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

December 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

**September 30, 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>167.92</td>
</tr>
<tr>
<td>Cash receipts from Donors and Other Sources</td>
<td>85.82</td>
</tr>
<tr>
<td>Investment Income</td>
<td>1.15</td>
</tr>
<tr>
<td><strong>Total Cumulative Receipts</strong></td>
<td><strong>254.90</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>12.40</td>
</tr>
<tr>
<td>Administrative Budgets</td>
<td>13.21</td>
</tr>
<tr>
<td><strong>Total Cumulative Disbursements</strong></td>
<td><strong>25.61</strong></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>229.29</strong></td>
</tr>
</tbody>
</table>
Schedule of Funds Available

September 30, 2011
(US$ millions)

<table>
<thead>
<tr>
<th>Funds Held in Trust (3)</th>
<th>229.29</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operational Reserve (4)</td>
<td>3.00</td>
</tr>
<tr>
<td>Amounts Committed, Not Disbursed (5)</td>
<td>58.86</td>
</tr>
<tr>
<td>Funds Available (6) = (3) – (4) – (5)</td>
<td>167.43</td>
</tr>
</tbody>
</table>
Total Programs/Projects Approved to date by NIE and MIE

- NIE, 12%
- MIE, 88%
Status of Resources

CERs and Donor Proceeds

Monetized CERs
Donor Contributions
TF Balance

in USD millions

Adaptation Fund Trustee
The World Bank
Potential Resources for the AF to end-2012

- FY09: 18 USD millions
- FY10: 157 USD millions
- FY11-Dec 2012 (Est.):
  - Actual CER Proceeds: 262 USD millions
  - Potential Resources Medium Case: 262 USD millions
  - Potential Resources High Case: 344 USD millions
  - Potential Resources Low Case: 300 USD millions
  - Paid-in Donor Contributions: 50 USD millions
  - Funds Available: 344 USD millions

The graph shows the progression of potential resources from FY09 to FY11-Dec 2012 (Est.).
Adaptation Fund Investment Returns

• The Adaptation Fund has earned a total of 1.31% since inception:
  • 0.96% in FY10
  • 0.26% in FY11
  • 0.06% to date in FY12.

• Returns are expected to remain relatively low, but positive, as the fund is invested in conservative strategy, comprising cash and near cash assets.

• Challenge is that the AF disbursement timetable is unclear, so liquidity is the primary consideration for the investment portfolio.

• The Adaptation Fund’s current conservative risk strategy remains a solid investment vehicle in which to negotiate the volatility.
2. CER Monetization

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

Source: Bloomberg

Break through lower support level
CER Price Levels
Causes of Decline

- European Debt Crisis
- Fear of bank failures
- Fear of breakup of Euro
- Fear of recession
- 420 million tons Phase III EUAs
- Accelerating CER tonnage
CER Price Levels
April to December, 2011 Comparison to Energy Commodities

- **Oil Prices**
  - Oil decline of 7%

- **Coal Prices**
  - Coal decline of 12%

- **CER Price**
  - CER decline of 61%

**CER sell-off extreme compared to other energy commodities**

*Source: Bloomberg*
## CER Price Levels

### Carbon Analysts Forecasts for 2012

<table>
<thead>
<tr>
<th>Date of Forecast</th>
<th>Analysts</th>
<th>Forecast Euro Per Ton</th>
<th>CER*</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 14</td>
<td>Barclays</td>
<td>12.0</td>
<td>Actual - 7.8</td>
</tr>
<tr>
<td>November 18</td>
<td>UBS</td>
<td>5.0</td>
<td>Implied- 2.0</td>
</tr>
<tr>
<td>November 22</td>
<td>Societe Generale</td>
<td>12.3</td>
<td>Implied- 9.3</td>
</tr>
<tr>
<td>November 29</td>
<td>Deutsche Bank</td>
<td>6.0</td>
<td>Implied - 3.0</td>
</tr>
</tbody>
</table>

*C* Implied forecast used for analysts who did not forecast CER prices.

Assumes an average discount of 3 euro below EUAs.

Source: Point Carbon
2. CER Monetization

- CER Monetization Program
CER Monetization Program
Sale Record as of November 30, 2011

- 9.96 million CER Tons Sold
- $168 million raised (€124 million)

CER Tons Sold (Thousands)
- Exchange: 5,870
- OTC: 200
- Auction: 3,890

Adaptation Fund Trustee
The World Bank
CER Monetization Program
Monthly Sales by Tonnage

Last sale transacted on October 5th due to CDM closure.
CER Monetization Program
Monthly Average Price

Average 12.42
CER Monetization Program
Adaptation Fund Inventory

Tons (Millions)

May 2009  June  July  August  September  October  November  December 2010  January  February  March  April  May  June  July  August  September  October  November  January 2011  February  March  April  May  June  July  August  September  October  November