

Republic of Bulgaria



MINISTRY OF ENVIRONMENT AND WATER

Letter of Approval

Undersigned, as a legal and authorized representative of the Republic 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 Kingdom of Denmark have signed a Memorandum of Understanding on Co-operation under Article 6 of the Kyoto Protocol to the United Nations Framework Convention on Climate Change in 2003 ;

Taking into account that the Government of the Republic of Bulgaria has delegated the power to act as a Party to the Memorandum to the Ministry of Environment and Water of the Republic of Bulgaria and that the Kingdom of Denmark has delegated the power to act as a Party to the Danish Environmental Protection Agency, hereafter to be referred to as the "Buyer", the designated authorities as the Parties to the Memorandum, have endorsed the development of the below mentioned project for the purposes of Joint Implementation (JI) under Article 6 of the Kyoto Protocol;

Referring to:

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| Proposal number/date | 26-00-1869/21.04.2006 |
| Title | New co-generation power station for combined production of heat and electricity in District Heating Bourgas, Bulgaria |
| Location | Bourgas, Bulgaria |
| Project Company (Supplier of the ERUs) | "District Heating Bourgas", Bulgaria |

hereafter to be referred to as "the JI project";

Considering that the JI Project is expected to provide a reduction in greenhouse gas emissions by sources that are additional to any that would otherwise occur;

Declares that:

1. Bulgaria will comply with its obligations under the Kyoto Protocol including the eligibility requirements as stated under paragraph 21 of the Annex to Decision 16/CP.7 (Guidelines for the implementation of Article 6 of the Kyoto Protocol) and paragraph 2 of the Annex to Decision 18/CP 7 (Modalities, rules and guidelines for emissions trading under Article 17 of the Kyoto Protocol) in order to participate in JI Mechanism according to Article 6 of the Kyoto Protocol.

2. Bulgaria commits itself to take all steps required under the Kyoto Protocol and/or the relevant rules, decisions, modalities, guidelines and procedures thereunder concerning the transfer of Emission Reductions from the JI Project, including avoidance of double counting according to the Directive 2004/101/EC and the relevant decisions of the European Commission.
3. Bulgaria approves the Project as a Joint Implementation project in accordance with Article 6 of the Kyoto Protocol and the modalities, rules and guidelines based thereon and the underlying decisions as proved by JISC.
4. Bulgaria authorizes the Supplier and any future owner of the JI Project to generate Claims on Emission Reduction Units (ERUs), by operation of the JI Project, in accordance with Article 6 of the Kyoto Protocol.
5. Bulgaria accepts to transfer the verified ERUs up to 348 920 t CO₂ equivalent, generated through the JI Project during the period 2008 – 2012 and contracted between the “Supplier” and “Buyer” to the Government of Denmark.
6. The transfer of ERUs from Bulgaria to the Government of Denmark will be free of any taxes or levies.
7. The transfer of ERUs from Bulgaria to the Government of Denmark is irrespective of any legal or other transfer of the JI Project to third parties.
8. In case the Republic of Bulgaria and the Kingdom of Denmark fully comply with the eligibility requirements of paragraph 21 of the Annex to Decision 16/CP.7 (Guidelines for the implementation of Article 6 of the Kyoto Protocol), the verification of emission reductions generated through the JI Project and the transfer of ERUs will be based on paragraph 23 of this Annex (‘JI track one’).
9. Bulgaria also confirms that it will set aside for the JI Project an amount of Assigned Amount Units (AAUs) corresponding to 144 650 t CO₂ equivalent expected to be generated and verified by the project prior to 2008¹.

Signed:



Mr. Dzhevdet Chakarov

Minister

Date: 05/09/2006

Sofia, Bulgaria

¹ To be decided by the JI Steering Committee