

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

December 2011

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

Agenda

1. Status of Resources

2. CER Monetization

- CER Price Levels
- CER Monetization Program

Status of Resources

September 30, 2011
(US\$ millions)

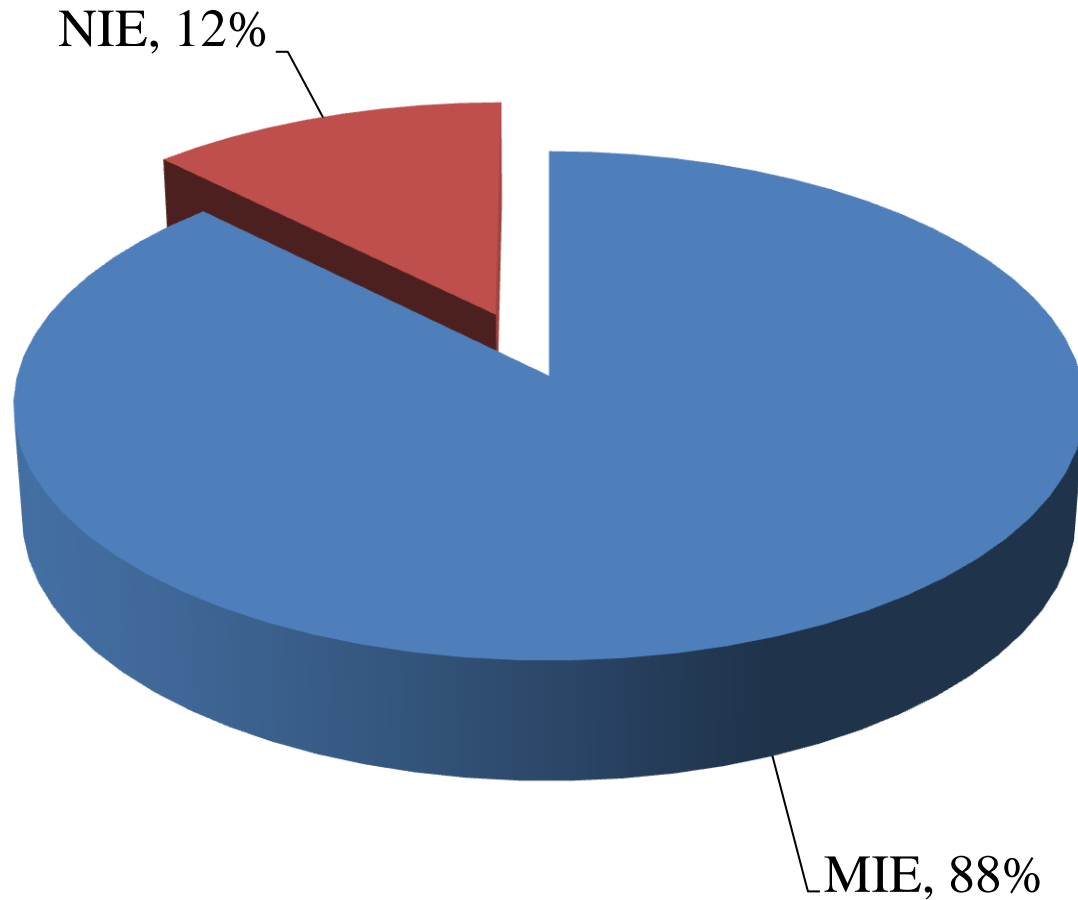
Cumulative Receipts (1)	<u>254.90</u>
▪ Cash receipts from CER sales proceeds	167.92
▪ Cash receipts from Donors and Other Sources	85.82
▪ Investment Income	1.15
Cumulative Disbursements (2)	<u>25.61</u>
▪ Projects and Programs	12.40
▪ Administrative Budgets	13.21
Funds Held in Trust (3) = (1) – (2)	<u>229.29</u>

Schedule of Funds Available

September 30, 2011
(US\$ millions)

