example: A household provided with a double burner stove and included in the program on 1st of May 2019, will get payment for 2 months in 2019, equal to $(2/12 * \$20)$ \$3.33 in 2019, \$20 in 2020, and \$10 in 2021, \$10 in 2022, and $(10/12 * 10)$ \$8.33 in 2023.



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Operations Manual, the CME shall terminate the sub-project agreement if so instructed by the Trustee.

3. Contact person and contact details.
 - a. The contact person and contact details, including bank details for which carbon credits are to be paid, shall be provided in Annex 1 of this contract. The Annex 1 of this contract shall be signed by both parties.
 - b. The details in Annex 1 may be changed at any time, and Annex 1 shall then be updated and signed by both parties.
 - c. Both parties have an obligation to keep Annex 1 updated at any time. If Annex 1 is not kept updated by LPIP, payment from Green Development might be delayed for up to one month after Annex 1 has been updated.
4. Project activities included as part of this contract shall not be part of any other carbon credit project or program.
5. LPIP shall distribute no less than 500 households in the program within 6 months of the signing of this contract and have these households registered in the program as project participating households.
6. Project activities included in this agreement shall not be funded by any Official Development Assistance, in accordance with CDM rules. LPIP shall provide a signed confirmation each year confirming that the company has not received any Official Development Assistance that has been used to finance the ethanol stoves included in the program. Such documentation shall be provided within 30 days after it has been requested by Green Development.
7. LPIP shall provide Green Development with an expansion plan including sales target, the expected source of fuel supply, and expected targeted area. This shall be provided annually by 15th of December each year.
8. LPIP shall provide Green Development with an annual summary of the previous years expansion. This shall be provided to Green Development no later than by 30th of January each year. The annual summary shall include the following information:
 - a. Total number of stoves distributed and households registered in the program.
 - b. Supplier of the total number of stoves distributed, with documentation that proves that the stoves have been purchased by LPIP.
 - c. The number of retailers used to distribute the stoves, and contact information for each of these distributors. This includes both wholesalers and retailers.
 - d. Total volume of ethanol sold
 - e. Suppliers of the ethanol sold, with price and volume of ethanol purchased from each of these suppliers. The contact information for each ethanol supplier shall be provided.
9. LPIP shall provide Green Development with proof of purchase of the ethanol stoves distributed as part of this program. The payment of carbon credits will be limited to the number of households included in the program or the number of stoves that the LPIP can document that has been purchased.
10. Payment to LPIP for households registered as project participating households shall be reduced to the fraction of the period in which carbon credits is generated. If a household is included in the program one month prior to the cutoff date of June, then the payment to LPIP for that year will be limited to 1/12 of the annual payment. Total payment shall be made for a total of 48 months for each household provided with an approved ethanol stove and correctly registered in the program.
11. LPIP shall ensure that households included in the program have access to ethanol fuel that meets the required legal standard in Madagascar and is produced according to the two documents which are part of this contract which are called "Code of sustainable practice" and "Program Operational Manual". These two documents might be changed by Green Development AS at any time, subject to approval from the Ci-Dev trustee.



