MEMORANDUM OF UNDERSTANDING ON ENVIRONMENTAL COOPERATION BETWEEN THE STATE OF ACRE OF THE FEDERATIVE REPUBLIC OF BRAZIL, THE STATE OF CHIAPAS OF THE UNITED MEXICAN STATES, AND THE STATE OF CALIFORNIA OF THE UNITED STATES OF AMERICA

The State of Acre of the Federative Republic of Brazil, the State of Chiapas of the United Mexican States, and the State of California of the United States of America, hereinafter referred to as "the Parties":

ACKNOWLEDGING the friendship and excellent cooperation among the governments of the Federative Republic of Brazil, the United Mexican States, and the United States of America;

TAKING INTO ACCOUNT the global nature of environmental problems and the ability of joint efforts to enhance joint policies for environmental protection and sustainable natural resources, especially reducing emissions from deforestation;

RATIFYING the willingness to promote new mechanisms of dialogue and agreement that lead to the strengthening of relationships and productive mutual action;

CONSIDERING the opportunities for collaboration between the State of Acre, the State of Chiapas, and the State of California in combating climate change;

RECOGNIZING the importance and value of implementing climate mitigation and adaptation actions at sub-national levels, both in their own right and as a means to furthering national and international efforts;

Recognizing further the importance of focusing on issues of common interest between the Parties, such as reducing greenhouse gas emissions in the forest sector by preserving standing forests and sequestering additional carbon through the restoration and reforestation of degraded lands and forest, and through improved forest management practices;

Recognizing further that the Governors' Climate and Forests (GCF) Task Force is a unique subnational collaboration between 14 states and provinces from the United States, Brazil, Indonesia, Nigeria, and Mexico that seeks to integrate Reducing Emissions from Deforestation and Forest Degradation (REDD) and other forest carbon activities into emerging greenhouse gas (GHG) compliance regimes in the United States and elsewhere. As such, the GCF represents an important foundation for identifying enhanced partnerships.

EXPRESS their willingness to cooperate, in the search of joint actions that improve environmental quality and optimize the quality of life in the State of Acre, the State of Chiapas, and the State of California.

ARTICLE 1

This Memorandum of Understanding is intended to promote broader cooperation regarding environmental issues among the Parties within their respective purview and based on principles of reciprocity, information exchange and mutual benefit.

ARTICLE 2

The Parties will coordinate efforts and promote collaboration for environmental management, scientific and technical investigation, and capacity building, through cooperative efforts focused particularly on:

a. Reducing greenhouse gas emissions from deforestation and land degradation - otherwise known as "REDD" - and sequestration of additional carbon through the restoration and reforestation of degraded lands and forests, and through improved forest management practices.

b. Developing recommendations together to ensure that forest-sector emissions reductions and sequestrations, from activities undertaken at the sub-national level, will be real, additional, quantifiable, permanent, verifiable and enforceable, and capable of being recognized in compliance mechanisms of each party's state.

ARTICLE 3

In furtherance of the priorities referenced in Article 2, the Parties will develop the following method of cooperation, among others:

a. The states will develop a Sub-national REDD Working Group that will convene monthly between December 2010 through October 2011 to begin the process for developing a state to state sectoral REDD linkage recommendation that will provide the foundation for an eventual submittal to the California Air Resources Board, as defined in California's cap and trade program (CCR, Title 17, Sections 95991-95997) and to other necessary state entities to approve such a recommendation amongst the Parties. This group will weigh the legal, technical and economic considerations in developing sector-based credits generated by the Parties. This group should include no more than 15 representatives with experience developing sector-based REDD programs or directly involved with the states supplying the credits, or from the California state government. The

process should be led by a facilitator to ensure the group focuses on meeting the needs of ARB in their existing cap and trade regulations. Membership should be limited to a small number of representatives of each Party, a national representative from the selected states;, a limited number of NGO representatives and expert advisors including one on the social dimension of greenhouse gas mitigation, but no more than 2 project based standard organization representatives, and a facilitator.

b. Other methods developed between the Parties.

ARTICLE 4

The Parties will cooperate in the development of a workplan for the REDD Partnership Working Group containing cooperative actions.