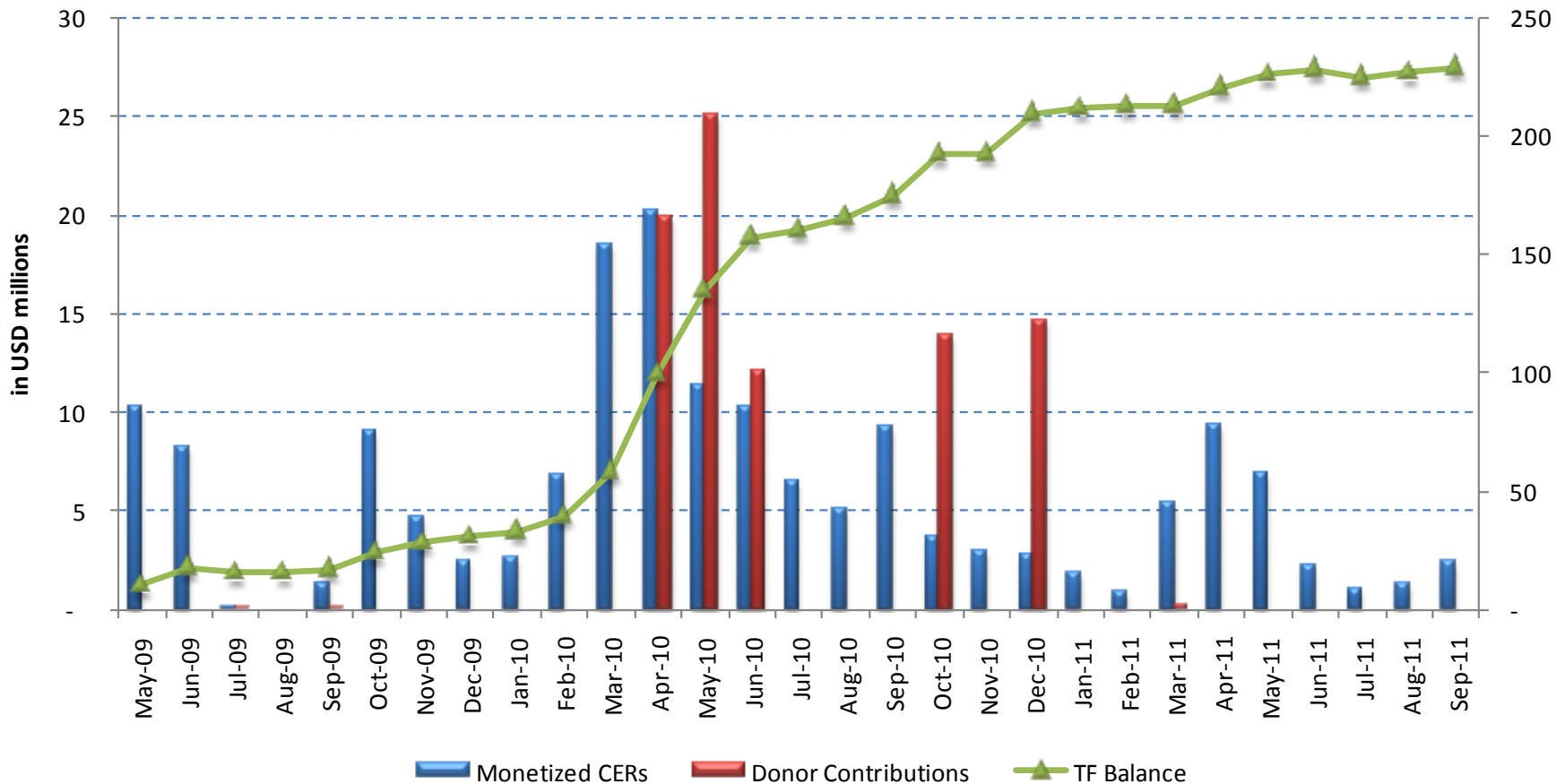
Funds Held in Trust (3)	<u>229.29</u>
Operational Reserve (4)	<u>3.00</u>
Amounts Committed, Not Disbursed (5)	<u>58.86</u>
Funds Available (6) = (3) – (4) – (5)	<u>167.43</u>

