



ADAPTATION FUND

AFB/B.17/Inf.4
14 March, 2012

Adaptation Fund Board
Seventeenth Meeting
Bonn, 14-16 March, 2012

PRESENTATION ON CER MONETIZATION

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

March 2012

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

Agenda

- 1. Status of Resources**
- 2. Investment Management**
- 3. CER Monetization**
 - CER Price Levels**
 - CER Monetization Program**

Status of Resources

December 31, 2011
(US\$ millions)

Cumulative Receipts (1)	<u>273.13</u>
▪ Cash receipts from CER sales proceeds	168.34
▪ Cash receipts from Donors and Other Sources	103.54
▪ Investment Income	1.25
Cumulative Disbursements (2)	<u>30.17</u>
▪ Projects and Programs	16.92
▪ Administrative Budgets	13.25
Funds Held in Trust (3) = (1) – (2)	<u>242.96</u>

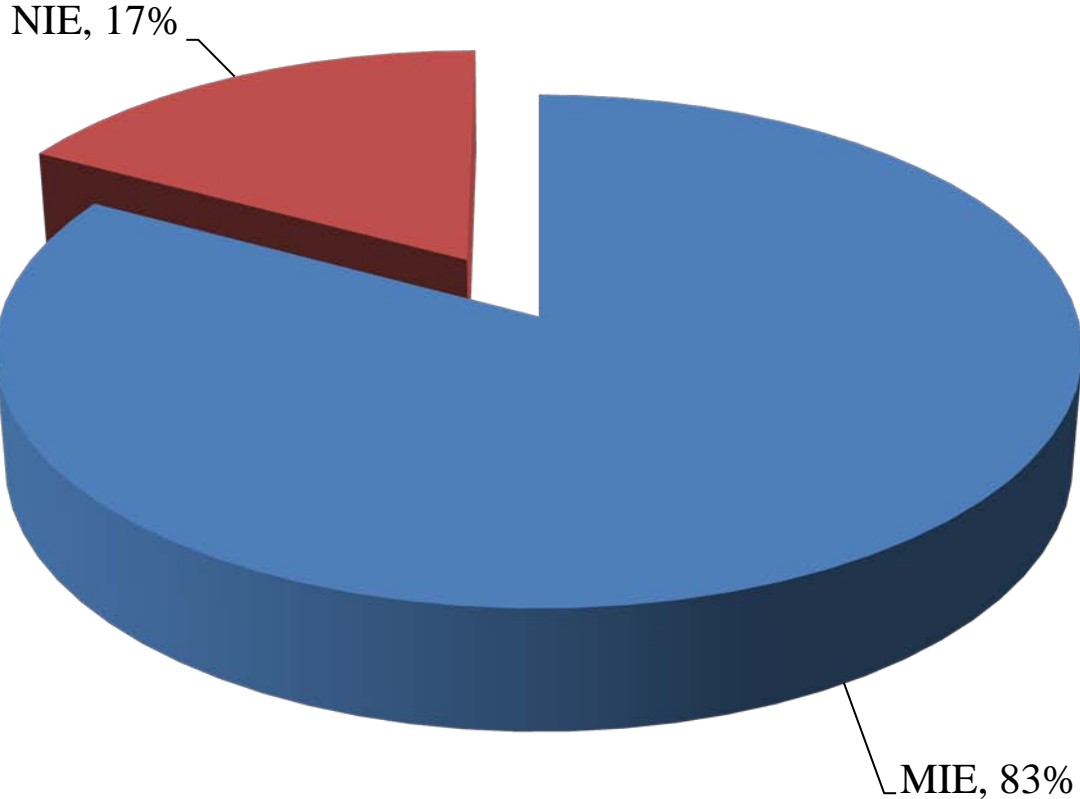
Schedule of Funds Available

December 31, 2011
(US\$ millions)

Funds Held in Trust (3)	<u>242.96</u>
Operational Reserve (4)	<u>3.00</u>
Amounts Committed, Not Disbursed (5)	<u>93.40</u>
Funds Available (6) = (3) – (4) – (5)	<u>146.57</u>

