



Scottish
Forestry
Coilltearachd
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National Committee
United Kingdom

Peatland Programme

Peatland Code and Woodland Carbon Code

Carbon Unit Purchase Agreement v1.0

Guidance

The purpose and scope of, and how to use the standard form of agreement for selling and purchasing verified Peatland and Woodland Carbon Units.

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Contents

Introduction.....	2
1. Background and approach to developing the Agreements.....	3
1.1 Purpose of providing standardised agreements.....	3
1.2 Specificity of the agreements.....	4
1.3 Forms of agreement - Pending Issuance Units and Verified Carbon Units.....	4
1.4 Governing law and jurisdiction.....	5
2. The Carbon Unit Purchase Agreement.....	6
2.1 Purpose and parties.....	6
2.2 Structure of the agreement.....	6
2.3 Approach to providing options generally.....	7
2.4 Approach to pricing generally.....	7
2.5 Approach to performance failure generally.....	8
2.6 Approach to termination and step in.....	9
2.7 Approach to other risk generally (including insurance).....	10
2.8 Approach to external change.....	11
3. Guidance and further commentary on specific sections of the Agreement.....	12
3.1 Commercial Term Sheet.....	12
3.2 Definitions and Interpretation.....	18
3.3 General Terms & Conditions.....	18
3.4 Schedule(s).....	24

Introduction

The Woodland Carbon Code secretariat at Scottish Forestry and IUCN UK Peatland Programme have worked with solicitors: Brodies LLP, Gillespie Macandrew LLP and Turcan Connell and supported by Carson McDowell; to develop template agreements between a buyer and seller of Pending Issuance Units and Peatland Carbon and Woodland Carbon Units.

The agreements are publicly available for use across the UK, with versions applicable to projects in each of the UK's legal jurisdictions. These are intended to support market development and confidence among buyers and sellers.

The project has been supported by the Facility for Investment Ready Nature in Scotland, delivered by NatureScot in partnership with the National Lottery Heritage Fund.

This document accompanies the **Carbon Unit Purchase Agreement (all UK versions)** and comprises:

- Further detail on the project and our approach to preparing the agreement
- An introduction to the **Carbon Unit Purchase Agreement**, including when this is intended to be used and who by, what it provides for and what it does not, and commentary on the approach taken on a number of key areas or principles such as payment structure and project performance; and lastly
- A section-by-section guide to the agreement, including identifying differences between the versions for use in Scotland, England and Wales and Northern Ireland.

This Agreement is complemented by a **Pending Issuance Unit Purchase Agreement**, which provides for parties to agree to the future sale and purchase of verified Peatland and Woodland Carbon Units.

This is the first full issue of this Agreement and follows its development throughout 2024 and early 2025. The project team expresses our thanks to those that have engaged in this project, providing their experience, insight and comment, supporting the development of this Agreement.

The use of this Agreement is not a requirement for projects developed under the Peatland Code or Woodland Carbon Code. This template Agreement has been produced as a voluntary support tool only, and, accordingly, neither Scottish Forestry nor any of the parties involved in the creation of the style Agreement bear any responsibility or liability for the outcomes resulting from its use.

The provision of this standard form of Agreement does not, and is not intended to, negate the need to seek professional and legal advice. You should seek your own legal advice if you are considering developing, investing in or purchasing units from, projects under the Peatland Code or Woodland Carbon Code.

1. Background and approach to developing the Agreements

1.1 Purpose of providing standardised agreements

Template agreements as tools

The development of standardised forms of agreement is intended to support market development and build confidence among buyers and sellers, through supporting prospective entrants to understand more fully their objectives and the responsibilities, obligations and liabilities that may reasonably arise in contracting to sell or purchase credits.

In developing these templates and considering approaches to change, risk and liability, it is hoped that their publication will support ongoing discussions in the sector and progression towards transparency and a consistency of approach. This in turn may support private and institutional investment at scale, lessen transactional barriers for smaller projects, and assist the development and provision of appropriate and effective insurance products.

Recognising that agreeing the sale and purchase of carbon credits is ultimately a commercial arrangement, we have endeavoured to prepare an agreement that allows for some negotiation, optionality, and adaptability, but which is also functional in its current form. This Agreement does not account for all circumstances, nor do it seek to limit conventional remedies under an agreement however it does seek to provide a structure to help develop and frame the discussion between prospective parties.

The publication of this Agreement in an editable form enables users to adapt the Agreement as they see fit and indeed to simply take clauses into other project specific forms should the Agreement not wholly fit their specific project. Users are encouraged to deal with any adaptation by means of Schedule 3 (Part 3 of the Schedule in Scotland), by addition of clauses and/or specifying disapplication of clauses within the Agreement.

The Agreement is intended to sit alongside existing guidance provided by both the Peatland and Woodland Carbon Codes, providing an additional tool supporting prospective entrants.

The use of the Agreement is not a requirement for projects developed under the Codes.

Standardisation not standard setting

The role of the Agreement in supporting the market is in providing potential for standardisation and a commonality of approach. It is not seeking to raise standards or requirements above those set out in the Peatland Code or Woodland Carbon Code or other relevant regulatory standards, where processes exist for consultation, review and amendment.

Need for professional advice

The provision of this standard form of Agreement does not, and is not intended to, negate the need to seek professional and legal advice. You should seek your own legal advice if you are considering developing, investing in or purchasing units from, projects under the Peatland or Woodland Carbon Codes.

The Agreement and this guidance presume that users will either have an understanding of the Codes themselves or be referring to the existing standards and guidance.

By its nature as a template Agreement with options, this is not tailored to the specific needs or circumstances of any one party or project.

The use of this Agreement is not a requirement for projects developed under the Codes. This template Agreement has been produced as a voluntary support tool only, and, accordingly, neither Scottish Forestry nor any of the parties involved in the creation of the style Agreement bear any responsibility or liability for the outcomes resulting from its use.

1.2 Specificity of the agreements

To the Peatland and Woodland Carbon Codes

Whilst focused on developing a template agreement for projects under the Peatland and Woodland Carbon Codes, the project has a broader aim to apply wherever possible to other nature markets.

At the time of the project, many of these other nature markets are in early and differing stages of development across the UK and the design of the credit or commodity, may reasonably not share the architecture of the Peatland and Woodland Carbon Codes. Whilst differing in the physical nature of the projects, in the approach to reducing emissions of, or sequestering, carbon and in the detail of methodology, the Peatland and Woodland Carbon Codes share many similarities in their architecture: the relationship between Pending Issuance Units and verified Peatland Carbon and Woodland Carbon Units; comparable project durations; documentation and registration requirements; approaches to maintaining buffers; and the treatment of losses.

