

AAU QUOTA PURCHASE AGREEMENT

Between

The **Republic of Hungary** as Seller

and

The **Belgian State**, represented by the Federal Minister of Climate and Energy,
as Buyer

August 2008

This Agreement has been made on ~~07.07.2007~~ between the **Republic of Hungary** as seller ("Seller") represented by and acting through the Hungarian Ministry for Environment and Water (H-1011 Budapest, Fő u. 44-50) duly represented by Mr. Imre Szabó, Minister.

and

The **Belgian State** as buyer ("Buyer") represented by and acting through the Belgian Federal Ministry of Climate and Energy, represented by Mr. Paul Magnette, Federal Minister of Climate and Energy.

PREAMBLE

Whereas:

- (a) Article 17 of the protocol that was adopted at the Third Conference of the Parties to the United Nations Framework Convention on Climate Change (the "UNFCCC") in Kyoto, Japan on December 11, 1997 (the "Kyoto Protocol") provides that the Parties included in Annex B to the Kyoto Protocol may participate in emissions trading for the purposes of fulfilling their commitments under Article 3 of the Kyoto Protocol;
- (b) The Seller has ratified the UNFCCC on 24th February 1994 acceded to the Kyoto Protocol on 8th August 2002 which has entered into force on February 16, 2005;
- (c) The Buyer has ratified the UNFCCC on 16 January 1996; acceded to the Kyoto Protocol on 31 May 2002; which has entered into force on February 16, 2005 and wishes to purchase emission units assigned by the Kyoto Protocol to the parties to the Protocol from the Seller upon the terms and conditions set forth in this Agreement;
- (d) In conformity with the goals of the Kyoto Protocol and the UNFCCC, the Seller is committed to allocate the financial revenues from the sale of the emission units to realize measurable and quantifiable reduction or limitation of greenhouse gas emission in Hungary;

Now, the Parties agree as follows:

DEFINITIONS

- "Assigned Amount Unit"** is a unit issued pursuant to the relevant provisions in the annex to decision 13/CMP.1 and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5.
- "Contracted AAUs"** mean the quantity of AAUs that shall be transferred by the Seller to the Buyer subject to the sale and purchase terms and conditions of this Agreement.
- "Transfer Certificate"** means the original certificate to be issued by the National Environmental, Nature Conservation and Water Chief Inspectorate Hungary, in form of a duly signed private deed certifying that the total amount of the Contracted AAUs has been effectively transferred to the Buyer's Account.

"Seller's National Registry"	means the national public registry established and maintained by the National Environmental, Nature Conservation and Water Chief Inspectorate of Hungary pursuant to Article 7.4 of the Kyoto Protocol and Decisions 12/CMP.1 and 13/CMP.1.
"Buyer's National Registry"	means the national public registry established and maintained by the Federal State of Belgium pursuant to Article 7.4 of the Kyoto Protocol and Decisions 12/CMP.1 and 13/CMP.1 and subsequent implementation decisions agreed between the Federal State and the Regions in Belgium.
"Swiss National Registry"	means the national public registry established and maintained by Switzerland as Annex I Party to the Kyoto Protocol pursuant to Article 7.4 of the Kyoto Protocol and Decisions 12/CMP.1 and 13/CMP.1.
"Buyer's Account"	means the account to be opened by the greenhouse gas registry administrator represented by the authorized representatives of the Buyer in the Swiss National Registry for the registration and transactions of Contracted AAUs to be transferred from the Seller's Account.
"Seller's Account"	means the account to be opened by the Seller in the Swiss National Registry for the registration and transactions of Contracted AAUs to be transferred to the Buyer's Account.
"Treasury Account"	means the specific account of the Seller in the Hungarian Treasury specified by the Seller pursuant to Article 3.6.
"National Climate Change Strategy"	means the strategy prepared according to the Act LX of 2007 that implements the Kyoto Protocol and defines the goals in the reduction or limitation of greenhouse gas emission in Hungary.
"Purchase Price"	means the unit price for each Contracted AAU together with all rights and entitlements pertaining thereto, as multiplied by the quantity of Contracted AAUs purchased pursuant to this Agreement.
"Greening Objectives"	mean the achievement of measurable and sustainable greenhouse gas emissions through Greening activities such as projects, measures or actions listed in section 7.1 to be financed by revenues from the sale of Contracted AAUs under this Agreement
"Greening activities"	mean activities such as projects, measures or actions which are developed and implemented throughout the Monitoring Period in accordance with the Greening Framework in order to meet the Greening Objectives.
"Greening Agenda"	means the annual action plan that shall describe Greening activities as set out in Section 7.3 to implement the measures aimed at achieving measurable greenhouse gas emission reductions.
"Monitoring Period"	means the period from the date when the contract payment as set out in Section 4.2 below has been performed, until 31 December 2012.
"Monitoring Framework"	means the rules and procedures as described in Section 7.5 for the

