

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

June 2011

Prepared by the World Bank as Interim Trustee of the Adaptation Fund

Agenda

1. Status of Resources

2. CER Monetization

- CER Price Levels
- CER Monetization Program

Status of Resources

April 30, 2011
(US\$ millions)

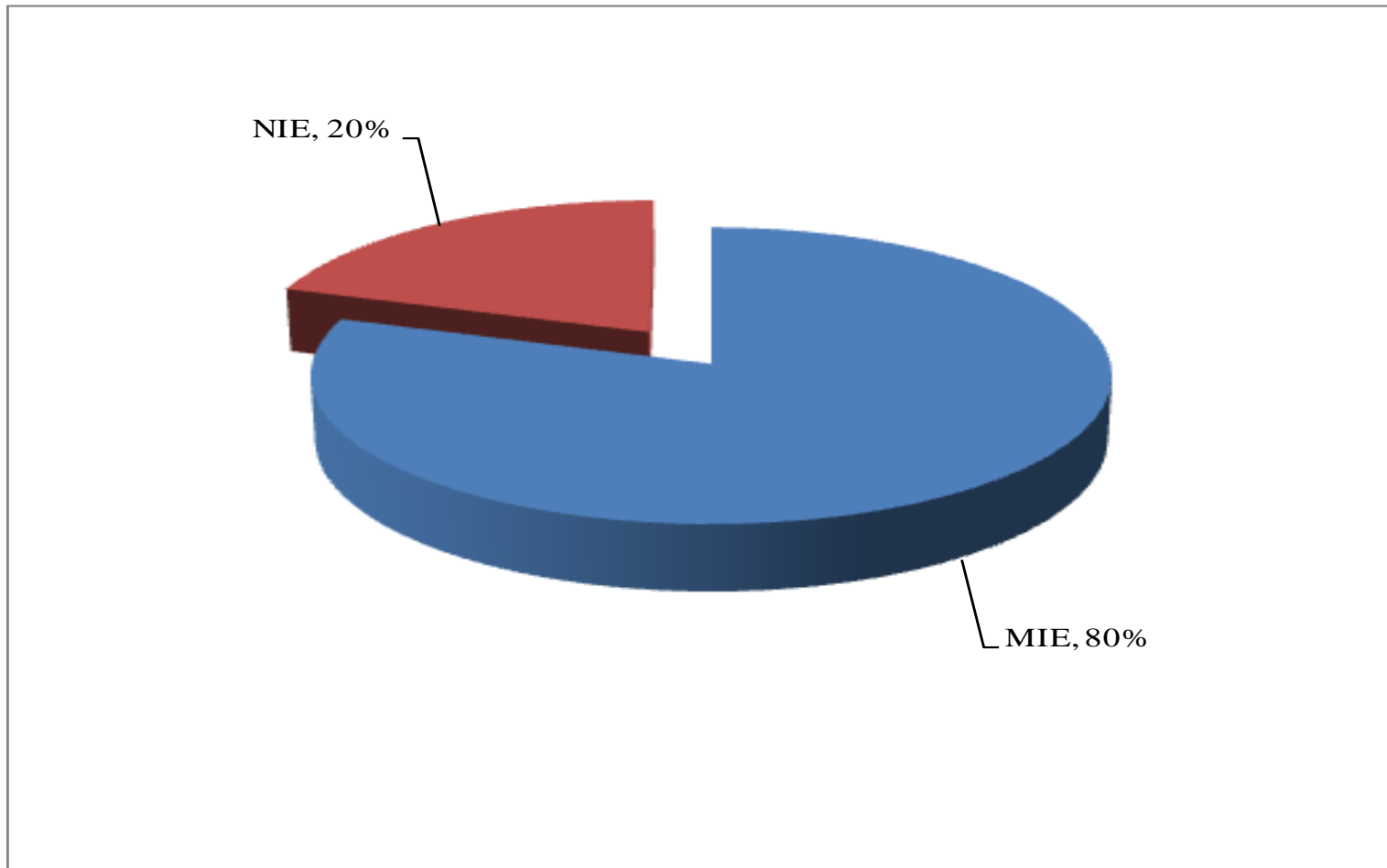
Cumulative Receipts (1)	<u>240.61</u>
▪ Cash receipts from CER sales proceeds	153.89
▪ Cash receipts from Donors and Other Sources	85.82
▪ Investment Income	0.90
Cumulative Disbursements (2)	<u>19.85</u>
▪ Projects and Programs	9.69
▪ Administrative Budgets	10.16
Funds Held in Trust (3) = (1) – (2)	<u>220.76</u>

Schedule of Funds Available

April 30, 2011
(US\$ millions)

