



ADAPTATION FUND

AFB/B.13/Inf.5
March 9, 2011

Adaptation Fund Board
Thirteenth Meeting
Bonn, March 17-18, 2011

PRESENTATION ON CER MONITIZATION

ADAPTATION FUND TRUST FUND

Update on Status of Resources and CER Monetization Program

March 2011

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

Roadmap

1. Trustee Update

- **Recent developments**
- **Status of Resources**

2. CER Monetization

- **CER Price Levels**
- **CER Monetization Program**

Trustee Update

Recent Developments

- CMP adopted extension of Interim Trustee mandate in Cancun
- World Bank Executive Directors agreed to extension on February 18, 2011
- AF Trust Fund Independent Audit concluded successfully, covering the period from inception to June 30, 2010.
- Second project funds transfer made - Honduras

Status of Resources

January 31, 2011

(US\$ millions)

Cumulative Receipts (1)	<u>224.50</u>
▪ Cash receipts from CER sales proceeds	138.16
▪ Cash receipts from Donors and Other Sources	85.59
▪ Investment Income	0.75
Cumulative Disbursements (2)	<u>12.63</u>
▪ Projects and Programs	2.92
▪ Administrative Budgets	9.71
Funds Held in Trust (3) = (1) – (2)	<u>211.88</u>

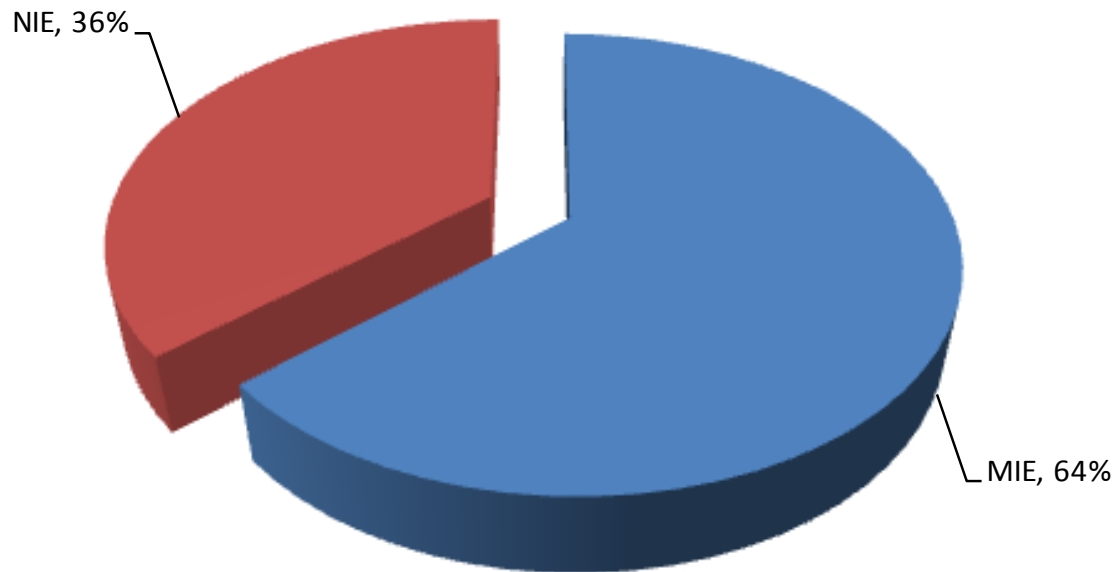
Schedule of Funds Available

January 31, 2011

(US\$ millions)

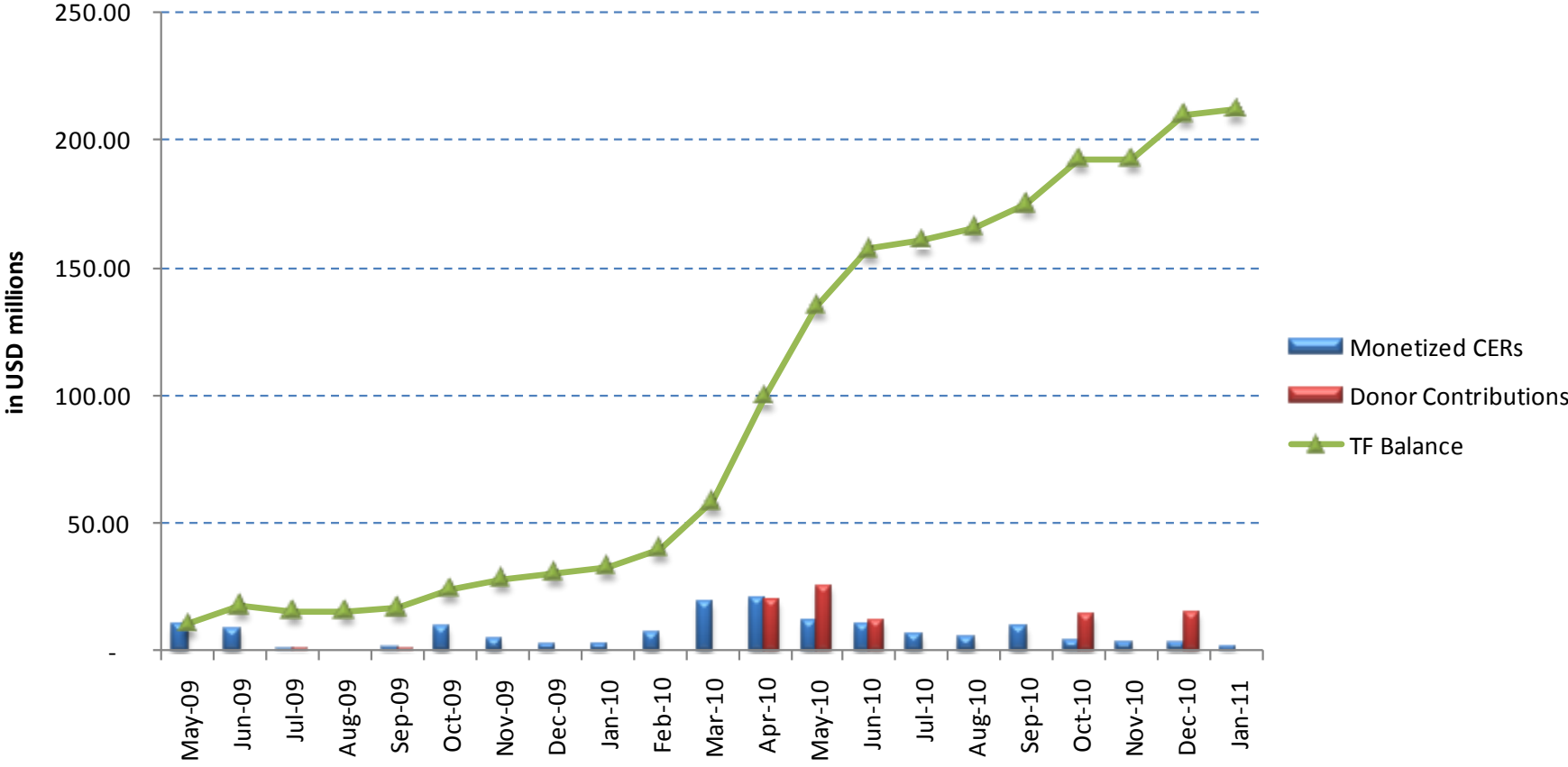
Funds Held in Trust (3)	<u>211.88</u>
Operational Reserve (4)	<u>3.00</u>
Amounts Committed, Not Disbursed (5)	<u>21.89</u>
Funds Available (6) = (3) – (4) – (5)	<u>187.08</u>

