

Guideline for Implementing the Green Investment Scheme

(GIS)

1. Participants of the arrangements for transfers of AAUs

Arrangements for transfers of AAUs are formulated by the participants specified in the accordance with the Memorandum¹ and this Guideline.

Participant of the Czech side:

Ministry of the Environment of the Czech Republic.

Participant of the Japanese side:

New Energy and Industrial Technology Development Organization (hereinafter referred to as “NEDO”).

2. Requirements for the specific environmental measures

Both the Czech and the Japanese sides, as mentioned in the Memorandum, confirm that payment for transfer of AAUs will be used to finance specific environmental measures carried out as the GIS activities in the Czech Republic. The categories and the criteria of the specific environmental measures are specified in 2.1 and 2.2 below.

2.1 Categories of the specific environmental measures

Categories of activities serving as the specific environmental measures are as follows;

- Promotion of energy efficiency
- Promotion of heat production from renewable energy sources
- Promotion of new construction in passive energy standard
- Capacity building for promoting the above mentioned activities (including technology transfer from Japan to the Czech Republic)

2.2 Criteria of the specific environmental measures

Activities serving as the specific environmental measures need to meet the criteria specified in Annex to this Guideline.

¹ Memorandum between the Government of Japan and the Government of the Czech Republic on co-operation in the implementation of the UN Framework Convention on Climate Change and its Kyoto Protocol in accordance with Article 6 and 17 of the Kyoto Protocol

3. Procedure to be followed by Ministry of the Environment of the Czech Republic, State Environmental Fund of the Czech Republic (SEF) and NEDO for the implementation of the GIS

The Ministry of the Environment of the Czech Republic and NEDO respectively function in accordance with the following procedure for the implementation of the GIS.

- (1) After the formulation of arrangements for transfers of AAUs, the Ministry of the Environment of the Czech Republic transfers to NEDO the decided amount of AAUs specified in the arrangements.
- (2) NEDO makes the payment to the Ministry of the Environment of the Czech Republic, corresponding to the amount of transferred AAUs. The payment is pooled in an account of SEF as the fund to be allocated to each activity serving as the specific environmental measure.
- (3) SEF evaluates each activity against the criteria of the specific environmental measures set out in Annex to this Guideline.
- (4) NEDO evaluates the activities based on the information provided by the Czech side.
- (5) After NEDO's evaluation, the Ministry of the Environment of the Czech Republic allocates the fund for the activities.
- (6) SEF monitors the activities for which the fund is allocated. The period for monitoring the activities is mentioned in the arrangements for transfers of AAUs.
SEF prepares and submits to the Ministry of the Environment of the Czech Republic an annual report written in English. The report should cover both the financial and greening effect (for the purpose of this Scheme, greening effect means positive outcome obtained by conducting activities mentioned in 2.1. The annual report should be prepared annually during the period for monitoring).
- (7) At the end of the period for monitoring, the SEF prepares and submits to the Ministry of the Environment of the Czech Republic a final report written in English that covers both the financial and greening effect during the whole period for monitoring.
- (8) SEF submits the annual report and the final report to the internationally renowned auditing firm. The auditing firm, acting as a third-party verifier, monitors the activities and audits the reports.
- (9) The Ministry of the Environment of the Czech Republic endorses the annual reports and the final report and submits them to NEDO for its review.

4. Terms and conditions specified in the arrangements for transfer of AAUs

The following terms and conditions will be included, but not limited to, in the arrangements that are formulated between participants of the Czech and Japanese sides as specified in 1. above:

- Transfers of AAUs (including the amount of AAUs to be transferred, unit price and timing of transfer);
- Form of payment which would be done by payment on delivery;
- Procedures for submissions of the evaluation reports, annual reports and final report mentioned in 3. above.;
- Procedures for reimbursement of unused fund; and
- Procedures for settlement of problems

5. Modifications

This Guideline may be modified by mutual consultation between the Czech and the Japanese sides.

6. Settlement of problems

Any problems regarding the interpretation or application of this Guideline may be settled by mutual consultations between the Czech and the Japanese sides.

This Guideline is signed in two original copies in the English language.

For the Czech side

For the Japanese side

[Signature]

[Signature]

[Name and title]

[Name and title]

Date: _____

Date: _____

Annex

Criteria of the specific environmental measures

1. Specific environmental measures will lead to reduction of greenhouse gases emissions in addition to other economic, social and environmental benefits, inter alia, energy savings, pollution reduction and employment.
2. Abovementioned measures will be implemented on the basis of ensuring sustainable development and in accordance with the applicable rules of international and domestic law.
3. Governance, administration and management, and implementation of the specific environmental measures:
 - (i) will be conducted giving due consideration of their impact on the environment and the local residents of the area where they are conducted,
 - (ii) will meet the requirements of the Czech side's domestic law, such as emission limits, noise levels, biodiversity protection requirements, etc., which will be assessed by standard environmental impact assessment ("EIA") procedures in the Czech Republic to the extent required by the Czech side's domestic law applicable to the relevant measure.