transparent supervision and reporting of the allocation of the revenues from the sale of the Contracted AAUs under this Agreement.

**"Registry Systems/
Operations"**

the establishment of, and continuing functioning the link between the International Transaction Log (ITL), the Sellers' National Registry and the Swiss National Registry in which the Seller and the Buyer have each specified an account permitting delivery and acceptance of the Contracted AAUs to be delivered under this Agreement.

ARTICLE I

Purpose of the Agreement

1. The purpose of this Agreement is to set the terms and conditions for:
- the sale and purchase of 2 million units of Contracted AAUs including all rights and entitlements pertaining to such AAUs, and,
 - the use of the Purchase Price for financing actions resulting in measurable and sustainable greenhouse gas emission reduction activities that contribute to achieving the National Climate Change Strategy of Hungary.

ARTICLE II

Sale and Purchase

2.1 The Seller agrees to sell and to deliver, and Buyer agrees to purchase and to receive the Contracted AAUs, together with all rights and entitlements related to the Contracted AAUs in accordance with the terms and conditions of this Agreement.

Purchase Price

2.2 Subject to the terms and conditions of this Agreement, the Parties agree that the Purchase Price is [REDACTED] in case the purchase price has been paid on 15 September 2008 at the latest. If not, the Parties agree that the Purchase Price is [REDACTED] in case the Purchase Price is paid to be paid on 15 October 2008 at the latest. The Purchase Price shall bear interest payable on demand to the Seller from the 20th calendar day from the date of signing of this Agreement at the rate of LIBOR + 4% per annum.

ARTICLE III

Payment and Delivery

3.1. [REDACTED]

3.2. [REDACTED]

[REDACTED]

3.3. [REDACTED]

3.4. [REDACTED]

3.5. [REDACTED]

3.6. [REDACTED]

3.7. [REDACTED]

[REDACTED]

3.8. [REDACTED]

3.9. [REDACTED]

3.10. [REDACTED]

3.11.

3.12.

3.13.

ARTICLE IV

Transfer of Legal Title

4.1. The entire legal and beneficial right and title to the Contracted AAUs will pass to the Buyer upon receipt of payment of the total amount of the Purchase Price by the Seller pursuant to sections 3.8 and 3.9 of this Agreement.

4.2. When validly transferred pursuant to sections 3.7 and 3.9 of this Agreement, legal title to any Contract AAUs shall pass to the Buyer free of any claims or encumbrances or third party interests.

Costs and Taxes

4.3. Parties agree to bear in equal shares bank fees and other charges associated with the bank transfer for payment of the Purchase Price to the Seller's Treasury Account pursuant to section 3.7 of this Agreement.

4.4. Each Party shall be responsible for paying its own costs and expenses including administrative costs associated with the nomination of an account in the Swiss National Registry pursuant to section 3.2 as well as any legal costs incurred in the negotiation, preparation and completion of this Agreement.

4.5. The Seller hereby recognizes and the Buyer acknowledges that in line with Subsection (3) of Section 22 of the Government Decree 323/2007 (XII.11) he may use up to 5% of the Purchase Price to cover administrative costs associated with the development and implementation of the Greening Framework and that the Buyer shall bear none of these costs.