Total Programs/Projects Approved to date by NIE and MIE



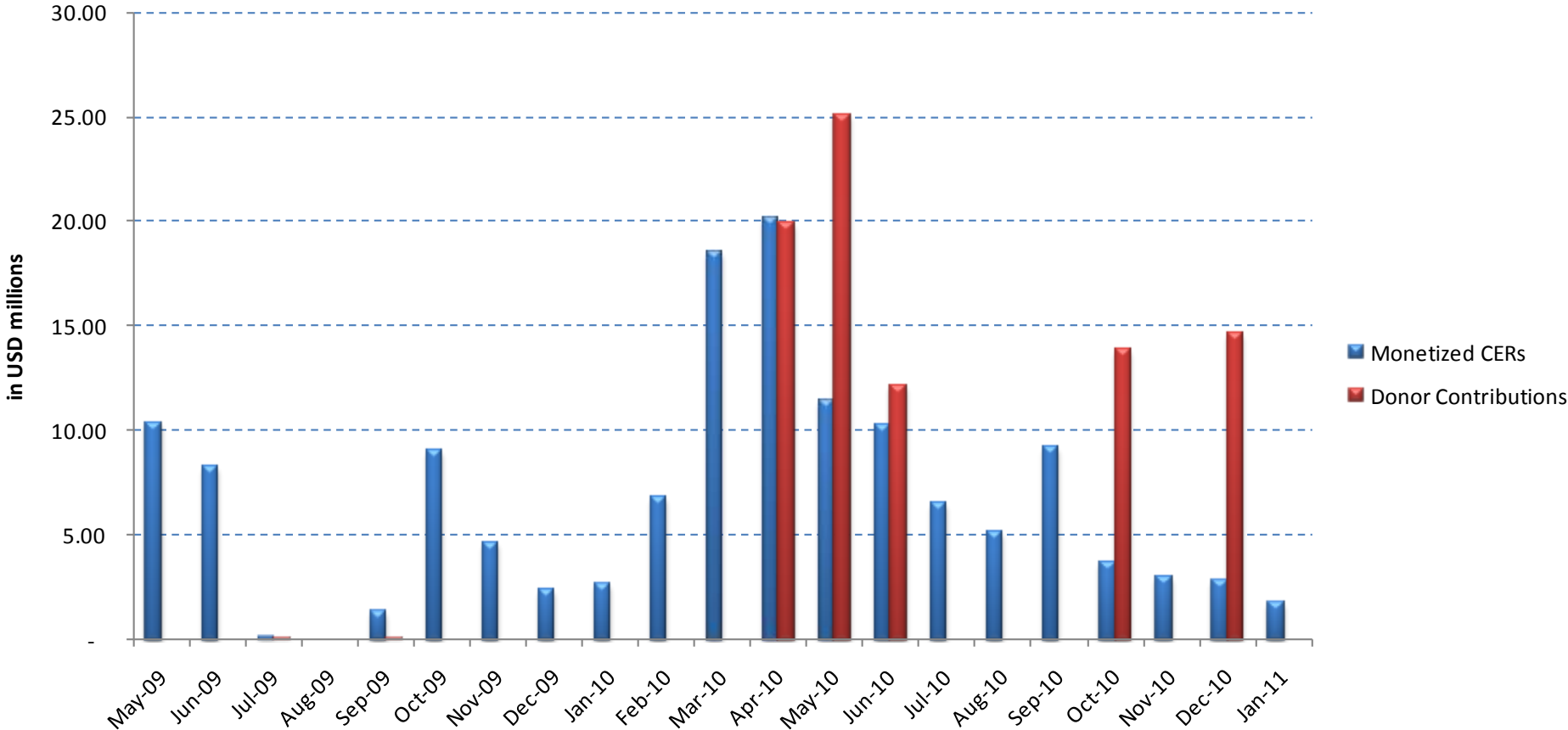
Status of Resources

CERs and Donor Proceeds

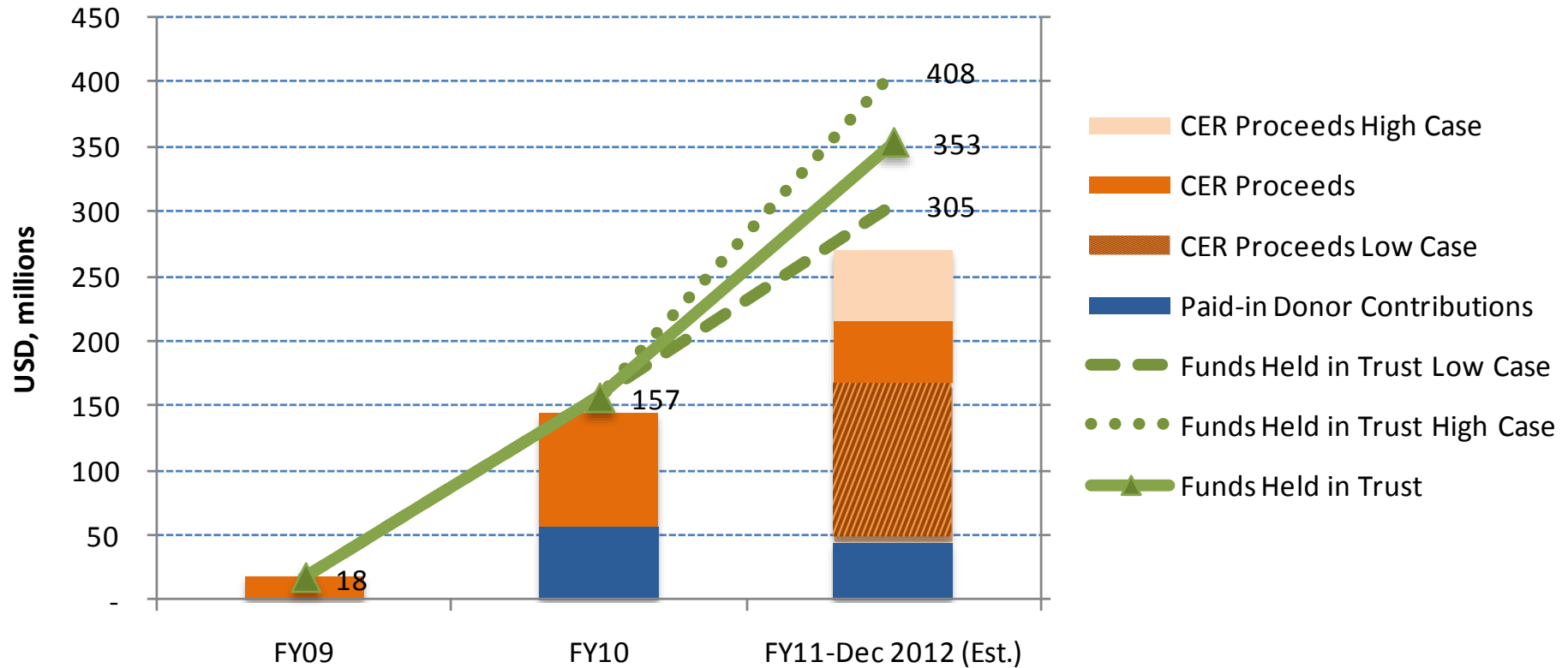


Status of Resources

CERs and Donor Proceeds



Potential Resources for the AF to end-2012



