

**Memorandum
between the Government of the Czech Republic and the Government of Japan
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 Environment of Czech Republic, hereinafter referred to as "the Czech side" and 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", being part of the Governments which 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, and also Article 17 of the Protocol, which, inter alia, states that for the purpose of meeting its commitments under Article 3 of the Protocol, Parties included in Annex B may participate in International Emissions Trading;

For the purpose of this Memorandum, defining the Green Investment Scheme (hereinafter referred to as "GIS") as the International Emissions Trading mechanism under Article 17 of the Protocol linked to specific environmental countermeasures;

Considering the joint priority of the Czech Republic and Japan to preserve the environment and to promote sustainable development;

Bearing in mind the implementation of the Directive 2004/101/EC of 27 October 2004, concerning the linkage of the Protocol's project 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;

shared their intentions as follows:

1. 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 Czech Republic 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.

Under the recognition of the Czech side, reductions of greenhouse gases emissions resulting from JI projects before 2008 can be transformed into Assigned Amount Units (AAUs) for the period 2008-2012 and may be transferred to the given accounts within the Japanese national registry on the basis of Article 17 of the Protocol.

This Memorandum provides the basic framework for the both sides' co-operation regarding JI projects stipulated under Article 6 of the Protocol and on the basis of Article 17 of the Protocol, and activities under the GIS, to be implemented in the Czech Republic.

2. Focal Points

Both sides assign a Focal Point from each side, which will be responsible for the coordination of the matters related to implementation of this Memorandum in both 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 Czech Republic through the mechanisms created by the Protocol, in particular JI projects and activities under the GIS.

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

AAUs and ERUs may be acquired by Japanese legal entities, authorised by the Japanese side for the acquisition of AAUs and ERUs in accordance with Articles 6 and 17 of the Protocol.

4. Contribution of the Czech Side

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

The Czech side transfers from the Czech national registry to the given accounts within the Japanese national registry the decided amounts of ERUs and AAUs resulting from JI projects and AAUs from the GIS activities, according to the arrangement as stipulated in section 6 below.

The Czech side guarantees the transfer of the decided 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 beyond the decided payment for ERUs.

As for the transfer of AAUs for emission reductions achieved before 2008 by JI project, it will be based on the same procedures as for ERUs.

In case of the transfer of AAUs resulting from the GIS activities, the Czech side transfers such AAUs to the given accounts within the Japanese national registry.

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

The Czech 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 adopt the joint guideline for implementation of the GIS.

6. Payment

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

The co-operation under this Memorandum becomes effective on the day of the signature by both sides.

Each side may at any time give notice to the other side of its decision to terminate this Memorandum. The Memorandum will be terminated 60 days after the receipt of such notice.

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

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

For the Czech side

For the Japanese side

Martin Bursík

Hideaki Kumazawa

Deputy Prime Minister and
Extraordinary and
Minister of Environment

Ambassador
Plenipotentiary of Japan to
the Czech Republic

Date: _____
Date: _____