

Nordic Environment Finance Corporation
Fabianinkatu 34
P.O. BOX 249
FI-00171 Helsinki
FINLAND

1 September 2006, Tallinn

13-7-2/11256

Letter of Approval – Saaremaa Animal Waste Treatment Joint Implementation Project

The Ministry of Economic Affairs and Communications has received and forwarded to the Ministry of Environment a proposal submitted by OÜ *Saare Economics*, hereinafter to be referred to as “Supplier”, to erect an Animal Waste Treatment Plant in Valjala parish in Saaremaa, hereinafter to be referred to as “the JI project”, with the request to issue a Letter of Approval for the JI project.

The Ministry of Environment

- 1) taking into account the Agreement on a Testing Ground for Application of the Kyoto Mechanisms on Energy Projects in the Baltic Sea Region, hereinafter to be referred to as the Testing Ground Agreement, which entered into force in Estonia on 1st May 2004, particularly its Article 6 on criteria, approval and registration of projects;
- 2) the ordinance of 12th February 2004 no. 81-k of the Government of the Republic of Estonia on accession with the Testing Ground Agreement,
- 3) the ordinance of 18th May 2006 no. 294 of the Government of the Republic of Estonia on grant of authorisation to enter into international agreements transferring emission reduction units for the Minister of Environment,

approves the JI project and its implementation in the framework of the Testing Ground Agreement.

The Ministry of Environment declares that:

1. Estonia has ratified the Kyoto Protocol of the United Nations Framework Convention on Climate Change;
2. Estonia recognises the JI project to be a Joint Implementation (JI) project in accordance with article 6 of the Kyoto Protocol and its underlying decisions;

3. The project owner (OÜ Saare Economics) has sufficiently demonstrated the potential of the JI project to contribute to the objectives of the Testing Ground;
4. The JI project can be qualified as a climate change mitigation project in the energy field;
5. Estonia authorises the Supplier and any future owners of the JI project to generate claims on ERUs and AAUs, by operation of the JI project, in Accordance with article 6 of the Kyoto protocol;
6. Estonia accepts the transfer of verified Emission Reduction Units (ERUs, estimated 63775 t CO₂eq) and Assigned Amount Units (AAUs, estimated 24830 t CO₂eq) generated through the JI project to Investor Party/Parties in accordance with the Kyoto Protocol and the relevant rules, decisions and guidelines thereunder. The transfer of ERUs and AAUs is irrespective of any legal or other transfer of the JI project to third parties;
7. In case Estonia and Investor Party/Parties fully comply with the participation requirements of the Marrakech Declaration, the transfer of ERUs will be based on article 23 of these declarations ("JI track one");
8. Estonia will transfer AAUs through the Emissions Trading mechanism of Article 17 of the Kyoto Protocol to amount of the emission reductions realised by the JI project prior to 2008. Estonia accepts the verification options referred in Article 7 of Testing Ground Agreement.
9. The Estonian Government has followed national procedures on preparation of JI projects under the Agreement on a Testing Ground for Application of the Kyoto Mechanisms on Energy Projects in the Baltic Sea Region (TGA).
10. The transfer of verified generated surplus ERUs and AAUs to Investor Party/Parties will be decided during the forthcoming procedures and discussions on Saaremaa Animal Waste Treatment Joint Implementation Project between the Government of Estonia and NEFCO.

Signed

For the Host Country: Estonia

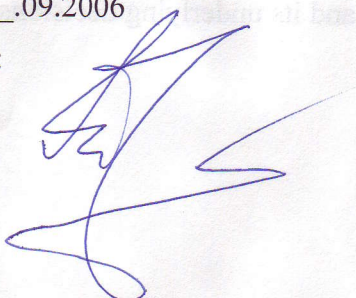
Full Name Country: The Republic of Estonia

Name: Villu Reiljan

Position: Minister of the Environment

Date: ____ .09.2006

Signature:



Annika Uudelepp kantsler

12-09-2006