ARTICLE V

Warranties of the Seller

5.1 The Seller represents and warrants, as of the date of this Agreement and on the date on which the Seller makes the Delivery of the Contracted AAUs, that:

- a) the Seller has all requisite legal power and authority, including capacity to agree to arbitration, to execute this Agreement and to carry out the terms, conditions and provisions hereof;
- b) this Agreement constitutes the valid, legal, and binding obligation of the Seller, enforceable in accordance with the terms hereof;
- c) all applicable information that is provided in writing by or on behalf of the Seller to the Buyer and is identified as being subject to or connected to the Agreement is as of the date it is provided to the Buyer, true, accurate and complete in every material respect;
- d) other than as contemplated by this Agreement, the Seller has not sold, transferred, assigned, licensed, disposed of, granted or otherwise created any interest in the Contracted AAUs;
- e) the Seller can effectively sell the quantity of Contracted AAUs to the Buyer with respect to the level of its commitment period reserve to be maintained in accordance with Article 6 of the Annex to Decision H/CMP.1, and
- f) at the time of the Delivery, the Buyer will receive good title to the Contracted AAUs free of any Lien in favor of any person created by, or connected to, the Seller.
- g) the Seller is committed and duly organized to meet the Greening Objectives, to develop Greening activities and to implement the Greening Framework in accordance with the Hungarian Law.

Warranties of the Buyer

5.2 The Buyer represents and warrants, as of the date of this Agreement, that:

- a) the Buyer is a governmental body that is duly established and validly existing and enjoys a good standing and the relevant contracting capacity under the laws of and representing the Kingdom of Belgium and it has all requisite legal power and authority to execute this Agreement and to carry out the terms, conditions and provisions hereof;
- b) All corporate, legislative, administrative, or other action required to authorize the execution, receipt and performance by the Buyer of this Agreement and the transactions contemplated hereby have been duly taken and are in full force and effect;
- c) All applicable information that is furnished in writing by or on behalf of the Buyer to the Seller and is identified as being subject to or connected to the Agreement is as of the date it is furnished to the Seller, true, accurate and complete in every material respect;
- b) This Agreement constitutes a valid, legal, and binding obligation of the Buyer, enforceable in accordance with the terms hereof.

ARTICLE VI

Confidentiality

6.1 Each Party shall be allowed to disclose such information regarding this Agreement as required by each Party's national law, the United Nation Framework Convention on Climate Change and the Kyoto Protocol.

6.2 Both Parties shall keep any information of the other Party, including the terms and conditions of this Agreement (including, but not limited to, the Purchase Price of AAUs) confidential that are qualified by any Party as confidential or otherwise it is obvious by the communication that the confidential treatment of such information is required by the concerned Party ("Confidential Information") and shall not disclose the same to any third party without prior written consent of the other Party. Notwithstanding the foregoing, the Confidential Information shall not include the information that:

- (a) is now or subsequently becomes generally available to the public through no fault or breach on the part of the receiving Party;
- (b) the receiving Party can demonstrate to have had rightfully in its possession prior to disclosure to the receiving Party by the disclosing Party;
- (c) is independently developed by the receiving Party without the use of any Confidential Information of the other Party under this Agreement; or
- (d) is supplied to the receiving Party without restriction by a third party who is under no obligation to a disclosing Party to maintain the information in confidence.

Except as otherwise agreed between the Parties in writing, this confidentiality undertaking will be obligatory after 8 years of the termination or expiration of this Agreement.