In applying to projects under both Codes, the Agreement seeks to replicate as little of the detail of the Codes, wherever possible relying upon the detailed description of standards remaining in the Codes and avoiding the need for otherwise unnecessary updates of multiple documents and the potential for conflict. The Agreement also aims to avoid heavy reliance on users selecting from a large number of optional terms.

As such, with a focus on providing a comprehensible and functional agreement, this is in large part specific to the Peatland and Woodland Carbon Codes. It is however considered that the identification of, and approach to, principles of payment structures and approaches to assigning risk and liability, may be applicable to other nature-based credits or investment and aid further consideration of reasonable forms of contracting and partnership.

To the current version of Codes

Similarly, whilst both Codes are now in their second full iteration, these can be expected to develop and be refined over time, as more projects progress deeper into their long durations, as the carbon and other nature markets develop further and as both Codes are currently working towards accreditation under the Integrity Council for the Voluntary Carbon Market and the Core Carbon Principles. Further developments of either Code will be the subject of market engagement and consultation and whilst these are not anticipated to affect the structure of the Codes, the nature of all future changes, some of which may be driven by external factors, are not known. Again, in order to be as readily functional and usable as possible, the Agreement represents the Peatland and Woodland Carbon Codes in their current form.

Scottish Forestry and IUCN UK Peatland Programme will maintain this Agreement for a minimum of 5 years up to 2030 and will issue updated versions as may be required ensuring that this Agreement remains functional to reflect any changes in the requirements under the Codes

1.3 Forms of agreement - Pending Issuance Units and Verified Carbon Units

The intention has been to limit the number of options to be chosen by the user, and indeed the number of agreements to choose between, to aid their usability. This approach has been reviewed throughout the engagement, subsequent drafting and peer review among the project team.

The specific nature of a Pending Issuance Unit, how it is held in a UK Land Carbon Registry account, and what happens in the event of change, compared to verified Peatland and Woodland Carbon Units, have led to two forms of agreement:

- one providing for the sale and purchase of Pending Issuance Units (the **Pending Issuance Unit Purchase Agreement**), and
- one providing for the future sale and purchase of verified Peatland and Woodland Carbon Units (this **Carbon Unit Purchase Agreement**).

Both of these agreements allow for contracting at an early stage, including:

- prior to Registration
- prior to works taking place, and
- prior to Validation and the issue of Pending Issuance Units,

In these circumstances a Buyer is actively supporting the development of the project by investing early

Both of these agreements also allow for contracting following Validation but prior to Verification of Peatland or Woodland Carbon Units. Where a Buyer is simply seeking to purchase already verified Peatland or Woodland Carbon Units this is a much-limited relationship between the parties with considerably fewer obligations and liabilities on each party and as such has not been a focus of this project.

It is assumed the **Pending Issuance Unit Purchase Agreement** may more commonly be entered into at an earlier stage, provide for a longer period of time, and involve perhaps a closer relationship between a Buyer, a Seller and a Project, than the Carbon Unit Purchase Agreement. As such the **Pending Issuance Unit Purchase Agreement** provides for more options and variation in how a project is valued, how and when Units are paid for, and what happens if things do not go as planned.

The **Carbon Unit Purchase Agreement** is intended to provide something of a contrast to this with a simpler treatment of payment and particularly of risk and liability for a Seller in the event of things not going as planned.

1.4 Governing law and jurisdiction

Whilst much of the Agreement comprises commercial terms and relates to the Codes, there are elements that are unavoidably particular to the law within each part of the UK. Accordingly, three variants of each agreement have been prepared. In respect of the **Carbon Unit Purchase Agreement** these are:

- **Carbon Unit Purchase Agreement (Scotland)**
- **Carbon Unit Purchase Agreement (England & Wales)**
- **Carbon Unit Purchase Agreement (Northern Ireland)**

Guidance is given under part 3 of this guidance where these variations arise in the Agreement.

2. The Carbon Unit Purchase Agreement

2.1 Purpose and parties

The **Carbon Unit Purchase Agreement** provides for those parties seeking to reach agreement for the sale and purchase of verified Peatland Carbon Units (PCU) or Woodland Carbon Units (WCU).

The parties may seek to enter an agreement at any point prior to the issue of the verified PCUs or WCUs that are the subject to the agreement, including at the very early stages of a project. This **Carbon Unit Purchase Agreement** provides for contracting prior to formal Registration of the project with the Peatland or Woodland Carbon Code with restoration or establishment works still to take place, or after the confirmed issuing of Pending Issuance Units (PIU) following completion of works and successful Validation.

Parties may contract after this time but where parties are simply seeking to sell or purchase already verified PCUs or WCUs this is a much-limited relationship between the parties with considerably fewer obligations and liabilities on each party and as such has not been a focus of this project.

As with the **Pending Issuance Unit Purchase Agreement**, a Seller seeking to contract whilst units remain PIUs may be seeking to secure some degree of finance for the project (whether this is received at an early stage or later), or to fix a price or fix the basis of future price for the PCUs or WCUs, and in many cases to establish a relationship with a Buyer with who they have common objectives and priorities.

This Agreement has been drafted with the Seller ordinarily being the party with an appropriate controlling interest in the land and who, prior to sale, will have the rights to the PCUs or WCUs. The Agreement also provides for the Seller being a landowner or a tenant.

A Buyer may be seeking to secure the pipeline verified PCUs or WCUs and similarly secure the price or basis of future for the units, managing their risks of securing Verified Carbon Units in the future, in addition to actively supporting the development of the project and the peatland restoration or woodland creation by investing or contracting early.

The Agreement has been drafted presuming that the Buyer is the first purchaser of the PCUs or WCUs. And provides for both, where the Buyer is the sole buyer of carbon on the site and will acquire all PCUs or WCUs (excluding Buffer Carbon Units), and where the Seller is either retaining some PCUs or WCUs or intends to sell to other buyer(s) now or in the future.

2.2 Structure of the agreement

The Agreement is set out in three main parts:

- Commercial Term Sheet

Providing a single place within the Agreement to capture the key information describing the Project and the Parties, and for the parties to select the main options.

- General Terms & Conditions – main body of agreement

Comprising the main body of the Agreement, beginning with Definitions of the terms used throughout, interpretation of the Agreement and the General Terms & Conditions.

