



Scottish
Forestry
Coilltearachd
na h-Alba



GILLESPIE
MACANDREW

TURCAN CONNELL



National Committee
United Kingdom

Peatland Programme

Peatland Code and Woodland Carbon Code

Carbon Unit and Pending Issuance Unit Purchase Agreement Commercial Term Sheet Examples

Commercial Term Sheet Examples

Examples of how to complete the Commercial Term Sheet in each of the Carbon Unit Purchase Agreement and Pending Issuance Unit Purchase Agreement

March 2025



Document Control

Document Title PC WCC CU Purchase Agreement Commercial Term Sheet Examples
Version 1.0
Published 21 March 2025

Contents

1. Commercial Term Sheet Examples.....	2
1.1 Pending Issuance Unit Purchase Example #1	3
1.2 Pending Issuance Unit Purchase Example #2	8
1.3 Pending Issuance Unit Purchase Example #3	12
1.4 Carbon Unit Purchase Example #4.....	16
1.5 Pending Issuance Unit Purchase Example #5	20

1. Commercial Term Sheet Examples

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.

The following provides five worked examples of how parties may complete the Commercial Term Sheet in the Carbon Unit Purchase Agreement and Pending Issuance Unit Purchase Agreement when reaching agreement on different bases. These reflect our understanding and experiences of some approaches to contracting that have been taken to date.

Note. These do not represent any recommended basis for contracting.

1.1 Pending Issuance Unit Purchase Example #1

The scenario that is reflected in this Commercial Term Sheet is where there is a single buyer that is acquiring all of the PIUs in a particular woodland creation project. The seller owns the land. The purchaser has a local connection to the project and part of the incentive in acquiring the units is to publicise their connection with the project, as well as utilise the carbon units that will be generated. The buyer is investing significant sums up front to meet the capital expenditure requirements of the project, both in terms of the planting works (less any grant payments that the seller is entitled to), but also to cover all of the seller's professional fees and other necessary infrastructure cost, such as new roading. The seller is also receiving as part of the upfront payment a premium for entering into the agreement. The seller will receive a further element of the overall price when the project is validated (and PIUs transferred) but there will be no further verification payments. The agreement is being entered into at a very early stage in the project, when the design has been finalised but the project has still to be registered. Agreement is being entered into in May 2025.

Due to the stage at which the agreement is being entered into and concerns expressed around the seller's ability to implement the project it has been agreed that a proportion of the deposit will be placed on escrow until certain milestones are met. An additional clause as set out below will therefore be added to Schedule 3 (England, Wales and Northern Ireland) or Part 3 of the Schedule (Scotland) to the agreement.

COMMERCIAL TERM SHEET

Project Site	Pretty Green Wood, Scottish Highlands, as shown outlined in green on the Site Plan contained in Part 1 of the Schedule
Governing Code	Woodland Carbon Code
Governing Code Reference	Not available
Project	Native broadleaved planting project extending to approximately 105 hectares and comprising a broad range of tree species including Larch, Beech and Birch trees as particularly described in the Project Design Documents (including management plan) contained in Part 2 of the Schedule
Tenure	Landowner
Landlord	N/A
Buyer Exclusivity	Yes

Contract Quantity	60,000 PIUs				
Contract Period	80 Years				
Carbon Sequestration Profile	Verification: years since start date (completion of works)	Years in vintage	Total PIUs in vintage to be listed	PIUs to Buffer	PIUs to Project
	5	1-5	0	0	0
	15	6-15	9200	1840	7360
	25	16-25	23800	4760	19040
	35	26-35	15600	3120	12480
	45	36-45	9900	1980	7920
	55	46-55	6400	1280	5120
	65	56-65	4700	940	3760
	75	66-75	3800	760	3040
	80	76-80	1600	320	1280
		Total	75000	15000	60000
Registration Longstop Date	31 December 2026				
Establishment Works Commencement Longstop Date	31 March 2027				
Validation Longstop Date	Not applicable.				
Verification Frequency	Per Governing Code				

