Foreign &
Commonwealth
Office

Memorandum of Understanding

The Government of the United Kingdom of Great Britain and Northern Ireland (the Government) represented by the Foreign and Commonwealth Office *(the "FCO")*

and

the International Energy Agency *(the "IEA", the Implementing Partner)*

(together called the Participants)

RECOGNISING that the

a) IEA proposes to work on a project structured around Brazil's gas market reform, building on a first phase of the IEA-Brazil gas market reform dialogue and peer-review process that took place in 2018.
b) IEA intends to leverage its strengths as a policy and data-driven international organisation to support the Brazilian:
(1) federal government in implementing the reform of the gas transmission sector, and
(2) state-level stakeholders in adopting regulatory best practices for the distribution sector; and
c) activities planned under this Project are part of the IEA's 2017-2019 joint work programme (JWP) with Brazil and is expected to be included in the 2020-2021 JWP.

The Participants have reached the following understandings:

1. Purpose

(1) The purpose of this memorandum is to provide support to the International Energy Agency (**IEA** or **Implementing Partner**) to enable it to implement the project, which is entitled *IEA-Brazil gas market reform dialogue and peer-review process (Phase II),* as described in **Annex A** (the **Project).**

(2) The Implementing Partner will be awarded the funding in line with the commitments set out in this memorandum.

(3) The Implementing Partner accepts the funding, which will be used to implement the Project activities as set out in **Annex A**.

(4) The Implementing Partner will not undertake any activities as part of this Project other than those described in **Annex A** without the prior written approval of the FCO, and will use the funding from the FCO solely for the purposes of the Project.

2. Duration

This memorandum will come into effect upon signature by both Participants (**Effective Date**) and provides funds for the period from 1 September 2019 until 31 December 2020 or an earlier date if terminated in accordance with this memorandum (**End Date**). The memorandum may be extended beyond that date by mutual consent of the Participants.

3. Status of the IEA

(1) The IEA is an autonomous body within the broader framework of the Organisation for Economic Co-operation and Development (**OECD**). It was established by an OECD Council Decision on 15 November 1974 and a treaty, the Agreement on an International Energy Program.

(2) Nothing in this memorandum or any document entered into in relation to this memorandum will be a waiver or be construed as a waiver, express or implied, of any privileges or immunities enjoyed by the IEA pursuant to the Supplementary Protocols of the Convention on the OECD of 14 December 1960, customary international law, other relevant international or national arrangements and under domestic law.

4. Financial arrangements

(1) Summary of the financial arrangements:

(a) The total amount of the cost of the Project eligible for financing is GBP 182,576– One hundred and eighty-two thousand five hundred and seventy-six pounds (the "**Financing**").

(b) Subject to paragraph 6 below, the FCO will provide the Financing towards the total costs of the Project which will fall under Output Area 1.2 (Bilateral and Multilateral Engagement) of the IEA's Programme of Work and Budget.

(c) The Financing is expected to be paid in arrears in two equal tranches on receipt of the reports and invoices detailed in section 4 below and will be in Pounds Sterling (GBP).

(d) When requesting payment in arrears, the IEA will provide an invoice along with a financial report in GBP on the use of the Financing in line with the agreed financial allocations showing actual expenditure to date against the approved budget. The report will follow the OECD standard reporting format.

(e) The IEA will administer and account for the Financing in accordance with its financial regulations and other applicable rules, procedures and practices and keep separate records and accounts for the Project 5 years after its termination. The Financing will be solely for the Project.

(f) The Participants recognise the importance of procurement good practice when using funds provided by the FCO for any procurement that is necessary to implement the

Project. The IEA will ensure that any procurement using the Financing will be managed in accordance with its applicable regulations, rules, policies and procedures. The IEA will comply with the Financial Regulations and Rules of the OECD which take regard of international best practice and are transparent, fair and open and designed to achieve maximum value for money.

(2) Details of Bank Account that funds will be paid into:

GBP Bank:	**JP Morgan Chase Bank, London, United Kingdom**
Beneficiary:	OECD
Account:	24908505
Sort Code:	60-92-42
SWIFT/BIC:	CHASGB2L
IBAN:	GB53CHAS60924224908505
Address:	125 London Wall London EC245AJ, United Kingdom

(3) The Financing may be subject to revision dependent on the fulfilment of the provisions of this memorandum, any revisions to budgets, actual expenditure and need, and the continuing availability of resources to FCO. If necessary, to bring forward, delay or revise payments, the FCO and IEA will discuss and agree to revise the payment schedule provided that such payments will cover any funds spent or committed by the IEA in accordance with this memorandum. This will be done through a signed amendment to be agreed upon by FCO and IEA as soon as possible before the End Date of the memorandum.

