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
1. Status of Resources

2. CER Monetization
   - CER Price Levels
   - CER Monetization Program
## Status of Resources

### April 30, 2011

(US$ millions)

### Cumulative Receipts (1)

- Cash receipts from CER sales proceeds: 153.89
- Cash receipts from Donors and Other Sources: 85.82
- Investment Income: 0.90

### Cumulative Disbursements (2)

- Projects and Programs: 9.69
- Administrative Budgets: 10.16

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

220.76
## Schedule of Funds Available

**April 30, 2011**

(US$ millions)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Funds Held in Trust (3)</td>
<td>220.76</td>
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<tr>
<td>Operational Reserve (4)</td>
<td>3.00</td>
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<tr>
<td>Amounts Committed, Not Disbursed (5)</td>
<td>34.56</td>
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<tr>
<td><strong>Funds Available (6) = (3) – (4) – (5)</strong></td>
<td>183.20</td>
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Total Programs/Projects Approved to date by NIE and MIE

- MIE: 80%
- NIE: 20%
Status of Resources

CERs and Donor Proceeds

<table>
<thead>
<tr>
<th>Date</th>
<th>Monetized CERs</th>
<th>Donor Contributions</th>
<th>TF Balance</th>
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<tbody>
<tr>
<td>May-09</td>
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2. CER Monetization

• CER Price Levels
CER Price Levels
Short-Term Daily Prices

Source: Bloomberg
Energy Commodity Reactions to Earthquake

<table>
<thead>
<tr>
<th></th>
<th>Day 1</th>
<th>Day 2</th>
<th>Day 3</th>
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<tbody>
<tr>
<td>CERs</td>
<td>-1.0</td>
<td>0.0</td>
<td>1.0</td>
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<tr>
<td>Coal</td>
<td>1.0</td>
<td>2.0</td>
<td>3.0</td>
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<tr>
<td>Gas</td>
<td>4.0</td>
<td>5.0</td>
<td>6.0</td>
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Source: Bloomberg
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

Source: Point Carbon, BlueNext
CER Price Levels
CER Monthly Issuance Levels

- CER issuance continues strong
- By first week in June: 133.6 million tons, surpassing 2010 total of 132.0 million CER tons

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.

Source: Point Carbon
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

Inventory approximately 3 million tons
CER Monetization Program
Potential Resources from Monetization until end-2012

Excludes donations, interest income and expenses.

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