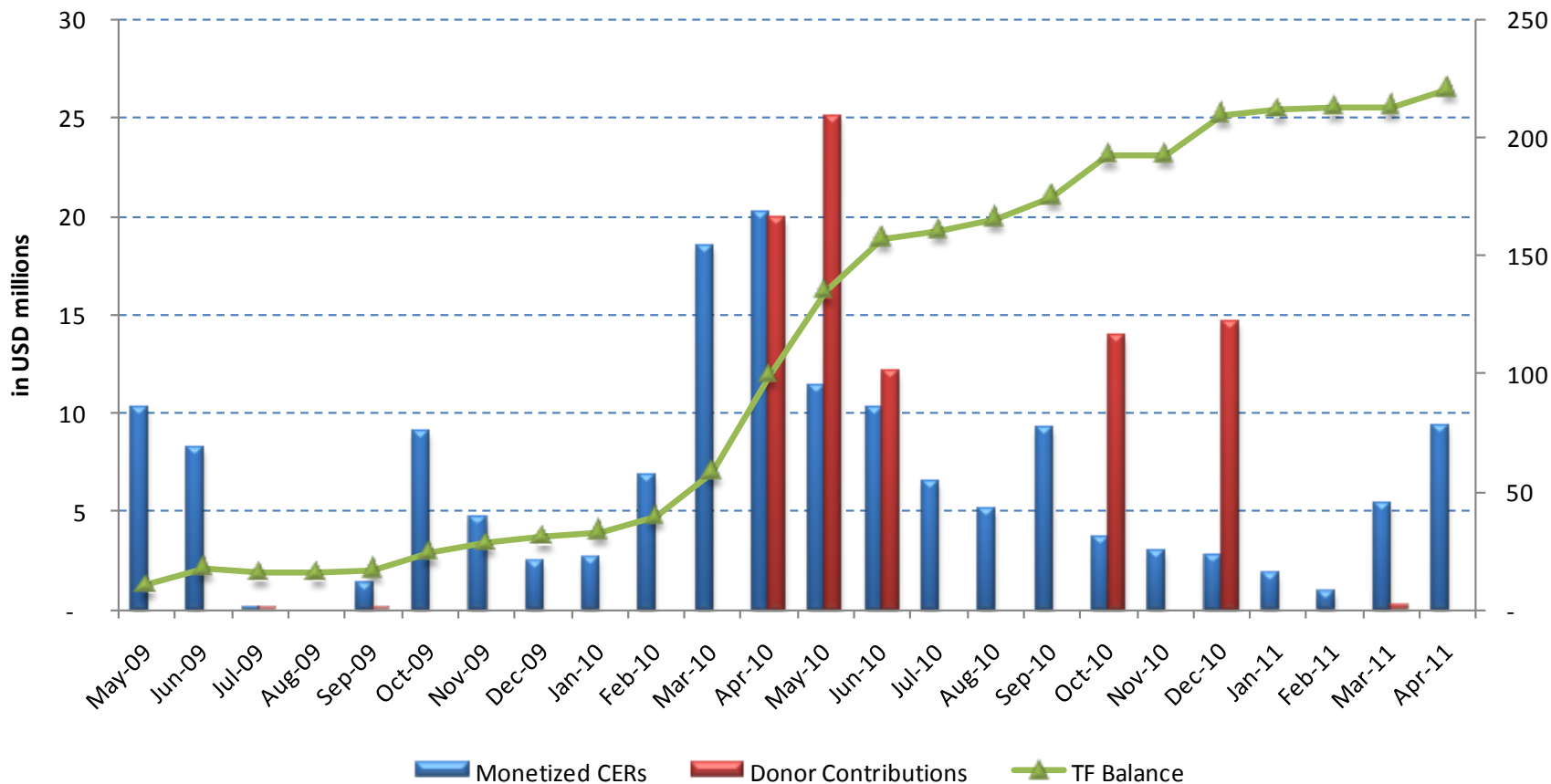
Funds Held in Trust (3)	<u>220.76</u>
Operational Reserve (4)	<u>3.00</u>
Amounts Committed, Not Disbursed (5)	<u>34.56</u>
Funds Available (6) = (3) – (4) – (5)	<u>183.20</u>

