

Danish Environmental Protection Agency

Danish Ministry of the Environment

Climate Change and Environmental Assistance

File no. M: 424-0010

Ref.: HGL/5

Date 26/7 - 04

LETTER OF APPROVAL

Undersigned, as a legal and authorised representative of the Kingdom of Denmark,
Recalling that the Kingdom of Denmark and Republic of Bulgaria have signed a Memorandum of Understanding between the Government of the Republic of Bulgaria and the Government of the Kingdom of Denmark on co-operation under Article 6 of the Kyoto Protocol to the United Nation Framework Convention on Climate Change;

Recognising that the Memorandum of Understanding between the Government of the Kingdom of Denmark and the Government of the Republic of Bulgaria was signed in Sofia in 2003 by the respective Governments,

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

Acknowledging that the principle of using all income from the sales of AAUs and ERUs in the project to environmental investments at Agropolychim will be of major environmental benefit for Bulgaria;

Referring to:

proposal number 26-00-2060

dated : 26 07 2004

named Nitrous Oxide Reduction at Agropolychim JSC, Devnya, Bulgaria, hereafter to be referred to as "the JI project", located in the town of Devnya on reduction of N₂O from nitric acid production by Agropolychim JSC; hereafter to be referred to as the 'Supplier', whereas the Supplier is the project owner.

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

declares that:

1. Denmark has ratified the Kyoto Protocol.
2. Denmark will comply with the requirements to participate in Article 6 KP projects as stated in the Marrakech Declaration no later than 1 September 2006.
3. Denmark commits itself to take all steps required under the Kyoto Protocol and/or the relevant rules, decisions, modalities, guidelines and procedures there under concerning the governmental parts of transfer and acquisition of Emission Reductions from the Project
4. Denmark recognises the JI Project to be a Joint Implementation project in accordance with article 6 of the Kyoto Protocol and its underlying decisions.
5. Denmark accepts the transfer of all verified ERUs, generated through the JI Project and contracted between Denmark and the Supplier during the period 2008 - 2012 of the JI Project, through the transfer of ERUs by Bulgaria.
6. The transfer of ERUs from Bulgaria to Denmark is irrespective of any legal or other transfer of the JI Project to third parties.
7. The government of Denmark will purchase the verified emission reductions under the conditions set up in the Emission Reduction Purchase Agreement between

the Supplier and the government of Denmark. This is valid also in case the Kyoto Protocol does not enter into force.

8. In case the Kyoto protocol does not enter into force, Denmark will accept the transfer to Denmark as a transfer of greenhouse gas emission reductions on a bilateral basis.
9. All income from the sales of emission reductions will be used by Agropolychim primarily for the implementation of the present JI Project; secondly for the implementation of environmental projects at Agropolychim in the framework of its Integrated Pollution Prevention and Control (IPPC) Programme obligations and establishing windmills with a total capacity of up to 1.5 MW; and thirdly for other projects reducing carbon dioxide emissions at Agropolychim.
10. The supervision of the spending of the above-mentioned income will be performed by the National Eco-trust Fund or any other common agreed institution.
11. In case Bulgaria and Denmark fully comply with the participation requirements of the Marrakech accords, the transfer of ERUs will be based on article 23 of these accords ('JI track one').
12. Denmark acknowledges the fact that the JI Project will already be operational prior to 2008 and will reduce GHG emissions in that period. Denmark will accept the transfer to Denmark on the 31 March 2008 or as soon as practicable thereafter Assigned Amount Units (AAUs). The transfer will be executed through the Bulgarian AAU management and investment scheme for "greening" of AAUs transferred through the International Emissions Trading mechanism of Article 17 of the Kyoto Protocol. Denmark agrees to use the same method of verification as used for the verification of ERUs.

13. At the latest in 2011 Bulgaria and Denmark will start discussions on possible transfer of ERUs generated by the JI project after 2012.

Morten Pedersen

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Deputy Programme Director