

CER Monetization Program Update

World Bank as Trustee for the Adaptation Fund

AFB 8th Board Meeting, November 16, 2009

Agenda

- 1. Carbon Markets Overview**
- 2. EUA/CER Spread Analysis**
- 3. CER Monetization Program Guidelines**
- 4. CER Monetization Program Update**

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1. **Carbon Markets Overview**
2. **EUA/CER Spread Analysis**
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4. **CER Monetization Program Update**

Carbon Market Overview

Factors Affecting CER Prices

Positive

- **Slower issuance of CERs**
 - **sellers of December 2009 futures contracts required to buy on spot market**
- **Gradual recovery of world economy**
 - **supporting oil and other commodity prices**

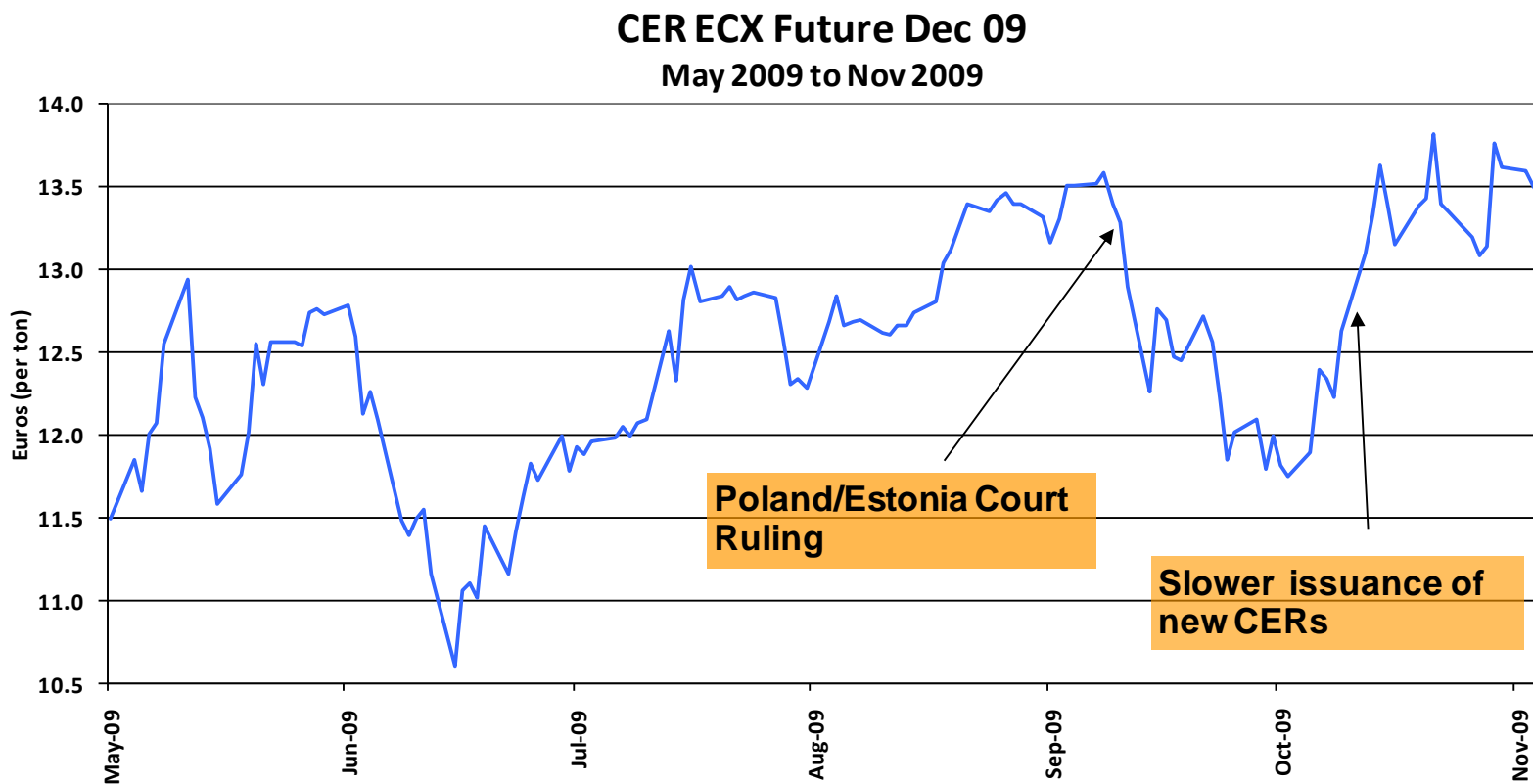
Negative

- **Poland and Estonia successful in court ruling for more EUAs - increase in new CERs still to be worked out**
- **EU still 'net long' carbon credits**