Total Programs/Projects Approved to date by NIE and MIE

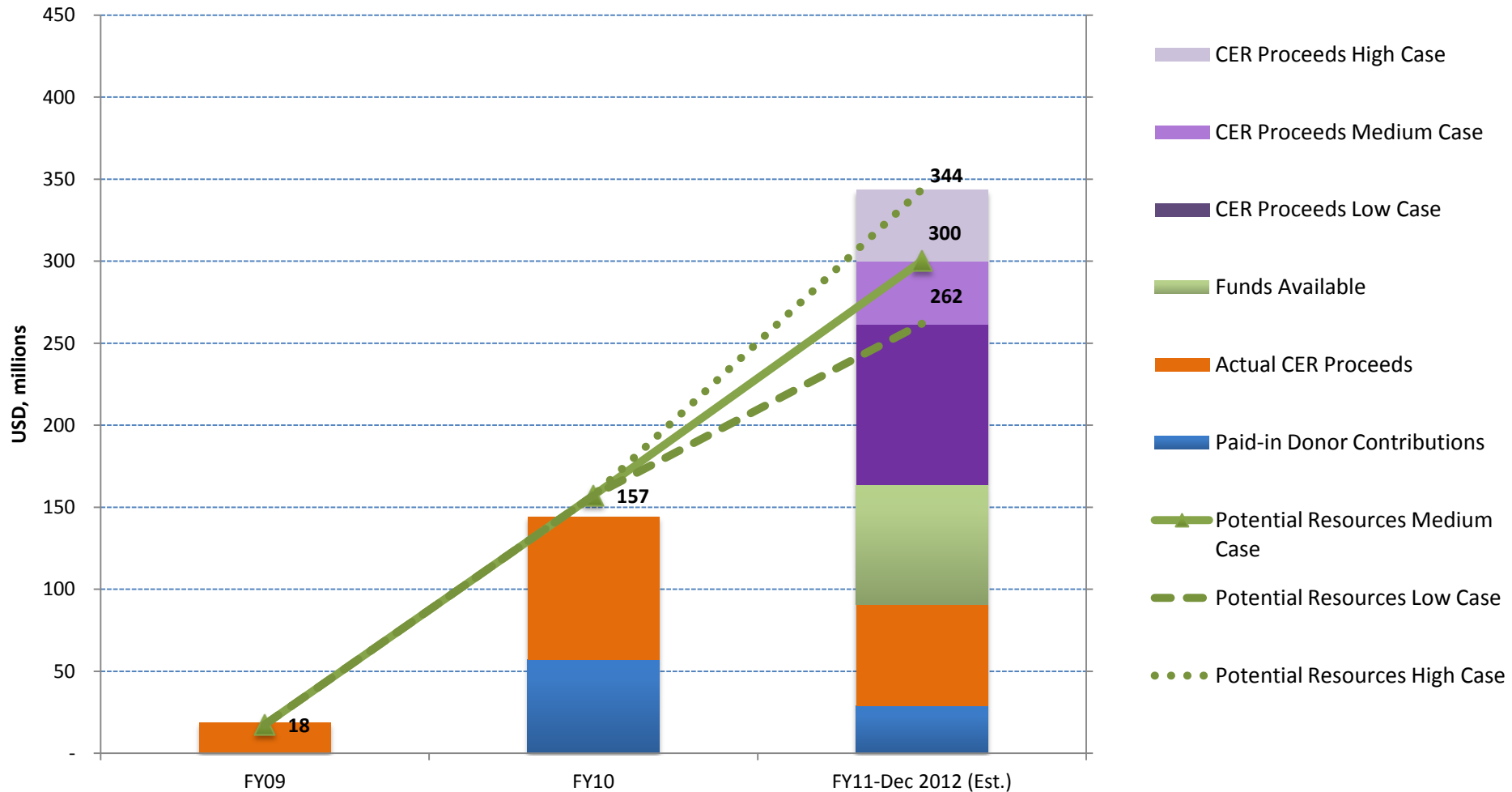


Status of Resources

CERs and Donor Proceeds



Potential Resources for the AF to end-2012



Adaptation Fund Investment Returns

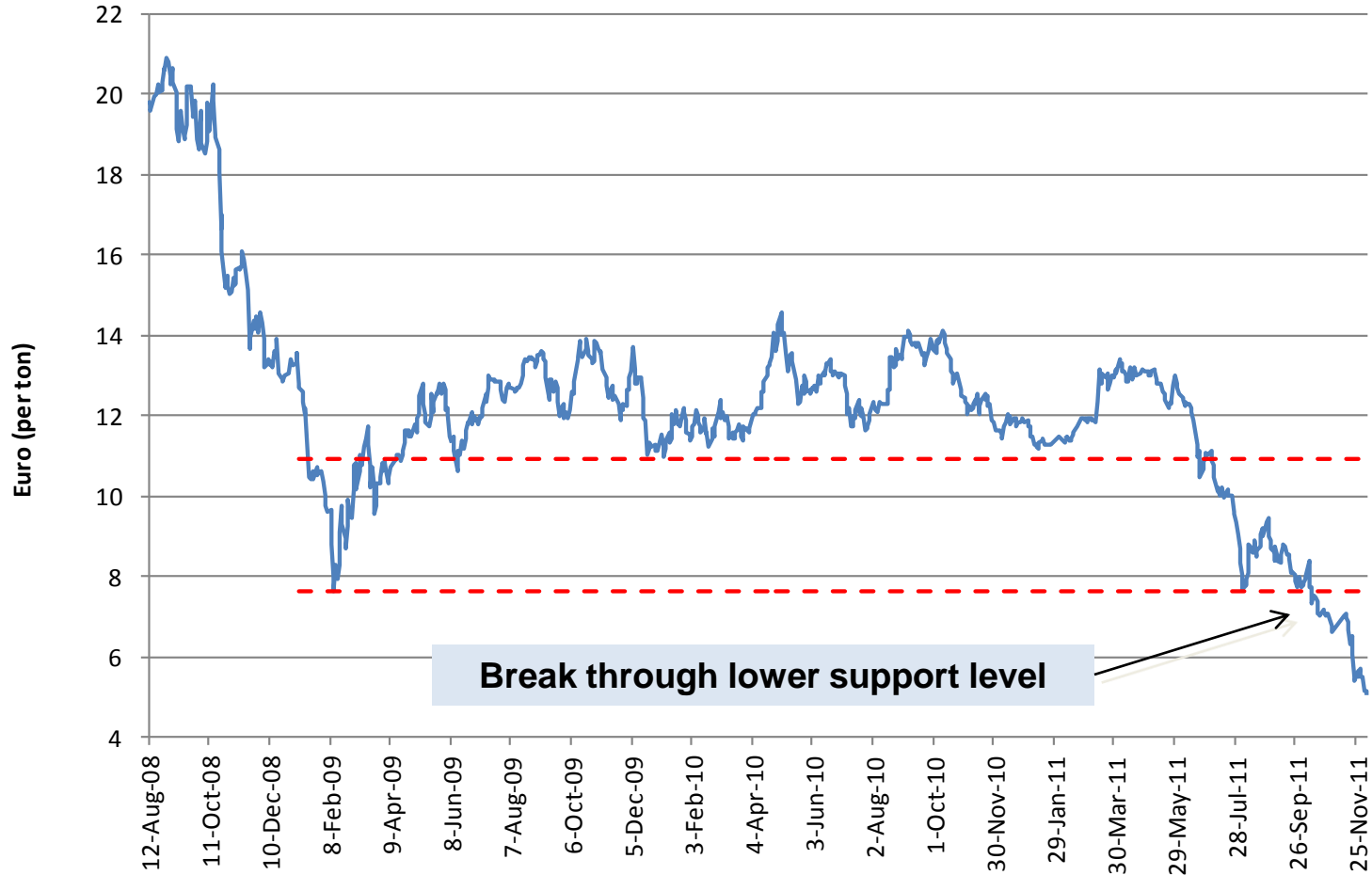
- The Adaptation Fund has earned a total of 1.31% since inception:
 - 0.96% in FY10
 - 0.26% in FY11
 - 0.06% to date in FY12.
- Returns are expected to remain relatively low, but positive, as the fund is invested in conservative strategy, comprising cash and near cash assets.
- Challenge is that the AF disbursement timetable is unclear, so liquidity is the primary consideration for the investment portfolio.
- The Adaptation Fund's current conservative risk strategy remains a solid investment vehicle in which to negotiate the volatility.