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12. Price of stoves. LPIP shall use the future income from the income from sharing of carbon revenue according to this agreement to sell the ethanol stoves at below cost.
13. LPIP shall only distribute ethanol stoves that has been pre-approved by the program⁵.
The ethanol stoves that has been pre-approved include:
 - a. The e-cooker from Safi International
 - b. The Clean Cook Stove
 - c. The Meca Green single burner stove.
14. LPIP shall only distribute stoves that have a 3 year warranty. LPIP or the stove suppliers shall provide after sales support and replacement or repair of the stoves that is broken.
 - a. LPIP shall provide Green Development with the required warranty for all the stoves to be distributed.
 - b. LPIP should have after-sale and maintenance service point in each targeted area so that the ethanol stove can be easily brought back and be serviced.
 - c. The households shall be informed about the warranty of the stoves.
15. LPIP shall provide all project participating households with written documentation about:
 - a. Information about how to operate the stove safely
 - b. Information about how to operate the stove efficiently
 - c. The service and warranty condition of the stove
 - d. The carbon credits program specifying that any carbon credits generated from the use of the stove belong to Green Development and that payment for the carbon credits is shared with LPIP and has been used to pay for part stove so that the household pay less than the full cost of the stove.
 - e. Participating household's obligation to archive receipt of ethanol purchase if it is chosen as a sample group to monitor ethanol consumption
16. In exchange for the payment in accordance with this contract, all the carbon credits generated from the project activity shall belong to Green Development only.
17. LPIP shall inform Green Development about any legal proceedings, including but not limited to lawsuits or bankruptcy within 30 days of such proceedings.
18. LPIP shall comply with all laws and regulations that might apply in Madagascar.
19. All households to be included in the program shall be registered with the smart phone application provided by Green Development. Payment to LPIP shall be based on the number of households correctly registered with the smart phone application. Households who are registered with faulty or incomplete information shall not be subject to revenue sharing from carbon credits.
20. LPIP shall register the project participating households in the CPA (Component Project Activity, as defined by the Carbon Credit program) as instructed by Green Development. Green Development might at any time instruct LPIP to register further households in new CPA.
21. LPIP shall assist Green Development with the processes and documentation required for annual monitoring. This includes
 - a. Support in identifying the households selected for monitoring and verification.
 - b. Provide documentation required for CDM process, included but not limited to document the existence of stoves distributed, confirmation that LPIP has not received any Official Development Assistance that has paid for the ethanol stoves.
 - c. LPIP shall provide assistance if needed, to access the ethanol production to confirm and validate that the ethanol is produced according to the "Code of Sustainable Practice".

⁵ All future ethanol stoves that might be included for the use by the program will be tested by an independent and certified stove test laboratory selected by Green Development and the Ci-Dev Trustee. The stove test shall be arranged by Green Development but the direct cost of the stove test shall be pre-paid by the stove supplier that seek to have the stove certified for inclusion in the program.



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22. LPIP shall grant Green Development and its representative and representatives from the Ci-Dev Trustee and CDM verification entities full access to all project sites and project related sites, including but not limited to project participating households, warehouses, retail kiosks, micro distilleries and feedstock producers.
23. LPIP shall notify Green Development with any legal proceedings, including but not limited to lawsuits or bankruptcy proceedings within 30 days of such proceedings.
24. LPIP shall assist with providing information required for a Due-Diligence process. If the LPIP fail to provide the required information in a timely manner or fail to meet the requirements from the Due-Diligence process conducted by Green Development or its local representative, then this LPIP might be terminated. The due-diligence process, the documentation to be provided by the due-diligence process and the conditions for being accepted by the due-diligence process, shall be no stricter than the due-diligence process required by the Ci-Dev Trustee conduct in order to consider buying carbon credits from the project.
25. LPIP shall notify Green Development of any project participating households registered as part of the program in which the LPIP know that has moved, changed contact name or phone number or which it is known that is no longer using the ethanol stove.
26. LPIP shall comply with any future requirement related to updates of “Code of Sustainable Practice” and the “Program Operational Manual” or any other requirement to improve the quality of the program, if such requirement is also approved by the Ci-Dev Trustee.
27. If the LPIP is in breach of this contract, or if Green Development for any reason terminate this contract, Green Development has the right to not sign any LPIP agreement with any other entity in which any of the stakeholders of LPIP is directly involved.
28. The LPIP confirms that;
 - a. It has not sold and will not sell, any GHG Reductions, Emission Reductions or Certified Emission Reductions arising from the Sub-Project to any party other than the CME (Green Development AS)
 - b. For the time of the crediting period, assigns all its legal rights to any GHG Reductions, Emission Reductions and Certified Emission Reductions to be generated by the sub-project to the CME (Green Development) including all such rights to direct the Executive Board as to the issuance and forwarding of such CERs.
29. The LPIP shall
 - (a) Co-operate in order to obtain Registration and all other approvals of the Carbon Credit program.
 - (b) Cooperate with the Designated Operational Entity to ensure proper Verification and Certification of the GHG Reductions, and the issuance of CERs by the Executive Board, in accordance with the International Rules.
 - (c) Implement applicable requirements of the CDM Operational Plan, Monitoring Plan, Operations Manual, and the applicable safeguard action plans (including, but not limited to, the Environmental and Social Management Framework, Integrated Pest Management Plan, and/or the Resettlement Policy Framework,).
 - (d) Ensure that the revenue channeled through the sale of Emission Reductions generated from the CPA is used in accordance with applicable national law and the CME financial policies.
 - (e) Carry out the project in accordance with the applicable International Rules, the CDM Operations Plan, the Monitoring Plan and the Programme Activity Design Document (CDM-SSC-CPA-DD) and maintain and operate the project in accordance with sound business practices, proper due diligence and high efficiency.
 - (f) Minimize the risk of causing damages to third parties and incurring third party claims. In addition, the LPIP shall use all reasonable efforts to minimize the risk of third party claims against the