Price	£1,200,000
Unit Price(s)	£20 per PIU
Deposit	£1,000,000
Completion Payment	£200,000
Post-Completion Payment	Nil
Verification Payment	Nil
Index	Consumer Price Index as published by the Office for National Statistics. https://www.ons.gov.uk/economy/inflationandpriceindices/datasets/consumerpriceinflation
Overdelivered Unit Price	Indexed Unit Price
Avoidable Loss Compensation	Reimbursement
Unavoidable Loss Compensation	Reimbursement (insofar as can be paid from funds in escrow)
Seller Fault Payment	Refund
No Seller Fault Payment	Balance of funds held in escrow
Minimum Threshold	50%
Change Risk	Seller

Insurance	yes
Secured Contracts	yes
Security Payment Date	Deposit
Buyer Maximum Liability Sum	Five million pounds (£5,000,000) Sterling
Seller Maximum Liability Sum	nil
Step-in Rights	yes
Buyer Access	yes
Publicity Rights	yes
Change in Control Restriction	no
Seller Notice Address	[]
Buyer Notice Address	[]
Dispute Resolution Procedure	expert determination
Nominated Bank	Bank of Scotland plc

ADDITIONAL CLAUSE

TREATMENT OF DEPOSIT

- A. 50% of the Deposit (£500,000) will be released to the Seller on the Effective Date and the remaining 50% (£500,000) ("the Escrow Funds") will be placed on an interest-bearing account with the Nominated Bank, set up in the joint names of the Buyer and the Seller and to be intromitted with on the basis of this clause.
- B. £50,000 of the Escrow Funds will be paid to the Seller on registration of the Specified Project.
- C. Unless the Buyer terminates this Agreement in terms of Clause 7.2.1, a further £150,000 of the Escrow Funds will be paid to the Seller on Validation of the Specified Project.
- D. Subject to Clause E, on the first Verification of the Specified Project the balance of the Escrow Funds (which includes any interest that has accrued thereon) will be paid to the Seller.
- E. Any Compensation payable by the Seller to the Buyer pursuant to Clause 8.4 and/or 8.9 shall be paid from the Escrow Funds prior to any balance being paid to the Seller to the Buyer pursuant to Clause D
- F. In the event of termination of this Agreement by the Buyer the balance of the Escrow Funds held on the account created in terms of Clause A (or such part thereof as is required to meet the Seller's obligations to the Buyer) shall be paid to the Buyer, and that in full or part payment of the Seller's obligations to the Buyer in terms of this Agreement. In the event there are any remaining Escrow Funds following fulfilment of these obligations then such balance shall be released to the Seller.
- G. The parties shall each take such administrative steps as are necessary to give effect to this Clause.

1.2 Pending Issuance Unit Purchase Example #2

The scenario that is reflected in this Commercial Term Sheet is where the buyer wishes to acquire all of the PIUs in a particular woodland creation project for the first three vintages, to meet the buyer's carbon units requirements up until 2050. The agreement is being entered into in May 2025 and first verification is scheduled for Spring 2027. The project has already been registered and validated, and 75,000 PIUs issued for the whole project, including buffer PIUs. The seller owns the land. The seller has met all of the costs of the project to date but is receiving from the buyer a significant payment to cover all of those costs and a further premium in exchange for entering into this agreement. A smaller element of the price is deferred to verification, as incentive on the seller to ensure successful verification.