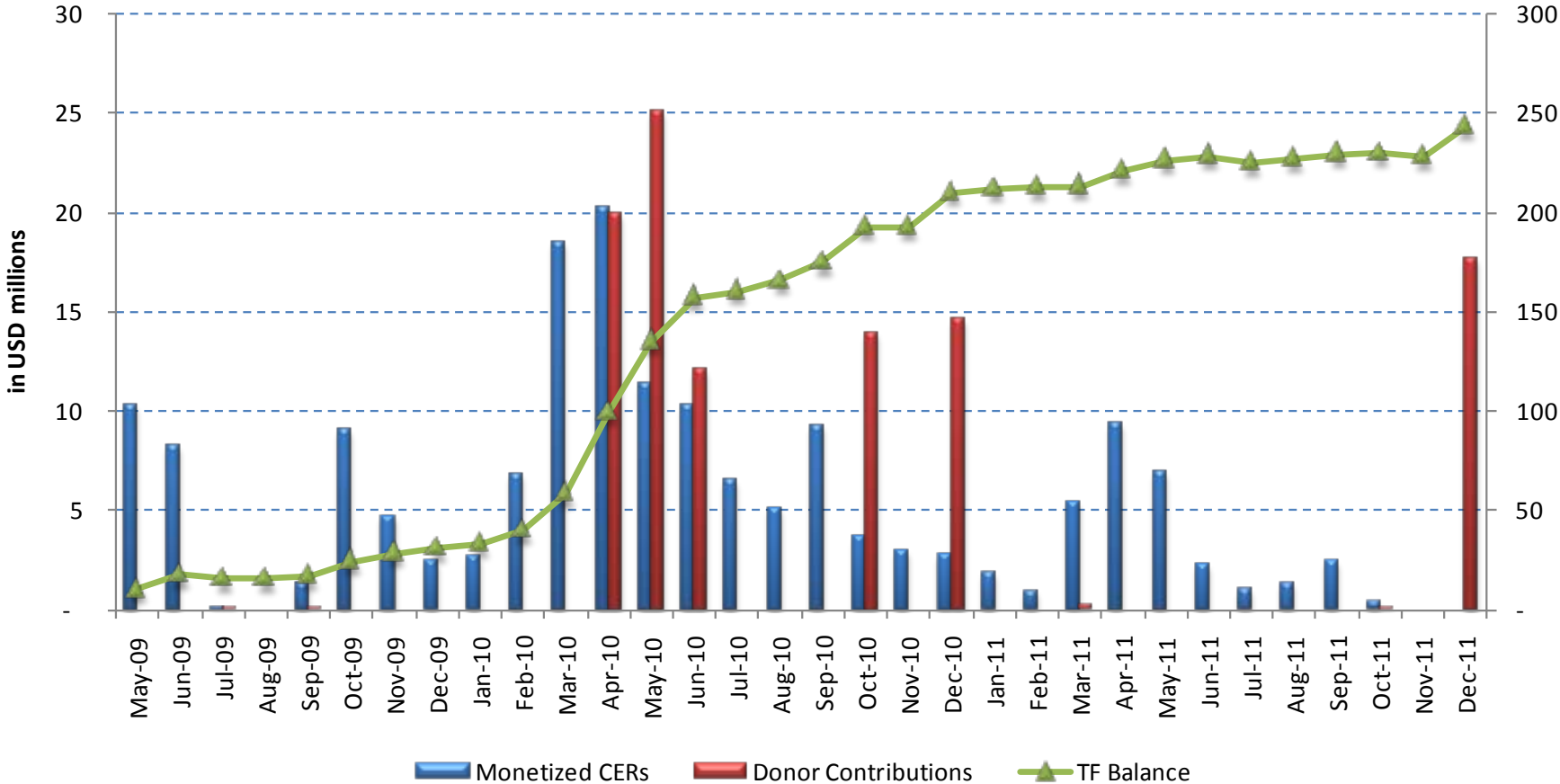


Total Programs/Projects Approved to date by NIE and MIE

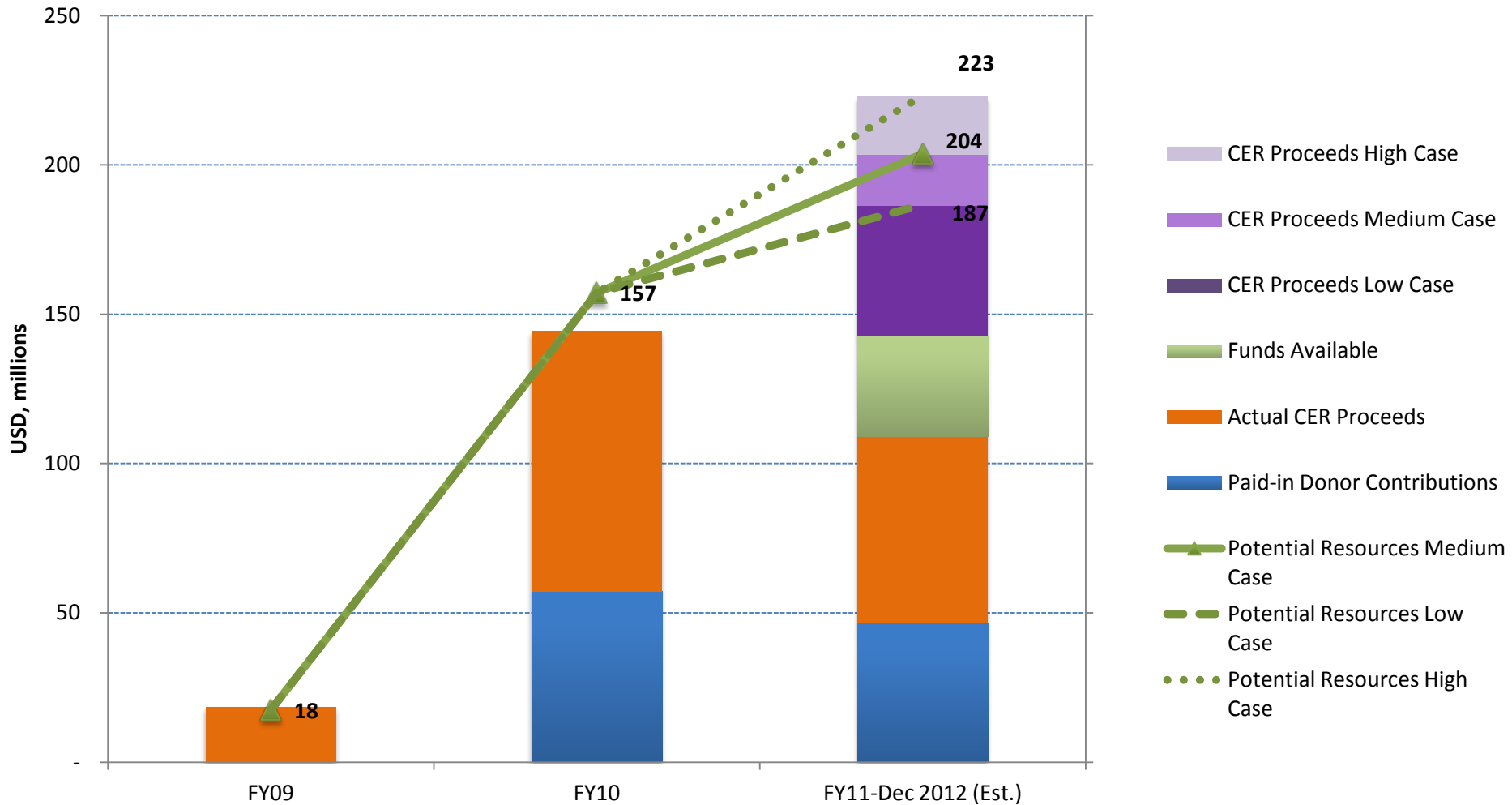


Status of Resources

CERs and Donor Proceeds



Potential Resources for the AF to end-2012

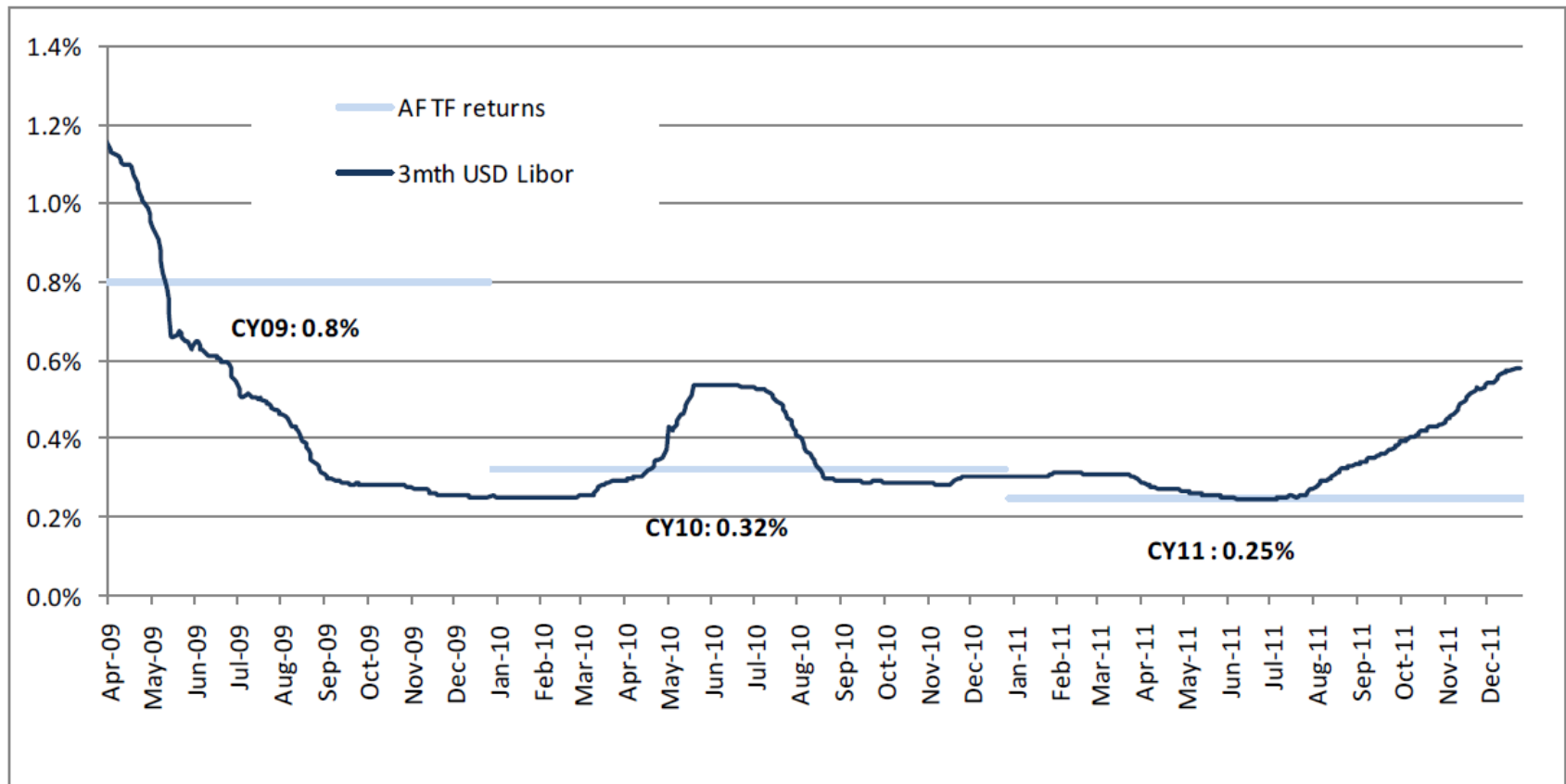


Adaptation Fund Trust Fund Investment Management

- **The Adaptation Fund Trust Fund liquid portfolio returned 0.25% through the 2011 calendar year.** In keeping with the Tranche 0 investment strategy, Adaptation Fund assets were primarily invested in short dated deposits in highly rated global financial institutions.
- **AF resources are not currently invested in other, longer term Tranches,** on the expectation that all funds would be required for projects and programs before the end of the one-year horizon period applicable to the next available investment tranche (Tranche 1).
- **Cash transfer projections provided by the AF Secretariat indicate that at least \$100 million in AF Trust Fund resources will remain in the AF Trust Fund for at least 1 year,** therefore based on the above, and liquidity requirements of the AF, the Trustee will allocate the AF Trust Fund balances between Tranche 0 and Tranche 1 based on the above, and liquidity requirements of the AF.

Adaptation Fund Investment Returns

Adaptation Fund returns are closely linked to USD Libor.