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CME, the Trustee and/or a Fund participant arising from the operation and maintenance of the Project. If nevertheless any such third party claim is filed against the CME, the Trustee and/or a Fund participant, the LPIP shall at its own cost fully cooperate and provide all necessary information and assistance to the CME, the Trustee and/or the Fund participant to defend themselves against such third party claim, both extrajudicially and in legal proceedings.

(g) At all times operate and maintain its plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial, environmental and social practices.

(h) Satisfy any obligations in respect of applications for all licenses, permits, consents and authorizations required to implement the carbon credit program. .

(i) Implement, operate and monitor the project in compliance with specific requirements of the Environmental Management Plan and any due diligence plans and covenants listed in the ERPA between Green Development and the Trustee.

(j) Submit quarterly progress reports to the CME regarding Paragraphs 2(e) and (i) above.

(k) Cooperate fully with CME, the Trustee and the Verifier in respect of the implementation of the CDM Operations Plan, the Monitoring Plan and Verification, including providing relevant staff, employees and contractors of the Trustee and the Verifier with access to all relevant property and records.

30. The CME (Green Development AS) shall:

(a) Pass onto the LPIP any notices it receives from the Trustee that are relevant to the LPIP.

(b) Collect from the LPIP, and, if necessary, confirm the accuracy of, all information required to be collected under the CDM Operations Plan, the Monitoring Plan and the applicable safeguard action plans (including, but not limited to, the Environmental and Social Management Framework, Integrated Pest Management Plan, and/or the Resettlement Policy Framework), and report such information to the Trustee

Reduction in payment to LPIP

LPIP shall be paid in accordance with "Payment Structure" as defined in this contract. Reduction in payment shall be made:

1. In proportion to the number of households registered in the in the program by LPIP, which is found not to use ethanol stoves multiplied with 2. This means that if 5% of the registered households is found not to use the ethanol stove, the payment to LPIP will be reduced by 10% for all households included in the program.
2. In proportion to the number of households that is found to be incorrectly registered by LPIP. This could include a wrong phone number, wrong address or any other information not correctly registered with the smart phone application or if the household cannot be found or the representatives from the households refuse to take part in the required survey⁶. The payment will then be reduced by the proportion of households registered multiplied with 2. This means that if 10% of the households registered by the program is found to be incorrectly registered, the payment to LPIP will be reduced by 20% for all households included in the program.
3. In case of Force Major as defined in this agreement. Then the payment will be reduced by 50%.

⁶ The reductions in payment based on faulty registration of households shall be based on the information from the annual survey that is conducted by Green Development. It is understood that random chance due to the limited number of households selected for survey to achieve the 10/90 confidence level required from the whole carbon credit program, could lead to excess deduction of payment to LPIP in some years, but statistically this will make minimal impact on total deduction of payment from Green Development to LPIP over the period in which payment is made.