COMMERCIAL TERM SHEET

Project Site	Lakeside Forest, Cumbria, as shown outlined in green on the Site Plan contained in Part 1 of the Schedule				
Governing Code	Woodland Carbon Code				
Governing Code Reference	Project name: Lakeside Forest Project ID: 102000000012895				
Project	Native broadleaved planting project extending to approximately 125 hectares and comprising a broad range of tree species including Oak, Ash and Birch trees as particularly described in the Project Design Documents (including management plan) contained in Part 2 of the Schedule				
Tenure	Landowner				
Landlord	N/A				
Buyer Exclusivity	Yes				
Contract Quantity	26,400 PIUs				
Contract Period	25 Years (or third verification, if earlier)				
Carbon Sequestration Profile	Verification: years since start date (completion of works)	Years in vintage	Total PIUs in vintage to be listed	PIUs to Buffer	PIUs to Project
	5	1-5	0	0	0

	15	6-15	9200	1840	7360
	25	16-25	23800	4760	19040
		Total	33000	6600	26400
Registration Longstop Date	Not applicable				
Establishment Works Commencement Longstop Date	Not applicable				
Validation Longstop Date	Not applicable.				
Verification Frequency	Per Governing Code				
Price	£739,200				
Unit Price(s)	£28 per PIU				
Deposit	Nil				
Completion Payment	£607,200				
Post-Completion Payment	Only verification payment				
Verification Payment	£132,000 (£5 per verified unit)				
Index	None				
Overdelivered Unit Price	Market Value				

Avoidable Loss Compensation	Reimbursement
Unavoidable Loss Compensation	no Compensation
Seller Fault Payment	Refund
No Seller Fault Payment	no Refund
Minimum Threshold	Not applicable
Change Risk	Buyer
Insurance	yes
Secured Contracts	yes
Security Payment Date	Completion
Buyer Maximum Liability Sum	Five million pounds (£5,000,000) Sterling
Seller Maximum Liability Sum	nil
Step-in Rights	yes
Buyer Access	yes
Publicity Rights	yes
Change in Control Restriction	no

Seller Notice Address	[]
Buyer Notice Address	[]
Dispute Resolution Procedure	arbitration
Nominated Bank	Barclays Bank plc

1.3 Pending Issuance Unit Purchase Example #3

The scenario that is reflected in this Commercial Term Sheet is where the buyer wishes to acquire all of the PIUs in a particular peatland restoration project. The agreement is being entered into in May 2025, which is after a project validation certificate has been issued so number of validated PIUs is known (24,000, excluding buffer units). The first verification is scheduled for 2030. The seller owns the land. The seller has met all of the costs of the project to date but is receiving from the buyer a significant payment to cover all of those costs and a further premium in exchange for entering into this agreement. There will be no ongoing verification payments. A standard security is being taken in order to ensure that future owners of the land remain bound by obligations. It is agreed that the seller shall have no liability for compensation or default payment, recognising that the restoration works have completed. The buyer will retain step-in rights should further maintenance prove necessary.

COMMERCIAL TERM SHEET

Project Site	Boggy Moor, Ross-shire, as shown outlined in red on the Site Plan contained in Part 1 of the Schedule				
Governing Code	Peatland Code				
Governing Code Reference	Project name: Boggy Moor Project ID: 107000000012895				
Project	Peatland restoration project extending to approximately 125 hectares as particularly described in the Project Design Documents (including management plan) contained in Part 2 of the Schedule				
Tenure	Landowner				
Landlord	N/A				
Buyer Exclusivity	Yes				
Contract Quantity	24,000 PIUs				
Contract Period	100 Years				
Carbon Sequestration Profile	Verification: years since start date (last date of restoration works)	Years in vintage	Net Emissions reduction per vintage	Risk Buffer Contribution per vintage	Claimable Emissions Reduction per vintage
	5	1-5	1,500	300	1,200

	15	6-15	3,000	600	2,400
	25	16-25	3,000	600	2,400
	35	26-35	3,000	600	2,400
	45	36-45	3,000	600	2,400
	55	46-55	3,000	600	2,400
	65	56-65	3,000	600	2,400
	75	66-75	3,000	600	2,400
	85	76-85	3,000	600	2,400
	95	86-95	3,000	600	2,400
	100	96-100	1,500	300	1,200
		Total	30,000	6,000	24,000
Registration Longstop Date	Not applicable				
Establishment Works Commencement Longstop Date	Not applicable				
Validation Longstop Date	Not applicable.				
Verification Frequency	Per Governing Code				
Price	£600,000				
Unit Price(s)	£25 per PIU				
Deposit	Nil				
Completion Payment	£600,000				