Source: Barclays, Obeo, Point Carbon

Carbon Markets Overview

Factors Affecting Carbon Prices



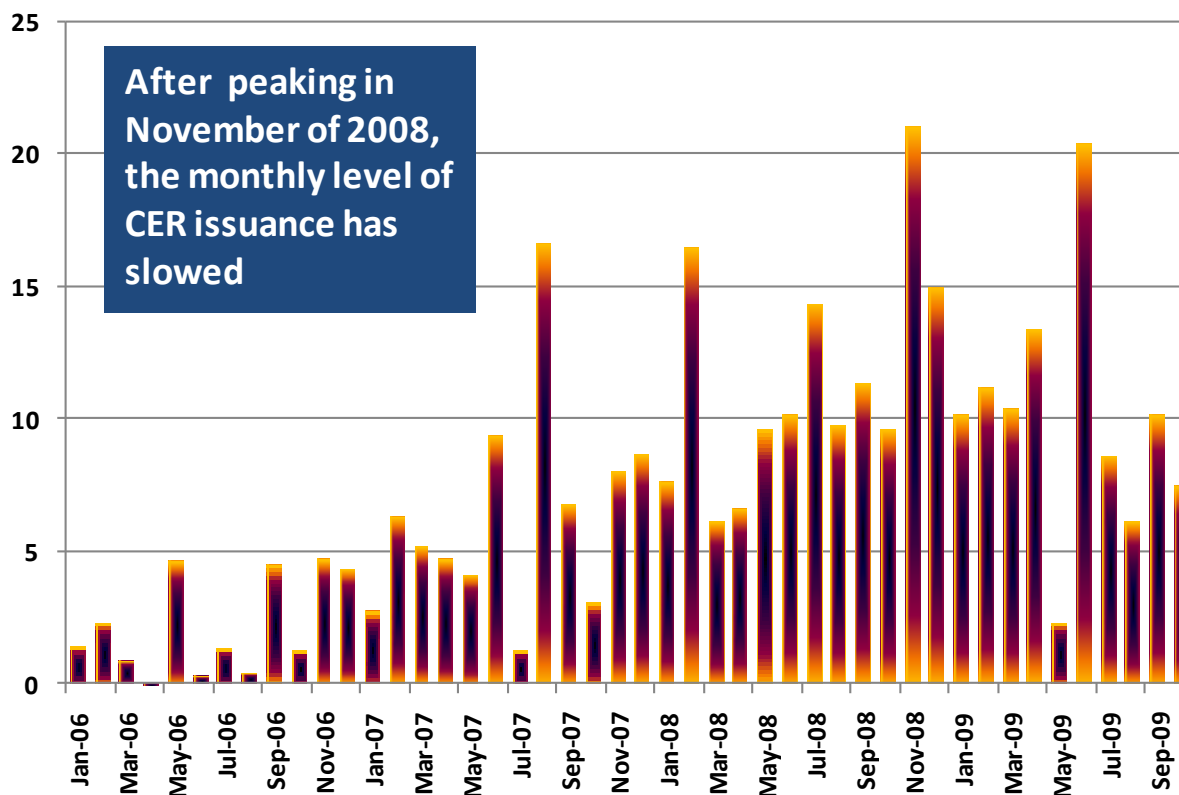
Source: Bloomberg, Point Carbon

Carbon Markets Overview

Declining Rate of CER Issuance

CER Monthly Issuance

Tons (Millions)