5. Reporting

(1) The IEA will provide FCO with one interim progress report that briefly describes the activities undertaken under the Project.

(2) In addition, the IEA will submit to the FCO financial reports (interim and final) in accordance with the IEA standard reporting format detailing how the Project funds were spent.

(3) The proposed reporting schedule is set out below:

Report	Expenditure period covered by report/invoice	Proposed due date
Interim financial and narrative reports	1 September 2019 – 31 December 2019	31 March 2020
Invoice	1 September 2019 – 31 December 2019	31 March 2020
Final financial & narrative reports (Project Completion Report)	1 January 2020 - 31 December 2020	31 March 2021
Invoice	1 January 2020 - 31 December 2020	31 March 2021

(4) All outstanding claims must be submitted no later than three (3) months after the End Date, i.e on or before 31 March 2021.

(5) Within three months of the Project completion date the Implementing Partner will submit a final narrative report (**Project Completion Report**) and a financial report to the FCO containing a summary of activities and outputs, including a breakdown of all project expenditure.

(6) The financial reports will be submitted according to the OECD cost categories as stipulated in the budget in Annex B.

(7) Both Participants will maintain open lines of communication throughout the duration of the Project for technical discussions and to provide project updates to the extent available, including outside of the formal reporting arrangements agreed above and for FCO's Annual reviews as and when necessary (see paragraph 18 below).

(8) Any unspent funding remaining at the End Date will be returned to the FCO unless specifically decided between the Participants in writing.

6. Aid Diversion

(1) For purposes of this memorandum, "**Aid Diversion**" means any event, including fraud, corruption, bribery, theft, terrorist financing, money laundering and other misuse of funds that prevents the funding being directed to the outputs and activities of the Project, or funding being directed to the outcomes intended under the present memorandum.

(2) The Participants will inform each other of any event which interferes or threatens to materially interfere with the activities under this memorandum, including significant credible suspicion of, or actual Aid Diversion. The IEA should assess credibility based on the source of the allegation, the content, and the level of detail or evidence provided.

(3) The Participants agree and acknowledge that they have a zero tolerance approach towards Aid Diversion. The IEA will take timely and appropriate action to investigate credible allegations of such events. If, following initial examination of the events the IEA determines that they are credible, the IEA will inform FCO of the situation and will also inform FCO of the results of the investigation.

(4) The IEA should contact the FCO's Anti Fraud and Corruption Unit (AFCU) at afcu@fco.gov.uk or +44 (0)7771 573944. All information will be treated with the utmost confidentiality. Information can also be reported directly to the FCO staff responsible for managing this memorandum where appropriate; this will immediately be passed on to FCO's Anti Fraud and Corruption Unit.

(5) The FCO may terminate this memorandum with immediate effect and/or recover from the Implementing Partner all or part of the funding paid under this memorandum in

accordance with paragraph 10(4) in the event of actual or, following examination, significant suspicion based upon verifiable information from a credible source, of Aid Diversion.

(6) The Participants acknowledge their committment to the international fight against terrorism and the FCO's policy to seek to ensure that none of its resources are used, directly or indirectly, to provide support to individuals or entities associated with terrorism or crime of any sort.

(7) The IEA undertakes not to knowingly use the Financing under this memorandum to provide support to individuals or entities associated with terrorism and will seek to ensure that no resources provided under this memorandum are made available or used to provide support to individuals or entities associated with terrorism.

7. Due Diligence

(1) The Implementing Partner will co-operate fully with any due diligence assessment by the FCO or its agents, before and/or during project implementation, of the Implementing Partner's own internal controls and systems intended to determine that it has the ability to carry out the Project.

(2) In utilising the Financing the Implementing Partner will exercise the same care in the discharge of its functions under this arrangement as it exercises with respect to the administration and management of its own resources and affairs.

(3) In the course of the activities under this memorandum, the IEA will contractually oblige its contractors, if any, to adhere to the highest ethical and business responsibility standards; in particular, all applicable national and international rules relating to ethical and responsible standards of behaviour, including, without limitation, those dealing with human rights, environmental protection, sustainable development, anti-bribery and anti-corruption, and to require that contractors place the same obligations on any sub-contractors.

8. Accountability and Indemnity

(1) The FCO will not be responsible for the activities of any person, organisation or company engaged by the Implementing Partner or its agencies to assist with the implementation of the Project, nor will the FCO be responsible for any costs incurred by the Implementing Partner or its agencies in terminating the engagement of the aforementioned persons, organisations or companies.