Roadmap

2. CER Monetization

- **CER Price Levels**

CER Price Levels

Long-Term Daily Prices



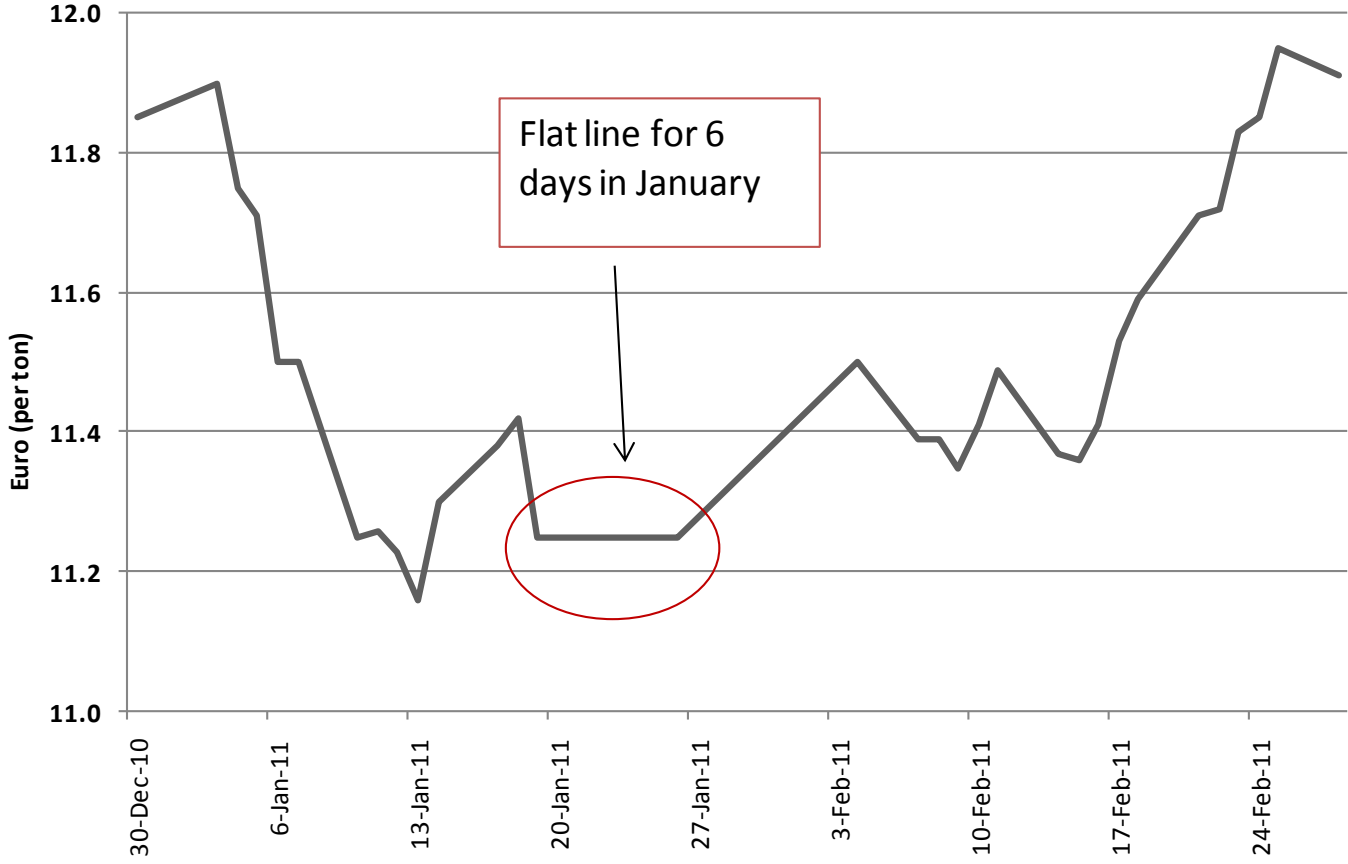
CER prices have remained in a trading range of approximately €11 to €15 per ton for nearly two years.

Recently have trended near bottom of range.