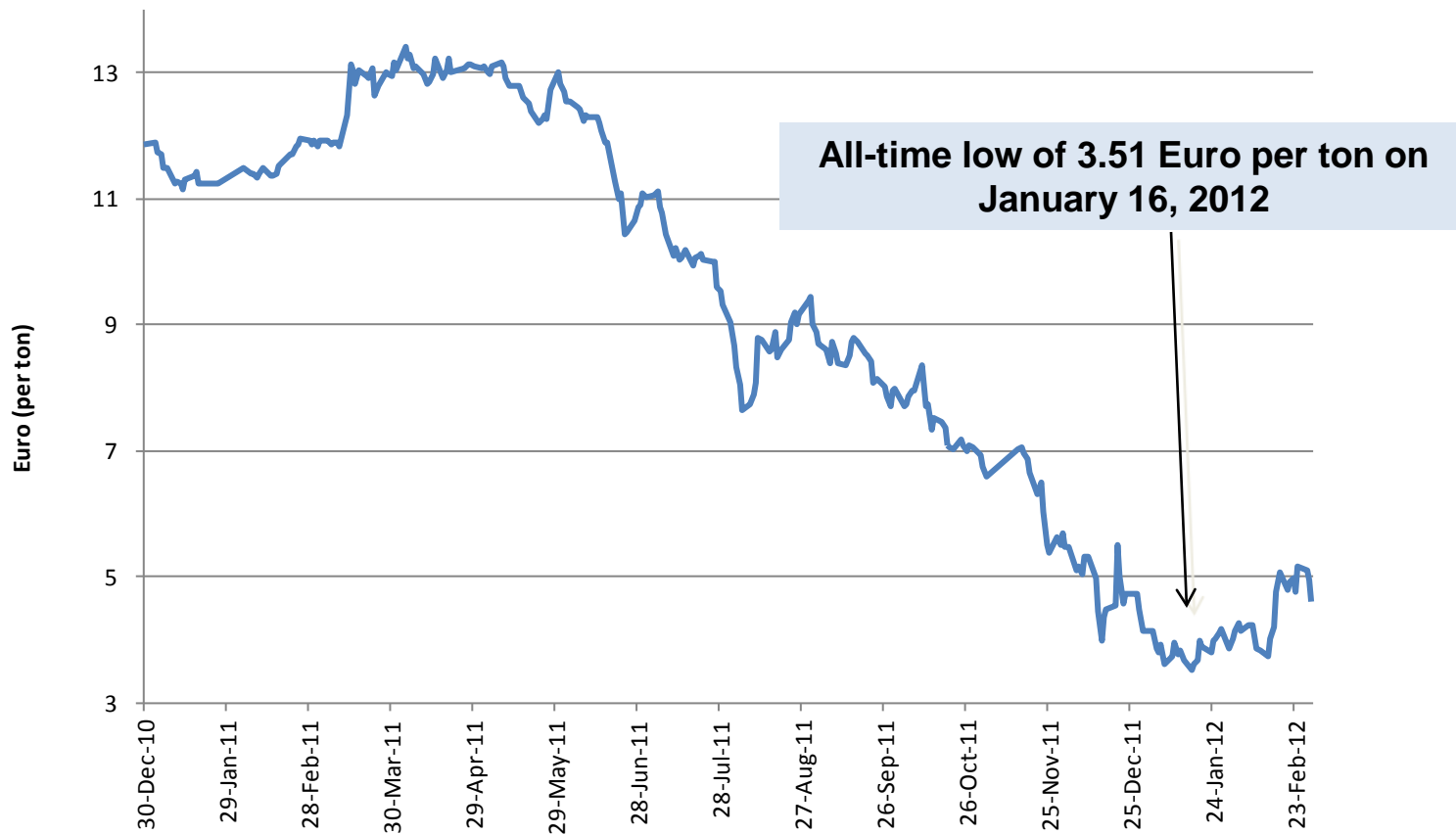
Agenda

2. CER Monetization

- CER Price Levels

CER Price Levels

Daily Prices

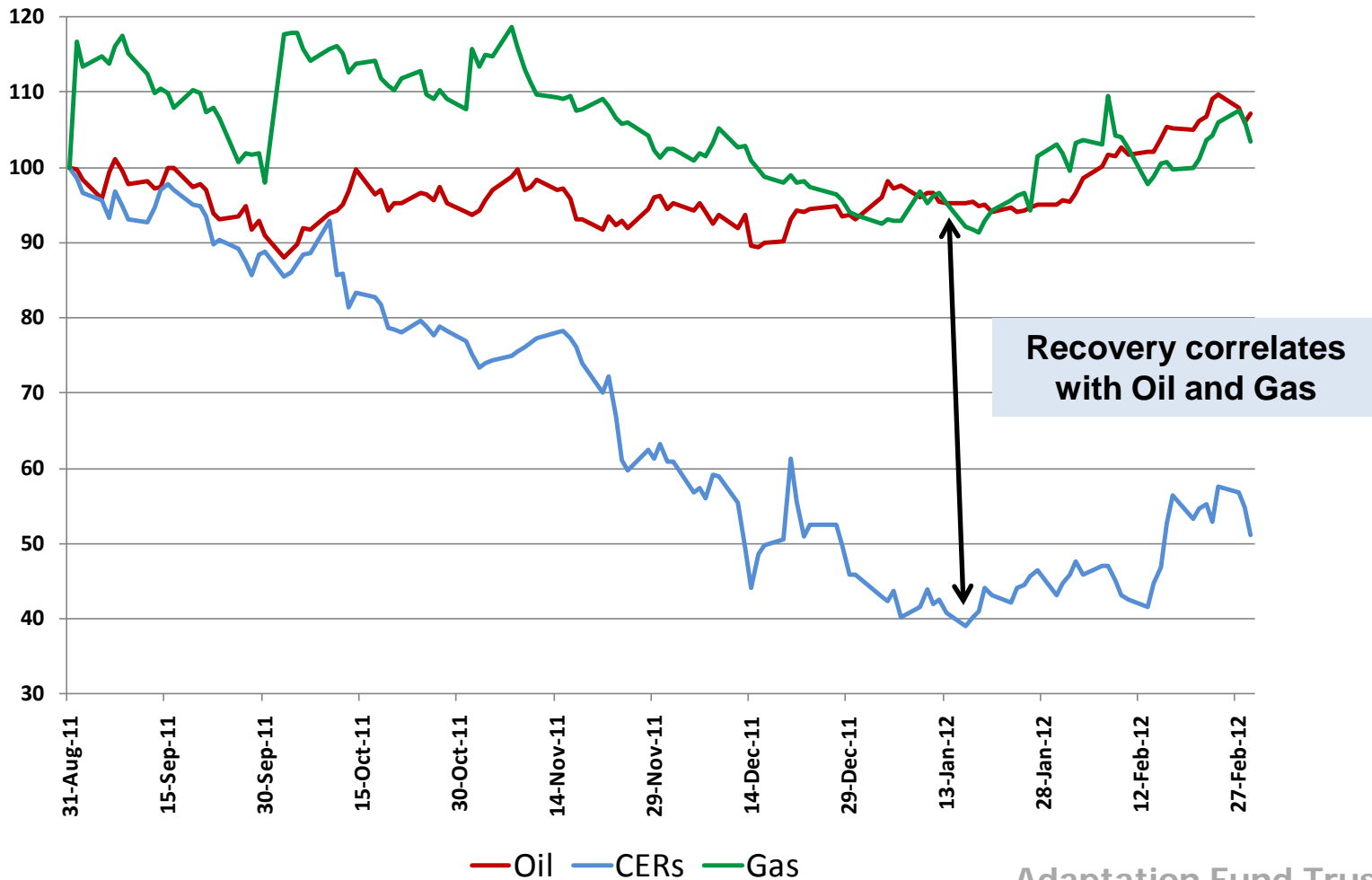


Source: Bloomberg

Adaptation Fund Trustee
The World Bank

CERs and Energy Commodities

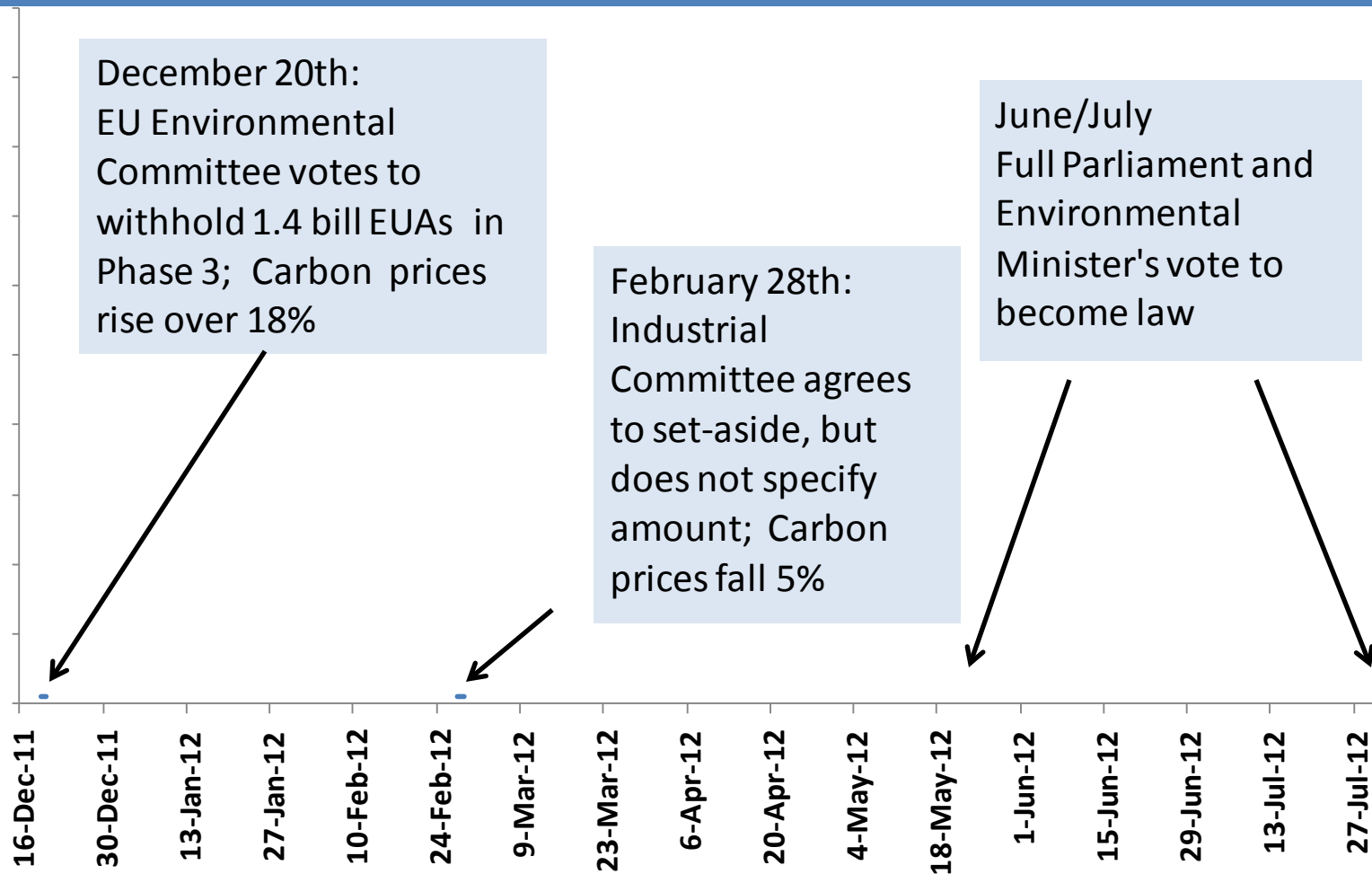
Indexed Sept 2011 to Feb 2012



Source: Bloomberg



European Union Set-Aside Timeline



Source: Point Carbon



Aviation Issue

Aviation accounts for between 2% to 3% of greenhouse gas pollution

- **Incorporated in European Trading System as of January 1st**
- **Thomas Reuters Point Carbon estimates cost to airlines will be over 500 million Euro for 2012**

Governments of United States, China, India, Russia and over 20 other countries oppose

- **United Nation's International Civil Aviation Organization asked to help find solution**