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4. In proportion of households that are found to get ethanol that is not produced in accordance with the “Code of Sustainable Practice” and the “Program Operational Manual” multiplied with 2. This means that if 15% of households are found to use ethanol from non-approved sources, then the payment to LPIP will be reduced by 30% for all households included in the program. Ethanol procured or produced without having been certified or approved by Green Development shall be considered as not being in accordance with the “Code of Sustainable Practice” or the “Program Operational Manual”
5. Payment to LPIP will be reduced by 50% if less than 500 households have been provided with an ethanol stove and included in the program by LPIP. This does not apply for the first year after the signing of the contract, if the signing of the contract is made less than 6 months before the cutoff date.
6. Payment to LPIP will be reduced by 2 times the portion of households included in the program which is found not to have received the required training and instructions in how to use the ethanol stove in accordance with the “Program Operational Manual” or which is found not to have informed the relevant representative of the households of the terms stated in the smart phone application.
7. The payment to LPIP shall be reduce by 3 times the portion of households that are found to buy ethanol supplied by LPIP or an entity closely associated with the LPIP, that does not meet the ethanol quality requirement in accordance with the “Program Operational Manual” or which is sold in containers that are not perceived as safe or which are not properly labeled.
8. Payment to LPIP be reduced by 5 times the portion of the households registered in the program more than one time. This means that if 5% of the households are registered more than twice, for example by a household that buy ethanol stove twice, then the payment to LPIP will be reduced by 25% for all the households registered in the program.
9. Payment to LPIP will be reduced by 15% if the annual sales forecast or the annual summary has not been correctly provided by the time stipulated in this contract.
10. Payment will be reduced by 10% for each household if the LPIP fail to include at least 90% of the number of households expected to be included in the program in accordance with the annual sales forecast.
11. The payment will be reduced by 10% for each household included in the program in excess of 110% of the households expected to be included in the program in accordance with the sales forecast provided each year.
12. Payment might be reduced by up to 20% if the LPIP is found not to comply with rules and regulations in Madagascar.
13. The payment will be reduced by 25% if the LPIP is receiving benefit or get preferential treatment by any stakeholder in the program, if such benefit or preferential treatment has not been made available to all LPIP in the program. This apply to any benefit or preferential treatment that has been provided by a stakeholder in the program according to the list of stakeholder in the “Program Operational Manual”.
14. The payment from Green Development to LPIP might be reduced with up to 25%, if the LPIP provide wrongful information to Green Development, or if LPIP do not provide required or requested information that is requested by LPIP within reasonable time.
15. Payment from Green Development to LPIP will be reduced with 50% if Ci-Dev Trustee does not buy the CERs issued at the price agreed upon between Green Development and Ci-Dev Trustee⁷
16. If the government of Madagascar impose any tax or levy on any carbon credits generated, sold or purchased from the program, this tax will be deducted on the payment to the LPIP. If such tax is to

⁷ A copy of the terms of the conditions in which the Ci-Dev might not purchase the CERs issued might be provided to LPIP upon request. This might assist the LPIP to evaluate the risk associated with investing in project activities according to this clause.



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be implemented on Green Development, or the buyer of the carbon credits, then the tax shall be deducted with equal amount based on each household in which Carbon Credit is generated. E.g. if total tax imposed on issuance, sales or purchase of carbon credits is \$5,000 in a year and carbon credits is generated from 10,000 households provided with ethanol stoves as part of the program, then the payment to each LPIP will be reduced with $(\$5,000 / 10,000)$ \$0.5 for each households.

In case the there is more than one of the above mentioned reasons to reduce payment from Green Development to LPIP in accordance with the clauses above, then the sum of the reductions in accordance to the relevant clauses shall be reduced in the payment from Green Development to LPIP.

