

# **Adaptation Fund**

## **Update on CER Monetization Program**

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

**December 15, 2010**

# Agenda

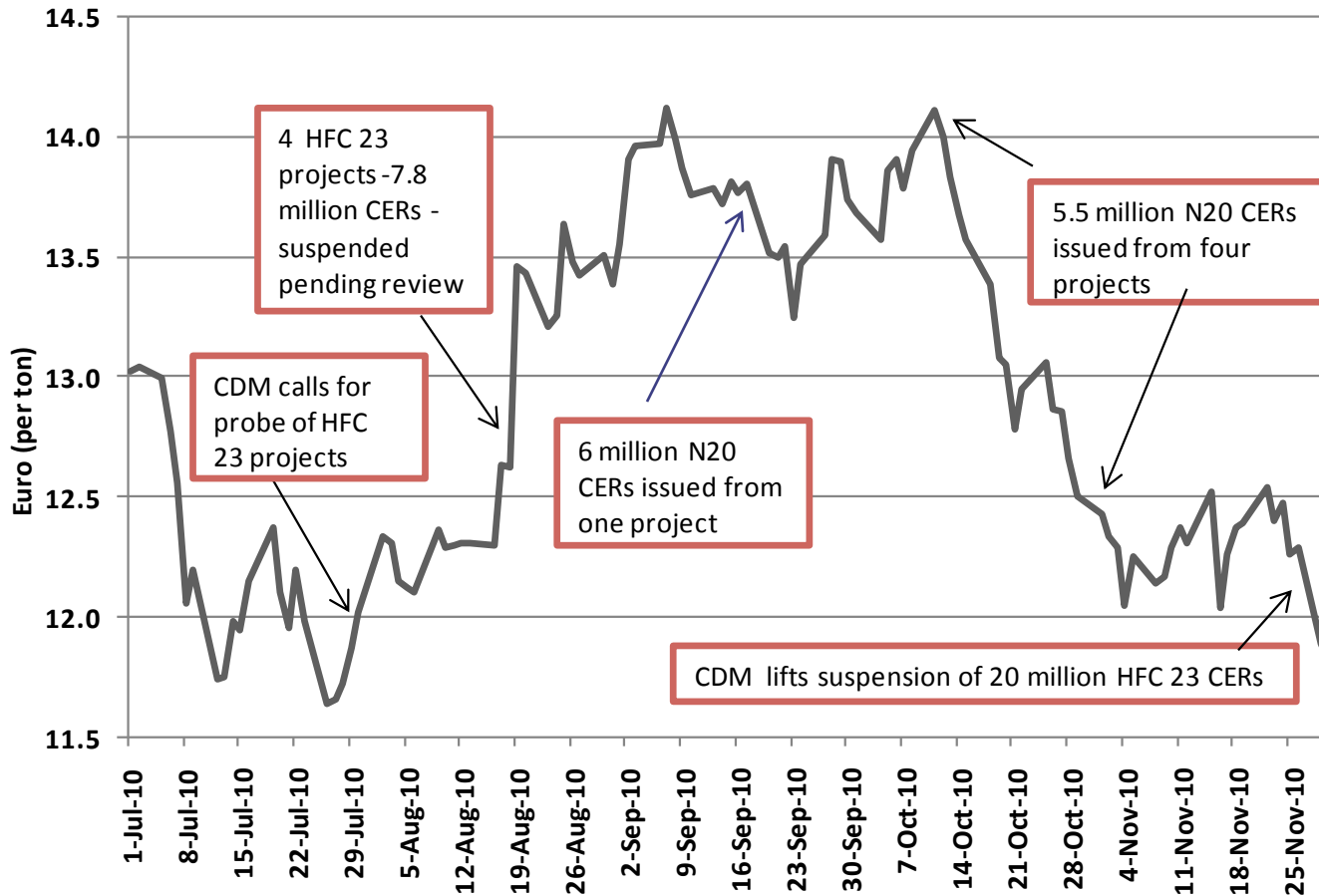
- **CER Price Levels**
- **Regulatory Developments**
- **CER Monetization Program**

# Agenda

- **CER Price Levels**
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# CER Price Levels