- Schedule(s)

Providing space for project specific detail and documentation to be provided by the parties including: site plan and project design information, intended to be drawn from existing documentation that those developing projects will have already prepared, or will be required to prepare, for Registration or Validation of a project under the Peatland or Woodland Carbon Code; additional clauses and requirements provided by the parties, which may include

disapplication of certain clauses; the standard security where used; and the Serial Numbers of the relevant PIUs if the Agreement is entered into at or after Validation.

Approach to drafting

The following describes the approach taken in drafting the **Carbon Unit Purchase Agreement** in respect of a number of aspects of a project and of a contractual relationship between a Seller and a Buyer. These have relevance to specific clauses and terms but describe the approach taken more broadly throughout the Agreement.

As noted, the Agreement seeks to provide for optionality on a number of principles and terms and proposes responses to these options. These possible responses will not account for all circumstances, and they do not seek to limit conventional remedies under an agreement that parties may have. They do, however, seek to provide a structure to help develop and frame the discussion between prospective parties.

2.3 Approach to providing options generally

As noted, the Agreement seeks to provide for optionality on a number of principles and terms and proposes responses to these options. These possible responses will not account for all circumstances, and they do not seek to limit conventional remedies under an agreement that parties may have. They do, however, seek to provide a structure to help develop and frame the discussion between prospective parties.

It is acknowledged that not all of the proposed responses will be considered appropriate in all circumstances or indeed acceptable to all parties. However, these have been provided in this Agreement as reflecting the reasonable variation in commercial terms that may exist. Users should consider, select and reach agreement on the options to be used and the appropriate response within each option.

Where parties wish to include bespoke provisions under any option, the detail of these provisions, or any other requirements agreed between the parties, may be included in **Schedule Part 3 / Schedule 3 - Additional Clauses**, ensuring that it is clear to which existing clause the provisions relate to or replace.

2.4 Approach to pricing generally

Unit Pricing

Whilst that this is an Agreement to sell/purchase a given number of individual Peatland Carbon or Woodland Carbon Units, these PCUs or WCUs are treated as individual discrete units and the Agreement works on the principle of a price per unit.

The Agreement makes provision for the parties to agree either a single Unit Price, which would be common to all Units in the Project, or for this Unit Price to vary between Vintages or indeed for Units with different Serial Numbers within a Vintage. This gives an opportunity for the parties to reflect different views of value for those PCUs or WCUs which could be considered to be more or less valuable if, say, they are expected to be verified earlier in the Project's duration (i.e. they are within an earlier Vintage).

Timing of payment and split of pricing

Provision has been made for the Unit Price to be split across two main points:

- A Deposit – a first payment which is anticipated to be paid upon entering this agreement.
- Verification Payment - this is a final payment, which will be made following successful Verification and issue of the Verified PCU or WCU.

The decision over the proportion of the Unit Price payable at each of these two points will reflect:

- The desire to secure, or willingness to provide, investment at the outset of a Project to support the costs of peatland restoration or woodland creation
- A desire for payments to reflect the key indicator of performance i.e. the successful ongoing verifications throughout the project's duration as verified PCUs or WCUs become available
- A desire of a Seller to maintain an income stream over the duration of the Project and Agreement.
- The parties' approach to the risks of under-performance, i.e. fewer PCUs or WCUs are Verified at any point than were anticipated. Specifically, the manner in which parties seek to account for compensation in the event of under-performance and whether this is through some part of payment from the Buyer being withheld or the reimbursement by the Seller of some monies previously paid by the Buyer.

Where parties agree that a significant proportion of the overall Unit Price is to be paid prior to Verification of the Carbon Unit, it is presumed that parties will likely choose to use the **Pending Issuance Unit Purchase Agreement**. This **Carbon Unit Purchase Agreement** is considered to be more likely used where the significant part of the Unit Price is paid at Verification of the Carbon Unit.

Unit Price fixedness

The Agreement makes provision for the Unit Price and for any compensatory sums payable to be either: fixed sums determined prior to entering the Agreement; or for these to be subject to some change (inflation) by applying an appropriate index.

The Agreement is for a specified quantity of PCUs or WCUs, however in the event that additional PIUs are Validated or additional PUCs or WCUs are Verified over and above the specified quantity and as identified in specific vintages in the Carbon Sequestration Profile, then the Agreement makes provision for parties to agree how the price for these units will be determined in the future.

2.5 Approach to performance failure generally

The Agreement is drafted with the presumption that Sellers, in the main, being landowners or tenants have a good understanding of how to restore and manage peatland or how to establish and manage woodland. However, it is not presumed that they are well placed to manage the financial risks of others.

As also noted, it is recognised that Buyers entering agreements to purchase verified PCUs or WCUs may be investing in a Project at an early stage and seeking to support the peatland restoration or woodland creation, in addition to securing rights to PCUs or WCUs.

Lesser performance

In view of this, in the event that fewer PCUs or WCUs are verified in a given Vintage and are transferred to the Buyer than were anticipated, but that the Project has not entirely failed, the Agreement provides for a number of means of calculation of any compensation arising. These include: no compensation being due, to a simple reduction in the price due and/or reimbursement of monies paid at the contracted price, with the Seller suffering no further penalty.

The Agreement makes provision for different approaches to compensation to be taken in the event that the lesser performance was deemed to be Avoidable or Unavoidable. The distinction between Avoidable or Unavoidable and their application in this Agreement refers to obligations under this Agreement only.

Where parties agree that the Seller has other options to remedy shortfalls, say by providing verified PCUs or WCUs from other projects, parties may include bespoke provisions with the detail of these to be included in **Schedule Part 3 / Schedule 3 - Additional Clauses**, ensuring that is clear to which existing clause the provisions relate to or replace.

Project failure

Similarly, in the event of failure of the Project, i.e. the cancellation of all remaining PIUs at the project which confirms that no further Carbon Units will be Verified, and which leads to a termination of the Agreement, the Agreement provides for a number of means of calculation of any compensation arising. These include either no refund being due, or a full refund of monies paid.

Again, the Agreement makes provision for different approaches to compensation to be taken in the event that the Seller is deemed to be either at fault, or not. The distinction between Seller Fault and No Seller Fault and their application in this Agreement refers to obligations under this Agreement only.

In both cases of lesser performance and project failure, as noted, the range of responses included will not account for all circumstances, and it is acknowledged that not all of the proposed responses will be considered appropriate in all circumstances or indeed acceptable to all parties. However, these have been provided in this Agreement as reflecting the reasonable variation in commercial terms that may exist. Parties should consider, select and reach agreement on the options to be used and the appropriate response within each option.