Total Programs/Projects Approved to date by NIE and MIE

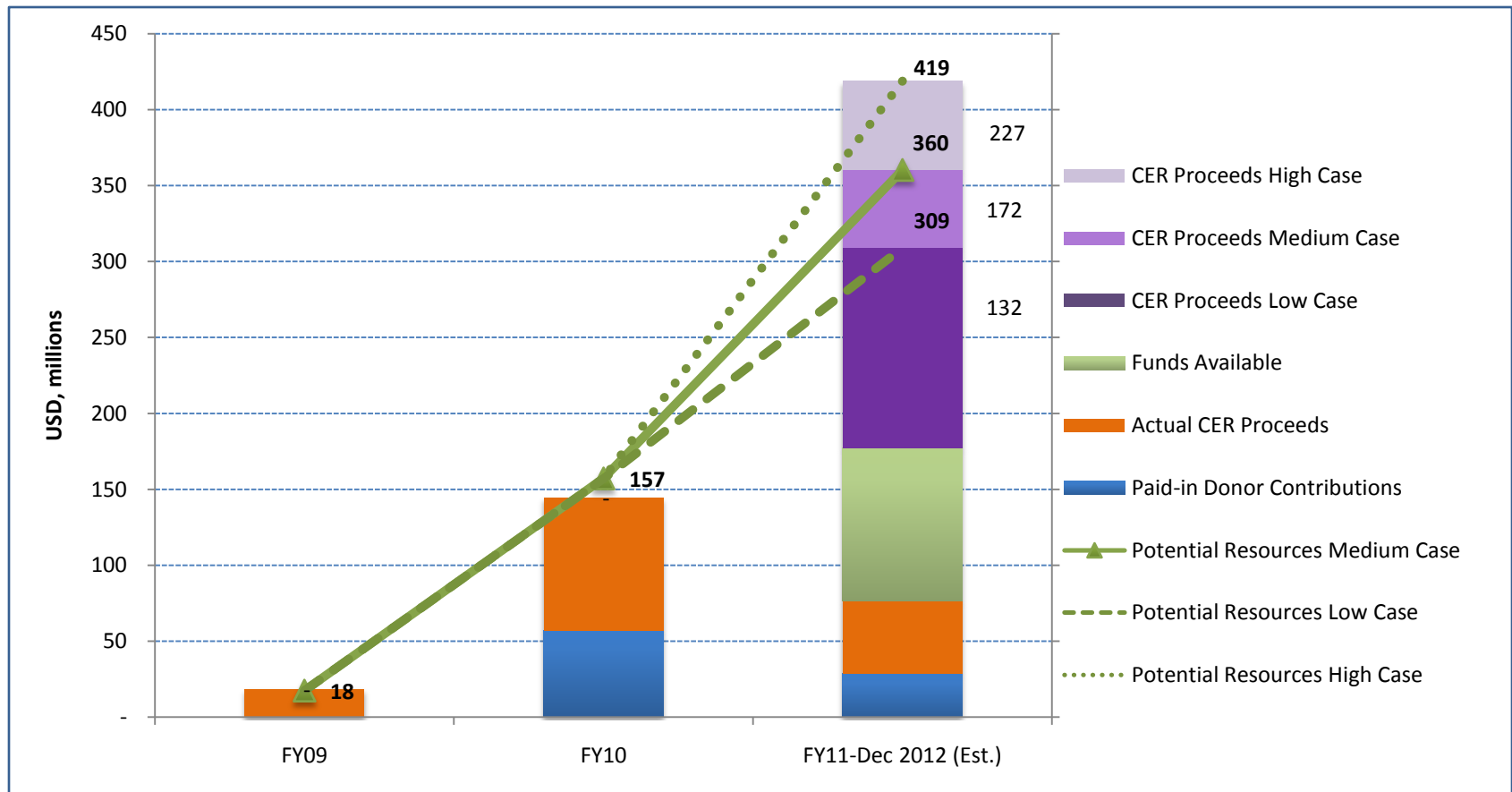


Status of Resources

CERs and Donor Proceeds



Potential Resources for the AF to end-2012



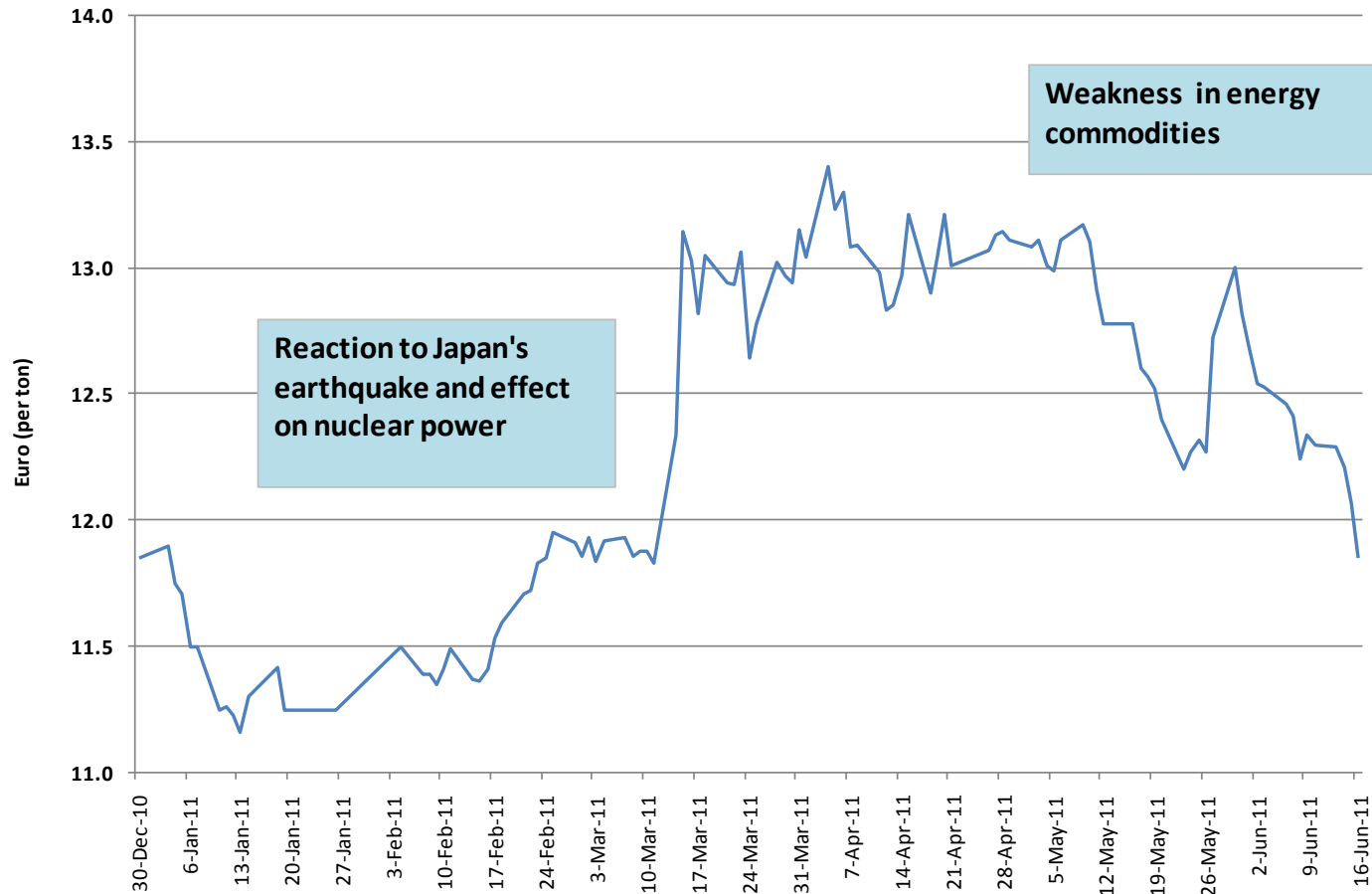
Agenda

2. CER Monetization

- CER Price Levels

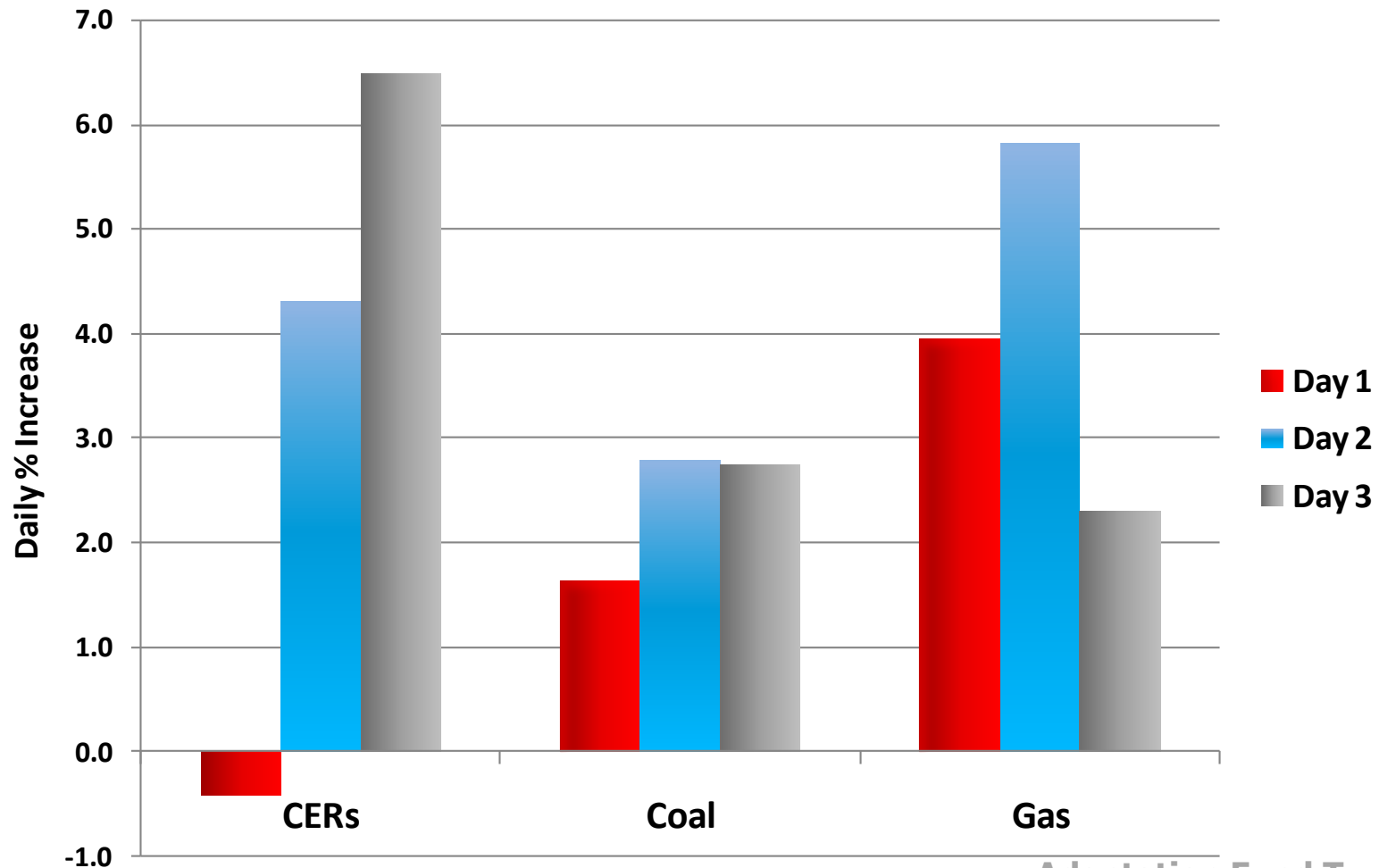