(2) Although accountable to the FCO for the appropriate use of the Financing and delivery of project objectives, the Implementing Partner will retain ultimate responsibility for the use of the Financing.

9. Safeguarding for the prevention of sexual exploitation, abuse and harassment

(1) The Implementing Partner will take all reasonable steps to prevent the sexual exploitation, abuse and harassment of any person linked to the delivery of this memorandum by both its employees and any consultants engaged to assist on the Project.

(2) The IEA shall ensure that the Project funded under this memorandum is implemented pursuant to the OECD's Staff Regulations, Rules and Instructions (**OECD Staff Regulations**) and Code of Conduct[1], including, without limitation, its rules and regulations relating to harassment, including sexual harassment.

(3) The Participants agree and acknowledge that they have a zero tolerance approach towards sexual exploitation, abuse and harassment. The Implementing Partner will immediately contact FCO's Anti Fraud and Corruption Unit at afcu@fco.gov.uk or call +44 (0)7771 573944 to report any credible suspicions of, or actual incidents of sexual exploitation, abuse or harassment related to funding under this memorandum if, in the opinion of the IEA, such instances would have a significant impact on its partnership with FCO or on the reputation of FCO or UK aid, and provided that such information does not jeopardise the conduct of any ongoing investigation or infringe due process or fundamental rights. Such information will be made in accordance with OECD internal regulations, rules and policies, including with respect to confidentiality of non-public information, privacy and the IEA's independence as an intergovernmental organisation.

10. Termination

(1) This memorandum will terminate three months after 31 December 2020unless otherwise agreed in writing or terminated in accordance with the provisions below.

(2) If either Participant is concerned that the provisions of this memorandum have not been fulfilled by the other Participant, or if any actions by either Participant will significantly impair the implementation or development value of the activities to which this memorandum relates, the Participants will discuss such concerns in an attempt to resolve any issues. Following such discussion, this memorandum may be amended or terminated in accordance with the relevant provisions in this memorandum.

(3) Both Participants will first negotiate in an attempt to resolve any issue referred to in paragraph 10(2) that might arise through the Project. However, if such issues cannot be resolved, this memorandum may be terminated by three months' written notice by either Participant in case of circumstances not attributed to the terminating Participant. All unspent funds other than this irrevocably committed in good faith before receipt of written notice of termination in line with this memorandum, including any costs or penalties incurred as a result of cancelling commitments, will be returned to FCO within 30 days of the date of receipt of a written notice of

[1] https://www.oecd.org/careers/Staff_Rules_EN.pdf; https://www.oecd.org/legal/Code_of_Conduct_OECD_2017.pdf

termination. If funds already paid by FCO at the time of termination are not sufficient to cover such commitments and costs, FCO will cover the difference.

(4) Notwithstanding any provisions in this memorandum, FCO may terminate this memorandum with immediate effect, in preference to the standard notice period, after consultation with the IEA, and at its discretion may recover disbursed, or refuse to disburse all or part of the remaining, funds payable under this memorandum, other than those already expended or irrevocably committed in good faith, if any of the following occur:

a) the IEA either repeatedly fails to comply with, or is repeatedly in material breach of, any substantive provision of this memorandum;
b) in the event that the activities to which this memorandum relates cease to be pursued for any reason due to IEA's negligence or willful action, other than by way of successful completion;
c) the IEA uses the funds provided under this memorandum for any purpose other than the Project;
d) in the event of actual or significant suspicion based upon verifiable information from a credible source of Aid Diversion (as referenced in paragraph 6(5));
e) in the event of an instance of sexual exploitation, abuse or harassment directly related to funding under this memorandum (as referenced in paragraph 9(3)); and
f) the IEA's willful actions (not including the normal carrying out of the work under the memorandum, including any assessment of or recommendations regarding FCO or the UK) damage, or are likely to damage, the reputation or integrity of FCO.

If funds already paid by FCO at the time of termination are not sufficient to cover irrevocable commitments and costs at the time of the termination, FCO must cover the difference.

11. Transparency

(1) The FCO may request information about the implementation and operation of the Project. Where the FCO makes such a request, the FCO will provide the Implementing Partner with the reason for its request.

(2) The Implementing Partner is committed to the principle of transparency and, subject to internal rules and regulations and its status as an international organisation, the Implementing Partner will make available to the FCO such information, as may be requested, relating to the implementation and the operations of the project.

12. Intellectual Property

(1) Any intellectual property rights in all material (including but not limited to reports, analysis, data, models, whether or not electronically stored) produced by the IEA in the course of the implementation of the Project will be the property of the IEA.