The **Pending Issuance Unit Purchase Agreement** provides a greater number of suggested standard means of calculation of compensation for both lesser performance or failure.

The buffers

In understanding implications and liabilities of lesser performance and project failure, parties should refer to the Peatland and Woodland Carbon Code guidance regarding the Peatland Code Risk Buffer and Woodland Carbon Code Buffer.

2.6 Approach to termination and step in

Termination

The Agreement provides for a number of grounds for Termination, some of which are optional and which reflect the potential for the parties entering the Agreement at an early stage in a Project.

For the Buyer, the grounds for termination primarily relate to:

- The failure of the Seller to commence and undertake the Project in a timely manner i.e. whether that may be Registration, commencing works, or Validating the Project, and undertaking each Verification, subject to these options and longstop being selected.
- The number of Validated PIUs being issued following Restoration Validation under the Peatland Code and Validation under the Woodland Carbon Code falling below an agreed minimum threshold. This could indicate significant project change from that originally envisaged.
- Other material breaches of Seller's obligations **prior to Validation**.
- The failure the Seller to comply with the requirements in the event of the transfer of the Project Site.

For the Seller, the grounds for termination relate to where the Buyer fails to make any of the payments due and, if parties agree, then a failure on the part of the Buyer to comply with requirements in the event of a change of control.

2.7 Approach to other risk generally (including insurance)

There remain risks, for the Seller, of ensuring it has the ability to meet its obligations and for the Buyer of receiving the number of PCUs or WCUs and in the particular Vintage that they were anticipated at the outset.

For a Seller, to consider the commitments under the Codes and how one ensures it has the financial means to meet the requirements to restock and replant woodland or restore peatland in the event of damage or loss.

For a Buyer, to consider how it ensures the Seller performs their obligations under the Agreement over a long period, and how it manages the risks of under-performance of a project, receiving fewer PCUs or WCUs than anticipated, or of complete project failure.

Acknowledging that individual parties and projects will choose to manage these risks differently or at all, whether across single projects or purchases or across estates or portfolios of investment, the Agreement provides some options for insurances and security.

Project insurance

In providing for a different relationship between parties to the **Pending Issuance Unit Carbon Agreement**, this Carbon Unit Purchase Agreement does not provide for the Seller maintaining insurance to cover the costs of restocking any area that has been destroyed or materially damaged by fire or storm.

Where parties agree, bespoke provisions for insurance requirements may be included in **Schedule Part 3 / Schedule 3 - Additional Clauses**.

Carbon insurance

The insurance for carbon units remains an emerging market at this time and it is presumed that Buyers will make their own arrangements for managing the risks. However, the Agreement provides for the Seller to cooperate, in providing information, where a Buyer seeks to put in place, or may request the Seller to put in place, additional cover relating, for example, to the value of the PCUs or WCUs, with any additional costs of such cover falling to the Buyer.

Security

In view of the option for Buyer exclusivity for the carbon at the Project Site and of the long Contract Period, the Agreement provides an option, where the parties agree, that:

- In Scotland, the Buyer will acquire a Standard Security over the Project Site; or
- In England, Wales and Northern Ireland, the Seller will execute a Deed of Covenant to the Buyer.

2.8 Approach to external change

It is acknowledged that over the potentially long duration of the agreement, there may be changes in Law, in the requirements of either Code, or in the circumstances of either party. Whilst one might anticipate that there will be change, the detail of any change may not reasonably be foreseen and accounted for at the time of contracting.

Law and the Codes

The Agreement makes provision for parties to agree the approach to external change and specifically which party bears any fees and costs in agreeing and making changes to this Agreement in the event of change. And which party will bear any increased cost of compliance with Law or the Governing Codes.

Parties should note that the Codes currently require that:

- Peatland Projects shall be validated/verified against the current version of the Peatland Code
- Woodland Carbon Code Projects should adhere to the most current version of the Code. Validated/verified projects must comply with changes within one year of their introduction.

As noted, the Agreement represents the Peatland and Woodland Carbon Codes in their current form. Scottish Forestry and IUCN UK Peatland Programme will maintain this Agreement for a minimum of 5 years up to 2030 and will issue updated versions as may be required ensuring that this Agreement remains functional to reflect any changes in the requirements under the codes.

Parties, ownership and control

The Agreement makes provision for alienation, the assignment, transfer or novation of a party's rights, along with the transfer of the Project Site, the change in control of either party and insolvency.

Parties should be aware of requirements and terms and conditions of the UK Land Carbon Registry and of the permitted functions of particular account types in the event of any changes.

3. Guidance and further commentary on specific sections of the Agreement

The following provides guidance on the content and scope of specific parts of the Agreement, including the information that is required to be entered by users, the options to be chosen, and how these affect the clauses that follow.

Where parts of the Agreement are considered self-explanatory, limited notes are provided.

3.1 Commercial Term Sheet

The Commercial Term Sheet captures the core information describing the Project and what is being purchased, along with confirming the parties' choices on how and whether options within the Agreement are used.

The Commercial Term Sheet requires the following information to be provided, note these terms are listed in an order which is considered to reflect the manner in which one might describe a project and consider the terms on which to sell and purchase PCUs or WCUs. These are not ordered alphabetically, and the order may be reasonably amended by parties to suit preference:

Item	Guidance on information required
Project Site	The address and name shall be consistent with Project documentation provided to the Governing Code and to the UK Land Carbon Registry.
Governing Code	Enter either " Peatland Code " or " Woodland Carbon Code ". The Agreement is to be entered into for one type of Carbon Unit only at any given Project Site.
Governing Code Reference	If this is available at the time of entering the Agreement, the Project Name/ID shall be consistent with Project documentation provided to the Governing Code and to the UK Land Carbon Registry.
Project	A short description of the Project shall be included, this is suggested to be taken from the Project Design Document.
Tenure	Confirm the Seller's tenure of the Project Site as either " Landowner " or " Tenant ".
Landlord	If the Seller is a Tenant, provide details of the Landlord's name and designation. Otherwise enter " N/A ".
Buyer Exclusivity	Enter " Yes " where the Buyer is the sole purchaser of carbon on the site and will acquire all Carbon Units (excluding Buffer Carbon Units). Enter " No " where a Seller is either retaining some Carbon Units or intends to sell to other buyer(s) now or in the future.
Contract Quantity	Enter the total number of Carbon Units (Peatland Code Units or Woodland Carbon Units) intended to be purchased by the Buyer over the whole Contract Period. Where the Agreement is being entered into prior to Validation, it is acknowledged that this number may be subject to change.
Contract Period	Enter the total duration of the Agreement including, where relevant, the periods for Registration, Establishment Works, Validation and Verification.