CER Price Levels

Short-Term Daily Prices



Source: Bloomberg

Energy Commodity Reactions to Earthquake

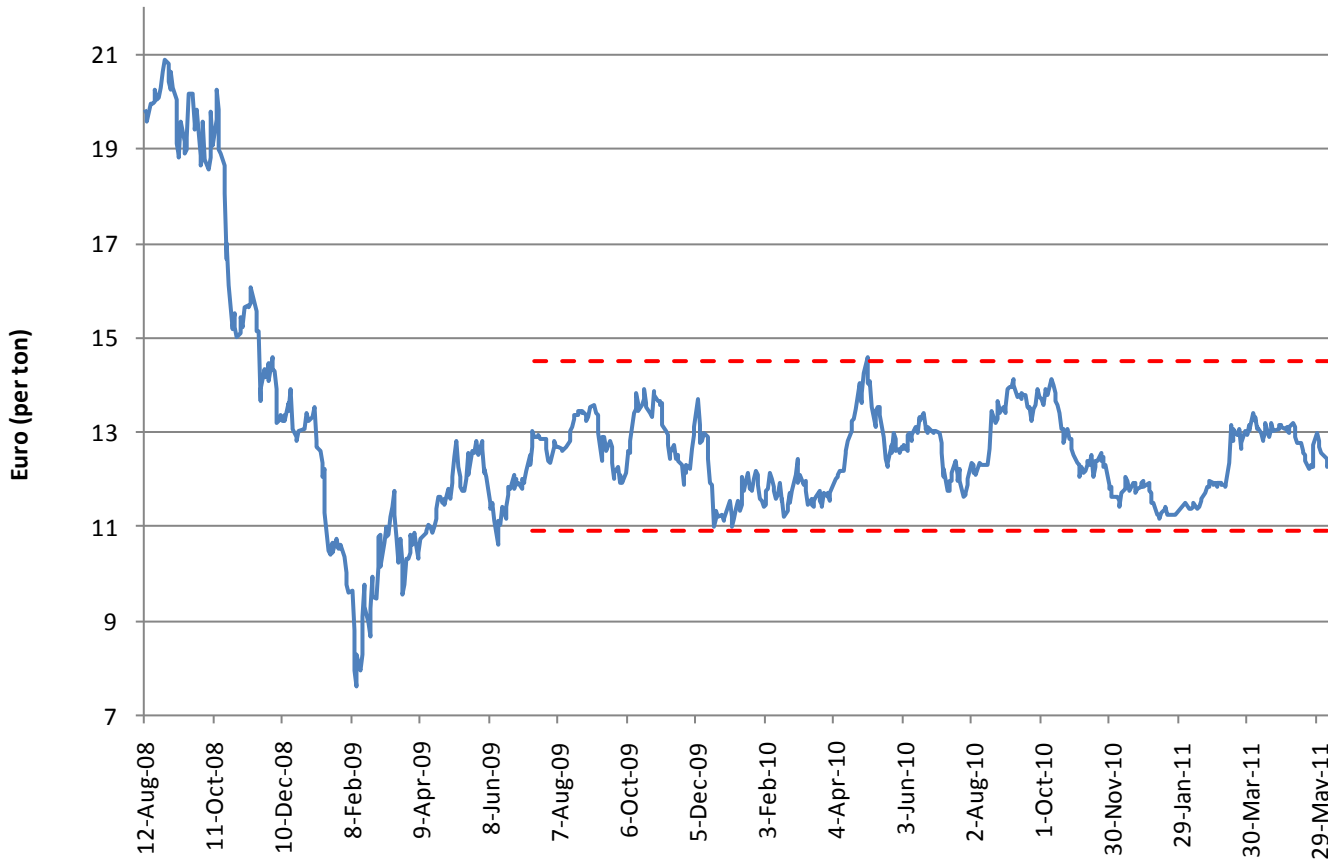


Source: Bloomberg



CER Price Levels

Long-Term Daily Prices



CER prices have remained in a trading range of approximately €11 to €15 per ton for over two years