(2) The IEA hereby grants the FCO, subject to any applicable third party rights and where appropriate, a worldwide, perpetual, royalty free licence to use the materials

produced by the IEA in the course of the implementation of the Project for any non-commercial government purposes directly connected with the Project.

(3) Unless otherwise instructed by the IEA, FCO will acknowledge the IEA as the source of such materials.

13. Dispute settlement

Any dispute that may arise as to the interpretation or application of this memorandum will be settled by consultation between the Participants.

14. Contact information

The Participants will provide each other with contact details for their representatives with responsibility for addressing normal day to day enquiries related to the memorandum.

15. Responsibility for Staff

The Implementing Partner will provide adequate supervision of and care for its staff, authorised agents and representatives.

16. Acknowledgements

The Implementing Partner shall acknowledge the FCO's contribution in any reference made by Implementing Partner with respect to the project activities in publications, speeches, press releases or other similar publications, where appropriate.

17. Mandatory Requirements

As an independent intergovernmental organisation the IEA is not subject to any national or regional legislation.

1. **ODA**: All spend under the Project must be fully Overseas Development Assistance (**ODA**) compliant and consistent with the rules of the OECD Development Assistance Committee. The Implementing Partner will be accountable for the appropriate use of ODA Contribution, management of risk and delivery of the project outputs and outcomes including adverse effects of aid expenditure that have undesired and unexpected results upon recipients including any adverse gender related impacts.

2. **Gender**: The Implementing Partner should ensure that gender issues and opportunities are suitably addressed in delivery and monitoring to ensure compliance. The Implementing Partner will demonstrate that it has the requisite expertise to ensure gender equality is mainstreamed into the Project.

18. Governance

Both the Participants will hold bi-monthly calls to discuss progress of planned activities, where necessary. Additional adhoc calls will be agreed in writing between the Participants.

19. Amendment of this memorandum

Any amendment to this memorandum will be agreed upon by both Participants, recorded in writing and attached to this memorandum.

20. Signatures

This memorandum places on record the understanding of the Participants and comes into effect on the last date of signature below:

Signed on behalf of the FCO:

Signature: .....

Name: IAIN FREW

Position: Prosperity Counsellor

Date: 19/09/19

Signed on behalf of the IEA:

Signature: .....

Name: FATIH BIROL

Position: Executive Director

Date: 9/10/2019

Annex A
The Project

Introduction

1. On 31 October 2017 Brazil became the 7th emerging economy to become an Association country of the International Energy Agency (IEA), and agreed to a 2017-2019 joint work programme (JWP). The UK has strongly supported the IEA's Association initiative in connection with its energy security and sustainability objectives. Association confers benefits on Association countries and the JWP with Brazil covers a range of areas, including the clean energy transition, energy security and data and statistics. All activities conducted under the JWP will require external funding from Brazil, IEA member states, third parties or a combination of these. This proposal concerns support for Brazil's gas market reform, which is included in the current JWP, and is expected to be included in the 2020-2021 JWP.

Detail on the proposal

IEA-BRAZIL GAS MARKET REFORM DIALOGUE AND PEER-REVIEW PROCESS (PHASE II)

2. This proposal builds on a first phase of the IEA-Brazil gas market reform dialogue and peer-review process (the Project) that took place in 2018. During this first phase, the IEA, in partnership with key Brazilian government stakeholders (the Ministry of Mines and Energy - MME, the Empresa de Pesquisa Energética – EPE, and the Agency of Petroleum, Gas and Biofuels - ANP), and with the support of the UK government, successfully led a series of activities, including expert visits, regular technical discussions, in-country workshops and the publication of an IEA report on the topic including recommendations for the Brazilian government. The "Novo Mercado de Gás" project described in the National Energy Policy Council (CNPE) Resolution Nº16 of 24 June 2019 took on board many of the recommendations from the first phase and the project has been cited by high-level MME officials as a very useful model for future cooperation in other policy areas.

In the context of these interactions and in subsequent discussions between the IEA and key Brazilian government stakeholders during the last quarter of 2018 and the first half of 2019, potential topics for a second phase of work were discussed and agreed upon. The second phase of the Project would pursue the objectives of:

(1) supporting the Brazilian federal government in implementing the reform of the gas transmission sector, and
(2) supporting the Brazilian state-level authorities in adopting regulatory best practices for the distribution sector. In addition to these two objectives, the IEA would also use endeavours for there to be gender parity in the proposed activities to the extent possible, and to highlight opportunities for gender and social inclusion for the implementation of the Novo Mercado de Gás. To this effect, the FCO will contract the services of a specialized consultant to work with the IEA on assessing the gender impact of the activities, increasing gender inclusion in activities where appropriate and to support the organization of the different activities decribed in this proposal.