Item	Guidance on information required
Carbon Sequestration Profile	<p>This information provides the volume and timing of carbon sequestration or emissions reductions. The table shall identify:</p> <ul style="list-style-type: none"> - Verification: years since start date - Year within the vintage (numbered rather than actual year) <p>and for Projects under the Peatland Code:</p> <ul style="list-style-type: none"> - Contract Quantity of PCUs occurring in each vintage <p>and for Projects under the Woodland Carbon Code:</p> <ul style="list-style-type: none"> - Contract Quantity of WCUs occurring in each vintage <p>Include all Vintages as may be relevant to the Agreement.</p>
Registration Longstop Date	<p>Where this Agreement is being entered into prior to Registration, enter the latest date by which both parties agree that Registration of the Project shall happen. If this date is not met, then the Buyer has cause for termination of the Agreement.</p> <p>If Registration has already happened or if the parties do not wish to use a Longstop Date, then enter "N/A".</p>
Establishment Works Commencement Longstop Date	<p>Where this Agreement is being entered into prior to Establishment Works taking place (and prior to Validation) enter the latest date by which both parties agree that substantial commencement of works involved in the Project shall happen. If this date is not met, then the Buyer has cause for termination of the Agreement.</p> <p>If works have already commenced or if the parties do not wish to use a Longstop Date, then enter "N/A".</p>
Validation Long Stop Date	<p>Where this Agreement is being entered into prior to Restoration Validation under the Peatland Code or Validation under the Woodland Carbon Code, enter the latest date by which both parties agree that the successful Validation shall happen. If this date is not met, then the Buyer has cause for termination of the agreement.</p> <p>If Validation has already happened or if the parties do not wish to use a Longstop Date, then enter "N/A".</p>
Verification Frequency	<p>Enter the intended period between Verifications under the Codes. This shall be consistent with Project documentation provided to the Governing Code and to the UK Land Carbon Registry. It is a maximum of 10 years. Note, this does not mean more frequent reporting between the Seller and Buyer is not required. See detail under Project Validation, Project Verification and Project Implementation.</p>
Price	<p>Please refer to the guidance and commentary on the approach to pricing generally at para 2.4 of this document.</p> <p>Enter the total price payable by the Buyer for all Units and identify any part that is subject to indexation.</p>

Item	Guidance on information required
Unit Price(s)	<p>Please refer to the guidance and commentary on the approach to pricing generally at para 2.4 of this document.</p> <p>Enter the total price payable by the Buyer for each Unit. This may vary by Vintage, relative Serial Number, and identify any part that is subject to indexation.</p>
Deposit	<p>Please refer to the guidance and commentary on the approach to pricing generally at para 2.4 of this document.</p> <p>The Deposit in the first point of payment under this Agreement. Enter the sum payable in total for the Contract Quantity by the Buyer at this point, and the date when this payment is due.</p>
Verification Payment	<p>Please refer to the guidance and commentary on the approach to pricing generally at para 2.4 of this document.</p> <p>This is the second payment under this Agreement and will be made following successful Verification of the PIU and conversion to a Verified PCU or WCU. Enter the sum in total by for the quantity of PCUs or WCUs in each future vintage. Where parties have agreed, this payment may vary by Vintage and may be subject to indexation.</p>
Index	<p>Please refer to the guidance and commentary on the approach to pricing generally at para 2.4 of this document.</p> <p>Parties can agree the index by which either parts of the Price or sums payable under compensation may be varied from prices at the time of entering this Agreement. This may be, for example, the Consumer Price Index, as published by the Office for National Statistics, or maybe a sector or activity specific index. Enter the full name of the index, the body publishing it, and the current source of data e.g. link to website.</p>
Overdelivered Unit Price	<p>Please refer to the guidance and commentary on the approach to pricing generally at para 2.4 of this document.</p> <p>Enter either "Unindexed Unit Price", "Indexed Unit Price" or "Market Value" to select the means by which the price for any unit delivered in excess of the Contract Quantity and at a given vintage is calculated.</p>

Item	Guidance on information required
Avoidable Loss Compensation	<p>Please refer to the guidance and commentary on the approach to performance failure generally at para 2.5 of this document.</p> <p>Enter either “No Compensation”, or “Reimbursement”, to select the means by which compensation payable to the Buyer is calculated in the event that the Buyer receives fewer PCUs or WCUs than identified in the Carbon Sequestration Profile for a given vintage. This may be as a result of a verify the anticipated number WCUs or PCUs at a given vintage or where any of the WCUs or PCUs due to the Buyer are allocated to the Buffer.</p> <p>This compensation is due where the failure has resulted from an action or event for which the Seller is deemed responsible. This may be through either direct intentional actions that cause a failure or through a failure to properly plan, implement or manage the Project in accordance with Management Plan and Good Industry Practice. Such events will be described as Intentional under the Peatland Code and Avoidable under the Woodland Carbon Code.</p>
Unavoidable Loss Compensation	<p>Please refer to the guidance and commentary on the approach to performance failure generally at para 2.5 of this document.</p> <p>Enter either “No Compensation”, or “Reimbursement”, to select the means by which compensation payable to the Buyer is calculated in the event that the Buyer receives fewer PCUs or WCUs than identified in the Carbon Sequestration Profile for a given vintage.</p> <p>This compensation is due where the failure has resulted from an action or event for which the Seller is not deemed responsible. The failure may have resulted from an action or event for which the Seller is not responsible, and which could not be reasonably foreseen and avoided or mitigated. Such events will be described as Unintentional under the Peatland Code and Unavoidable under the Woodland Carbon Code.</p>
Seller Fault Payment	<p>Please refer to the guidance and commentary on the approach to termination and step in at para 2.6 of this document.</p> <p>Enter either “No Refund”, or “Full Refund”, to select the means by which the financial liability of a Seller to the Buyer is calculated in the event of termination of the Agreement and where the termination is a consequence of a Seller Fault.</p>
No Seller Fault Payment	<p>Please refer to the guidance and commentary on the approach to termination and step in at para 2.6 of this document.</p> <p>Enter either “No Refund”, or “Full Refund”, to select the means by which the financial liability of a Seller to the Buyer is calculated in the event of termination of the Agreement and where the termination is not a consequence of a Seller Fault.</p>