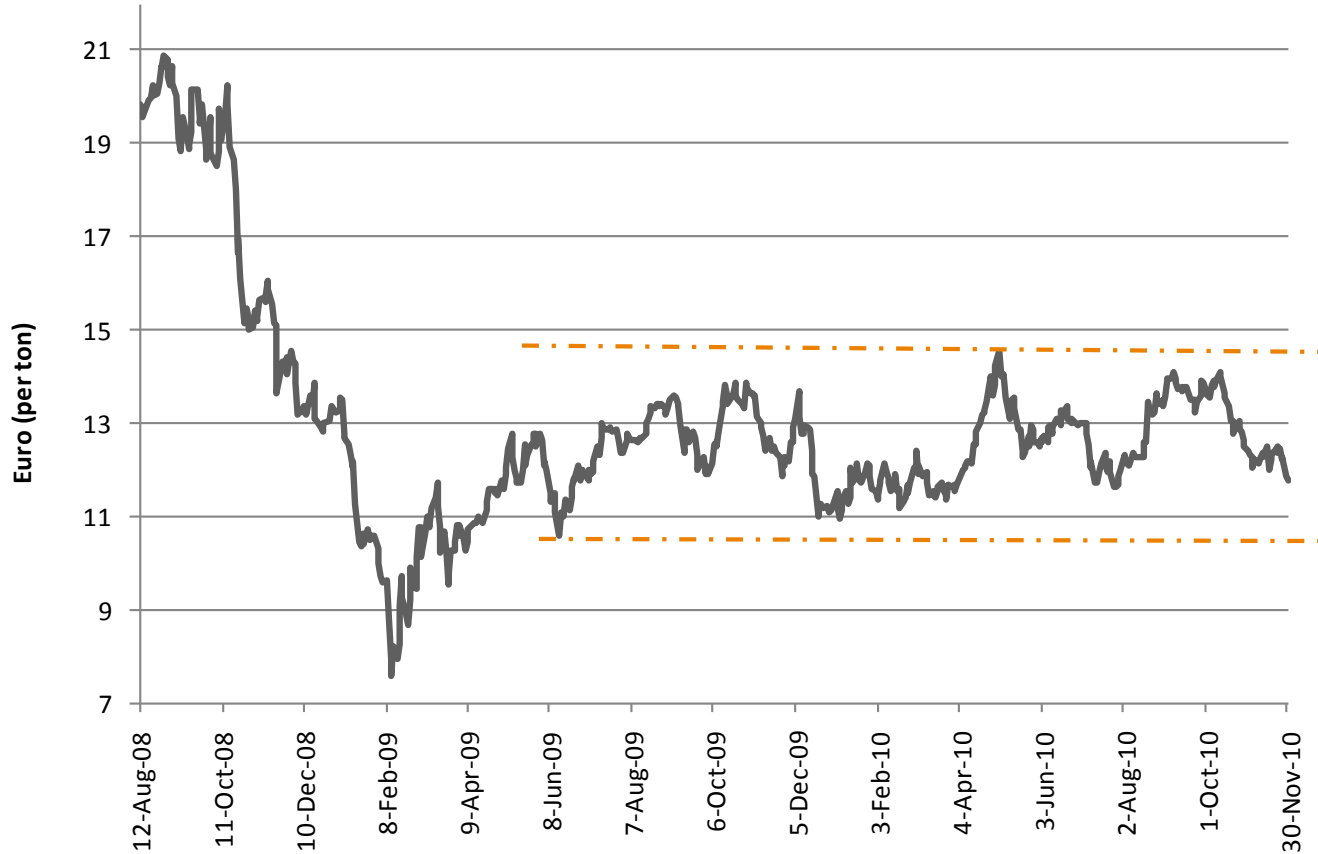
## Short-Term Daily Prices



For five months, CER prices have been driven by supply/demand issues

# CER Price Levels