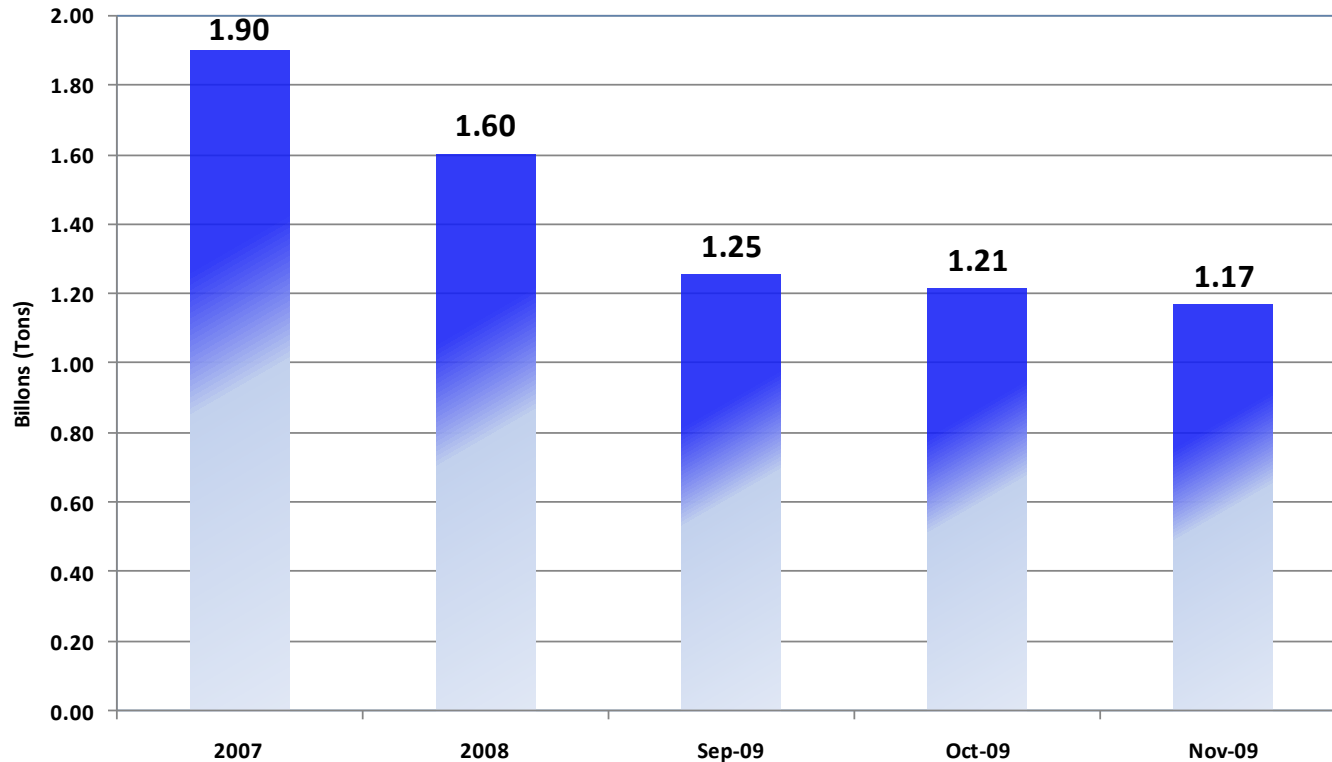
- CDM implementing more rigorous standards – leading to validation firms issuing more project rejections.
- Suspension of validating firm SGS.
- time to validate and verify projects.
- Economic conditions making financing more difficult to obtain.

Source: CDM, Point Carbon

Carbon Markets Overview

Forecast of CER Issuance

CER Issuance Forecast through 2012
Billions (Tons)