Agenda

2. CER Monetization

- CER Price Levels

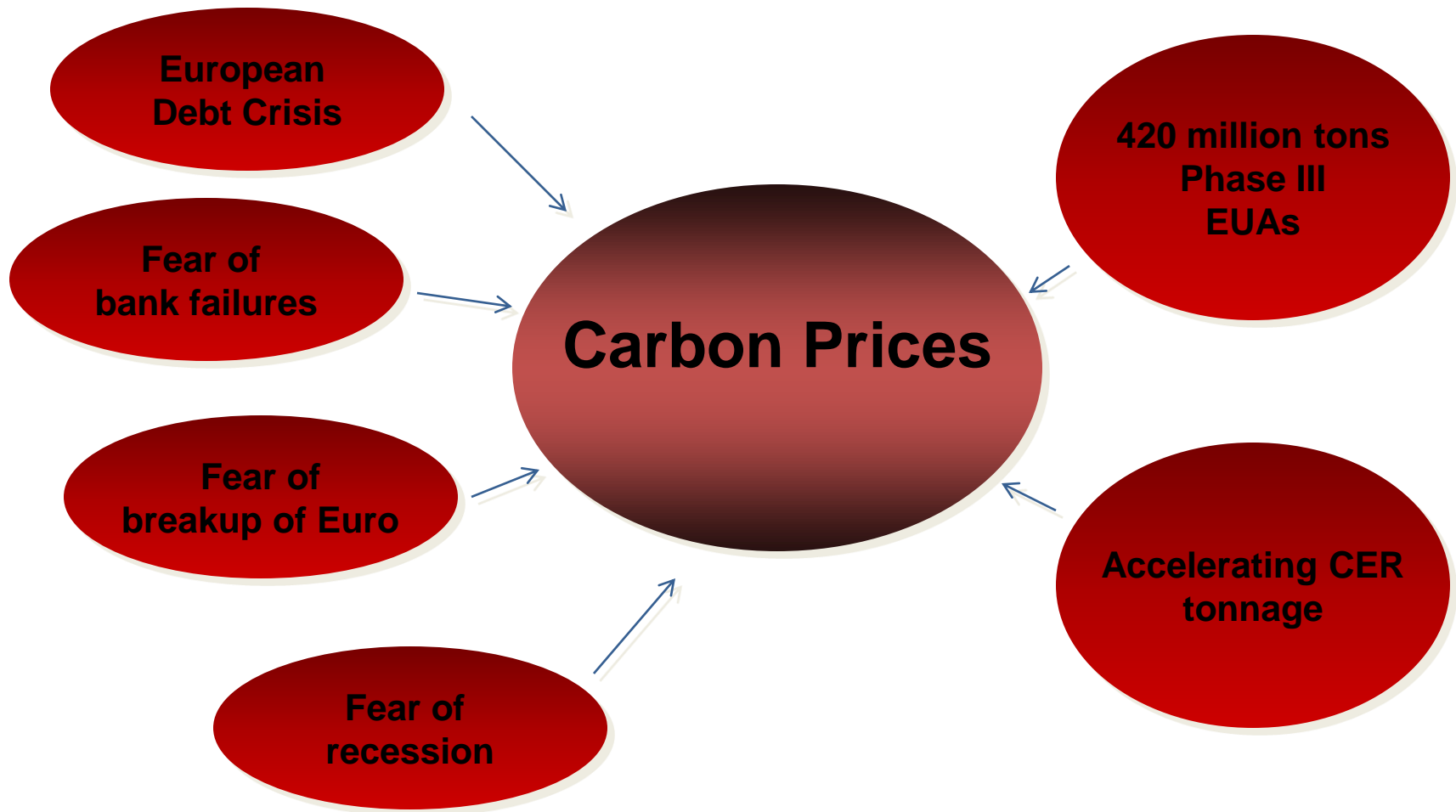
CER Price Levels Long-Term Daily Prices



Source: Bloomberg

CER Price Levels

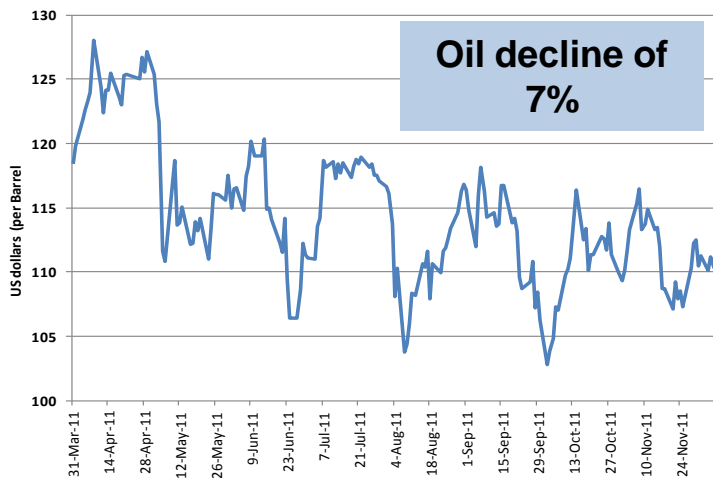
Causes of Decline



CER Price Levels

April to December, 2011 Comparison to Energy Commodities

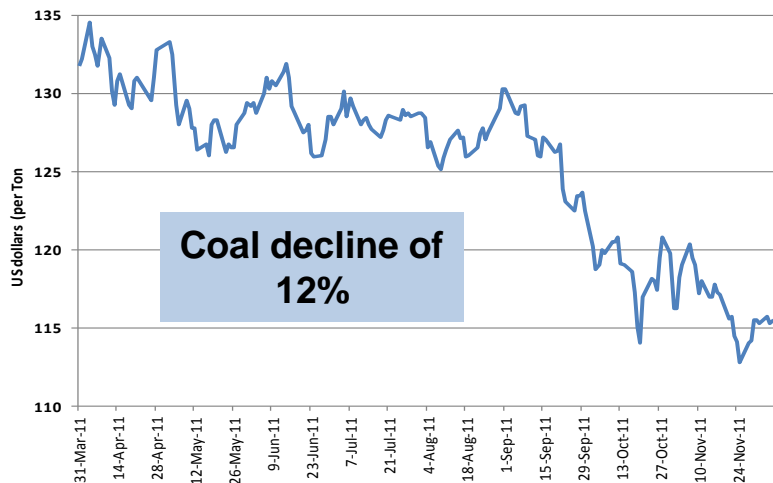
Oil Prices



CER Price



Coal Prices

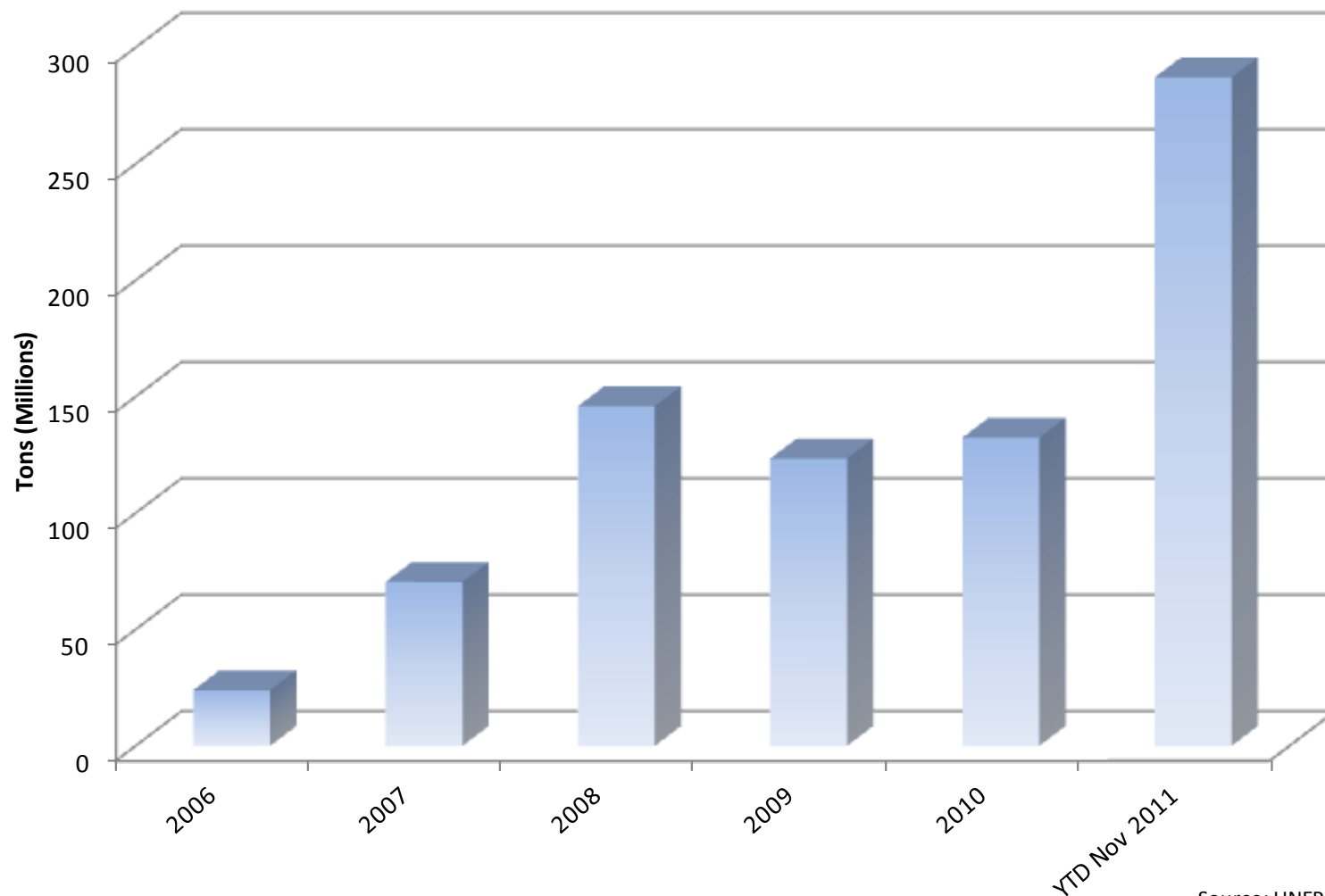


