TRUSTEE PRESENTATION: UPDATE ON STATUS OF RESOURCES AND CER MONETIZATION
ADAPTATION FUND TRUST FUND
Update on Status of Resources and CER Monetization Program

December 2012
Prepared by the World Bank as Interim Trustee of the Adaptation Fund
1. Status of Resources in Adaptation Fund Trust
2. Recent CER Market Developments
3. CER Monetization Program
Funding Availability at 30 November 2012 (USD millions)

Resources Received: 324.35

- Cash receipts from CER sales 187.91
- Cash receipts from Donations 134.50
- Investment Income 1.95

Funding Decisions to Date 185.30

Cumulative Cash Transfers to date: 62.79

Funds Available to support new funding decisions:
- at June 30, 2012: 112.82
- at Nov 30, 2012: 136.02
Cumulative Donations (USD millions)

- Spain: 57.1
- Sweden: 44.2
- United Kingdom: 15.9
- Germany: 13.9
- Switzerland: 3.2
- Others: 0.3
Approvals by Implementing Entity

- UNDP: 68.71%
- UNEP: 8.73%
- WFP: 6.43%
- ANII: 8.63%
- CSE: 7.44%
- FNE: 0.03%
- PIOJ: 0.03%
- WFP: 6.43%
Funding Decisions to date: USD 185.3 million

- Admin Budget Trustee: 3%
- Admin Budget Secretariat and Board: 7%
- Projects and Programmes: 90%
Revenue Flow and Potential Resources estimated at 30 November 2012

Estimates of total potential resources:
USD 141 - 145 million

Unused carry-over from previous years

CER proceeds
Donations

USD, millions
FY09  FY10  FY11  FY12-Dec 2012 (Est.)
2. Recent CER Market Developments
A history of CER prices

Daily prices (€)

- EUA
- Secondary CER
- Primary CER
- Primary CER post-2012

Peak of demand in "sellers market"

2-yr of relatively low volatility and stable prices

EU debt crisis & oversupply in KP and EU ETS post-2012

CERs & EUAs decouple EU ETS rescue plan vs. CERs & ERUs issuance

2008-09 financial crisis and economic downturn
CER Oversupply

CER market remains over-supplied by up to 1 billion CERs:

Demand:
EU + AU ~1.7 bln 2013-2020

Supply:
Existing projects ~ 3.2 bln (2.5 bln EU eligible)
ERUs (?)

- EU structural reform: potential to recover EUA prices only
Some Positive Developments

• New commitments for the 2\textsuperscript{nd} commitment period of KP

• The climate agenda remains strong despite of current carbon market conditions
  • Additional national targets can support net global GHG emissions (purchase & retire credits)
  • Strong signals of support to domestic markets and regional link
  • New proposals for market mechanisms
3. CER Monetization Program
CER Monetization Program
Total Sales up to November 30, 2012

- 14.87 million CER tons sold
- €139 million raised
- 833 separate transactions

CER transaction volume by type
(Millions of tons)

- Exchange, 8.54
- OTC, 6.13
- Auction, 0.20
CER inventory as of November 30, 2012 and monetization plan in 2013

CER inventory as of Nov 30, 2012
(Millions of tons)

- Green CER, 4.6
- Large Hydro, 1.8
- Industrial Gas, 0.5
- Others, 0.1

Monetization plan in 2013
- Reduce CER inventory as allowed by market liquidity.
- Sell CER through OTC and Exchange spot transactions

CER Inventory as of Nov 30, 2012: 7.1 million
### Selection of new Carbon Exchange

<table>
<thead>
<tr>
<th>Exchange Transaction Fee*</th>
<th>ICE</th>
<th>EEX</th>
<th>BlueNext</th>
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</thead>
<tbody>
<tr>
<td>EUR 3.5 per 1,000 tons</td>
<td></td>
<td>EUR 6 per 1,000 tons</td>
<td>EUR 10 per 1,000 tons</td>
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<table>
<thead>
<tr>
<th>CER spot product available from</th>
<th>ICE</th>
<th>EEX</th>
<th>BlueNext</th>
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</thead>
<tbody>
<tr>
<td>Dec 10, 2012</td>
<td></td>
<td>Dec 2012 or Jan 2013</td>
<td>Closed</td>
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* Additional clearing fee applies, since we will clear exchange CER transactions through a clearing agent.