Source: UNEP, Point Carbon

Carbon Markets Overview

Forecast of CER Prices

CER Analysts' Forecasts

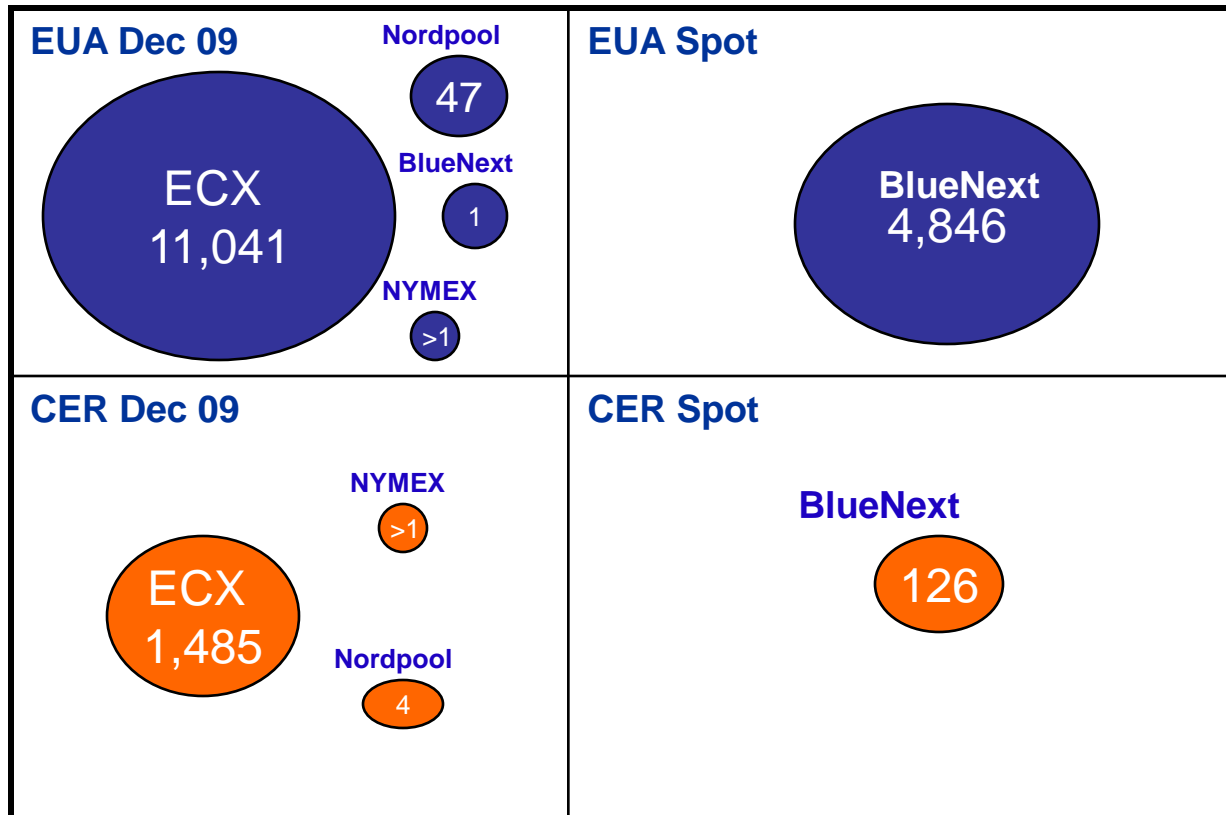
as of November, 2009 (EUR)

	<u>Q4 09</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Long-term</u>
Societe Generale - Orbeo	13.0	15.0	n/a	n/a	n/a
Barclays	10.0	13.0	17.0	17.0	30.0

Carbon Market Overview

Trading Volumes

Carbon Exchanges Average Daily Trading Volumes



- ECX is the largest exchange for futures
- While BlueNext is dominant in the spot market.

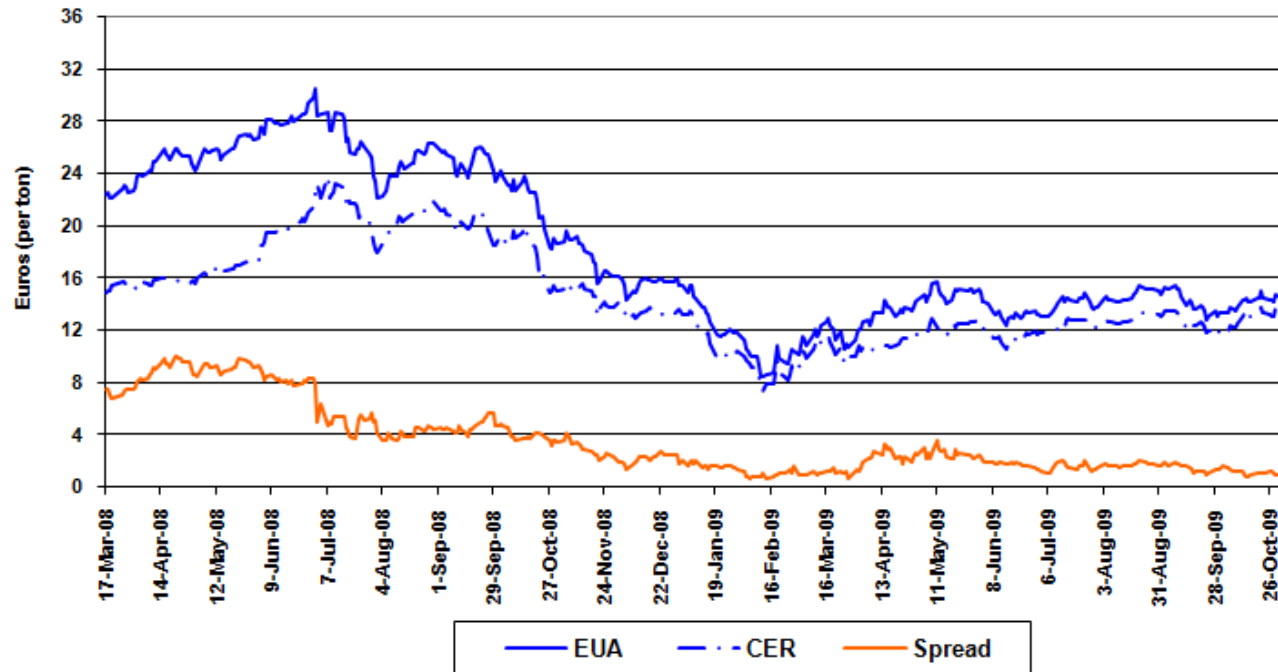
Period from Jan 1st – Oct 31st, 2009 (tons 000's)

