

Memorandum
between the Government of Japan and the Government of the Republic of Hungary
on co-operation in the implementation of the UN Framework Convention on
Climate Change and its Kyoto Protocol in accordance with Articles 6 and 17
of
the Kyoto Protocol

The Ministry of Foreign Affairs, the Ministry of Economy, Trade and Industry, and the Ministry of the Environment of Japan, hereinafter referred to as “the Japanese side”,

and

The Ministry of Environment and Water of Hungary, hereinafter referred to as “the Hungarian side”

Considering that Japan and Hungary are Parties to the United Nations Framework Convention on Climate Change (hereinafter referred to as “Convention”) and the Kyoto Protocol to that Convention (hereinafter referred to as “Protocol”),

Reaffirming Article 6 of the Protocol which provides for the transfer from one Party to another Party of emission reduction units (ERUs) resulting from “Joint Implementation” projects (hereinafter referred to as “JI projects”) aimed at reducing anthropogenic emissions by sources or enhancing anthropogenic removals by sinks of greenhouse gases,

Also reaffirming Article 17 of the Protocol, which, inter alia, states that for the purpose of meeting their commitments under Article 3 of the Protocol, Parties included in Annex B may participate in International Emissions Trading,

Defining the Green Investment Scheme (hereinafter referred to as “GIS”), for the purpose of this Memorandum, as an International Emissions Trading mechanism under Article 17 of the Protocol linked to specific environmental measures,

Considering the joint priority of Japan and the Republic of Hungary to preserve the environment and to promote sustainable development,

Ensuring the observance of respective national legislations in this field,

Bearing in mind the implementation of the Directive 2004/101/EC of 27 October 2004, concerning the linkage of the Kyoto Protocol’s project-based mechanisms to the European Community’s greenhouse gas emissions allowance trading scheme, amending the Directive 2003/87/EC of the European Parliament and of the Council, of 13 October 2003,

Reaffirming the mutual co-operation in the light of the objective of the Convention and its Protocol, in particular to facilitate Joint Implementation and International Emissions Trading,

Have shared hereby their intentions as follows:

1. Scope and Objective

This Memorandum applies to procedures that – in accordance with Article 6 of the Protocol – facilitate the development and realisation of JI projects in the Republic of Hungary and the transfer to Japan of the decided part of ERUs resulting from those projects and to procedures that – in accordance with Article 17 of the Protocol – facilitate the GIS to be implemented between the Government of Japan and the Government of the Republic of Hungary.

This Memorandum provides the basic framework for both sides' co-operation regarding JI projects stipulated under Article 6 of the Protocol and regarding the Japanese side's acquisition of AAUs through The New Energy and Industrial Technology Development Organization (hereinafter referred to as "NEDO") on the basis of Article 17 of the Protocol connected to activities under the GIS (hereinafter referred to as "GIS activities"), to be implemented in the Republic of Hungary.

This Memorandum does not limit the rights of the Hungarian side of making contracts with Japanese legal entities authorized by the Government of Japan to transfer and/or acquire AAUs under Article 17 of the Protocol in accordance with Decision 11/CMP.1.

2. Focal Points

Both sides assign a Focal Point from each side, which will be responsible for the coordination of the matters related to the implementation of this Memorandum in their respective countries.

The Focal Points may be the same ones as designated for approving JI projects pursuant to Article 6, paragraph 1(a), of the Protocol.

Exchange of information, which includes the information about the status or changes in national policies related to the objective of this Memorandum, intends to be carried out through the Focal Points within the scope of this Memorandum.

3. Contribution of the Japanese Side

The Japanese side contributes to the development and realisation of initiatives that reduce the emission of greenhouse gases or which also lead to other environmental benefits in the Republic of Hungary through the mechanisms created by the Protocol, in particular JI projects and the GIS activities.

The Japanese side issues a Letter of Approval when it approves the JI projects in accordance with Article 6 of the Protocol.

ERUs may be acquired by Japanese legal entities, authorised by the Japanese side for the acquisition of ERUs in accordance with Article 6 of the Protocol.

AAUs may be acquired by NEDO, entrusted by the Japanese side for the acquisition of AAUs within the framework of this Memorandum in accordance with Article 17 of the Protocol.

4. Contribution of the Hungarian Side

The Hungarian side facilitates the development and realisation of projects by supporting the potential beneficiaries interested in carrying out emissions reduction projects by providing information and by formally approving JI projects, which meet all national requirements, in accordance with Article 6 of the Protocol.

The Hungarian side ensures that payment for the transferred AAUs, which has been made under the GIS guideline as stipulated in section 5 below, is used to finance specific environmental measures carried out as the GIS activities in Hungary.

The Hungarian side transfers from the Hungarian national registry to the accounts within the Japanese national registry specified in separate arrangements the decided amounts of ERUs and AAUs related to the GIS activities, according to the arrangement as stipulated in section 6 below.

The Hungarian side guarantees the transfer of the 90% of ERUs from JI projects during the decided period, which can be verified by an independent entity. The Letter of Approval also confirms that the transfer will be free of any extra charges except for the non-recurring supervision fee of 38 HUF/ton stipulated by Hungarian legislation beyond the decided payment for ERUs.

In case of the transfer of AAUs related to the GIS activities, the Hungarian side transfers such AAUs to the accounts within the Japanese national registry specified in separate arrangements.

The Hungarian side ensures that the transfer of the decided AAUs related to the GIS activities will be free of any extra charges beyond the decided payment for AAUs.

The Hungarian side makes all necessary efforts to ensure that all the participation requirements under the Protocol are met, so as to enable the timely transfer of AAUs and ERUs to the Japanese national registry.

5. Guideline for the Green Investment Scheme

Both sides develop a guideline for implementation of the GIS for the Japanese side's acquisition of AAUs through NEDO from the Hungarian side.

6. Payment

Payment for the transferred AAUs and ERUs will be made on the basis of separate arrangements for the transfers of AAUs and ERUs.

7. Financing

This Memorandum does not mean to require signatories to provide financial means for the facilitation of activities covered by this Memorandum.

8. Settlement of Disputes

Any disputes regarding the interpretation or application of this Memorandum are settled by mutual consultations between both sides.

9. Duration

This Memorandum is valid during the first commitment period of 2008-2012 under the Protocol. However, the period of validity of this Memorandum regarding GIS activities may be extended until the end of an additional period in order to fulfil commitments defined in section XIII of decision 27/CMP.1, but not later than 31 March 2014.

Each side may at any time give a written notice to the other side of its decision to terminate this Memorandum through the focal point as assigned in accordance with section 2 of this Memorandum. This Memorandum will be terminated 6 months after the receipt of such notice.

The validity of approvals of JI projects that have been provided and arrangements for the transfers of ERUs that have been concluded at the time of termination of this Memorandum will not be affected by its termination.

The validity of the GIS activities and arrangements that have been concluded at the time of termination of this Memorandum will not be affected by its termination.

This Memorandum may be amended by a written mutual consent between both sides.

Signed in _____, on _____ 2007 in two original copies in the English language.