The workplan will include all necessary provisions for implementing the cooperation activity agreed upon, including its scope, coordination and administration, resource allocation, expert and professional exchanges, administrative issues, and any other information deemed necessary for achieving the objective of this Memorandum of Understanding.

Independent of the formalization of work plans the Parties agree that collaboration proposals can be presented that allow the parties to optimize outcomes for achieving the objective of this Memorandum of Understanding.

ARTICLE 5

In activities of cooperation and information exchanges, if Parties deem it convenient, private and public sectors may be invited to participate, as well as public, academic and research institutions, or any other organization, as long as they can directly contribute to the achievement of the objective of this Memorandum of Understanding. Other states are also encouraged to participate as Observers to working group discussions.

ARTICLE 6

The Parties will finance activities referred to in this Memorandum of Understanding with resources allocated in their respective budgets, as these resources become available and as stipulated by their own legislation processes. Each Party will pay for expenses related to its own participation, unless alternative financial mechanisms can be used for specific activities, as appropriate and as approved by their respective appointing authority.

ARTICLE 7

Confidential or protected information, material or equipment will not be subject to transfer pursuant to this Memorandum of Understanding.

If information, material and equipment is identified to require or to potentially require protection and classification, during the development of cooperation activities as stated in this Memorandum of Understanding, the Parties will inform corresponding authorities and will establish the appropriate protections in writing. Transfer or use of information, material and equipment not protected or classified which is controlled by any of the Parties, shall be done in accordance with applicable laws of each state, province, nation, or institution and must be properly identified.

ARTICLE 8

Officials designated by each Party to implement cooperation activities under this Memorandum of Understanding will continue working for the party to whom they belong, and no labor relations will be created with any other Party to this Memorandum of Understanding.

Cooperative activities under this Memorandum of Understanding will in no way change the original employer/employee relationship of the officials working together under this Memorandum of Understanding.

The Parties will make all necessary arrangements with corresponding authorities to facilitate customs entrance and exit of participants officially taking part in cooperation projects under this Memorandum of Understanding. These participants will be bound by migration, fiscal, customs, sanitary and national security provisions existing in each respective country and are not authorized to do any other activity without previous permission from the appropriate authorities.

The Parties will ensure that their official representatives participating in cooperation actions have medical, liability and life insurance, to pay costs related to damage repair or indemnification, in case that an accident may occur as a result of cooperation activities related to the execution of this Memorandum of Understanding.

ARTICLE 9

Any differences of interpretation, management or execution of this Memorandum of Understanding will be resolved by mutual understanding of the Parties.

ARTICLE 10

This Memorandum of Understanding can be modified by mutual consent of the Parties in writing, specifying the date of the entry into force of any such modifications.

ARTICLE 11

Termination of this Memorandum of Understanding can be made by any of the Parties, through written communication directed to the other Parties with thirty (30) days advance notice.

ARTICLE 12

The Parties acknowledge that this Memorandum of Understanding is only intended to provide for cooperation between the Parties, and does not create any legally binding rights or obligations. To the extent any other provision of this Memorandum of Understanding is inconsistent with this paragraph, this paragraph shall control.

Executed at the University of California, Davis, during the Governors' Global Climate Summit 3, United States of America, on November sixteen of two thousand and ten, in three originals in the English language.

FOR THE STATE OF CALIFORNIA OF THE UNITED STATES OF AMERICA

Governor Arnold Schwarzenegger

FOR THE STATE OF ACRE IN THE FEDERATIVE REPUBLIC OF BRAZIL

Governor Arnóbio Marques de Almeida Júnior

FOR THE STATE OF CHIAPAS IN THE UNITED MEXICAN STATES

Governor Juan Sabines Guerrero

WITNESSED BY:

Linda Adams

Secretary of the California Environmental Protection Agency and Chair of the Climate Action Reserve

Mary Nichols

Chair of the California Air Resources Board

Edvaldo Magalhães

Deputy of Acre State and President of Legislative Assembly Of Acre State

Lourdes A. Lopez Moreno

Secretary for Environment, Housing and Natural History State of Chiapas

Ricardo Martinez

Deputy Secretary for Environmental Justice, Tribal and Border Affairs State of California Environmental Protection Agency