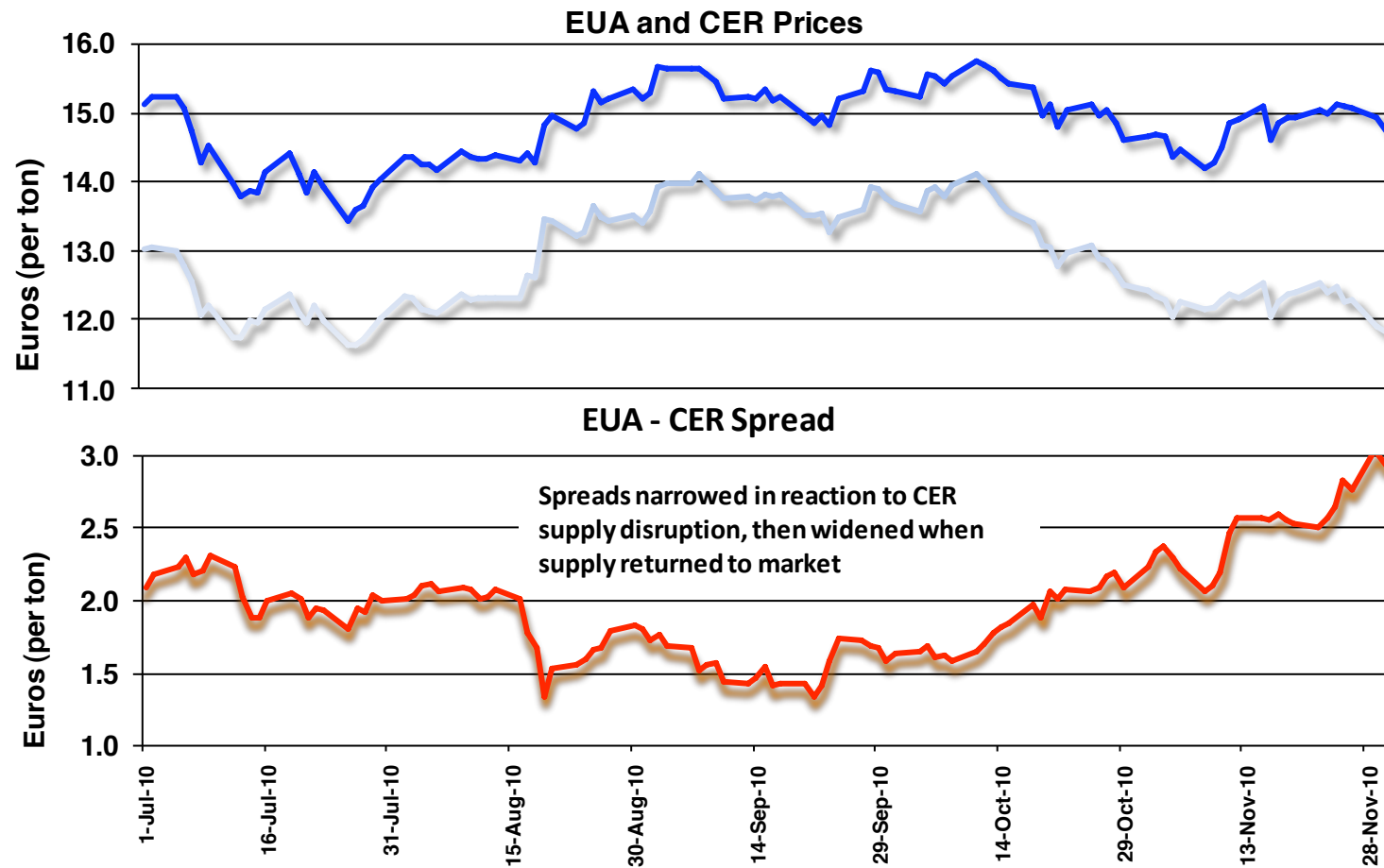
## Long-Term Daily Prices



Since April of 2009, CER prices have remained in a trading range of approximately €11 to €15 per ton