CER sell-off extreme compared to other energy commodities



CER Price Levels

CER Annual Issuance Levels



Source: UNEP

Adaptation Fund Trustee

The World Bank



CER Price Levels

Carbon Analysts Forecasts for 2012

<u>Date of Forecast</u>	<u>Analysts</u>	<u>Forecast Euro Per Ton</u>	<u>CER*</u>
November 14	Barclays	12.0	Actual - 7.8
November 18	UBS	5.0	Implied- 2.0
November 22	Societe Generale	12.3	Implied- 9.3
November 29	Deutsche Bank	6.0	Implied - 3.0

* Implied forecast used for analysts who did not forecast CER prices.
Assumes an average discount of 3 euro below EUAs.

Source: Point Carbon

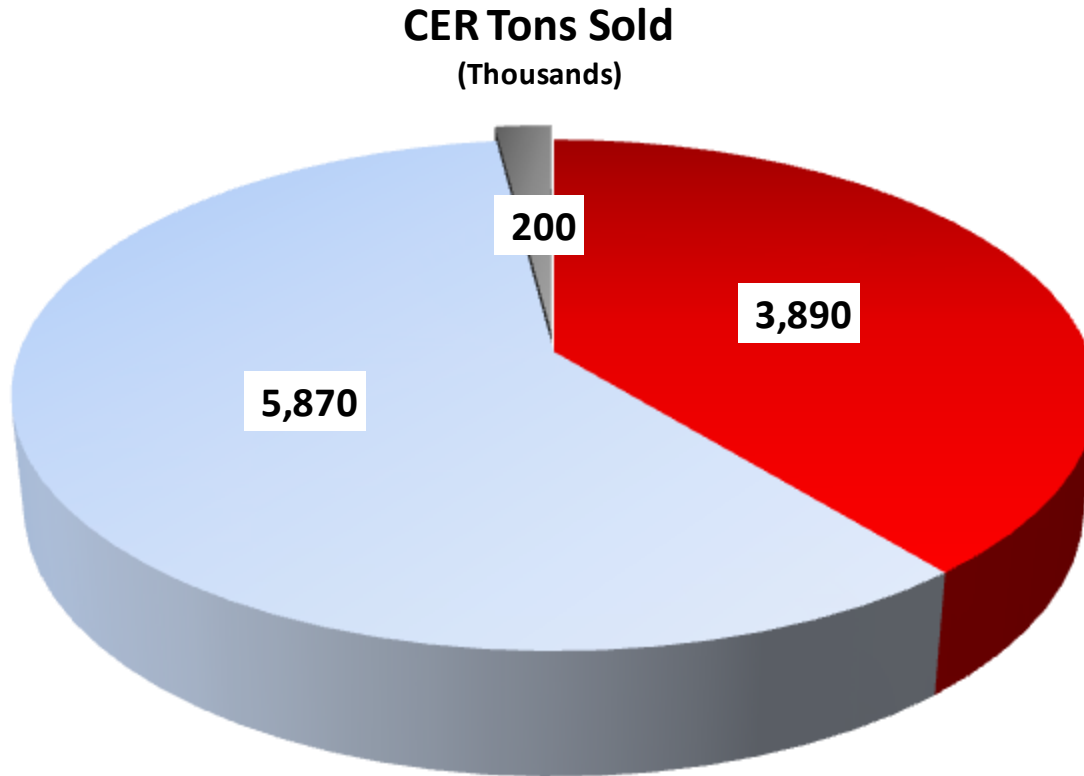
Agenda

2. CER Monetization

- CER Monetization Program

CER Monetization Program

Sale Record as of November 30, 2011



■ Exchange ■ OTC ■ Auction

- 9.96 million CER Tons Sold
- \$168 million raised (€124 million)

