PRESENTATION ON CER MONITIZATION
ADAPTATION FUND TRUST FUND
Update on Status of Resources and CER Monetization Program

March 2011
Prepared by the World Bank as Interim Trustee of the Adaptation Fund
1. Trustee Update
   - Recent developments
   - Status of Resources

2. CER Monetization
   - CER Price Levels
   - CER Monetization Program
Trustee Update
Recent Developments

- CMP adopted extension of Interim Trustee mandate in Cancun
- World Bank Executive Directors agreed to extension on February 18, 2011
- AF Trust Fund Independent Audit concluded successfully, covering the period from inception to June 30, 2010.
- Second project funds transfer made - Honduras
## Status of Resources

**January 31, 2011**

(US$ millions)

### Cumulative Receipts (1)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash receipts from CER sales proceeds</td>
<td>138.16</td>
</tr>
<tr>
<td>Cash receipts from Donors and Other Sources</td>
<td>85.59</td>
</tr>
<tr>
<td>Investment Income</td>
<td>0.75</td>
</tr>
<tr>
<td><strong>Total Receipts</strong></td>
<td><strong>224.50</strong></td>
</tr>
</tbody>
</table>

### Cumulative Disbursements (2)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projects and Programs</td>
<td>2.92</td>
</tr>
<tr>
<td>Administrative Budgets</td>
<td>9.71</td>
</tr>
<tr>
<td><strong>Total Disbursements</strong></td>
<td><strong>12.63</strong></td>
</tr>
</tbody>
</table>

### Funds Held in Trust (3) = (1) – (2)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Funds Held in Trust</strong></td>
<td><strong>211.88</strong></td>
</tr>
</tbody>
</table>
### Schedule of Funds Available

**January 31, 2011**

(US$ millions)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (US$ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funds Held in Trust (3)</td>
<td><strong>211.88</strong></td>
</tr>
<tr>
<td>Operational Reserve (4)</td>
<td><strong>3.00</strong></td>
</tr>
<tr>
<td>Amounts Committed, Not Disbursed (5)</td>
<td><strong>21.89</strong></td>
</tr>
<tr>
<td>Funds Available (6) = (3) – (4) – (5)</td>
<td><strong>187.08</strong></td>
</tr>
</tbody>
</table>
Total Programs/Projects Approved to date by NIE and MIE

MIE, 64%
NIE, 36%
Status of Resources

CERs and Donor Proceeds

Monetized CERs
Donor Contributions
TF Balance

in USD millions

May-09 to Jan-11
Potential Resources for the AF to end-2012
2. CER Monetization

• CER Price Levels
CER prices have remained in a trading range of approximately €11 to €15 per ton for nearly two years. Recently have trended near bottom of range.
CER Price Levels
Short-Term Daily Prices

Euro (per ton)
Flat line for 6 days in January

Source: Bloomberg
Events

- In November 2010, cyber-criminals hacked into Romanian Registry and stole EUAs.
- Early January, EUAs stolen from Czech Republic, Austrian and Greek Registries.
  - Approximately 3.2 million EUAs reported missing – market value of almost €50 million ($68 million).
- Europol stated that thefts were linked to organized crime groups and arrests have been made.
- Stolen EUAs traced to other registries.

- ADAPTATION FUND CERS NOT AFFECTED
Measures Taken

- On January 19th 2011, European Commission suspended trading on all European Union Registries.
- Registries are being let back in once they demonstrate security will prevent subsequent theft.
  - As of March 1st 2011, only 10 of 30 registries had reopened.
- BlueNext independently suspended all trading.
  - Spot trading declined significantly, but derivatives markets continued to trade.

Source: Point Carbon, BlueNext
Possible Improvements

- Enhanced security, equivalent to banking standards.
- Make system more centralized, with one set of standards.
- Improve proof of identity for opening registry accounts - photographic and other documentation.
- Limit the opening of registry accounts to compliance buyers and qualified dealers.
- Clarify status of stolen EUAs purchased in good faith.

Other

- Concerns carousel trading (VAT fraud) and money laundering may be continuing undetected.

Source: Point Carbon, BlueNext
CER Price Levels
Adaptation Fund CER Holdings

Volumes, prices and exchange rates as of February 28, 2011

Source: Bloomberg
CER Price Levels
CER Monthly Issuance Levels

CER issuance in December 2010 was 50.2 million tons - double the highest monthly total ever.

Source: UNEP Risoe
CER Price Levels
Analysts Forecasts – as of January 11, 2011

Source: Point Carbon
2. CER Monetization

• CER Monetization Program
CER Monetization Program
Sale Record as of February 28, 2011

- Sales reduced by BlueNext closure from Jan 20th to Feb 3rd, and Swiss Registry closure February 12th to present.
- 8.2 million CER Tons Sold
- $139.1 million raised (€103.2 million)
CER Monetization Program
Monthly Sales by Tonnage

Reduced sales due to Exchange and Registry closings
CER Monetization Program
Monthly Average Price

Average 12.56
CER Monetization Program
Adaptation Fund Inventory

Inventory just under 3 million tons
CER Monetization Program
Potential Resources from Monetization
2013 to 2020

Based on Point Carbon estimate that 2.5 billion CERs could be issued in post-Kyoto period.

Excludes donations, interest income and expenses.