# CER Price Levels

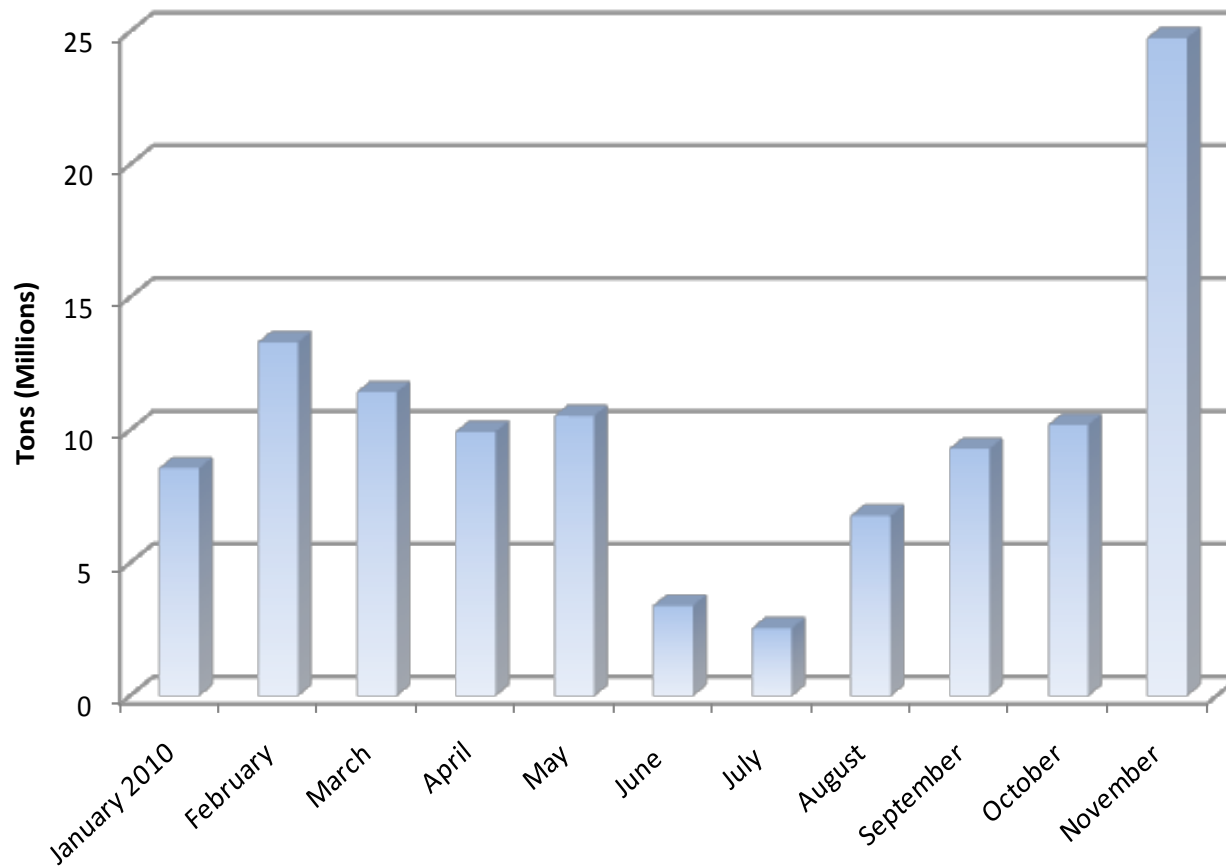
## EUA and CER Spread



Source: Bloomberg

# CER Price Levels

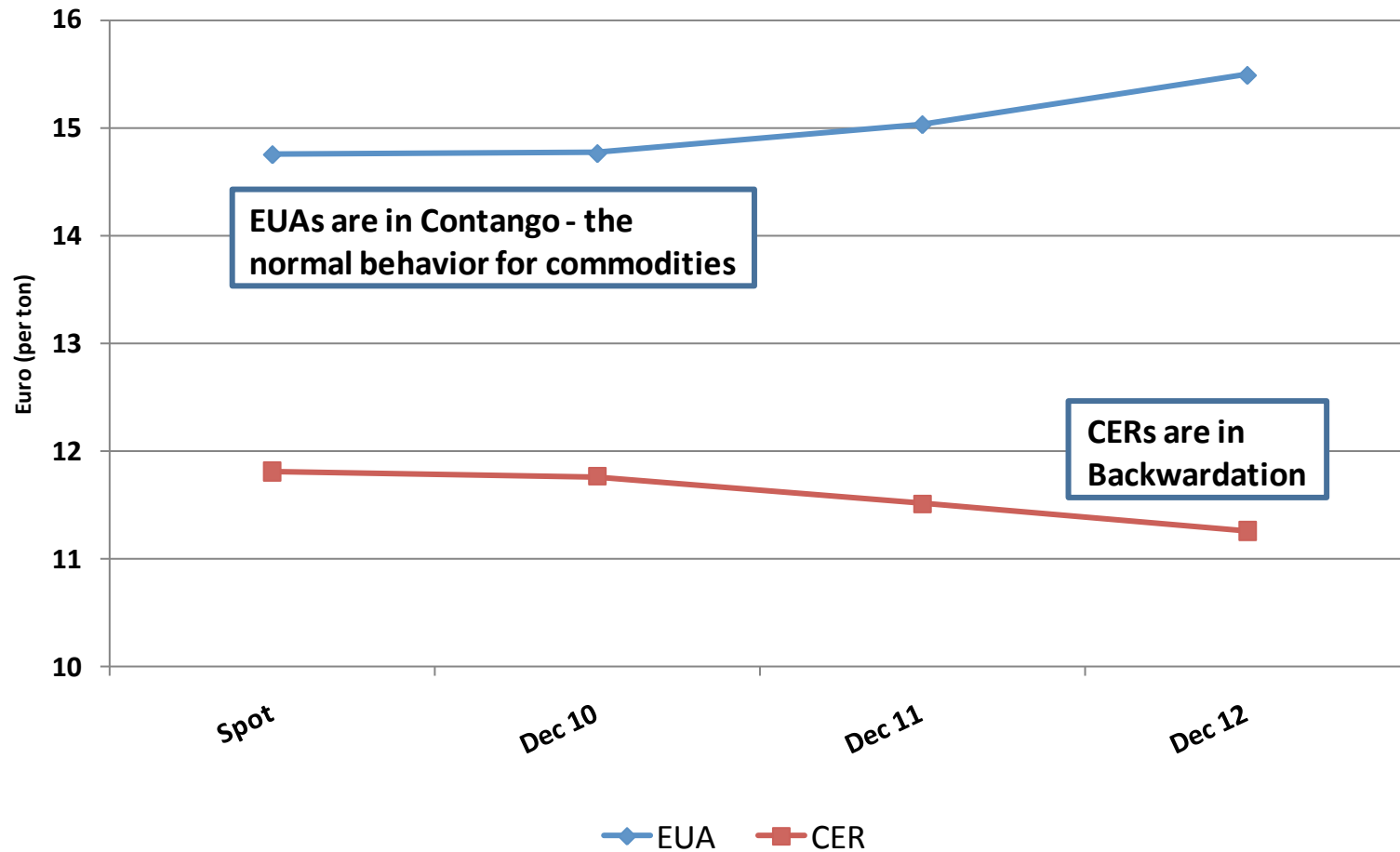
## CER Monthly Issuance Levels



**CER issuance in November jumped to 24.8 million, the highest monthly total ever**

# CER Price Levels

## Forward Curves – as of November 30, 2010



Source: Bloomberg



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# Regulatory Developments

## European Union

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

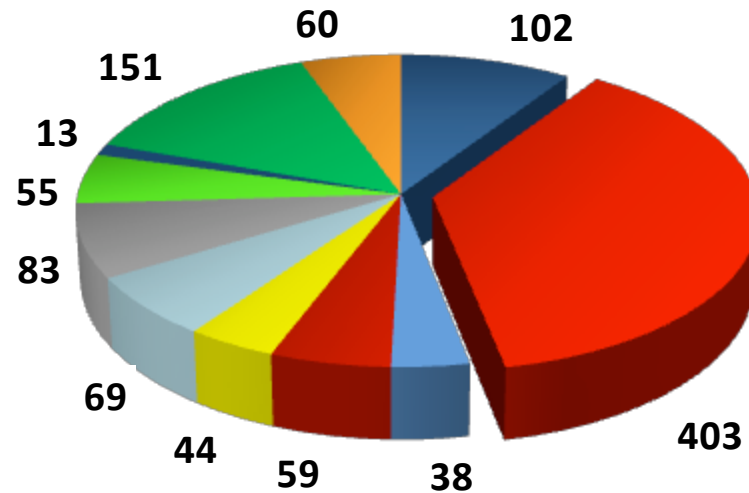
- Apply to both Clean Development and Joint Implementation Schemes.