Item	Guidance on information required
Minimum Threshold	<p>Please refer to the guidance and commentary on the approach to termination and step in at para 2.6 of this document.</p> <p>Where parties are entering this agreement prior to Restoration Validation under the Peatland Code, or Validation under the Woodland Carbon Code, the Contract Quantity will be based on an initial calculation prior to works being carried out. There is the potential for the number and vintage of PIUs being confirmed through Restoration Validation under the Peatland Code, or Validation under the Woodland Carbon Code to vary.</p> <p>If parties agree, enter a percentage of the Contract Quantity below which if the resulting forecast number of Carbon Units, falls, the Buyer has cause for termination of the Agreement.</p> <p>If the parties do not wish to use this threshold, enter "N/A".</p>
Change Risk	<p>Please refer to the guidance and commentary on the approach to change generally at para 2.8 of this document</p> <p>Enter either "Buyer" or "Seller" to select who bears the financial cost of the Seller arising as result of changes in this Agreement being required in Law generally or as a result of increased costs of compliance with the relevant Governing Code.</p>
Secured Contracts	<p>Please refer to the guidance and commentary on the approach to other risk generally at para 2.7 of this document.</p> <p>Enter either "Yes" or "No" to confirm whether the parties have agreed that:</p> <ul style="list-style-type: none"> • In Scotland, the Buyer will acquire a Standard Security over the Project Site; or • In England, Wales or Northern Ireland, the Seller will execute a Deed of Covenant to the Buyer.
Buyer Maximum Liability Sum	<p>Where the parties agree, enter the value of the maximum liability of the Buyer in the event of claims arising from a single event under the indemnity provisions. If there is no obligation, then enter "nil".</p>
Seller Maximum Liability Sum	<p>Where the parties agree, enter the value of the maximum liability of the Seller in the event of claims arising from a single event under the indemnity provisions. If there is no obligation, then enter "nil".</p> <p>This figure is also applied to the level of public liability cover to be maintained by the Seller.</p> <p>Note this does not affect the compensation payable in the event of failure to deliver Verified Peatland Carbon or Woodland Carbon Units.</p>
Buyer Access	<p>Enter either "Yes" or "No" to confirm whether the parties have agreed that the Buyer shall have rights to access the Project Site.</p>

Item	Guidance on information required
Publicity Rights	Enter either " Yes " or " No " to confirm whether the parties have agreed that the Buyer shall have rights to publicise its involvement with the Project.
Change in Control Restriction	<p>Please refer to the guidance and commentary on the approach to change generally at para 2.8 of this document</p> <p>Enter either "Yes" or "No" to confirm whether the parties have agreed that a change in control of the Buyer is to be treated in the same manner as an assignment of Buyer's interests under the Agreement, i.e. that the consent of the Seller is required if any monies remain to be paid to the Seller.</p>
Seller Notice Address	Enter details of where Notices under this Agreement given by the Buyer to the Seller shall be sent.
Buyer Notice Address	Enter details of where Notices under this Agreement given by the Seller to the Buyer shall be sent.
Dispute Resolution Procedure	Enter either " Expert determination " or " Arbitration " to confirm the manner by which disputes under this Agreement will be resolved.
Nominated Bank	Enter the name of the Bank whose base rate will be used to calculate any interest payable on sums overdue under Specified Rate

3.2 Definitions and Interpretation

Any capitalised term within the Agreement means that it has a defined meaning in the context of this Agreement. The Definitions provides the meaning for a number of these terms that are used and referred to throughout the Agreement. These defined terms are listed in alphabetical order for ease of finding the correct term and its meaning when referring back from any specific clause. These Definitions are not expected to be amended. Where a defined term relies upon information provided by the parties in the Commercial Term Sheet, the reference the definition will refer to the relevant term in the Commercial Term Sheet.

The Interpretation provides general and overarching principles of how the Agreement, the clauses, terms used are to be interpreted.

3.3 General Terms & Conditions

The following provides notes on the content and scope of each of the main clauses in the Agreement. Where clauses include for standard assumptions such as durations, that may be reasonably amended by contracting parties, these are noted. Where the clauses are considered self-explanatory no additional notes are provided.

Clause 3 Contract Period

Provides confirmation that the Agreement commences upon the Effective Date, being the date at which the agreement is signed by the last party, and lasts for the period stated in the Commercial Term Sheet at Contract Period, unless it is terminated in accordance with the Agreement.

Clause 4 Sale and Purchase

Provides confirmation of the core purpose of the Agreement, being the sale and purchase of verified Carbon Units, and the principal terms applying to the completion of the Agreement, the transfer of PCUs or WCUs to the Buyer and the Deposit and Verification Payment being made.

Clause 5 Project Registration

Provides for the circumstance where this Agreement is being entered into prior to Registration of the Project with the Governing Code and the UK Land Carbon Registry, and includes the obligations on the Seller in successfully Registering the Project.

It provides for the termination if the parties have opted to include a longstop date by which Registration is required to have been successfully completed, and as identified on the Commercial Term Sheet at Registration Longstop Date. This is linked to **Clause 14 Termination** for process and **Clause 15 Seller Liability on Termination** for the determination of the financial liability of the Seller if the Buyer terminates the Agreement.

Clause 6 Project Validation

Provides for the circumstance where this Agreement is being entered into prior to Validation of the Project. In this Agreement, Validation is taken as Restoration Validation, under the Peatland Code, or Validation, under the Woodland Carbon Code. This includes the obligations on the Seller in successfully Validating the Project.

The clause provides for the Seller to provide quarterly updates to the Buyer during this period. This frequency may be amended without impact on the remainder of the agreement.

It provides for the termination if the parties have opted to include a longstop date by which Validation is required to have been successfully completed, and as identified on the Commercial Term Sheet at Validation Longstop Date. This is linked to **Clause 14 Termination** for process and **Clause 15 Seller Liability on Termination** for the determination of the financial liability of the Seller if the Buyer terminates the Agreement.

Clause 7 Post-Validation Adjustment

Provides for the circumstance where this Agreement is being entered into prior to Validation and where following Validation, the forecast number of Carbon Units, and the resulting Contract Quantity is either fewer or more than that forecast at the time of entering the Agreement.