Source: Bloomberg

CER Price Levels

Short-Term Daily Prices



Source: Bloomberg

CER Price Levels

European Union Allowances Issues

Events

- In November 2010, cyber-criminals hacked into Romanian Registry and stole EUAs.
- Early January, EUAs stolen from Czech Republic, Austrian and Greek Registries.
 - Approximately 3.2 million EUAs reported missing – market value of almost € 50 million (\$68 million).
- Europol stated that thefts were linked to organized crime groups and arrests have been made.
- Stolen EUAs traced to other registries.

- **ADAPTATION FUND CERS NOT AFFECTED**

CER Price Levels

European Union Allowances Issues

Measures Taken

- On January 19th 2011, European Commission suspended trading on all European Union Registries.
- Registries are being let back in once they demonstrate security will prevent subsequent theft.
 - As of March 1st 2011, only 10 of 30 registries had reopened.
- BlueNext independently suspended all trading.
 - Spot trading declined significantly, but derivatives markets continued to trade.

Source: Point Carbon, BlueNext

CER Price Levels

European Union Allowances Issues

Possible Improvements

- Enhanced security, equivalent to banking standards.
- Make system more centralized, with one set of standards.
- Improve proof of identify for opening registry accounts - photographic and other documentation.
- Limit the opening of registry accounts to compliance buyers and qualified dealers.
- Clarify status of stolen EUAs purchased in good faith.

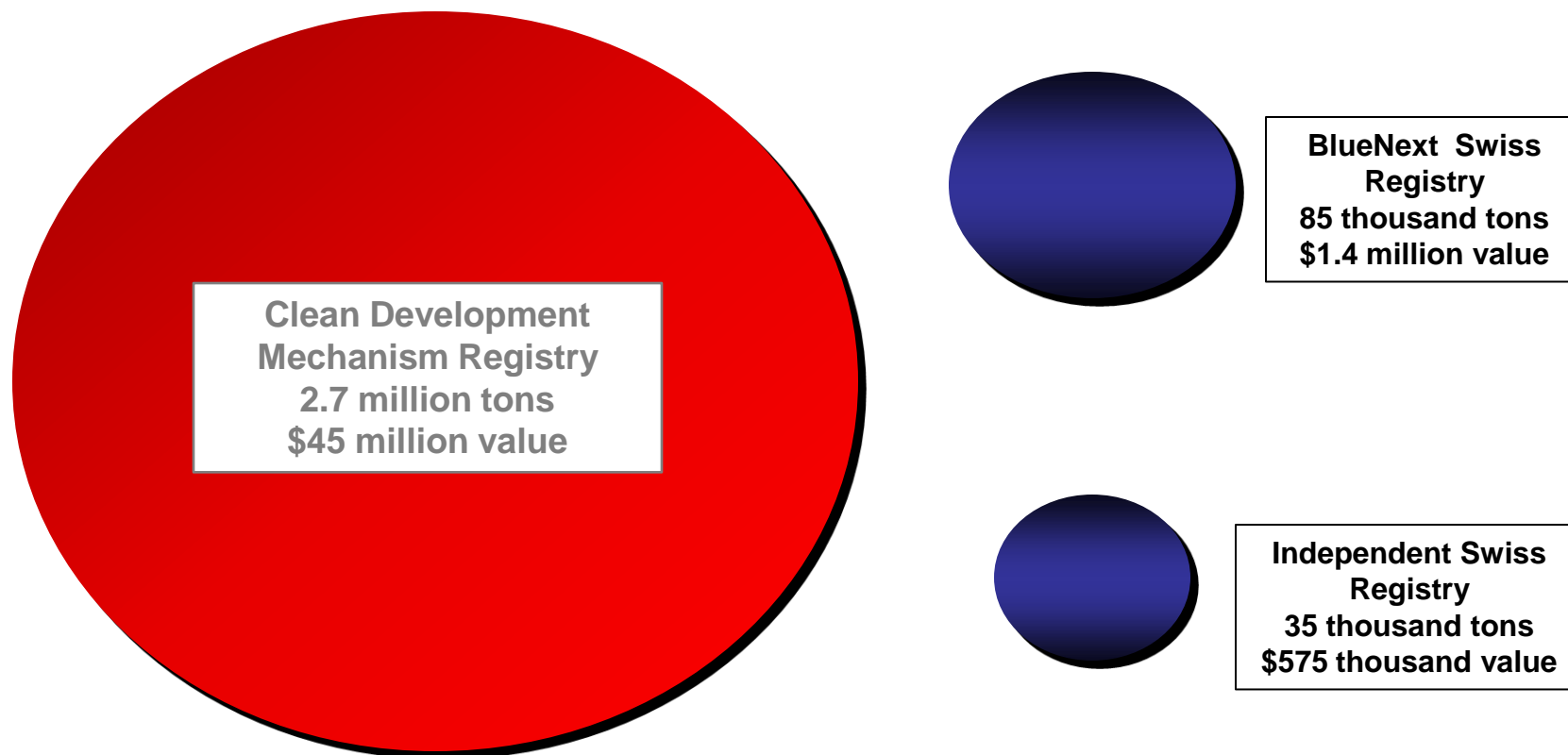
Other

- Concerns carousel trading (VAT fraud) and money laundering may be continuing undetected.