- Ban to take effect January 1, 2013.
- Together, HFC 23 and N20, known as industrial gas projects, have constituted 70% of all CERs.
- Ban will not effect Nitric Acid N20 projects.

# Regulatory Developments

## North America

- Arizona
- California
- Montana
- New Mexico
- Oregon
- Utah
- Washington
- Bristish Coubia
- Manitoba
- Ontario
- Quebec

**Western Climate Initiative**  
Emissions 2007\* (Millions)



\* 2008 for Canadian Provinces

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

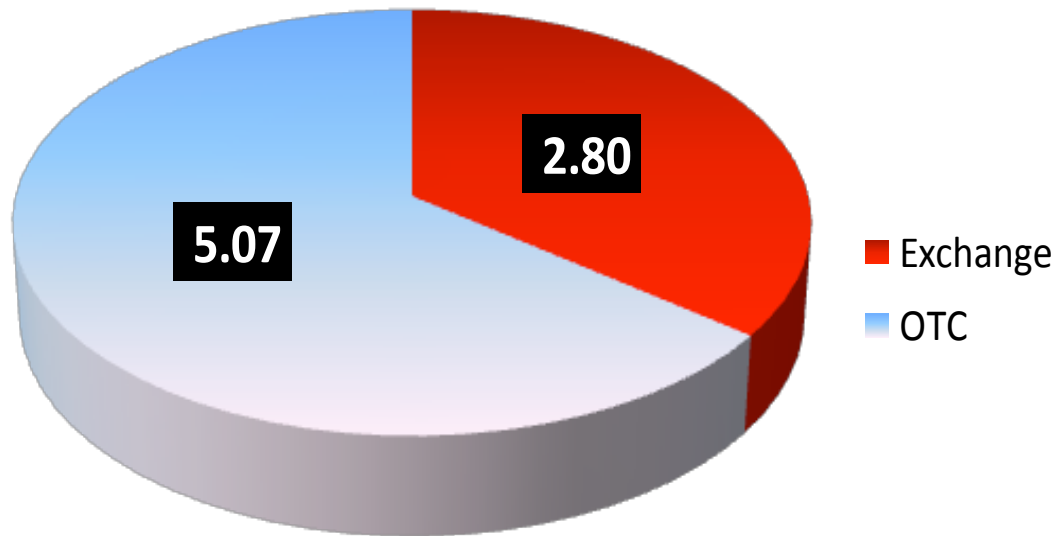
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- **CER Monetization Program**