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EUA/CER Spread Historical Levels

Comparison of EUA and CER Prices
ECX December 09 Futures - March 08 to November 09



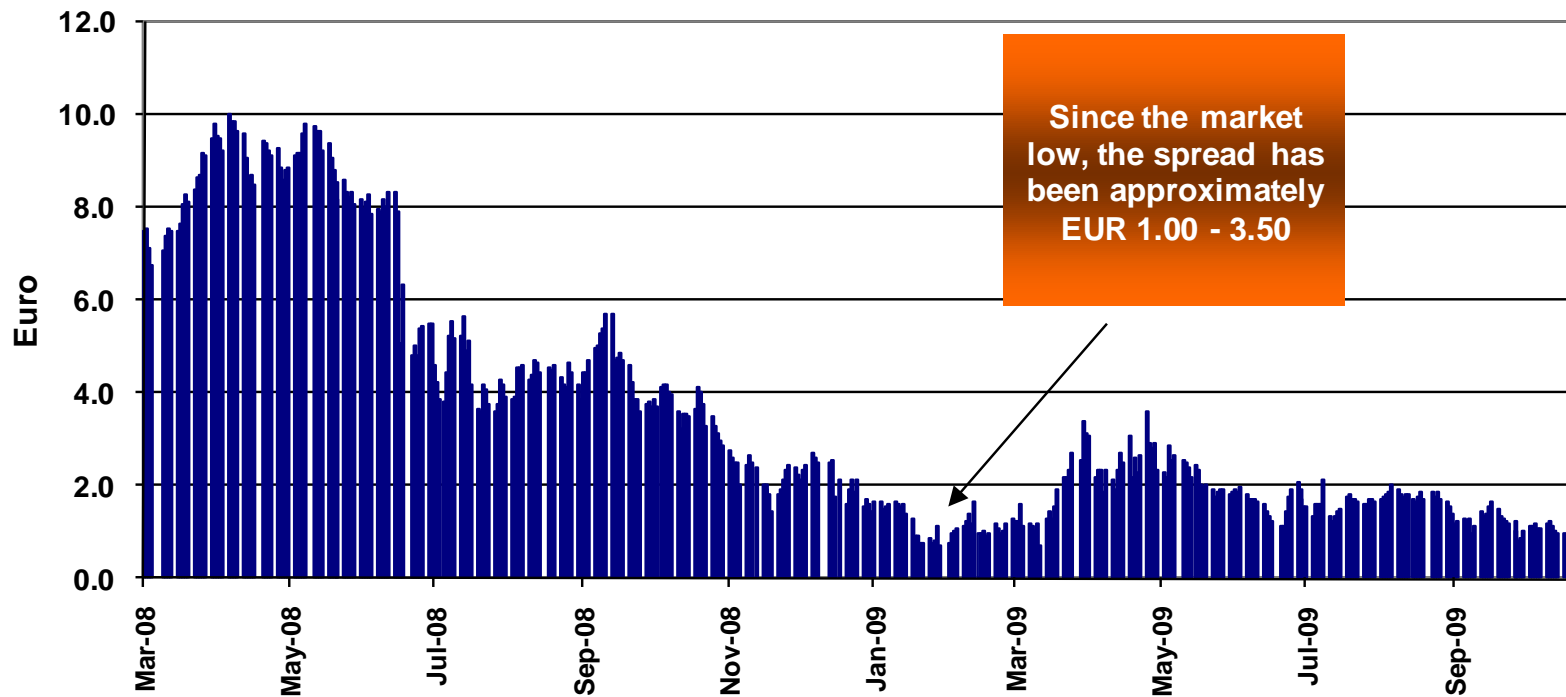
➤ The spread has ranged from a high of EUR 10.0 in 2008 to a low of EUR 0.7 in early 2009 .