Source: Point Carbon, BlueNext

CER Price Levels

Adaptation Fund CER Holdings

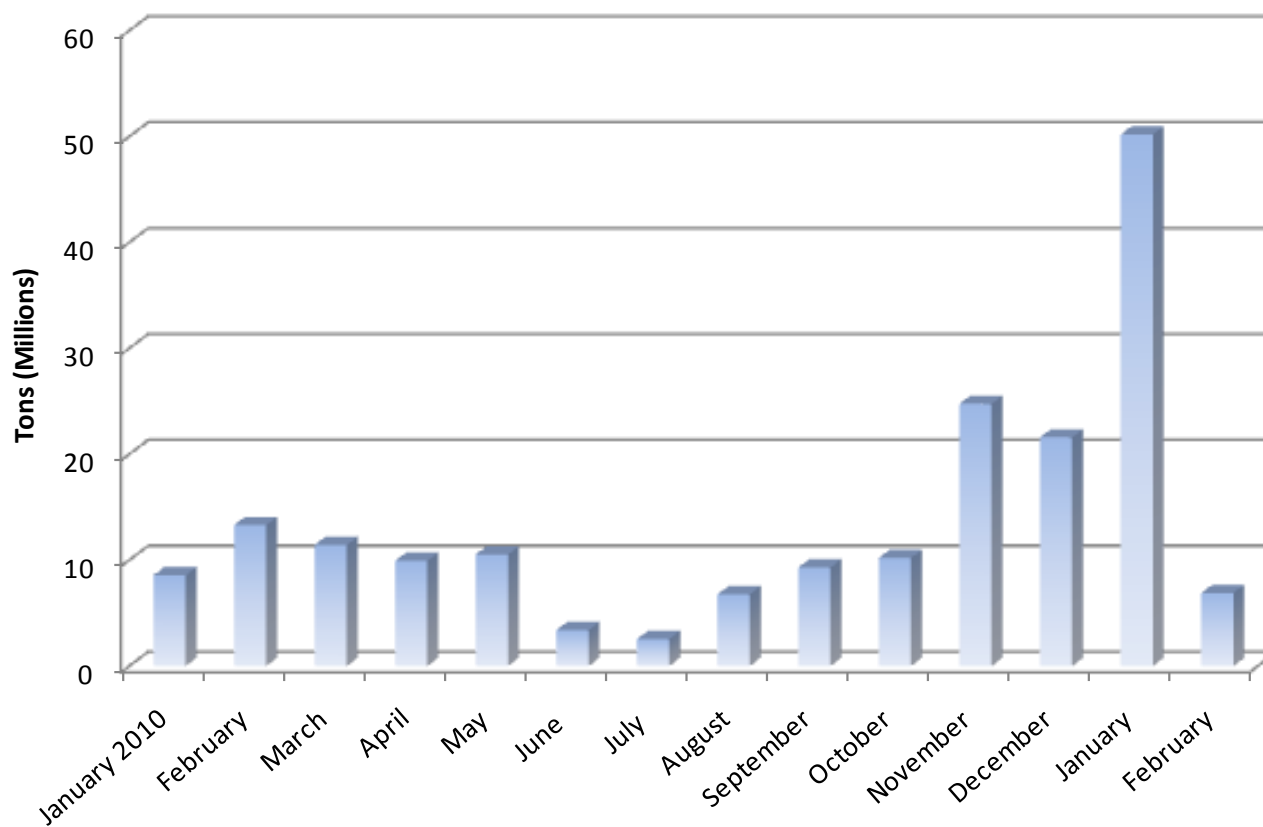


Volumes, prices and exchange rates as of February 28, 2011

Source: Bloomberg

CER Price Levels

CER Monthly Issuance Levels

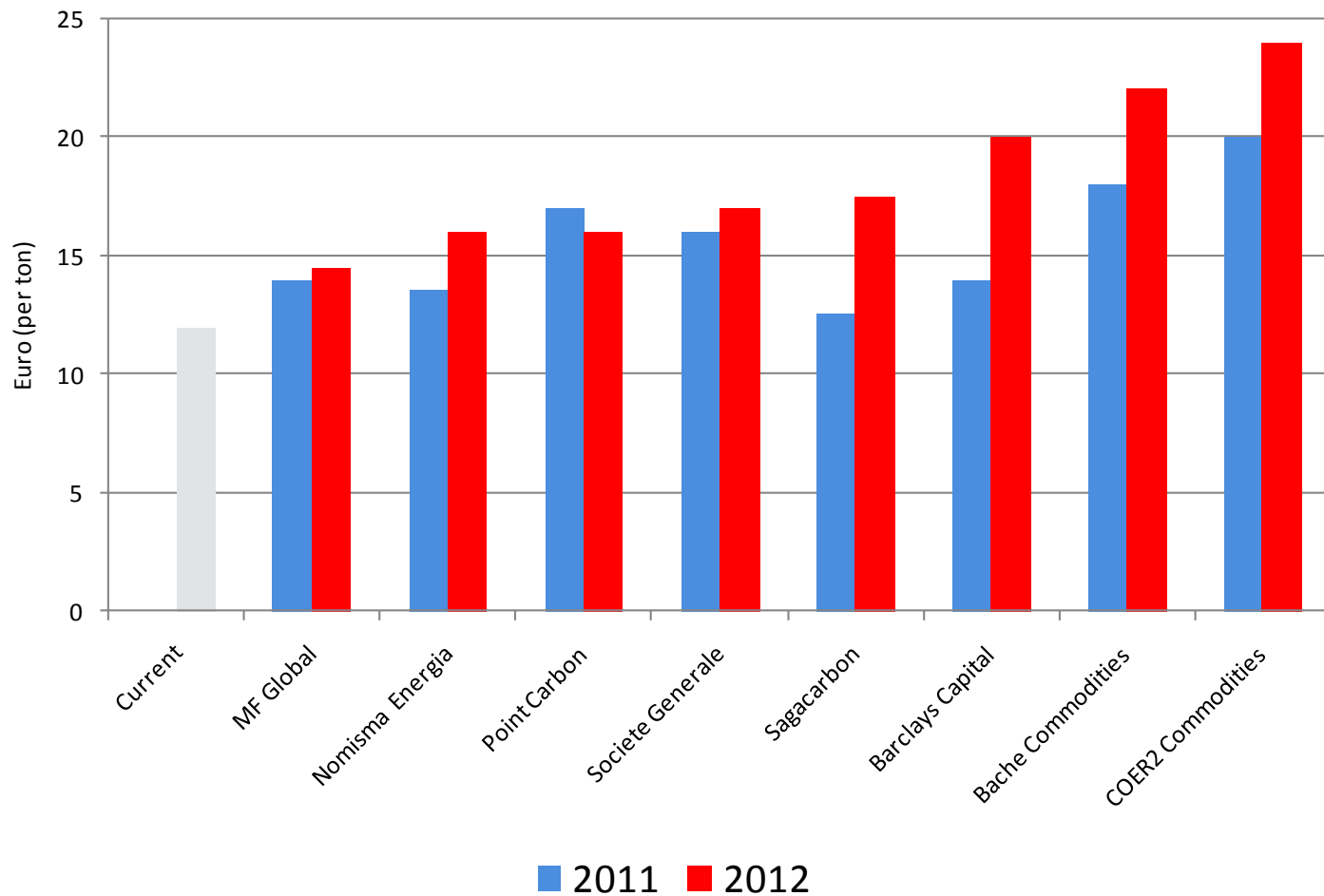


CER issuance in December 2010 was 50.2 million tons - double the highest monthly total ever