The resulting effects of the clause is that where fewer Carbon Units are forecast, provide for the Buyer to confirm that they will proceed with the purchase with an amendment to the Price, or to confirm that they will terminate the agreement if the number of Carbon Units is below the minimum threshold, as identified on the Commercial Term Sheet at Minimum Threshold. This is linked to **Clause 14 Termination** for process and **Clause 15 Seller Liability on Termination** for the determination of the financial liability of the Seller if the Buyer terminates the Agreement.

Clause 8 Project Verification

Provides for the obligations on the Seller in respect of the ongoing Verifications throughout the Contract Period and for circumstances where fewer or more PCUs or WCUs are Verified than anticipated in a specific Vintage, and as identified the Carbon Sequestration Profile.

The effects of the clause for fewer or more PCUs or WCUs being Verified are:

- Where fewer PCUs or WCUs are Verified, and this is a consequence of an Avoidable Loss, i.e. where this has resulted from an action or event for which the Seller is deemed responsible, to provide for payment of the compensation in the manner agreed by the parties in the Commercial Term Sheet at Avoidable Loss Compensation.
- Where fewer PCUs or WCUs are Verified, and this is a consequence of an Unavoidable Loss, i.e. where this has resulted from an action or event for which the Seller is **not** deemed responsible, to provide for payment of the compensation in the manner agreed by the parties in the Commercial Term Sheet at Unavoidable Loss Compensation.

The Agreement reasonably provides for different approaches to compensation to be taken in the event of the loss being Avoidable or Unavoidable and the parties will have identified this in the Commercial Term Sheet.

Where parties agree that the Seller has other options to remedy shortfalls, say by providing verified PCUs or WCUs from other projects, parties may include bespoke provisions with the detail of these to be included in **Schedule Part 3 / Schedule 3 - Additional Clauses**, ensuring that it is clear to which existing clause the provisions relate to or replace.

- Where more PCUs or WCUs are Verified than anticipated, provide arrangements for the sale and purchase of these subject to whether the parties have agreed that the Buyer will have exclusivity, with the manner of calculation of the price for the additional PCUs or WCUs being agreed by the parties and identified in the Commercial Term Sheet at Overdelivered Unit Price.

This clause also provides for the circumstance, and compensation, where at any Verification, the Carbon Sequestration Profile is reassessed and the forecast number of PCUs or WCUs in future is reduced.

This clause further provides for termination if the parties have opted to include a longstop date by which Verification is required to have been successfully completed, and as identified on the Commercial Term Sheet at Verification Longstop Date. This is linked to **Clause 14 Termination** for process and **Clause 15 Seller Liability on Termination** for the determination of the financial liability of the Seller if the Buyer terminates the Agreement.

Clause 9 Failure

Provides for the circumstance of total failure of the remaining project at any time where all PIUs for future Vintages have been cancelled, such that no further Carbon Units will be issued. This circumstance is linked to **Clause 14 Termination** for process and **Clause 15 Seller Liability on Termination** for the determination of the financial liability of the Seller if the Buyer terminates the Agreement.

Clause 10 Warranties

Provides for both parties warranting that they are able to enter the Agreement, in respect of any other consents being required, and the Seller having sufficient title and/or interest in and rights to the Project Site.

Clause 11 Project Implementation

Provides for the obligations on the Seller in respect of the implementation of the Project, undertaking, administering and managing the Project including reporting losses. The clause provides for the Seller to meet with the Buyer at least annually during the first five years and once every three years thereafter during the remainder of the Contract Period. These frequencies may be amended without impact on the remainder of the agreement.

The Seller undertakes to not make other use of, or grant other rights over, the Project Site where these would adversely impact the Project. The Agreement recognises that there may be situations where a statutory process (such as compulsory purchase or necessary wayleaves for services) will result in rights being acquired over the project site, and that there will be benefits to the Seller (and perhaps the Buyer) in being instead able to engage in the grant of voluntary rights. The Agreement therefore obliges a Buyer to act reasonably in considering such proposals, provided impact on the Project is minimised and professional costs are reimbursed.

Clause 12 New Credits

Provides for the Seller reserving the right to other nature markets or opportunities within the Project Site. It is acknowledged that other nature markets or opportunities for landowners or tenants may develop over time, but that at this time their relationship with, or impact upon, a Peatland Code or Woodland Carbon Code Project, and the ability for a Seller to bundle or stack these is not known.

Accordingly, the Agreement includes for a simple approach which reserves rights for a Seller to develop and retain the rights to New Credits provided that the development of these has no negative effect on the Project.

Clause 13 Security

Provides for the circumstances, and obligations and actions arising, where the parties have agreed that this will be a Secured Contract, i.e. that:

- In Scotland, the Buyer will acquire a Standard Security over the Project Site; or
- In England, Wales or Northern Ireland, the Seller will execute a Deed of Covenant to the Buyer.

A draft form of Standard Security is provided at Schedule Part 4 of the **Carbon Unit Purchase Agreement (Scotland)**.

Note, under Clause 10 Warranties, Sellers warrant that any consents required to enter this Agreement and/or implement the Project have been obtained. The Seller is required to assure themselves of the interrelationship and compatibility of any existing and proposed Security or Deed.

Clause 14 Termination

Provides for the circumstances in which the Seller or Buyer are entitled to terminate the Agreement. This Agreement provides for termination:

By the Seller, where:

- the Buyer fails to make the payments due at any of the stages
- the Buyer breaches obligations when seeking to transfer its interest in the Agreement or under a Change of Control

By the Buyer, where:

- the Seller sells, transfers, encumbers, or grants security over the PCUs or WCUs (or agrees to) before the transfer of PCUs or WCUs to the Buyer
- the Seller fails to Register the Project by the agreed Registration Longstop Date
- the Seller fails to Validate the Project by the agreed Validation Longstop Date
- the quantity of PIUs Validated falls below the agreed Minimum Threshold
- the Seller fails to commence the Establishment Works by the agreed Establishment Works Commencement Longstop Date as identified in the Commercial Term Sheet at Establishment Works Commencement Longstop Date
- the Seller fails to Verify the Project by the agreed Verification Longstop Date
- the Seller materially breaches this Agreement during the Pre-Validation period
- the Seller breaches its obligations when seeking to transfer the Project Site

By either Seller or Buyer, where all PIUs for future Vintages have been cancelled such that no further Carbon Units will be issued.

In all cases there is a requirement for notice and a period for remedy.

Clause 15 Seller liability on Termination

Provides for the Seller's liability to the Buyer upon termination of the Agreement by the Buyer. The calculation of liability is dependent on whether the termination was a result of a Seller Fault or not, with the agreed basis of calculation being as identified in the Commercial Term Sheet at Seller Fault Payment and No Seller Fault Payment respectively.