# CER Monetization Program

## Sale Record as of November 30, 2010

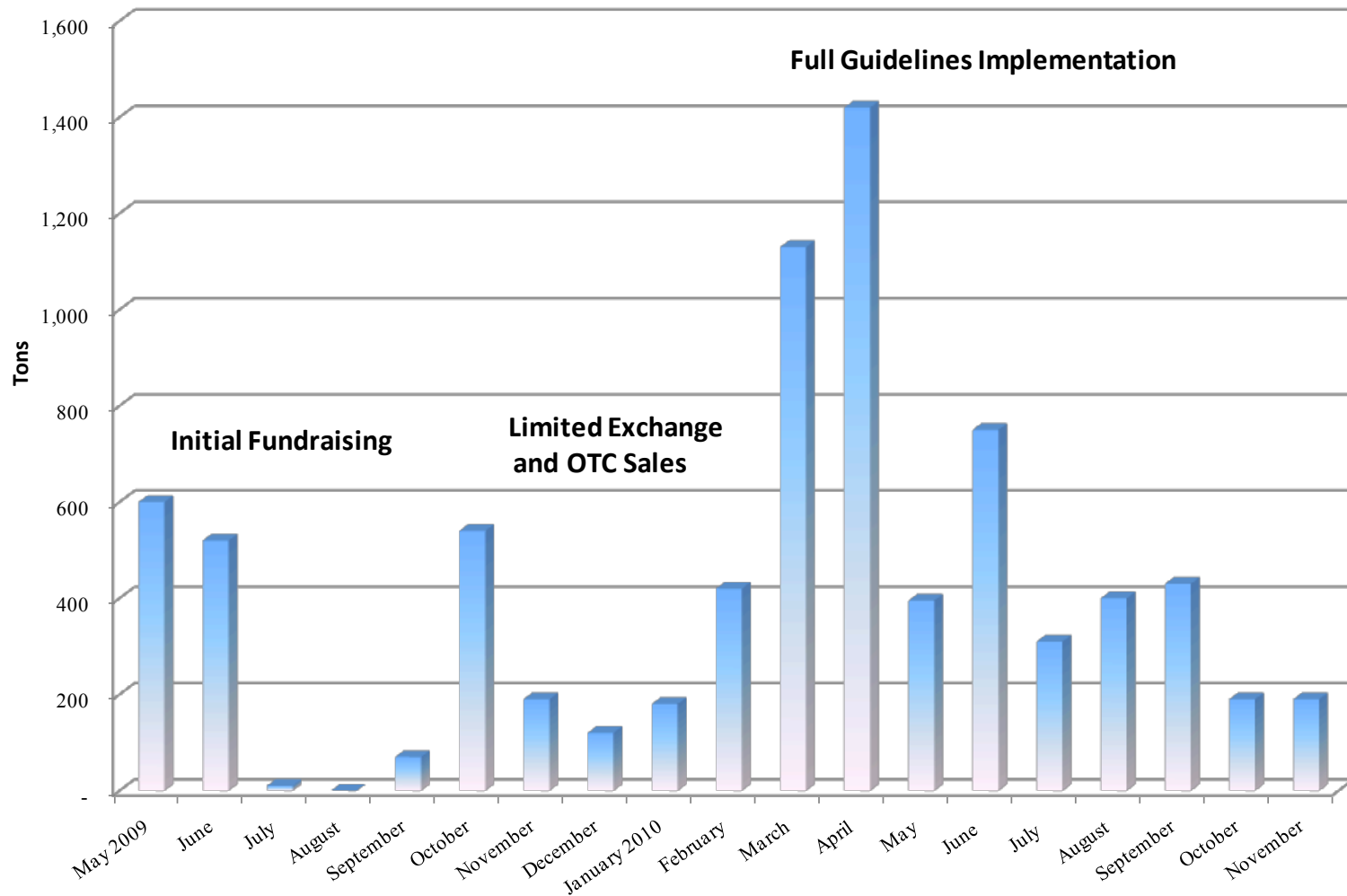
CER Tons Sold (Millions)