Source: UNEP Risoe

CER Price Levels

Analysts Forecasts – as of January 11, 2011

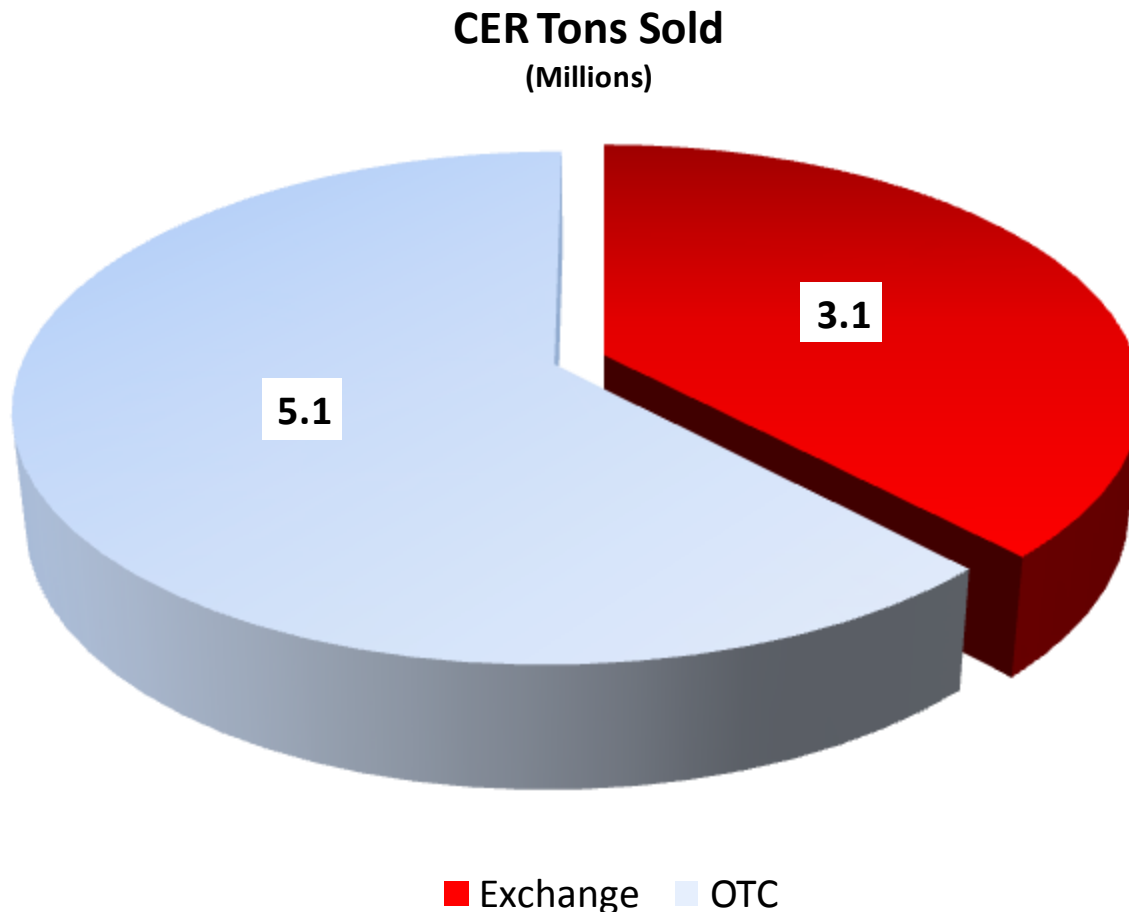


Roadmap

2. CER Monetization

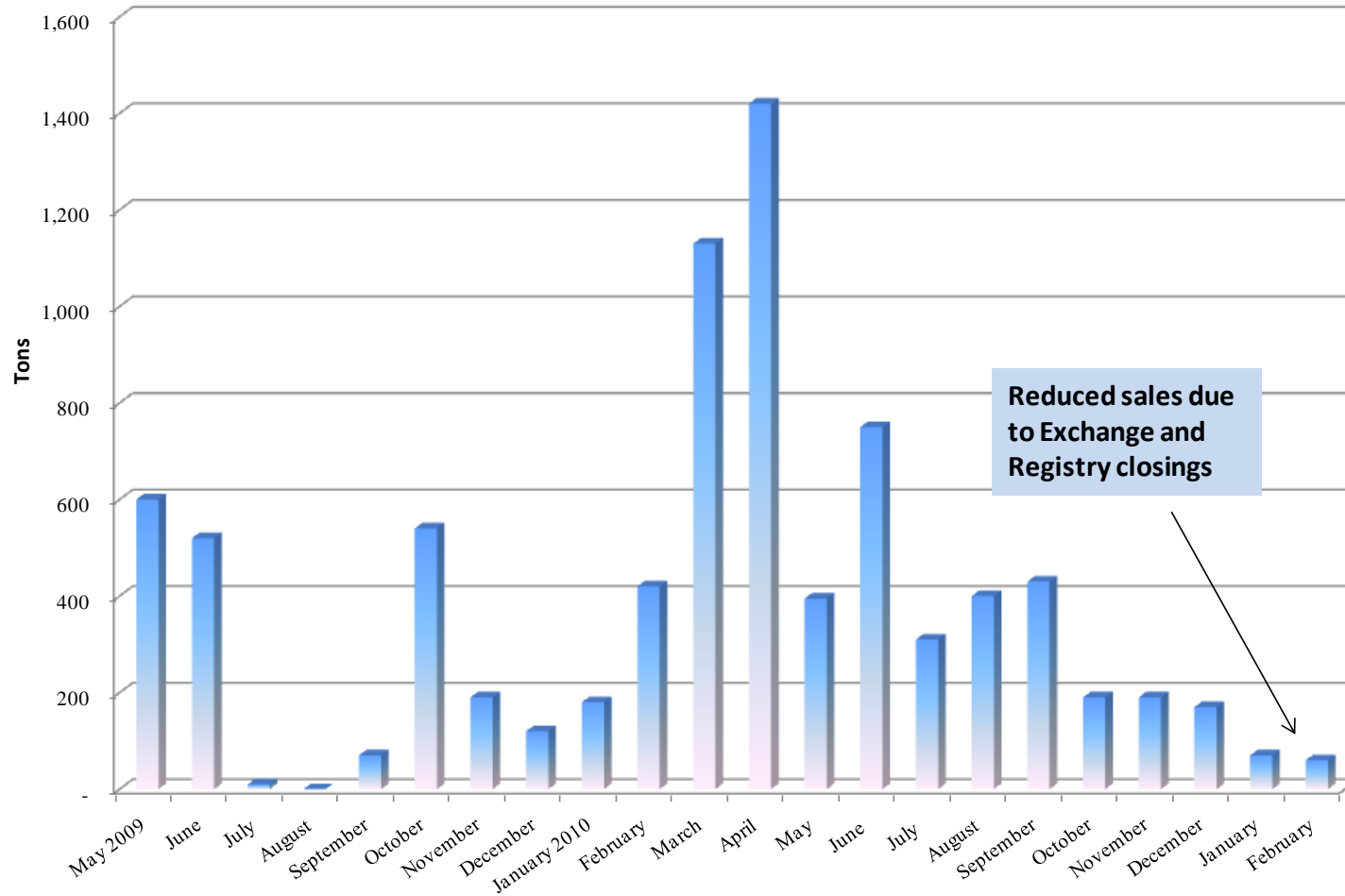
- **CER Monetization Program**