Agenda

2. CER Monetization

- CER Monetization Program

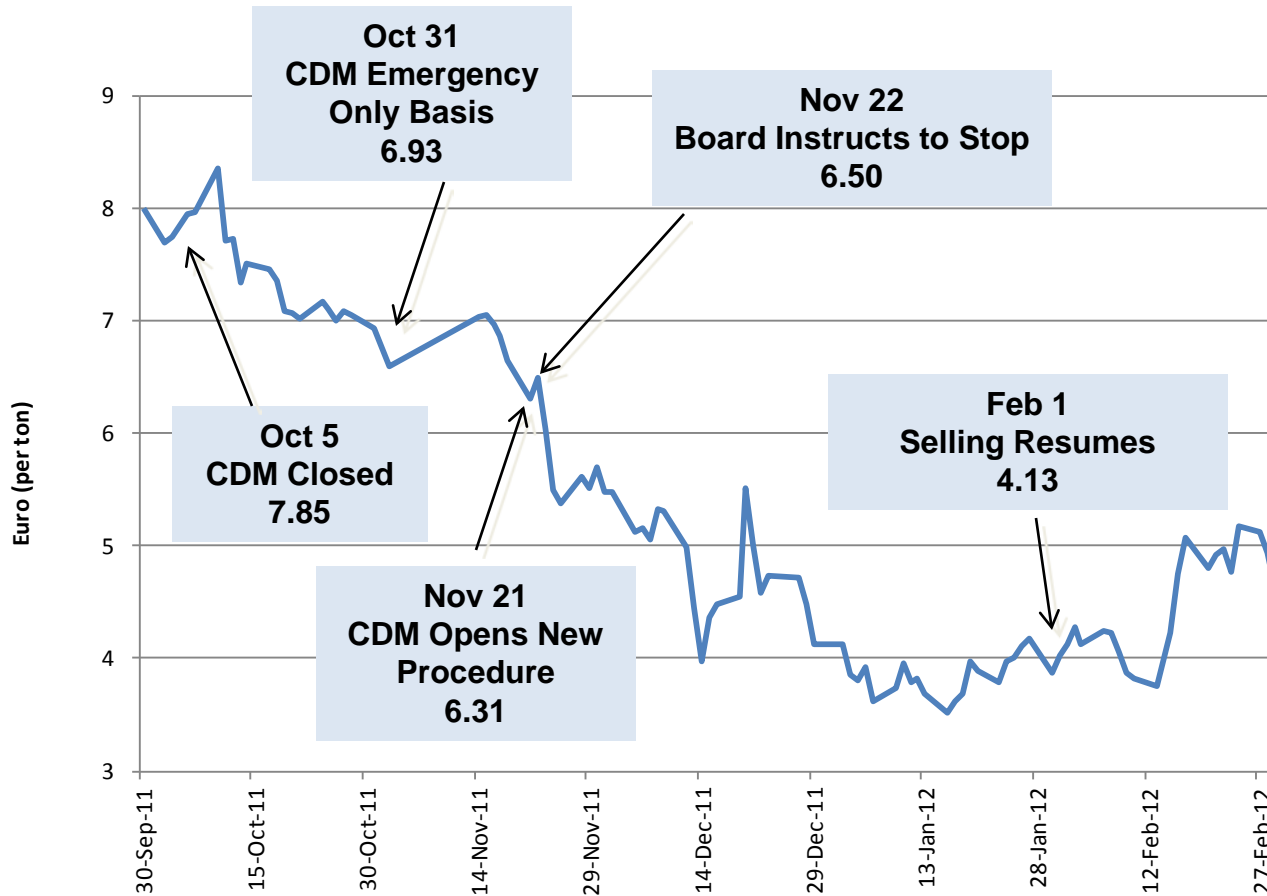
CER Monetization

CER Prices break out of 2+ year trading range of 11 – 14 in early July 2011

- **Monetized 9.5 million tons locking in average price of 12.59 per ton**
 - **Continued to sell July through October 5th on BlueNext, selling 430,000 tons at an average price of 8.71 per ton**
 - **Added 3.6 mill Euro or USD 4.7 mill over BlueNext Closing Average Price**

Year	Selling Period	Average Price Achieved	BlueNext Closing Average	Added Value
2009	5/9 to 12/31	12.26	12.57	-0.31
2010	1/1 to 12/31	12.70	12.52	0.18
2011	1/1 to 10/5	11.75	11.04	0.71
Entire Period		12.43	12.07	0.36

Selling Stoppage



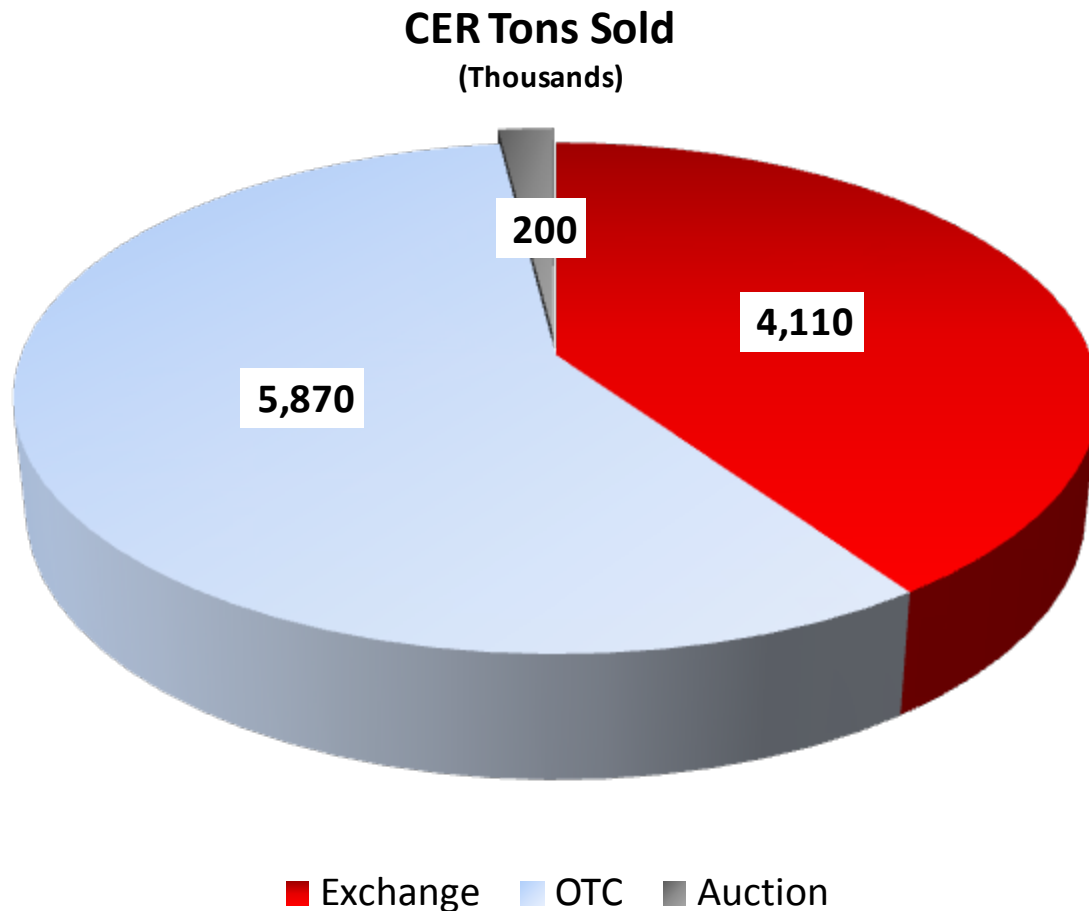
Opportunity Costs

- CDM Stoppage: 270,000 tons at 7.22 per ton
- Board Stoppage: 490,000 at 4.53 per ton