➤ In October 2009 it was EUR 0.8.

EUA/CER Spread

Historical Levels

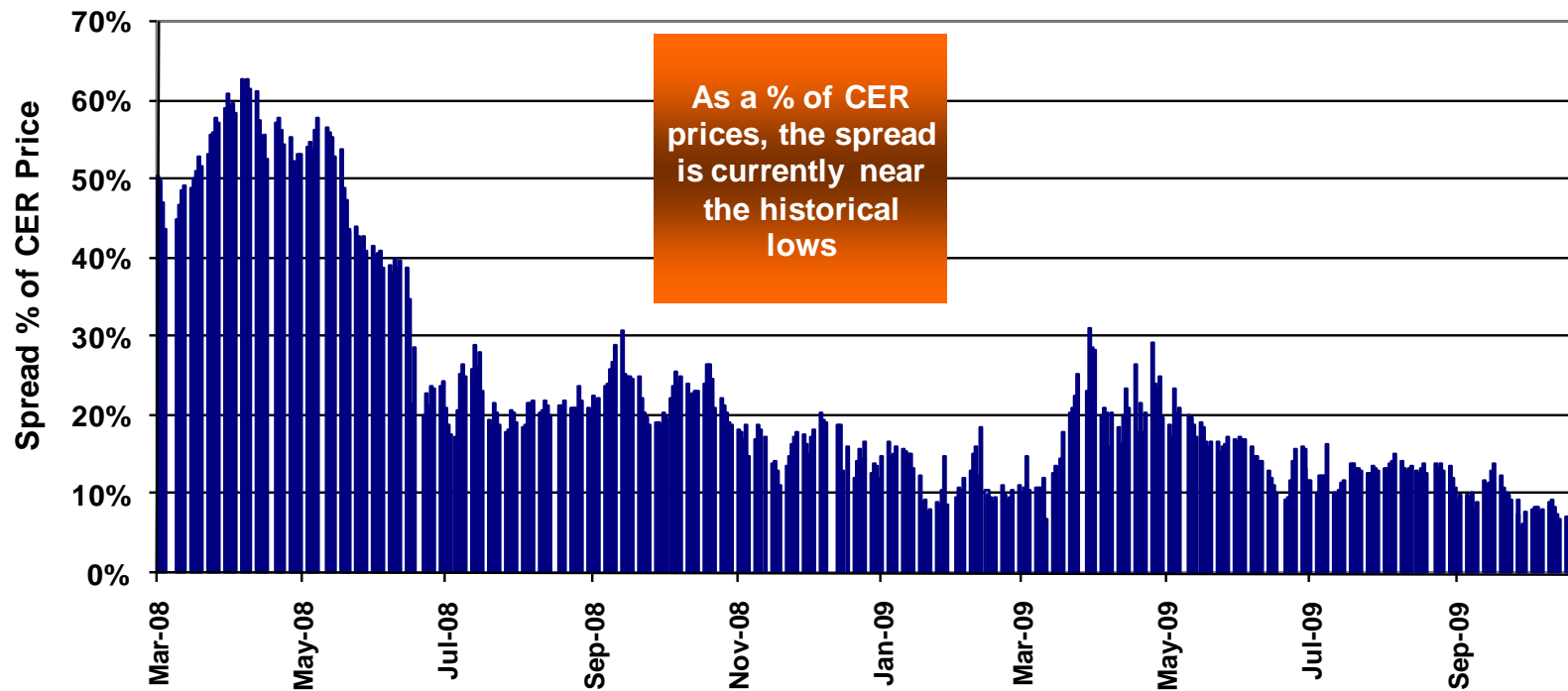
EUA/CER Spread - Euro



EUA/CER Spread

Historical Levels

EUA/CER Spread - as % of CER Price



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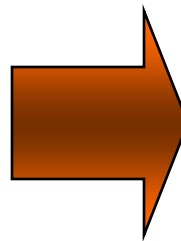
CER Monetization Program Guidelines - A Review

CER Monetization Program Guidelines (Document AFB/B.4/7)