- **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**

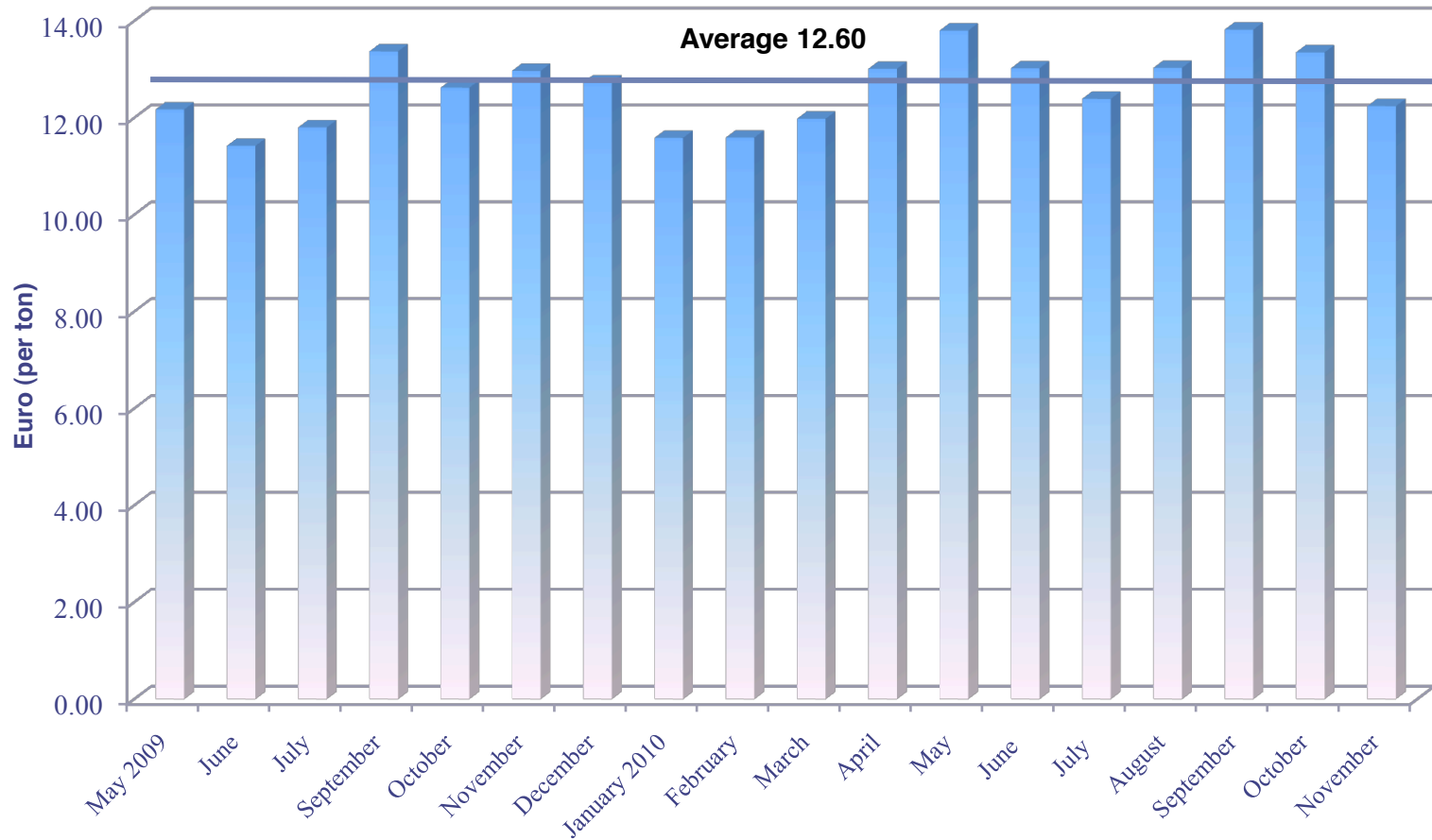
# CER Monetization Program

## Monthly Sales by Tonnage



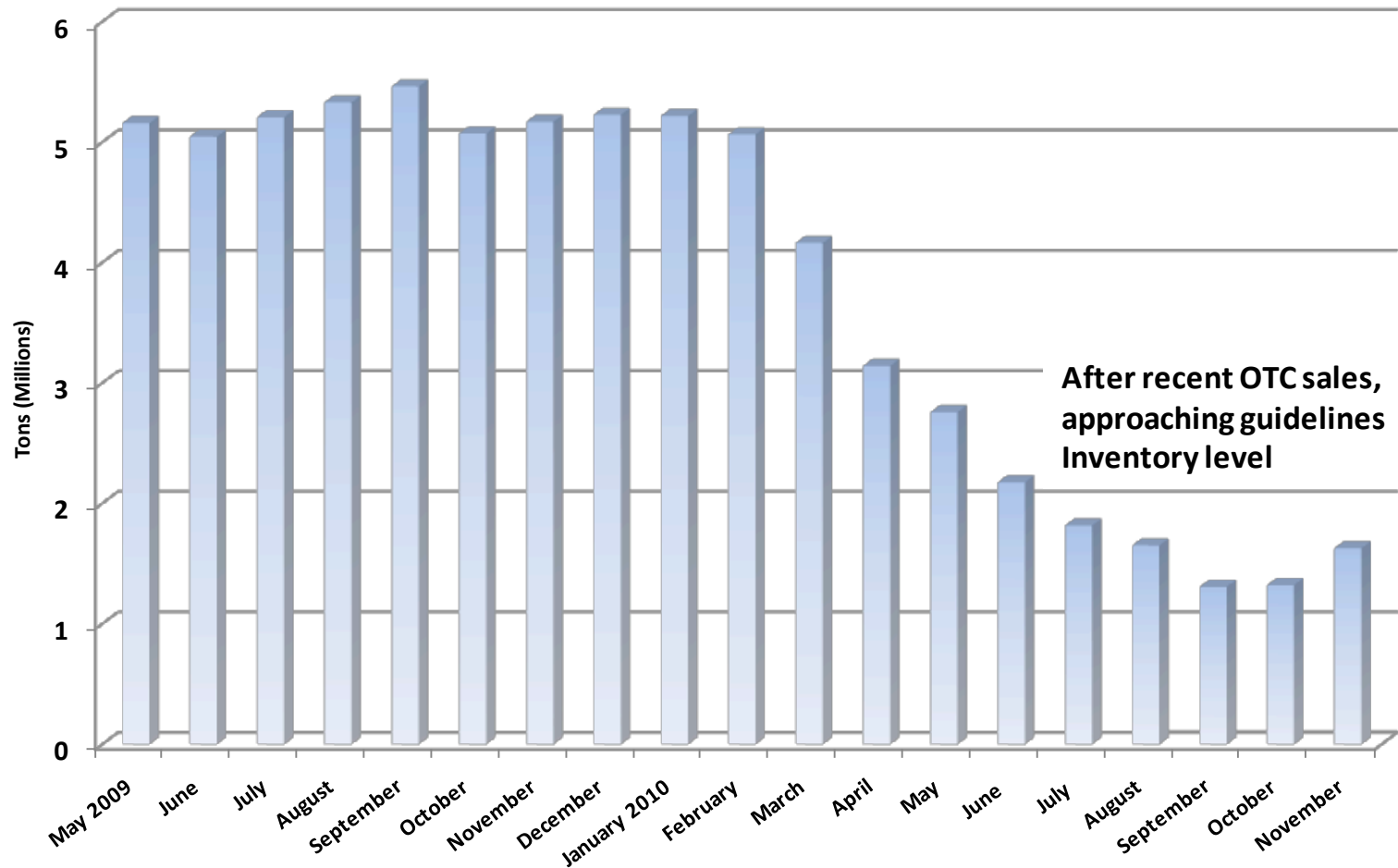