CER Price Levels

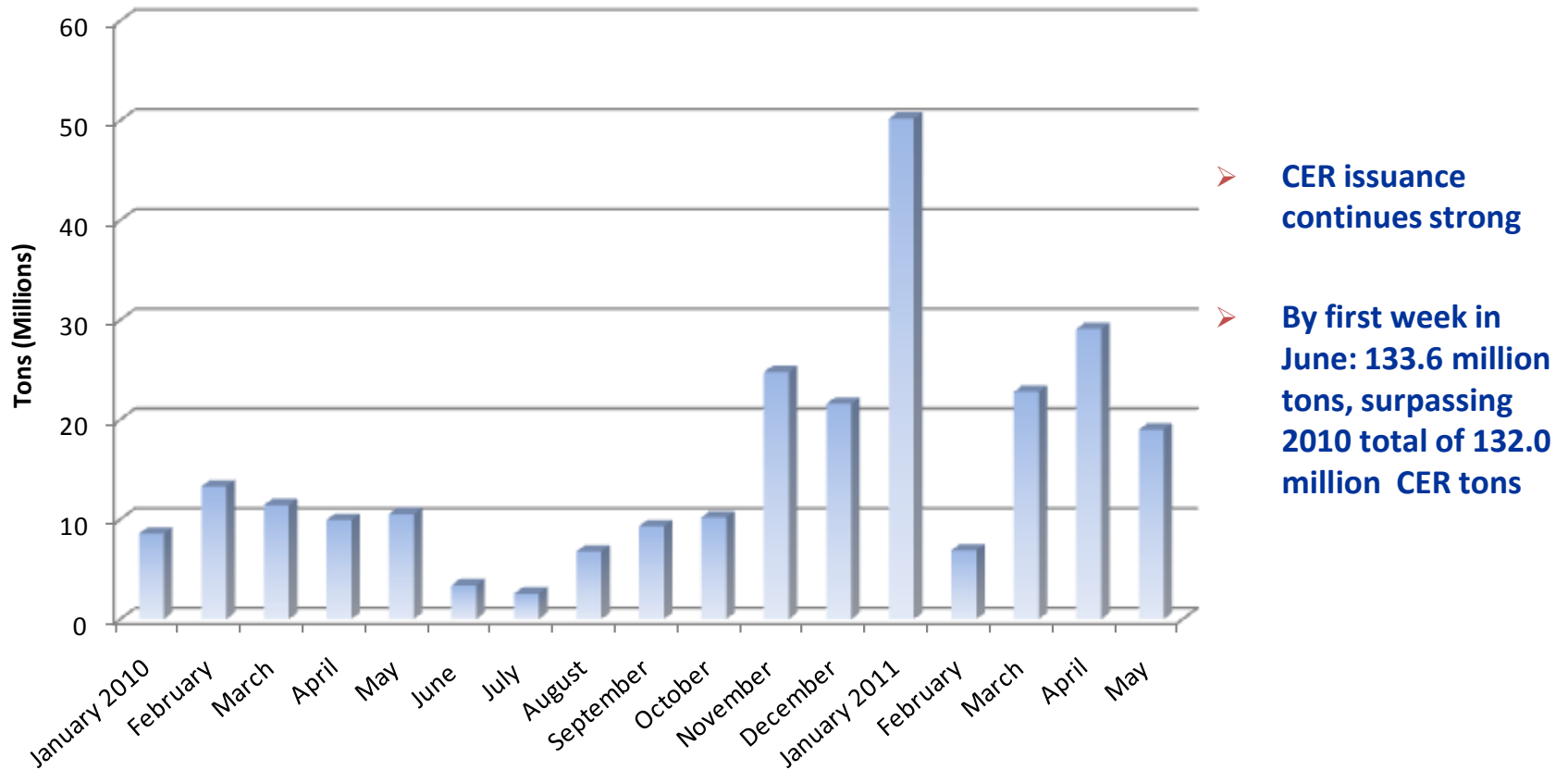
European Union Allowances Thefts

Aftermath

- Debate whether to classify carbon spot trades as financial instruments, or enact “tailor-made” rules
- Other European Commission Proposals
 - Participants cannot see serial numbers on carbon credits
 - Transfer of carbon credits “shall be final and irrevocable upon completion”
 - 24 hour delay between initiation and transfer of credits

CER Price Levels

CER Monthly Issuance Levels



Source: UNEP Risoe

CER Price Levels

Analysts' outlook for Post-2012

- Concern that there will be no successor to Kyoto
 - Uncertainty for the future of CDM
 - Fragmented markets
- Positive developments
 - China, India and several other developing nations planning national programs
 - In U.S., California's initiative seen as leader for western states and Canadian provinces.

