



ADAPTATION FUND

Adaptation Fund Board

CER Monetization Guidelines – Proposed Exception to permit CER sales directly to the UNFCCC Secretariat

Background and Rationale:

The Executive Secretary of the UNFCCC Secretariat has approached the Chair of the Adaptation Fund Board, expressing an interest on the part of the UNFCCC Secretariat to purchase Adaptation Fund CERs directly, through the trustee, to meet offset and other needs of the UNFCCC secretariat.

The advantages to the Adaptation Fund of such approach could include raising the profile of the Adaptation Fund, through public acknowledgements by the UNFCCC secretariat of such purchases.

The Board should note that the number of CERs to be purchased by the UNFCCC secretariat is likely to be limited (estimated at 5,000 tonnes). It should also note that this may not constitute the most cost-effective method to monetize CERs, when compared with the alternative methods presently available and being used by the trustee, however the potential communications and awareness-raising benefits of such sales should be acknowledged. To minimize transactions costs, the purchaser would be required to accept the terms of the standard CER sales agreement used by the trustee. Using this approach, the costs would not be expected to exceed those applicable to similar-sized CER sales via exchanges (i.e. US\$ 20-25 cents per tonne applicable to CER monetization undertaken in FY11 and FY12).

The trustee would execute CER sales to the UNFCCC at prevailing market prices.

Decision

Please see annex.



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14 September 2012

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The Adaptation Fund Board hereby requests and authorizes the trustee to undertake sales of Adaptation Fund CERs directly to the UNFCCC Secretariat, on an exceptional basis, notwithstanding the provisions contained in the CER Monetization Guidelines (Amended and Restated, as approved by the Board in document AFB/EFC.9/9/Rev.2). Cost effectiveness considerations would be met through UNFCCC's acceptance of the terms of the standard CER sales agreement used by the trustee.

Decision B.18-19/11