# CER Monetization Program

## Monthly Average Price



# CER Monetization Program

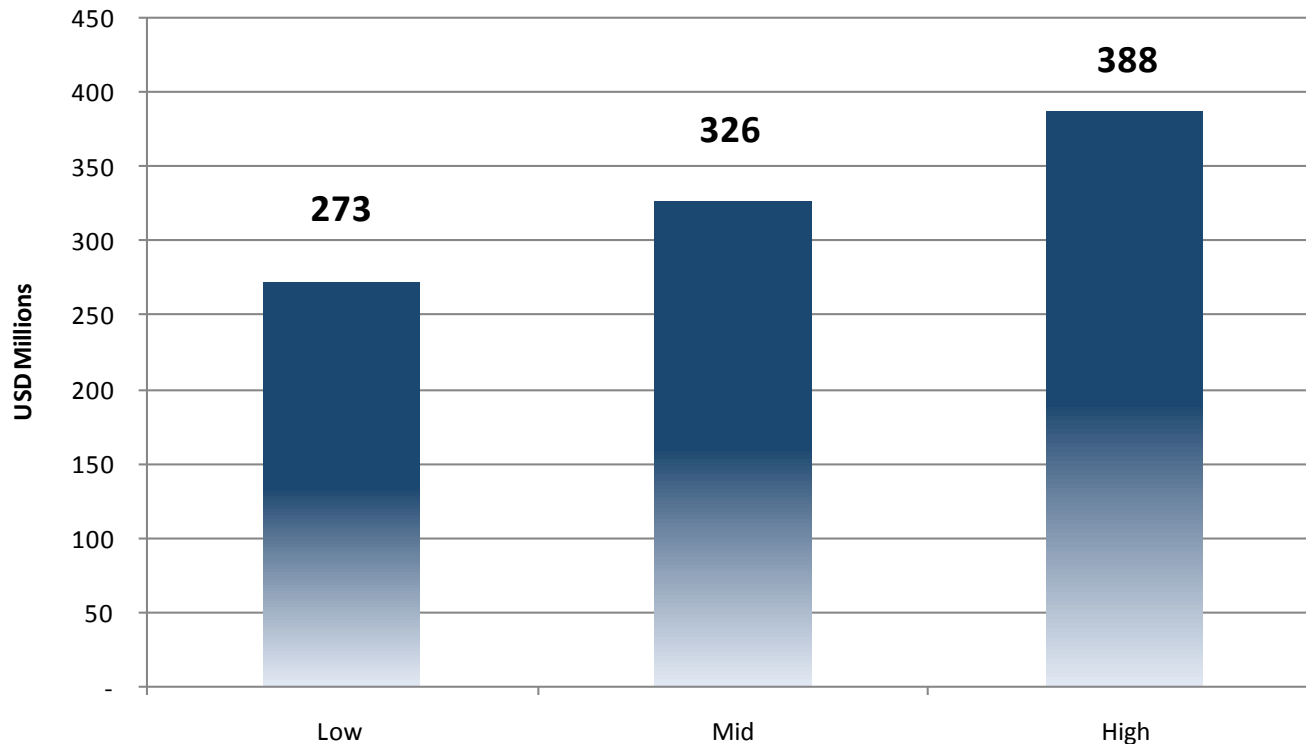
## Adaptation Fund Inventory





# 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.