CER Monetization Program Sale Record as of February 28, 2011

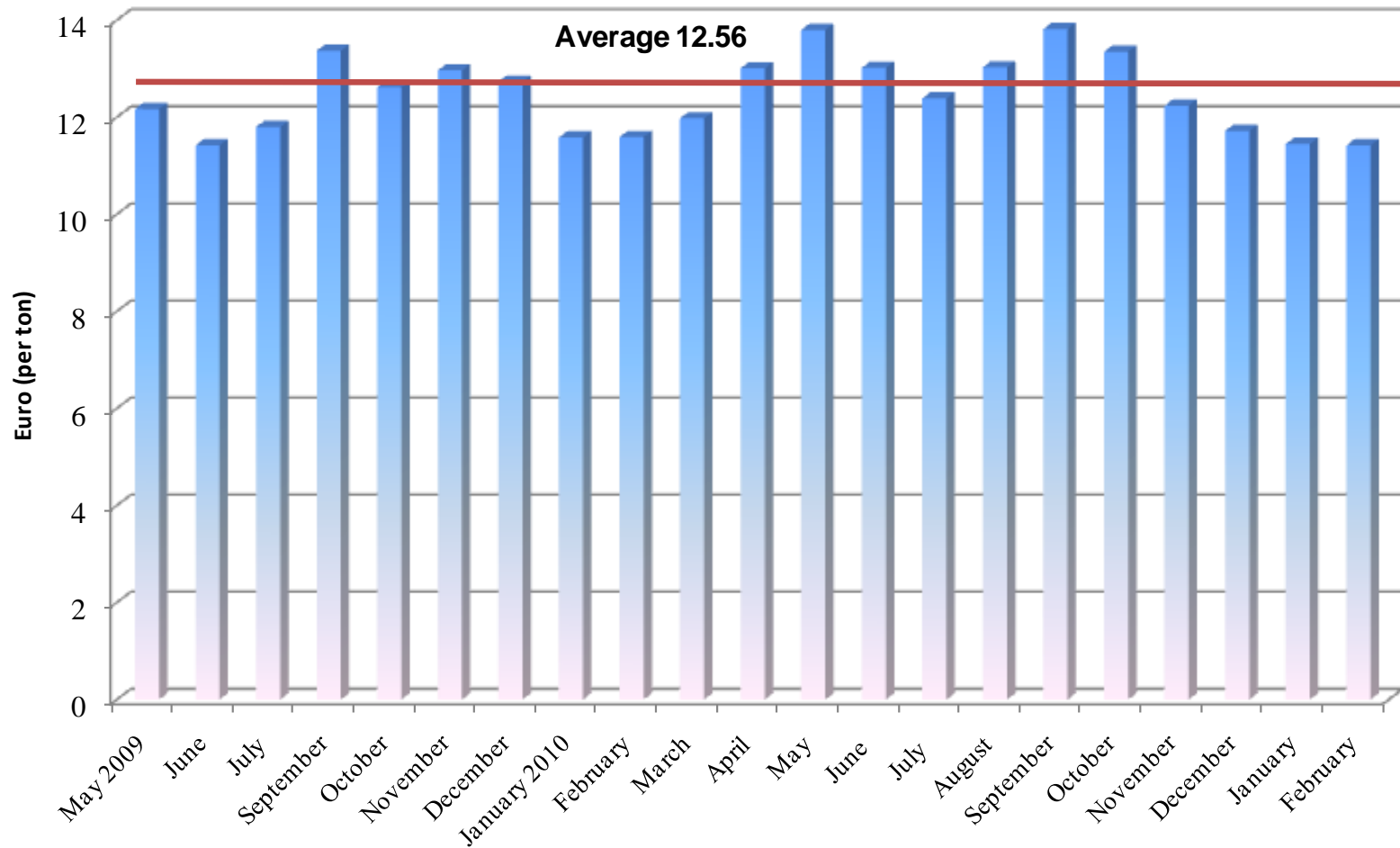


- Sales reduced by BlueNext closure from Jan 20th to Feb 3rd, and Swiss Registry closure February 12th to present.
- 8.2 million CER Tons Sold
- \$139.1 million raised (€103.2 million)