Cumulative 10 million tons sold by Feb 6, 2012

CER Monetization Program

Sale Record as of February 29, 2012



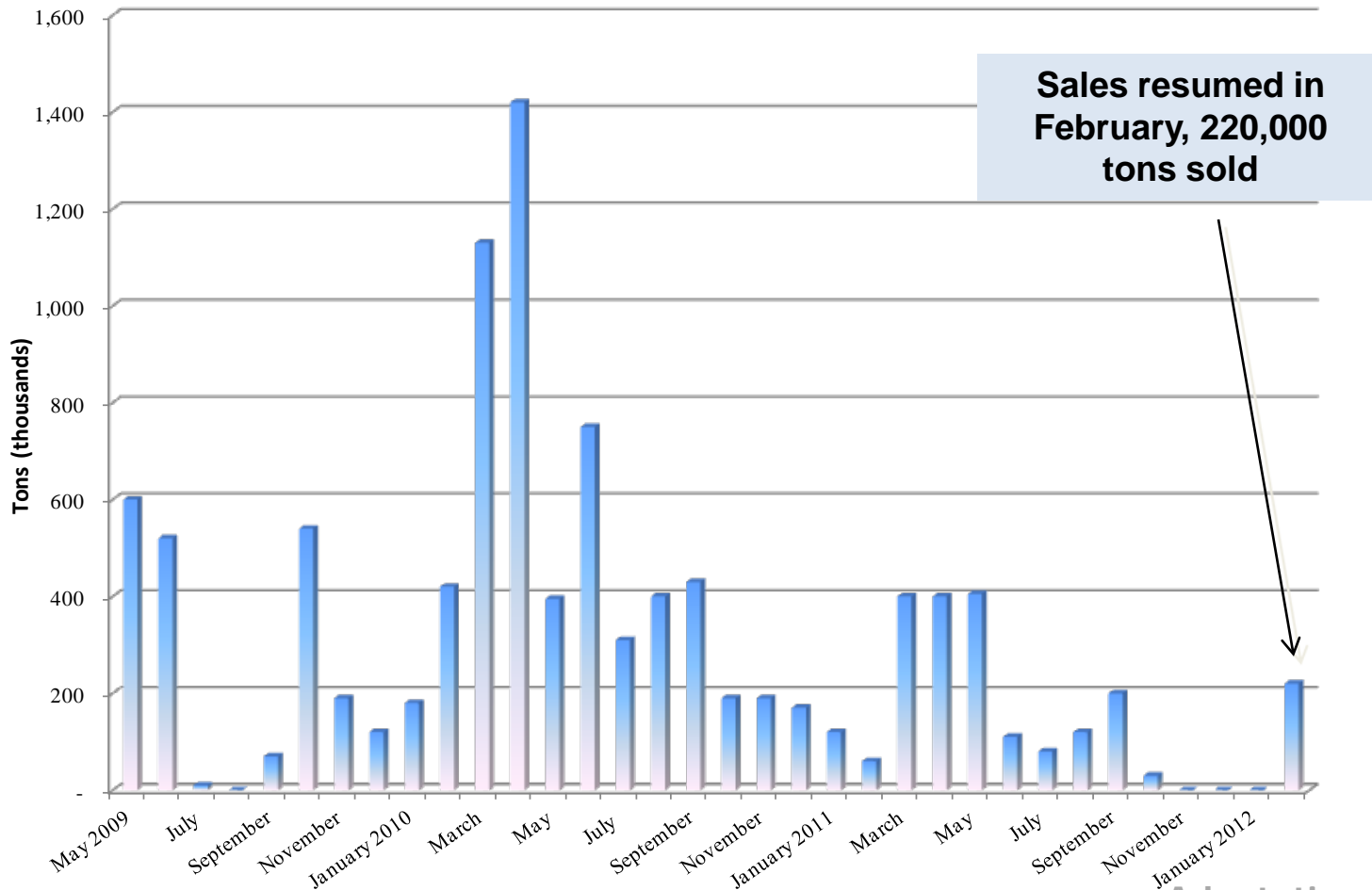
10.18 million CER tons sold

\$170 million raised (€125 million)