Clause 16 Indemnities

Provides for each party indemnifying the other against third party actions or claims etc. where these arise as a consequence of a breach of this Agreement or negligent act by the other. The liability of either party is limited to the agreed levels identified in the Commercial Term Sheet at Buyer Maximum Liability Sum and Seller Maximum Liability Sum. The limit may be agreed at any sum including zero. For the Seller this figure is also applied to the level of public liability cover to be maintained by the Seller.

Note this does not affect the compensation payable in the event of failure to deliver Verified Peatland Carbon or Woodland Carbon Units (under Clause 8) or the Seller's liability upon Termination (under Clause 15).

Clause 17 Insurance

Provides for the Seller to cooperate, in providing information, where a Buyer seeks to put in place, or may request the Seller to put in place, additional cover relating, for example, to the value of the PCUs or WCUs, with any additional costs of such cover falling to the Buyer.

Clause 18 Change in Law/Change in Governing Code

Provides for the responsibilities of each party in the event of changes in Law or in the requirements of the Governing Code. As noted at para 2.8 of this document, it is acknowledged that over the potentially long duration of the Agreement, there may be changes in Law or in the requirements of either Code. Whilst one might anticipate that there will be change, the detail of any change may not reasonably be foreseen and accounted for at the time of contracting.

This Clause provides for the obligations of both parties in identifying and giving notice of change, in understanding impacts and complying with changes, and, subject to agreement, how the costs of compliance with changes incurred by either party is met. The parties may agree that either each party bears its own costs or that the Buyer bears the costs of both the Buyer and the Seller, as identified in the Commercial Term Sheet at Change Risk by selecting Change Risk Seller or Change Risk Buyer respectively.

As noted, the Agreement represents the Peatland and Woodland Carbon Codes in their current form. Scottish Forestry and IUCN UK Peatland Programme will maintain this Agreement for a minimum of 5 years up to 2030 and will issue updated versions as may be required ensuring that this Agreement remains functional to reflect any changes in the requirements under the codes. Parties should ensure that the most recent form of the Agreement is being used to ensure the correct version of the Code is referenced at the time of entering the Agreement.

Clause 19 Alienation

Provides for the circumstances in which the Seller or Buyer are entitled to assign, transfer or novate their rights or interests under this Agreement to another party, and when the consent of the other party is required.

As noted at para 2.8, parties should be aware of requirements and terms and conditions of the UK Land Carbon Registry and of the permitted functions of particular account types in the event of any changes.

Clause 20 Transfer of Specified Project Site

Provides for the requirements and obligations on the Seller in the event of the Seller seeking to transfer the whole or part of the Project Site to another party, and particularly in ensuring that the incoming party continues to meet its obligations to the Buyer in continuing to implement the Project.

Clause 21 Change in Control

Provides for the circumstances under whether the parties have agreed that the Seller consent is required for a Change in Control of the Buyer. A Change in Control commonly being where the company is acquired by another. Where the Change in Control Restriction is agreed, as identified in the Commercial Term Sheet at Change in Control Restriction, then Seller consent is required if any monies remain to be paid to the Seller under the Agreement.

Clause 22 Further Assurance

Provides for both parties to provide documents and undertake actions as reasonably required for the purposes of this Agreement.

Clause 23 Confidentiality

Provides generally for maintaining confidentiality, for the sharing of information, and for notifying requirements to make disclosures.

Clause 24 Notices

Provides for provision of notices and of changing the address for notices as identified in the Commercial Term Sheet at Seller Notice Address and Buyer Notice Address.

Clause 25 VAT

Provides confirmation that the Price, Unit Price and all other payments stated in the Agreement exclude VAT. Parties should seek appropriate professional advice, including from HMRC where appropriate, on the VAT status, treatment and liability of PIUs, PCUs and WCUs in relation to their projects and organisations.

Clause 26 No Waiver / Clause 27 Severability / Clause 28 Entire Agreement

General contract provisions.

Clause 29 Variation

Provides for circumstances where, for whatever reason, any land initially identified within the Project Site is no longer affected by obligations under the Governing Code, and where the Seller may request to vary the Agreement to remove the land from this Agreement.

Clause 30 Execution in Counterpart / Clause 31 Third Party Rights

General contract provisions

Clause 32 Disputes

Provides the process and obligations for parties, by which disputes under this Agreement will be resolved. The manner of dispute resolution being either by expert determination or arbitration and as identified in the Commercial Term Sheet at Dispute Resolution Procedure.

Clause 33 Buyer Access

Provides the obligations for parties, where the parties have agreed that the Buyer will have access to the Project Site as identified in the Commercial Term Sheet at Buyer Access.

Clause 34 Publicity Rights

Provides the obligations for parties, where the parties have agreed that the Buyer will be entitled to publicise its involvement with the Project as identified in the Commercial Term Sheet at Publicity Rights

Clause 35 Additional Clauses

Provides for the compliance by the parties with the obligations with any additional requirements agreed by the parties and included at Schedule Part 3 / Schedule 3 - Additional Clauses.

Clause 37 Governing law and jurisdiction

Provides confirmation of under which jurisdiction within the UK the Agreement will be governed. The agreements will be applicable to projects in each of the UK's legal jurisdictions. Whilst much of the agreements are commercial terms and relate to the Codes, there are elements that are unavoidably particular to the law within each part of the UK. Accordingly, three variants of this Agreement have been prepared:

- Carbon Unit Purchase Agreement (Scotland)
- Carbon Unit Purchase Agreement (England & Wales)
- Carbon Unit Purchase Agreement (Northern Ireland)

3.4 Schedule(s)**Schedule Part 1 / Schedule 1 - Site Plan**

A site plan or map should be included which is consistent with the requirements of the Governing Code and the UK Land Carbon Registry.

Schedule Part 2 / Schedule 2 - Project Design Documents

The Project Design Documents as provided to and required by the Governing Code should be included. Note these may be provided as draft if entering the Agreement prior to Registration and Validation.

Schedule Part 3 / Schedule 3 - Additional Clauses

Parties should include any additional requirements of obligations each party is required to comply with ensuring that is clear which party is responsible in each case. Where these requirements relate to existing clauses, parties should ensure that is clear to which existing clause the provisions relate to or replace.

Schedule Part 4 Standard Security (Scotland only)

Draft form of Standard Security for use where the parties have agreed that this will be a Secured Contract, as identified in the Commercial Term Sheet at Secured Contracts.