Commitment and obligations from Green Development

1. Green Development shall make payment to LPIP in accordance with this agreement
2. Green Development shall assist with Program Promotion. The program promotion from Green Development might be for general promotion of the use of ethanol cook stoves. Green Development will initiate program promotion activities in areas that LPIP want to expand their program. Green Development will make program awareness campaign based on the annual expansion plans from LPIP. Green Development will inform LPIP about all its Program Promotion Activities in the areas where the LPIP is distributing ethanol stoves and the LPIP will be invited to attend these Program Promotion Activities.
3. Green Development shall make any effort to approve new types of stoves to be included in the program, as long as the new stoves proposed to be included in the program meets the following requirements:
 - a. The stove have a thermal efficiency of no less than 50%
 - b. The stove has an acceptable thermal output of no less than 1 kW
 - c. The stove is perceived as safe and durable.
 - d. The stove emit an acceptable level of pollutant including CO, ash and smoke.
4. Green Development shall provide the smart phone application to LPIP and provide instructions on how to use the application for registration of project participating households.
5. Green Development shall treat all LPIP equally and not provide any preferential treatment to any LPIP by transparently administering the program activities. The transparency is assured by publishing annual customer awareness program and the micro distillery training and technical services program in GD website or in any other form informing all LPIP about any awareness campaign activities so that every LPIP has the equal right to access these two programs.
6. Green Development shall conduct monitoring annually to ensure that carbon credits are issued each year.
 - a. Monitoring might be done at the time chosen by Green Development.
 - b. A monitoring report shall be prepared in each year, and shall be submitted to a DOE and uploaded to the UNFCCC web page in accordance with CDM regulations.
 - c. Green Development shall make all efforts possible to ensure that verification of emission reduction is done each year.
 - d. Green Development shall make all efforts possible to ensure that carbon credit is issued each year.
 - e. Green Development shall make all efforts reasonably possible to make payment to LPIP by the end of the year, for stoves distributed by June 30 of the reporting year after considering reduction as described in section *Reduction in Payment to LPIP*.
 - f. Green Development shall be responsible for all aspects of the monitoring, verification and processes required for the issuance of the carbon credits, and shall pay for all the expenses related to this process.



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7. Green Development shall provide a web site for the project and shall provide all relevant information on this web page in accordance with the "Program Operational Manual"
8. Green Development shall provide all other project support and quality assurance processes as described in the "Program Operational Manual" and make all reasonable efforts to ensure that all project activities comply with the "Code of Sustainable Practice".

Conflict resolution

The parties to this agreement shall try to resolve any conflict through negotiations. If the parties cannot come to an agreement based on negotiations, the issues shall be resolved through a formal Arbitration process. The conclusions from the Arbitration shall be final and shall not be challenged. No conflict between the two parties related to any part of this contract shall be but forward to the court of law.

The World Bank Carbon Finance Unit in Washington DC shall be the arbitrator for any conflict between the two parties or any interpretation of this contract. If a conflict resolution cannot be resolved by this process, then the conflict resolutions shall be resolved in accordance with the process described in the "Program Operational Manual".

The parties confirm that they have read and understood this contract and all its clauses and that they have read and understood the "Program Operational Manual" and the "Code of Sustainable Practice".

The "Program Operational Manual" and the "Code of Sustainable Practice" in English part of this contract and the contract is only valid with this contract has been signed by both parties, and that each page of this contract has paraphrased each page of this contract and paraphrased each page of the "Program Operational Manual" and the "Code of Sustainable Practice"

This contract is signed voluntarily and the parties signing this contract have the authority from their respective organization to sign this contract.

Place:

Date:

Signed:

.....
 Havard Norstebo,
 General Manager
 Green Development AS

- Appendix 1 - Contact information
- Appendix 2 - Code of Sustainable Practice
- Appendix 3 – Program Operational Manual

All the appendices is considered part of this contract.

Date of completion of this this contract template: 01.09.2016



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Appendix 1 Contact information:

Contact information for Green Development AS

Physical Address: Wergelandsveien 27, 0167 Oslo, Norway
Email: hn@greendevlopment.no
Phone: +47 936 30 730 (Norway)
0344 040 556 (Madagascar)

Contact person: Mr. Havard Norstebo
Title: General Manager, Green Development AS

Contact Information for LPIP

Name of Organization:
Physical Address:
Email:
Phone:

Contact person:
Title:

Bank Details for transfer of money from Green Development to LPIP in accordance with the LPIP contract:

Name of Bank:
Branch Name:
Name of the holder of the bank account:
Account number
SWIFT Code