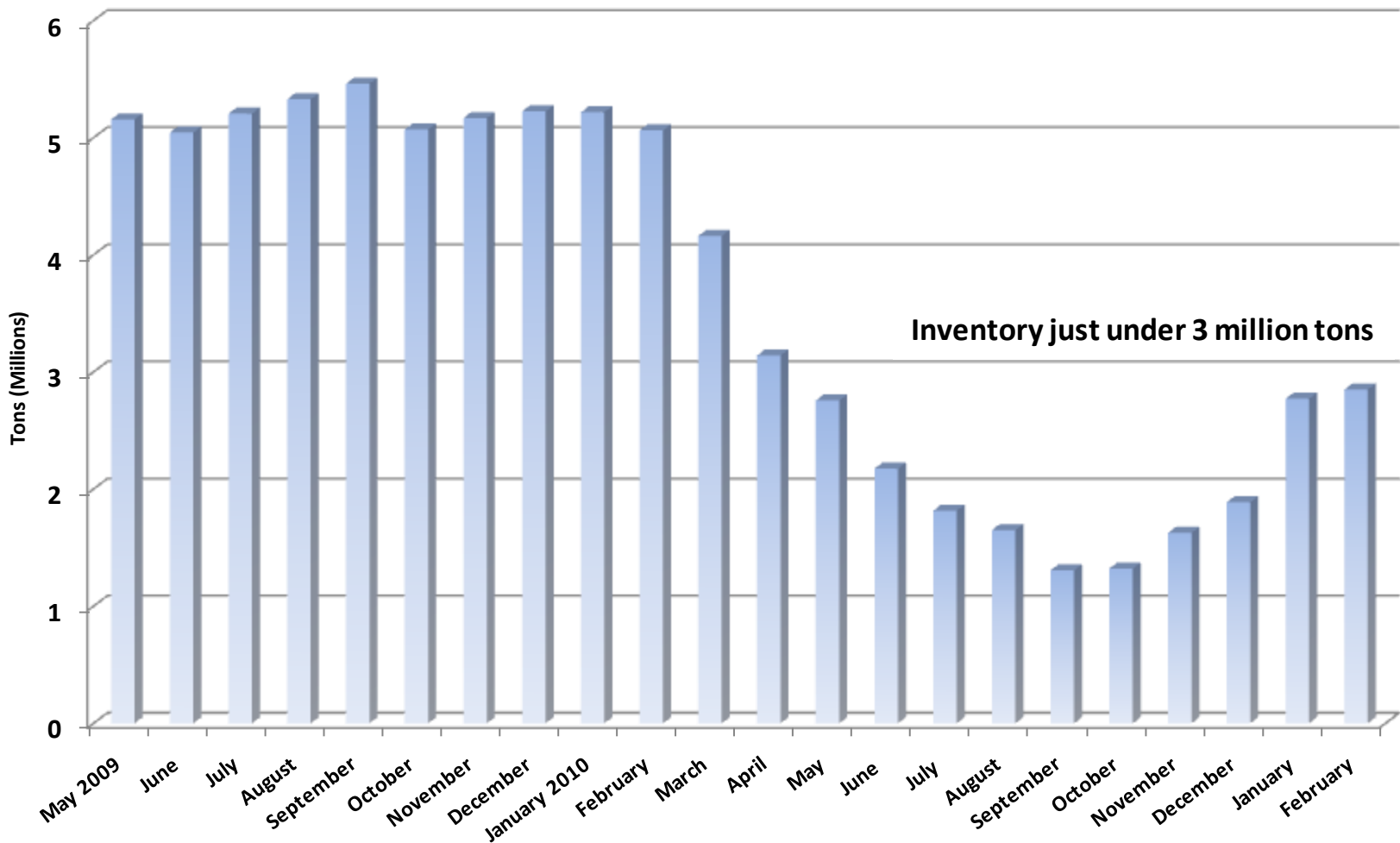
CER Monetization Program Monthly Sales by Tonnage



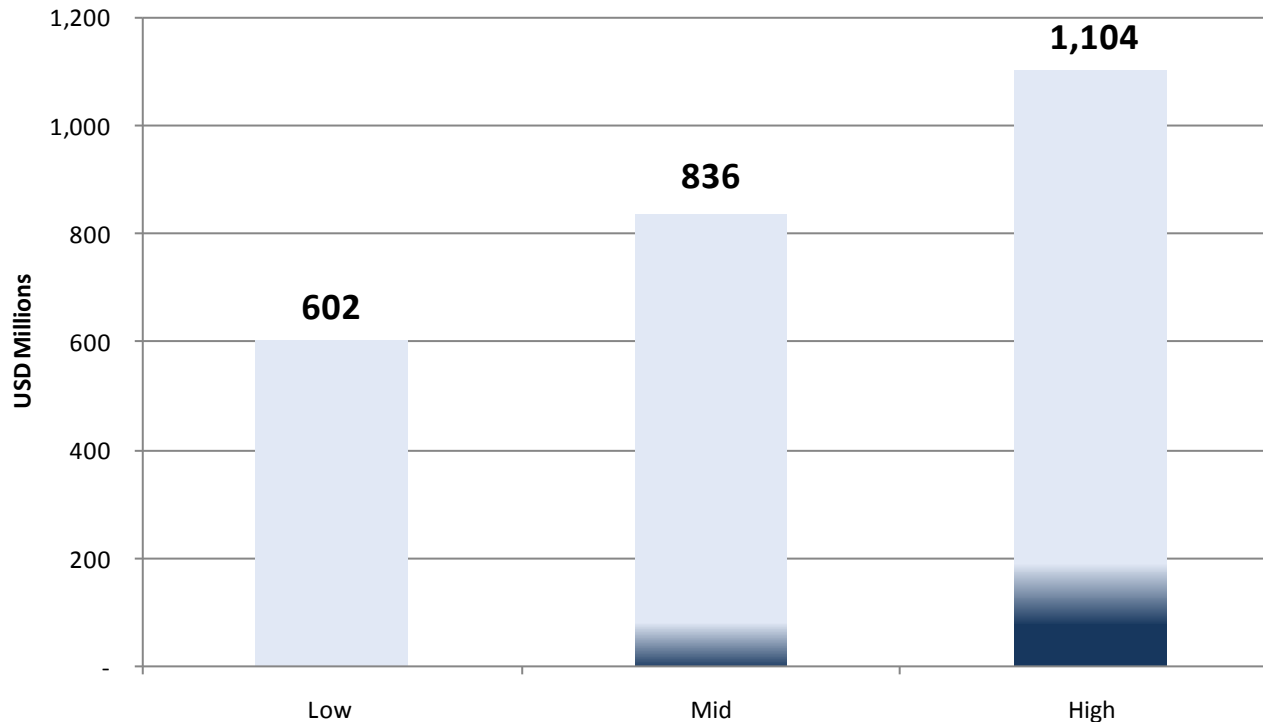
CER Monetization Program Monthly Average Price



CER Monetization Program Adaptation Fund Inventory



CER Monetization Program Potential Resources from Monetization 2013 to 2020



Based on Point Carbon estimate that 2.5 billion CERs could be issued in post-Kyoto period.

Excludes donations, interest income and expenses.