Within objective (1), collaboration would focus on exchanging international experience regarding the following challenges:

a) Designing network codes that consider market-based mechanisms for capacity allocation.
b) Adapting planning practices, particularly in relation to transport planning and EPE's 10-year grid expansion indicative plan.
c) Supporting the drafting of a balancing regime in transportation that considers market-based mechanisms, in order to foster hub development.
d) Having more clarity on the need for gas storage in Brazil, and identifying mechanisms to incentivize its development, if necessary.

3. As was done during the first phase of the Project, IEA Secretariat experts and selected experts from IEA member countries will provide inputs to the Brazilian government by facilitating access to key learnings and best practice from international experience and by engaging in substantive dialogues with Brazilian stakeholders. These experts would participate in IEA-led activities in phase 2 of the Project, as well as in other key activities relevant to achieving objectives (1) and (2) described above.

The IEA Secretariat expects to draft summary reports for each activity in phase 2 and to produce a white paper for the internal use of the Brazilian government and the UK, which will include recommendations on market reform implementation. The IEA proposes to deliver this white paper by the end of March 2020.

4. Activities and deliverables carried out in the context of phase 2 are expected to include:

- The translation to Brazilian Portuguese of the IEA report "*Towards a competitive gas market in Brazil*".
- One two-day technical workshop targeting objective (1), with IEA Secretariat experts and up to four experts from the IEA's international network of experts, ensuring gender parity among participants as much as possible. This workshop is intended to include a specialized panel focused on gender.
- One one-day workshop targeting objective (2), with IEA/OECD Secretariat experts and up to three experts from the IEA's international network of experts, ensuring gender parity among participants as much as possible.
- One four-day study tour to the United Kingdom and another European country for up to ten policy and technical experts from the Brazilian federal and state-level public sector and other key stakeholders, targeting objectives (1) and (2). The IEA will try to ensure gender parity among participants as much as possible. The list of participants will be agreed between the IEA, MME and the UK.The FCO expects to be able to provide in kind support for the segments of the study tour taking place in the UK. As part of the activities to be undertaken during the study tour, the FCO and IEA will seek to present participants with relevant experiences related to the role of natural gas in clean energy transitions and how to increase the sustainability of the natural gas sector.
- One videoconference to address a technical topic related to objective (1), as a follow-upto the technical workshop.
- Elaboration by the IEA Secretariat of summary notes of the key findings of each of the activities outlined above, as well as a white paper containing recommendations to the Brazilian government for the effective implementation of the market reform.
- Dissemination activities, by IEA Secretariat presentations to key gas conferences and workshops in Brazil as well as videoconferences with the government and stakeholders in 2019 and 2020. Details about the dissemination activities will be agreed upon by IEA and the FCO in writing.
- One follow-up call with the UK Prosperity Fund in Brazil to discuss the implementation of the recommendations included in the IEA's white paper.

Timescale and costs

5. IEA Secretariat estimates that the combined cost of the activities and the production of the deliverables described above amounts to 182,576 GBP, including staff and non-staff costs, as detailed in Annex B.

6. IEA Secretariat anticipates that, thanks to the solid base of work already undertaken, following agreement on the project with Brazil's MME as IEA's interlocutor, phase 2 of the Project could be undertaken in the period September 2019 – December 2020. This would involve:

- Undertaking the proposed technical workshop and study tour by 29 February 2020, producing a final white paper by 31 March 2020;
- a follow-up call with the contracting party of the UK Prosperity Fund in Brazil by 30 June 2020; and
- dissemination activities until 31 December 2020.

IEA Secretariat also anticipates Brazilian in-kind support from the Brazilian government stakeholders (MME, EPE, ANP).

Annex B Activity Based Budget (budget with details)

Cost category	TOTAL GBP
Staff & staff related costs	64,906
Intellectual services[2]	5,477
Missions (staff and experts)	87,272
Event/conference and reception costs (including inter alia: room and equipment rental; interpretation and hospitality costs) for the Technical workshop	7,303
Other operating expenditures (including inter alia: publications, translations; printing costs; database access)	6,116
VC administration charge*	11,502
TOTAL	**182,576**

*VC administration charge (6.3% of total VC offer) billed in full in the year of VC acceptance i.e. 2019.

The IEA shall be entitled to spend more than the amounts indicated in any budget line provided that expenditures are reduced by the same amount in one or more of the other budget lines to be financed from this VC.

The anticipated mission costs are to be supplemented by in-kind support from FCO for the UK section of the study tour for Brazilian experts (including an accompanying FCO official and arranging local transportation).

[2] Intellectual services refers to fees for experts or non-staff consultants hired by the IEA.