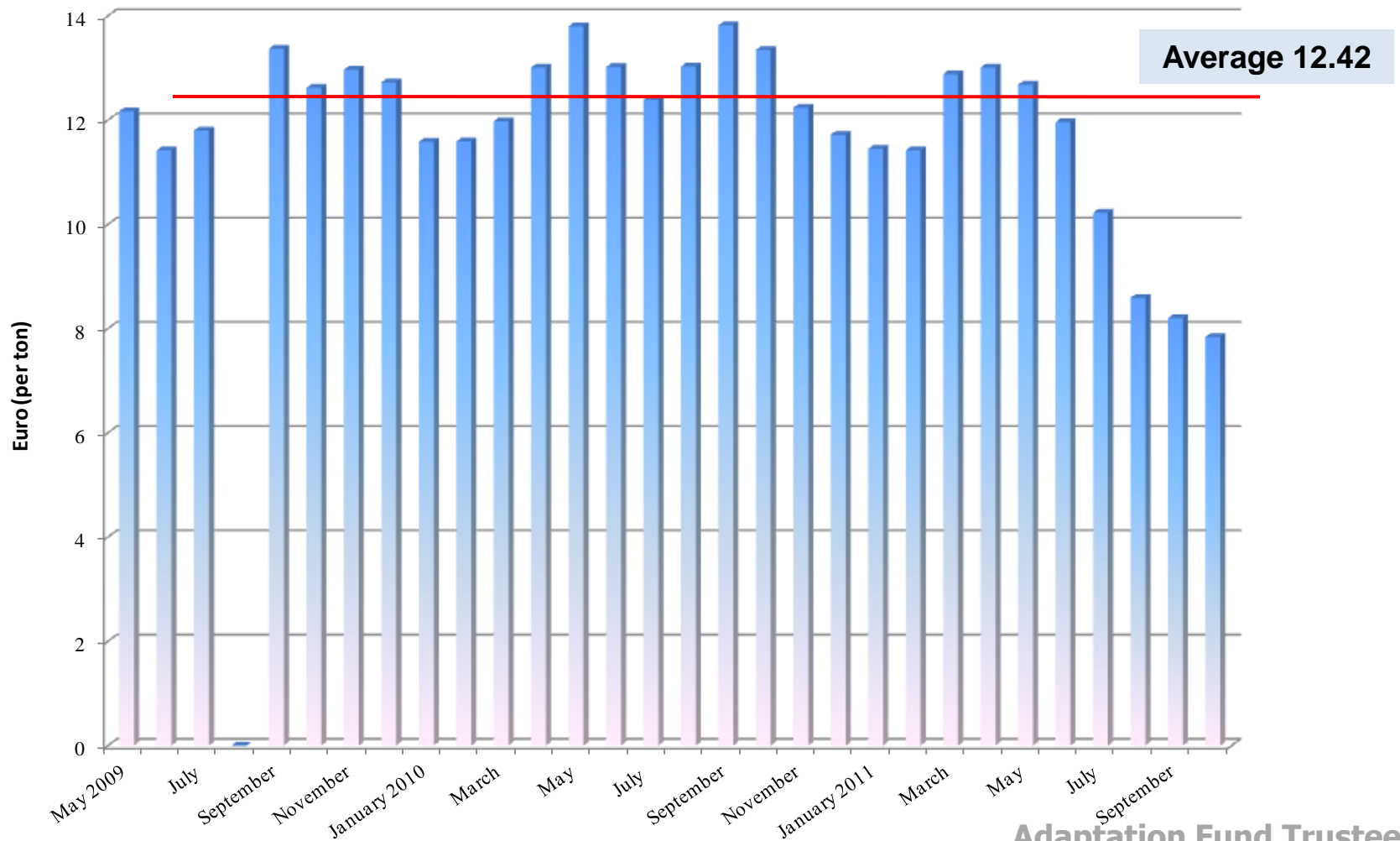
CER Monetization Program

Monthly Sales by Tonnage



CER Monetization Program

Monthly Average Price



CER Monetization Program Adaptation Fund Inventory