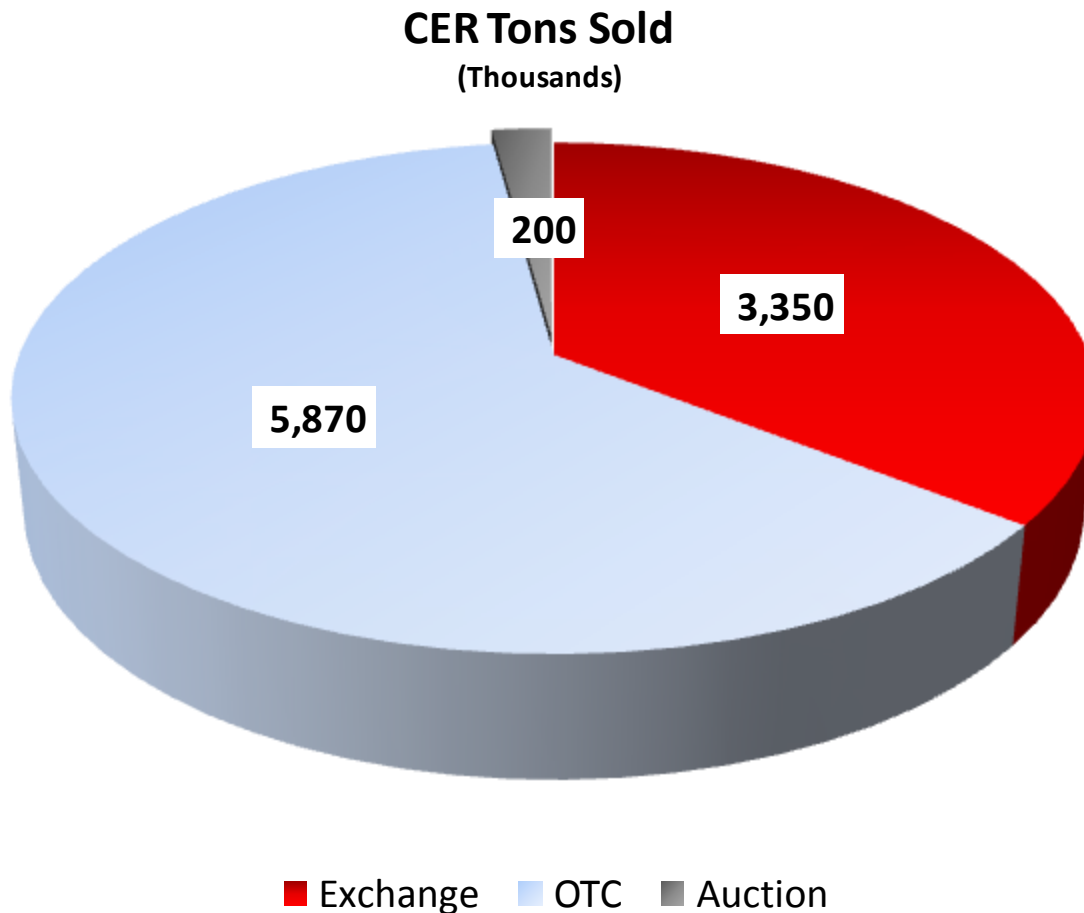
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2. CER Monetization

- CER Monetization Program

CER Monetization Program

Sale Record as of May 31, 2011



- New category of sale added - Auction
- 9.42 million CER tons sold
- \$162 million raised (€119.2 million)

CER Monetization Program Adaptation Fund Auction

- **Rationale**
 - Price Discovery for Adaptation Fund CERs
 - Diversification of selling instruments
 - Reputation enhancement
 - Enhanced Visibility
 - Direct link to buyers

CER Monetization Program

Adaptation Fund Auction

➤ **Details**

- Held on BlueNext Exchange on May 18, 2011
- Sold 200,000 tons at clearing price of €12.52
- Was 6.8x oversubscribed

➤ **Observations**

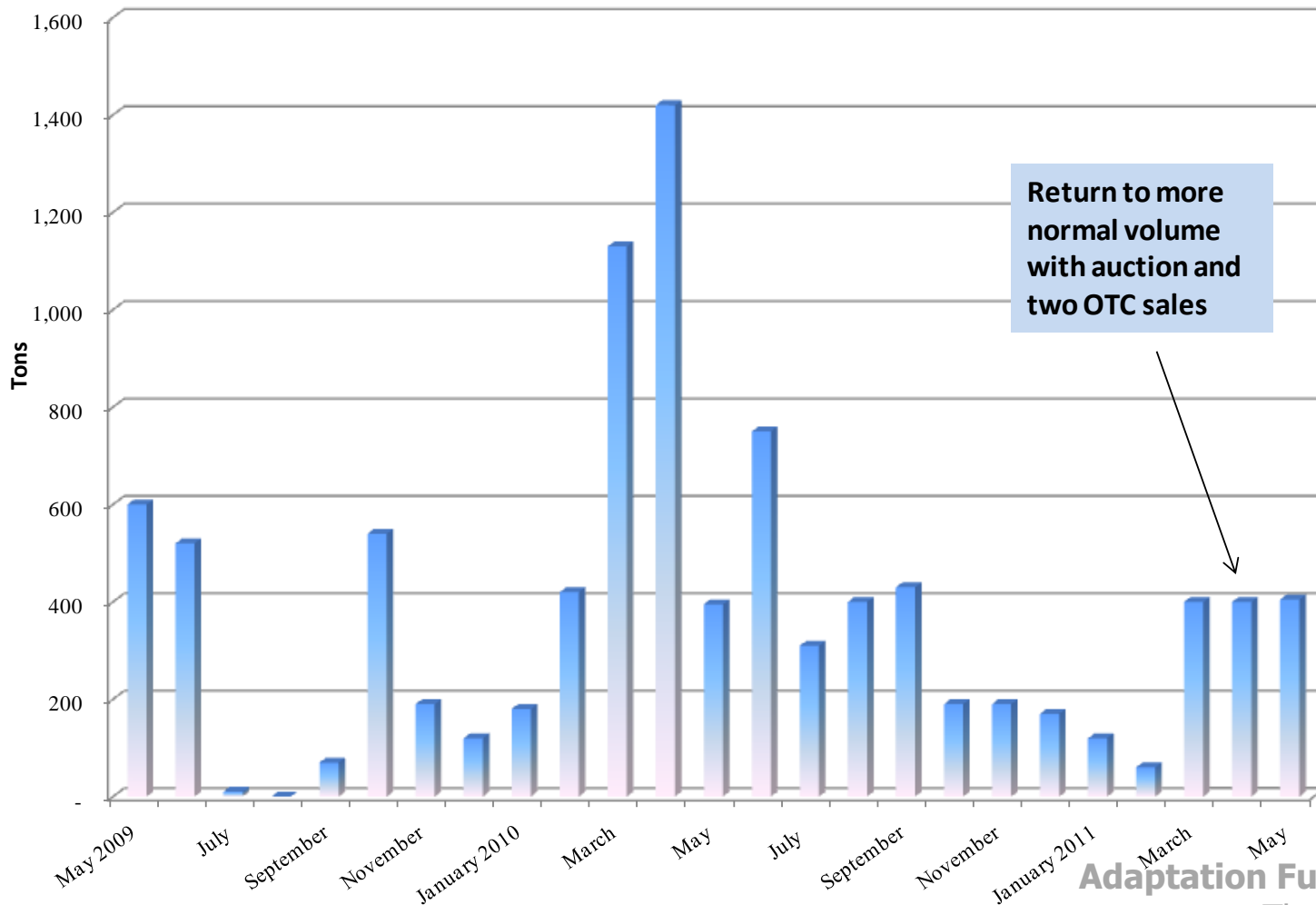
- Strong demand for Adaptation Fund CERs
- Well publicized in carbon press
- Seamless execution