- developed by the Trustee, reviewed and considered by the AF Board
- approved by the AF Board at AFB4 in December 2008

Program Objectives:

- **Optimize Revenues**
- **Minimize Risks**
- **Enhance Transparency**
- **Be Inclusive**
- **Be Cost-effective**



CER Monetization Program

Guidelines for the Trustee (AFB/B.4/7)

- CERs to be sold through daily sales on exchanges, and regular Over the Counter (“OTC”) sales (AFB/B.4/7, Section III)
- Sell at the market price with minimal impact on the market (AFB/B.4/7, para 22.i.a.ii)
- The Trustee will not “time the market” (AFB/B.4/7, para 22)
- Hold an inventory of approximately two month’s CER issuance allocated to the AF Share of Proceeds - ie. approx. 1 million tons (AFB/B.4/7, para 22.i.b)
- Undertake OTC sales when warranted – expected to be when CER inventory in the AF account reaches approx 4 million tons. (AFB/B.4/7, Section C).
- In the event of “*extraordinary market conditions*”, return to the AF Board for guidance (AFB/B.4/7, Section D)

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CER Monetization Program Update

September 2009

CER Sales Proceeds

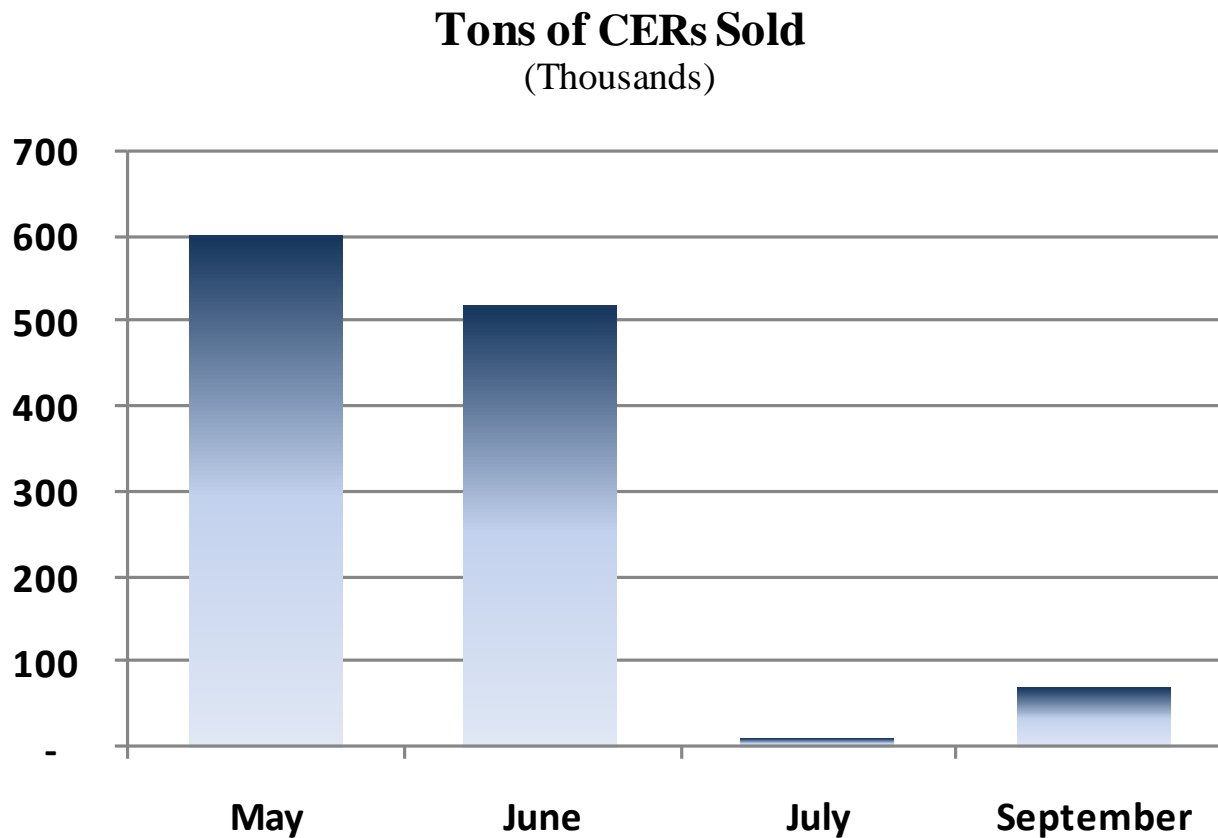
Status as of September 30, 2009

	<u>CERs tons sold</u>	<u>USD (millions)*</u>
May	600,000	10.29
June	520,000	8.26
July	10,000	0.15
August	-	-
September	70,000	1.37
Total	1,200,000	20.07

*Actual USD cash proceeds from CER monetization.