Post-Completion Payment	Nil
Verification Payment	Nil
Index	Not applicable
Overdelivered Unit Price	Not applicable
Avoidable Loss Compensation	no Compensation
Unavoidable Loss Compensation	no Compensation
Seller Fault Payment	no Refund
No Seller Fault Payment	no Refund
Minimum Threshold	Not applicable
Change Risk	Buyer
Insurance	no
Secured Contracts	yes
Security Payment Date	Completion
Buyer Maximum Liability Sum	Five million pounds (£5,000,000) Sterling

Seller Maximum Liability Sum	nil
Step-in Rights	yes
Buyer Access	yes
Publicity Rights	yes
Change in Control Restriction	no
Seller Notice Address	[]
Buyer Notice Address	[]
Dispute Resolution Procedure	arbitration
Nominated Bank	Royal Bank of Scotland plc

1.4 Carbon Unit Purchase Example #4

The scenario that is reflected in this Commercial Term Sheet is where the buyer wishes to acquire Carbon Units in a particular woodland creation project for the first three vintages, to meet the buyer's requirements up until 2050. The agreement is being entered into in May 2025 and first verification is scheduled for Spring 2027. The project has already been registered and validated, and 75,000 PIUs issued for the whole project, including buffer PIUs. The seller owns the land. The seller has met all of the costs of the project to date but is receiving from the buyer a payment that is designed to offset a proportion of those costs that are not otherwise covered by the planting grants. The larger element of the unit price is deferred until verification.

The project is the same as that covered by example 2, but in this agreement the seller is retaining the PIUs until verification. As part of the commercial negotiation (recognising that the largest element of price is deferred) the seller has been able to negotiate (a) that the verification payments will be index-linked (b) a higher base unit price as compared to PIU units price in example 1 (c) no standard security (d) no reimbursement in the event of Avoidable Loss and (e) other options in the commercial term sheet that are reflective of a buyer making a relatively modest upfront investment.

COMMERCIAL TERM SHEET

Project Site	Lakeside Forest, Cumbria, as shown outlined in green on the Site Plan contained in Part 1 of the Schedule
Governing Code	Woodland Carbon Code
Governing Code Reference	Project name: Lakeside Forest Project ID: 102000000012895
Project	Native broadleave planting project extending to approximately 125 hectares and comprising a broad range of tree species including Oak, Ash and Birch trees as particularly described in the Project Design Documents (including management plan) contained in Part 2 of the Schedule
Tenure	Landowner
Landlord	N/A
Buyer Exclusivity	Yes, for first three verifications
Contract Quantity	26,400 WCUs

Contract Period	25 Years (or third verification, if earlier)				
Carbon Sequestration Profile	Verification: years since start date (completion of works)	Years in vintage	Total PIUs in vintage to be listed	PIUs to Buffer	PIUs to Project
	5	1-5	0	0	0
	15	6-15	9200	1840	7360
	25	16-25	23800	4760	19040
		Total	33000	6600	26400
Registration Longstop Date	Not applicable				
Establishment Works Commencement Longstop Date	Not applicable				
Validation Longstop Date	Not applicable.				
Verification Frequency	Per Governing Code				
Verification Longstop Date	Dates will be as per the Verification Frequency but extended at each Verification to the end of any extension period for Verification of PIUs within any Vintage as has been approved by the Carbon Oversight Authority on request by the Seller				
Price	£792,000 (but with all verification payments being Index-linked)				
Unit Price(s)	£30 per WCU (£28 of which will be Index-linked)				
Deposit	£52,800 (£2 per unit)				