466 separate transactions

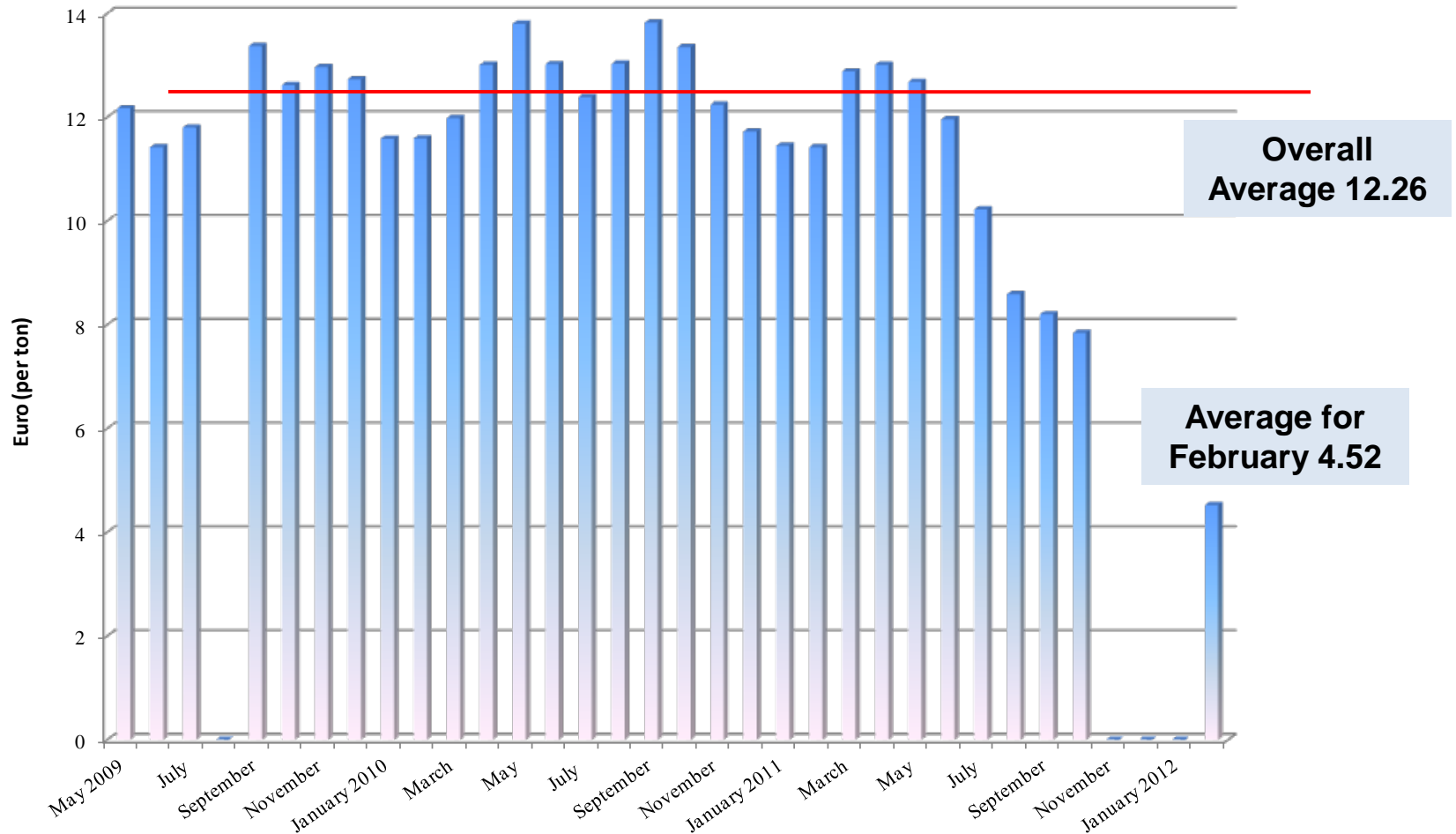
CER Monetization Program

Monthly Sales by Tonnage

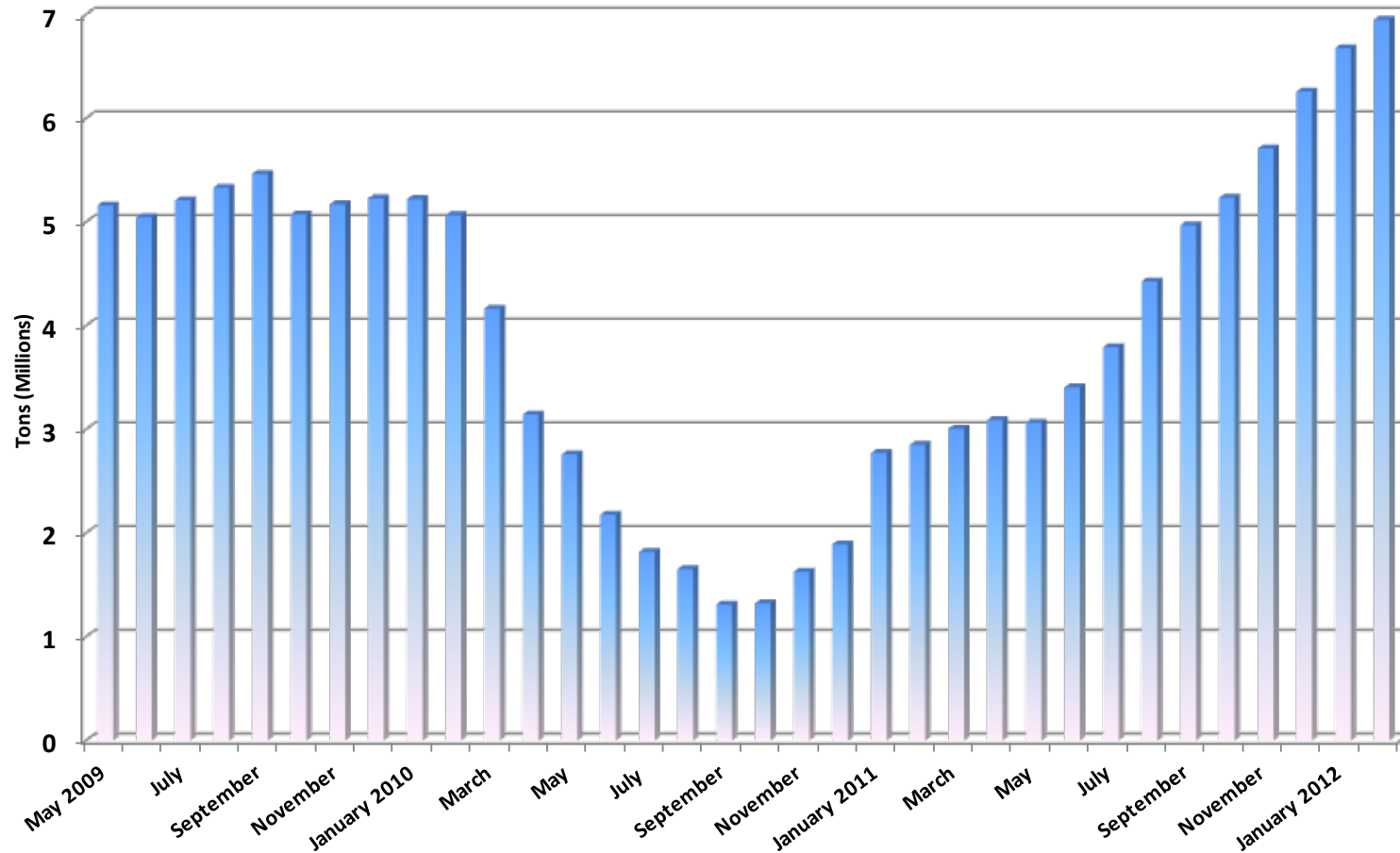


CER Monetization Program

Monthly Average Price



CER Monetization Program Adaptation Fund Inventory



CER Monetization Program

Appendix Daily Sales Record

February 2012 Daily Sales

February, 2012

	Volume (tons)	Adaptation Fund Sale Price	BlueNext Closing Price	Diff
1-Feb-12	10,000	4.11	4.13	-0.02
2-Feb-12	10,000	4.35	4.28	0.07
3-Feb-12	10,000	4.24	4.13	0.11
6-Feb-12	10,000	4.25	4.24	0.01
7-Feb-12	10,000	4.26	4.23	0.03
8-Feb-12	10,000	4.06	4.06	0.00
9-Feb-12	10,000	3.90	3.88	0.02
10-Feb-12	-	n/a	3.83	n/a
13-Feb-12	10,000	3.75	3.75	0.00
14-Feb-12	10,000	3.92	4.02	-0.10
15-Feb-12	10,000	4.23	4.22	0.01
15-Feb-12	10,000	4.23	4.22	0.01
16-Feb-12	10,000	4.68	4.75	-0.07
16-Feb-12	10,000	4.79	4.75	0.04
17-Feb-12	10,000	5.07	5.08	-0.01
20-Feb-12	-	n/a	4.80	n/a
21-Feb-12	10,000	4.92	4.92	0.00
22-Feb-12	10,000	5.00	4.97	0.03
23-Feb-12	-	n/a	4.77	n/a
24-Feb-12	10,000	5.10	5.18	-0.08
24-Feb-12	10,000	5.10	5.18	-0.08
27-Feb-12	10,000	5.11	5.12	-0.01
28-Feb-12	10,000	4.92	4.94	-0.02
29-Feb-12	10,000	4.69	4.61	0.08
29-Feb-12	10,000	4.70	4.61	0.09
Total	220,000	4.52	4.47	0.05