ARTICLE VII

Greening Objectives

7.1 Subject to the execution of the Buyer's obligation to pay the Purchase Price in accordance with Section 3.7, the Seller agrees that the Purchase Price shall be used in compliance with the following standards, requirements and criteria:

- (a) The National Climate Change Strategy, passed by the Hungarian Parliament as prescribed by the Act LX of 2007 implementing the Kyoto Protocol;
- (b) The Seller hereby irrevocably declares that the Purchase Price for the transfer of the AAUs shall be allocated – throughout the Monitoring Period – on projects, measures, and/or activities aimed at achieving measurable and sustainable emission reductions, to the following actions:
 - ba) Support for increasing the energy efficiency of buildings in the residential and public sector;
 - bb) Support of renewable energy use for smaller to larger heating systems

(including biomass);

- bc) Support for renewable energy utilization for residential and public sector use;
 - bd) Measures to increase the effectiveness of district heating system in residential and public sector;
 - be) Support for construction of low energy use buildings in the residential and public sector;
 - bf) Modernisation of public lighting systems;
 - bg) Modernisation of lighting in residential sector and public institutions.
 - bh) Any other actions aimed at improving energy efficiency (i.e. in the transport sector).
- (c) The Seller declares that all relevant pieces of National Legislation, likewise the Act XL of 2007 – and for the duration of the present Agreement, will have – the requirements, and guarantees to ensure the restricted use - set out in (a), (b) of this Section - of the income obtained through the sale of the Contracted AAUs.

Greening Framework

7.2 Without prejudice to section 4.5, the Seller hereby agrees that the Purchase Price under this agreement will be fully allocated to the financing of activities aimed at achieving the Greening Objectives referred to in section 7.1 above throughout the Monitoring Period, in a manner that ensures that the Purchase Price shall be spent in accordance with the Greening Agenda.

7.3 The Greening Framework shall describe the measures to be implemented in order to quantify the reductions and limitations of greenhouse gas emissions as a result of Greening activities. Such measures shall be designated:

- a) To enable the Seller and third parties to evaluate the greenhouse gas emission reduction occurring in the case of each Greening activity supported by the Green Investment Scheme;
- b) To document the financial and greening performance of all supported Greening activities;
- c) The greenhouse gas emission reductions achieved by the measures detailed in the Monitoring Framework shall apply the most effective emission reduction verification methods not entailing excessive costs in comparison to the magnitude of emission reduction and the size of support from Greening activities;
- d) The Greening activities should have at least limited level assurance as it defined in ISO 14064-3 but Seller should strive keeping in mind c) to provide reasonable level assurance and apply whenever it is possible according to the ISO 14064-2 standard

7.4 The Parties shall set up a joint board of commissioners ("Joint Board") for the communication and discussion of the Greening Agenda each year. The Joint Board shall have 6 members to be appointed by the Seller and the Buyer in equal proportions from among the representatives of the non-governmental environmental organizations and renowned environmental professionals. The Joint Board shall be convened annually for the reviewing of the actual Greening

Framework, on which the Joint Board shall have the right to make comments and proposals to the Seller.

7.5 Notwithstanding the above, the Seller shall have the exclusive right to accumulate and transfer remaining amounts – if any- from the annual Greening Framework budget to the following years' Greening Framework budget. The Seller however shall communicate to the Buyer any eventual change to the prevailing Greening Framework that may affect the accomplishment of the Greening Objectives and the utilization of the Greening Framework budget.

7.6 In case of greening activities for which it can be established with high probability that the emission reduction resulting from the greening activity will continue beyond 2020 and this future emissions reduction can be calculated, such emission reduction is to be reported as an aggregate figure from the start of emission reduction until 31 December 2020 as a cumulative reduction.

7.7 The Seller agrees that if any of the Greening Activities fails, the Seller shall not make any payment to such Greening Activities or if there has been an upfront payment, then the Seller shall require the beneficiary of such Greening Activities to reimburse the upfront payment to the Seller. The Seller further agrees that such reimbursed amount shall be applied to other Greening Activities in accordance with the relevant laws and this Agreement.

Monitoring

7.8 In order to ensure the authorized use of the revenues from the sale of the Contracted AAUs, Parties agree to establish an appropriate framework ("Monitoring Framework") for the Monitoring Period.

