Adaptation Fund

Update on CER Monetization Program

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

December 15, 2010
Agenda

- CER Price Levels
- Regulatory Developments
- CER Monetization Program
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CER Price Levels

Short-Term Daily Prices

For five months, CER prices have been driven by supply/demand issues.
Since April of 2009, CER prices have remained in a trading range of approximately €11 to €15 per ton.
CER Price Levels

EUA and CER Spread

Spreads narrowed in reaction to CER supply disruption, then widened when supply returned to market.

Source: Bloomberg
CER issuance in November jumped to 24.8 million, the highest monthly total ever.
CER Price Levels
Forward Curves – as of November 30, 2010

EUAs are in Contango - the normal behavior for commodities

CERs are in Backwardation

Source: Bloomberg
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Regulatory Developments
European Union

In late November proposed a ban to HFC 23 and Adipic Acid N20 projects.

- Apply to both Clean Development and Joint Implementation Schemes.
- Ban to take effect January 1, 2013.
- Together, HFC 23 and N20, known as industrial gas projects, have constituted 70% of all CERs.
- Ban will not effect Nitric Acid N20 projects.

Source: Point Carbon
Regulatory Developments
North America

Proposition 23 defeated in California, however lesser-known Proposition 26 passed

Possible linkage with RGGI, and use of offsets

Observers, not yet in program, include 6 U.S. states, 2 Canadian Provinces and 6 Mexican states

Western Climate Initiative
Emissions 2007* (Millions)

- Arizona
- California
- Montana
- New Mexico
- Oregon
- Utah
- Washington
- British Columbia
- Manitoba
- Ontario
- Quebec

* 2008 for Canadian Provinces

Source: Barclays, Point Carbon
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CER Monetization Program
Sale Record as of November 30, 2010

- 7.87 million CER Tons Sold
- $133.7 million raised (€99.25 million)
- 273 transactions on BlueNext Carbon Exchange
- 10 over-the-counter sales with 53 separate transactions
CER Monetization Program

Monthly Sales by Tonnage

Full Guidelines Implementation

Initial Fundraising
Limited Exchange and OTC Sales
CER Monetization Program

Monthly Average Price

Average 12.60
CER Monetization Program
Adaptation Fund Inventory

After recent OTC sales, approaching guidelines Inventory level
CER Monetization Program
Potential Resources from Monetization until end-2012

Estimate slightly lower from previous $331 million

Positive: Higher CER prices

Negative: UNEP forecast lower – 962 million vs. 1.001 billion tons

Excludes donations, interest income and expenses.