CER Monetization Program

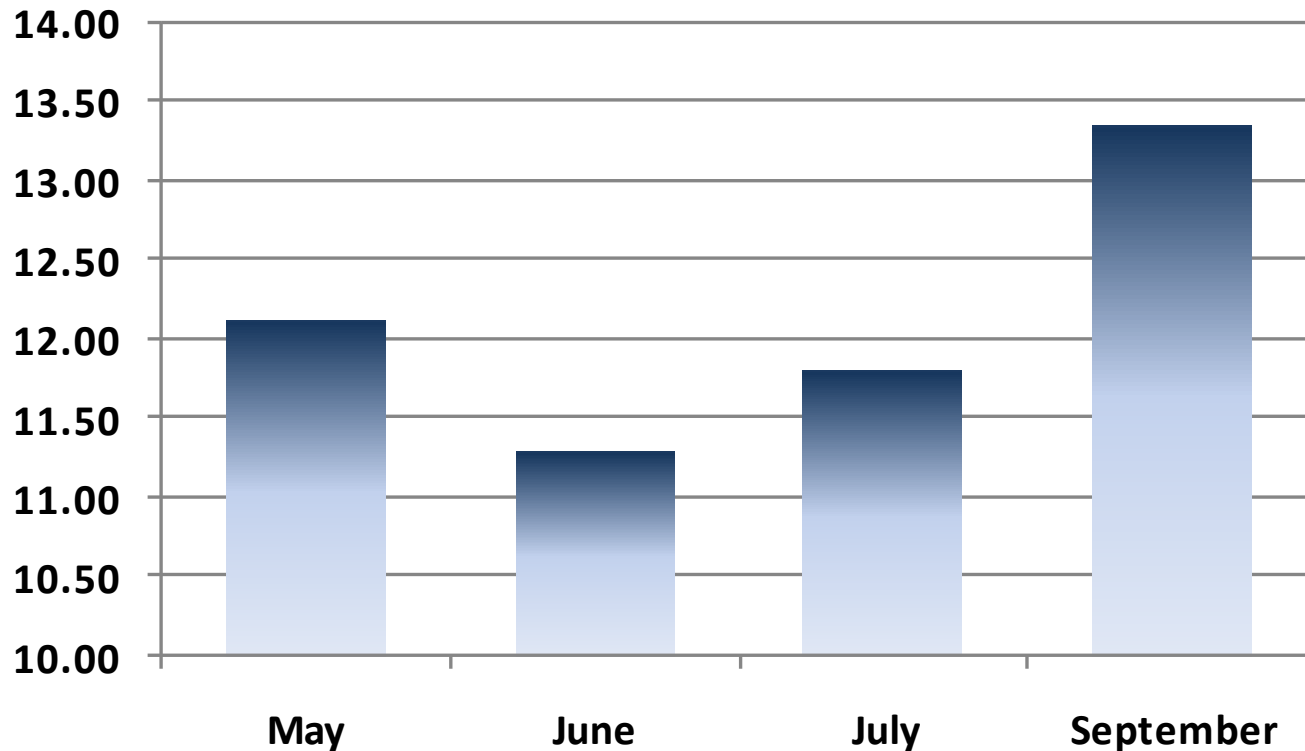
Update Through September 2009



CER Monetization Program

Update Through September

Monthly Average Price for CERs Sold
(EUR per Ton)



CER Monetization Program

Interim update on activity since September 2009

One small OTC sale done with Deutsche Bank (Oct 6 – 9)

- **Sold 400,000 tons at an average price of EUR 12.41, raising EUR 4.97 million (USD 7.4 million)**

Started ongoing sales of 10,000 tons per day on BlueNext

- **Through November 10th sold 210,000 tons at an average price of EUR 13.54, raising EUR 2.84 million (est. USD 4.2 million)**

Total sales to November 10, 2009:

- **1,810,000 tons sold**
- **EUR 22.1 million raised**
- **Approx. USD 31.6 million raised to date**
- **Approx. 5 million tons in AF Share of Proceeds at CDM**