The Monitoring Framework shall consist of:

- (a) The appointment of an internationally renowned auditing firm ("Auditor") as an independent organization hired by the Seller at its own expenses, to audit investments and appropriate use of the revenues throughout the Monitoring Period in relation to the relevant Greening Framework and also whether the quantification of the reductions and limitations of greenhouse gas emissions as a result of the Greening Activities has been carried out in compliance with the provisions of the Greening Framework. The Seller shall provide a written notice as soon as the Auditor had been appointed.
- (b) The Seller authorizes the Buyer to have full and unrestricted access to all relevant data, information and documentation in relation to the Greening Framework and/or provided through the Monitoring Framework, including information about the budget pertaining thereto and the proper use of the Purchase Price obtained under this Agreement
- (c) The Seller furthermore agrees to give the Auditor full access to all relevant data, information, documents, invoices that are relevant to Seller's appropriation of the revenues, investments initiated from, and other activities affecting the further use of the revenues by Seller within the scope of the audit.
- (d) The Auditor shall until the end of the Monitoring Period prepare an audit report ("Audit Report") each year assessing the compliance of the utilization of the Purchase Price and the success in achieving the Greening Objectives as set out in Section 7.1, including an accounting of the greenhouse gas emission reduction that were achieved during the relevant calendar year. Based on the Audit Report, the Seller prepares an annual report each year ("Annual Report"). The Audit Report and Annual Reports shall be presented by the Seller to the Buyer within 120 days from the end of each calendar year.

- (e) At the end of the Monitoring Period, the Auditor shall perform a final report that shall cover both the financial and greening spectrum of the affected period as a whole ("Final Report"). The Final Report shall be presented by the Seller to the Buyer within 120 days from the end of the Monitoring Period within the framework of the Joint Board.
- (f) With respect to the Audit Reports, Annual Reports and the Final Report, the Joint Board shall be entitled to review such Reports and request for clarifications in a period of 60 days after the date of receipt of the relevant Reports. Furthermore, the Buyer shall be entitled to the reasonable extent, to make comments on and to demand for further data, information, and documents that are in reasonable connection with the Greening Objectives and the Greening Framework.

ARTICLE VIII

Term of the Agreement

- 8.1 This Agreement shall enter into force on the date of the signature by both Parties.
- 8.2 Unless earlier terminated in accordance with the provisions of Section 3.10 or 3.11, this Agreement shall terminate upon the expiration of the period for making comments to the Final Report not later than 1 January 2013.

ARTICLE IX

Binding obligation

- 9.1 The rights and obligations of the Seller and the Buyer under this Agreement shall be valid and enforceable in accordance with their terms notwithstanding the law of any state or political subdivision thereof to the contrary.
- 9.2 No delay in exercising, or omission to exercise, any right, power or remedy accruing to either Party under this Agreement shall impair any such right, power or remedy or be construed to be a waiver thereof. No action of such Party in respect of any default or any acquiescence by a Party shall affect or impair any right, power or remedy of such Party in respect of any other or subsequent default.
- 9.3 Neither the Seller nor the Buyer can take any advantage of State immunity for the enforcement of this Agreement, be it under the form of arbitration or any other legal process.

Arbitration

- 9.4 If a dispute arises out of or relating to this Agreement, the Parties shall seek amicably to settle all differences. The Parties shall enter into negotiation for a period of 20 days from the date one Party serves the other Party with a notice containing a request to negotiate. If the Parties have not resolved the dispute within 20 days, a Party may decide to refer the dispute to arbitration.

Any dispute arising out of or relating to this Agreement shall be finally settled by arbitration. The language of the arbitration shall be English and the place of arbitration shall be [REDACTED]

The Parties shall agree whether arbitration should be made in accordance with the Rules for Arbitration of Disputes Relating to Natural Resources and/or the Environment of the Permanent Court of Arbitration (PCA Arbitration Rules) in force at the execution of this Agreement. In that case, the Parties agree that there shall be one or more arbitrator[s] appointed in accordance with the PCA Arbitration Rules.

Nothing in this section shall prevent either Party from having recourse to a court of competent jurisdiction for the sole purpose of seeking a preliminary injunction or such other provisional judicial relief the court considers necessary to avoid irreparable damage.