Verification Payment	£739,200, ignoring indexation (£28 per verified unit Index-linked)
Index	Consumer Price Index as published by the Office for National Statistics. https://www.ons.gov.uk/economy/inflationandpriceindices/datasets/consumerpriceinflation
Overdelivered Unit Price (Verification)	Index-linked Unit Price
Avoidable Loss Compensation	no Compensation
Unavoidable Loss Compensation	no Compensation
Seller Fault Payment	no Refund
No Seller Fault Payment	no Refund
Minimum Threshold	Not applicable
Change Risk	Seller
Secured Contracts	no
Security Payment Date	not applicable
Buyer Maximum Liability Sum	nil

Seller Maximum Liability Sum	nil
Buyer Access	no
Publicity Rights	no
Change in Control Restriction	yes
Seller Notice Address	[]
Buyer Notice Address	[]
Dispute Resolution Procedure	arbitration
Nominated Bank	Barclays Bank plc

1.5 Pending Issuance Unit Purchase Example #5

The scenario that is reflected in this Commercial Term Sheet is where there is a single buyer that is acquiring all of the PIUs in a particular woodland creation project. This is a small-scale project that a community group is taking forward on tenanted land owned by a local Estate, and funds are being released to meet the costs as and when they are incurred. The buyer has a local connection to the project and can utilise the carbon units that will be generated, but is not seeking publicity and is happy for this to be seen as a community enterprise. The agreement is being entered into at a very early stage in the project, when the design has been finalised but the project has still to be registered. There is no guarantee of success and whilst the Buyer will not look for repayment of sums invested they need the ability to terminate if project is clearly failing. Agreement is being entered into in May 2025.

COMMERCIAL TERM SHEET

Project Site	Pren Bach, South Wales, as shown outlined in red on the Site Plan contained in Part 1 of the Schedule				
Governing Code	Woodland Carbon Code				
Governing Code Reference	Not available				
Project	Native broadleave planting project extending to approximately 16 hectares as particularly described in the Project Design Documents (including management plan) contained in Part 2 of the Schedule				
Tenure	Tenant				
Landlord	Kind Estate				
Buyer Exclusivity	Yes				
Contract Quantity	10,000 PIUs				
Contract Period	80 Years				
Carbon Sequestration Profile	Verification: years since start date (completion of works)	Years in vintage	Total PIUs in vintage to be listed	PIUs to Buffer	PIUs to Project
	5	1-5	0	0	0
	15	6-15	500	100	400

	25	16-25	2800	560	2240
	35	26-35	3800	760	3040
	45	36-45	2300	460	1840
	55	46-55	1400	280	1120
	65	56-65	800	160	640
	75	66-75	600	120	480
	80	76-80	300	60	240
		Total	12500	2500	10000
Registration Longstop Date	31 December 2028				
Establishment Works Commencement Longstop Date	31 March 2031				
Validation Longstop Date	31 March 2035.				
Verification Frequency	Per Governing Code				
Price	£300,000				
Unit Price(s)	£30 per PIU				
Deposit	<p>£200,000, payable:</p> <ul style="list-style-type: none"> a) £50,000 on Effective Date b) £50,000 on Registration c) £50,000 on commencement of Establishment Works d) £50,000 on completion of planting 				

Completion Payment	£50,000
Post-Completion Payment	Only verification payments
Verification Payment	£5 per verified unit
Index	Not applicable
Overdelivered Unit Price	Market value
Avoidable Loss Compensation	No compensation
Unavoidable Loss Compensation	No compensation
Seller Fault Payment	No Refund
No Seller Fault Payment	No refund
Minimum Threshold	none
Change Risk	Buyer
Insurance	no
Secured Contracts	no
Security Payment Date	Not applicable

Buyer Maximum Liability Sum	nil
Seller Maximum Liability Sum	nil
Step-in Rights	no
Buyer Access	yes
Publicity Rights	no
Change in Control Restriction	no
Seller Notice Address	[]
Buyer Notice Address	[]
Dispute Resolution Procedure	arbitration
Nominated Bank	Nationwide plc