- No directly observable premium over market price
- Due to lead time, more difficult to predict price

➤ **Will likely do other auctions in future**

CER Monetization Program

Monthly Sales by Tonnage

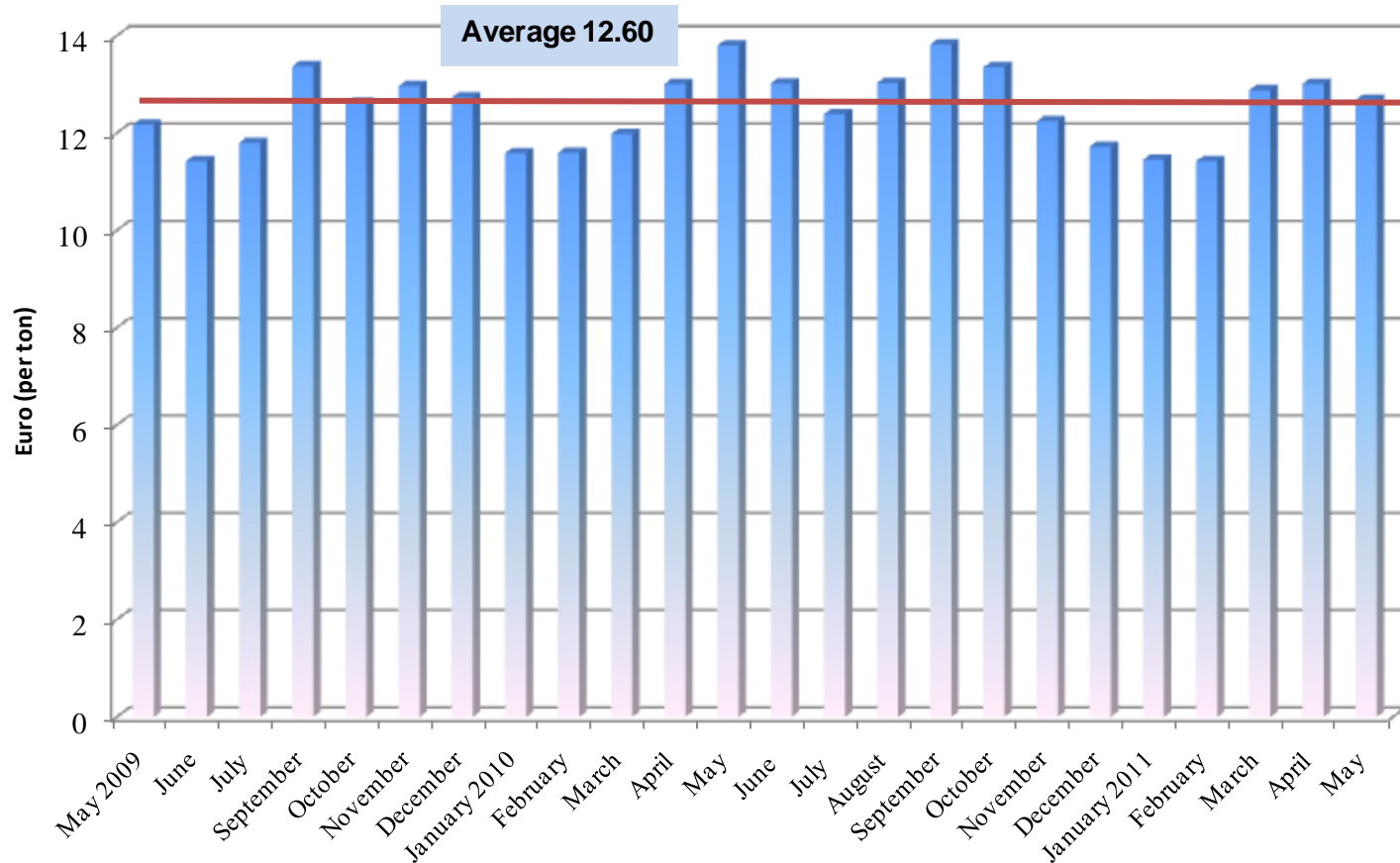


Return to more normal volume with auction and two OTC sales

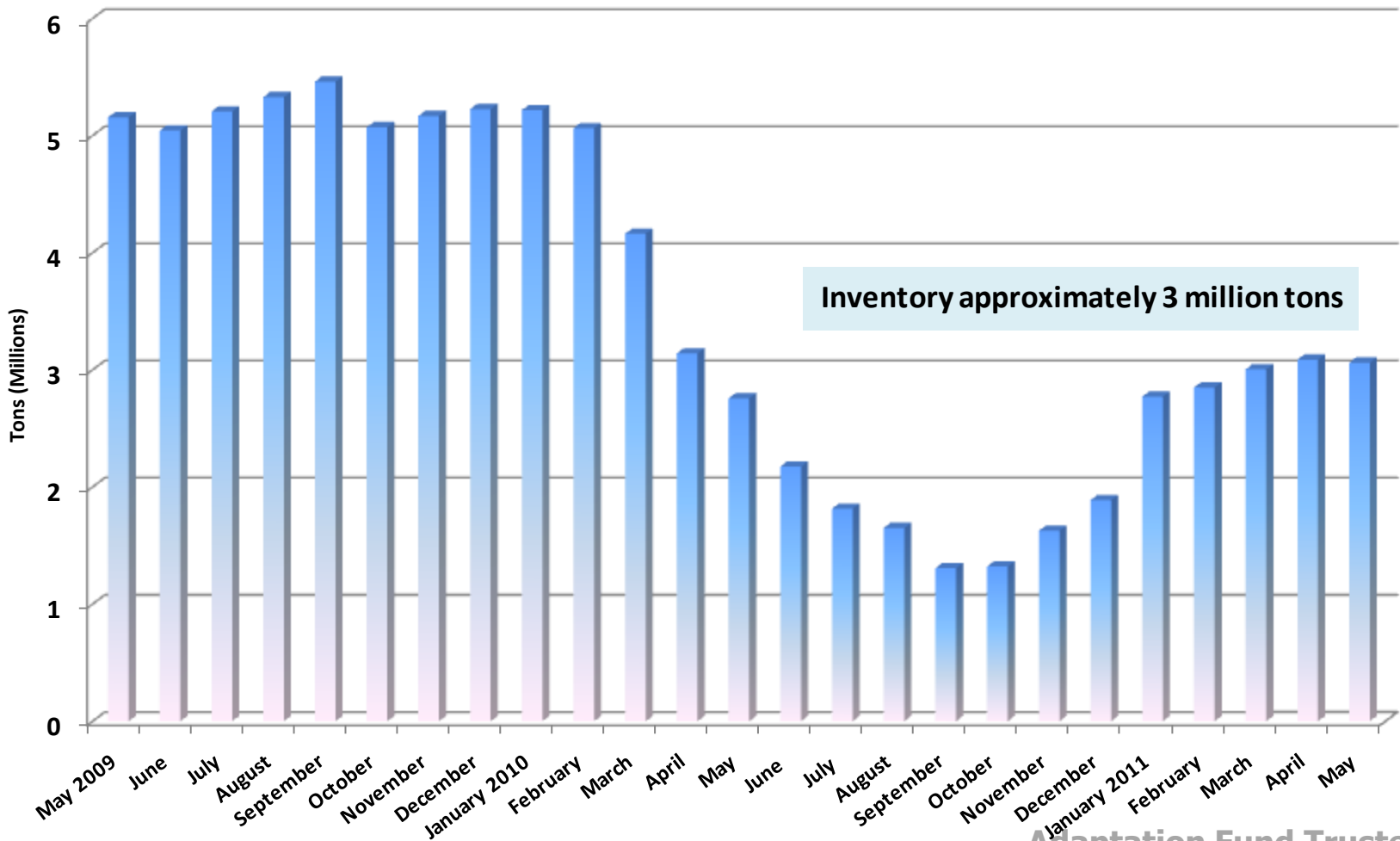


CER Monetization Program

Monthly Average Price

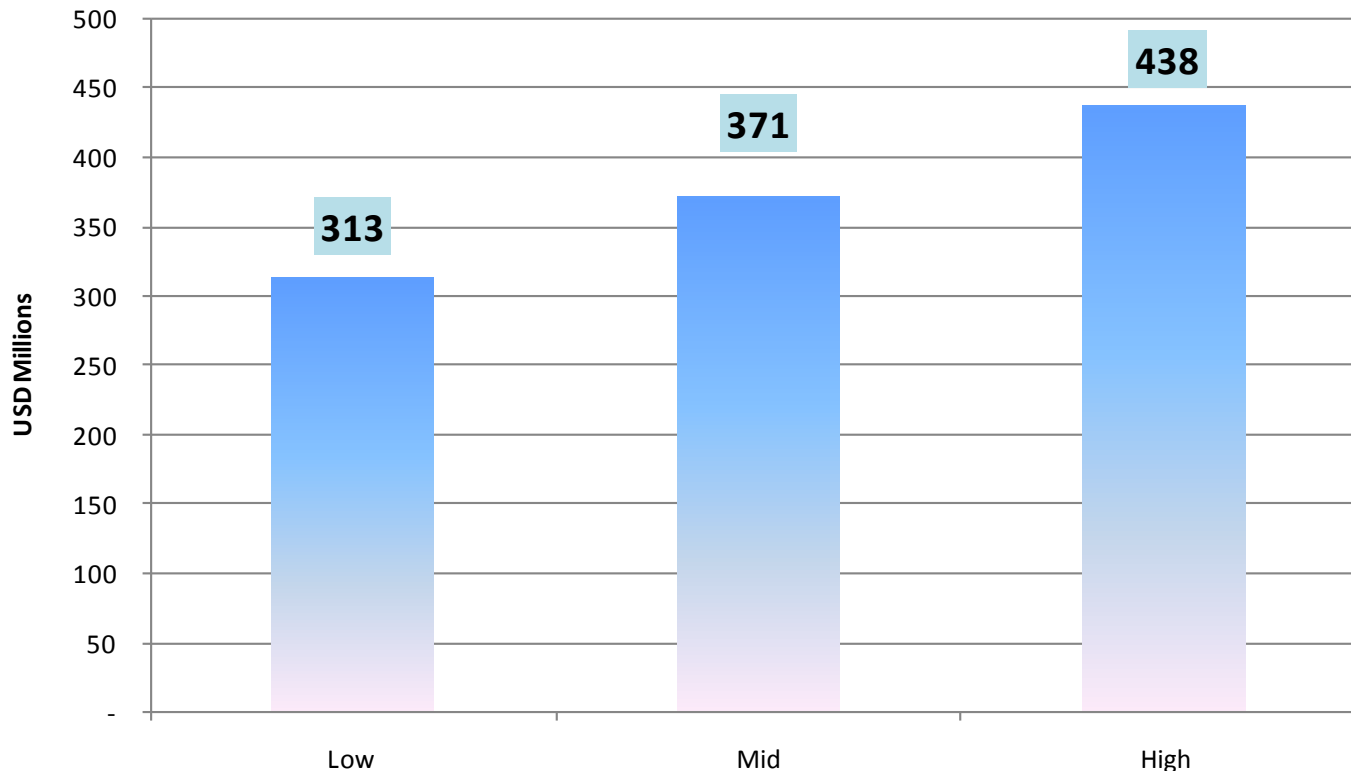


CER Monetization Program Adaptation Fund Inventory



CER Monetization Program

Potential Resources from Monetization until end-2012



Slight increase from last report's \$360 million forecast

Actual sales at high levels – close to 13 Euro

Helped by UNEP raising forecast 1.080 billion from 928 million CER tons

Euro average about 4 cents higher

Excludes donations, interest income and expenses.