Applicable law

9.5 This Agreement is and all related documents executed in connection with this Agreement, their validity, enforcement, and interpretation, and all disputes arising under any such document, shall be governed by the laws of [REDACTED] without prejudice to any conflict of laws principles.

Amendments

9.6 Except as otherwise provided herein, this Agreement may not be amended except by a written agreement executed by the Buyer and the Seller.

Communication and notices

9.7 Any notices, communication, request or correspondence required or permitted herein may be made in writing, in English (it being understood that any such communication in a language other than English shall be of no force or effect), properly signed for, and shall be validly given with respect to each Party if sent by via courier, registered mail and/or facsimile (the latter needs to have a successful receipt report). Any notice required or permitted under the terms of this Agreement to be delivered to the Seller or the Buyer shall be delivered to the address and fax number, by and to the attention of the person(s) authorized to represent and act on behalf of the Parties as provided below:

For the Seller:

Address (courier): 1011 Budapest Fő utca 44-50 Hungary
Address (registered mail): Budapest 1394 Pf. 351 Hungary
Fax: +36-1-201-3056
Authorized person(s): Imre Szabó, Dr Lajos Oláh

For the Buyer:

Address: Place Viktor Horta 40, Box 10, 1060 Brussels, Belgium
Fax: +32 (0)2-524 96 01
Authorized person(s): Roland Moreau, the Director-General of the Federal Public Service of Health, Food Chain Safety and Environnement (for the written notice for the opening of the account.

Address: Brederodestraat 9, 1000 Brussels, Belgium
Authorized person(s): Paul Magnette, Minister for Climate and Energy (for the remaining aspects)
Fax: +32 (0)2-213.09.78


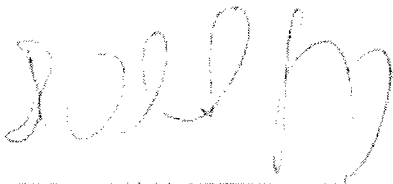
Force Majeure

9.8 Neither Party shall be liable in damages or have the right to terminate this Agreement for any delay or default in performing hereunder, in the event that it demonstrates that such delay or default is caused by conditions beyond its control including, but not limited to unavoidable accidents or incidents, including but not limited to fire, droughts, flood, earthquakes, state emergency, wars, insurrections. In avoidance of doubt, the changes in the government do not constitute an event of Force Majeure. Notwithstanding the foregoing, no occurrence of an event of Force Majeure shall relieve Seller of its obligations to deliver the Contracted AAUs and the Buyer to make payment of any amount due and payable that have become due until the date of Force Majeure hereunder.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

Hungarian Ministry for Environment and
Water

Federal Public Service of Health, Food Chain
Safety and Environment



Name: On behalf of Mr Imre Szabó,
Minister: Dr Lajos Oláh

Name: Paul Magnette

Title: Senior State Secretary of the Ministry
of Environment and Water

Title: the Federal Minister for Climate and
Energy

ANNEX 1

**Sample statement of the [*] Commission of the Regulator of Electricity and Gas (CREG)
regarding the Purchase Price transfer**

Obligated party (Buyer):
Entitled Party (Seller)

Buyer's Account Number:

Seller's Treasury Account Number

Amount transferred (Purchase Price):

Transfer title:

As the authorized and agreed representative of the Belgian State, I hereby confirm that the Purchase Price specified in Article 2.2, namely [REDACTED] was irrevocably transferred to the Seller's Treasury Account in order to be used in accordance with the terms and conditions of this Agreement.

Name: Paul Magnette

Title: Federal Minister for Climate and Energy

As the Head of the Commission of the Regulator of Electricity and Gas, I hereby confirm that the Purchase Price specified in Article 2.2, namely [REDACTED] was irrevocably transferred to the Seller's Treasury Account in order to be used in accordance with the terms and conditions of this Agreement.

Name: François Possemiers

Title: President of the Commission of the Regulator of Electricity and Gas