



ADAPTATION FUND

AFB/B.26/Inf.4
8 October 2015

Adaptation Fund Board
Twenty-sixth meeting
Bonn, Germany, 8-9 October 2015

TRUSTEE PRESENTATION: UPDATE ON STATUS OF RESOURCES AND CER MONETIZATION

ADAPTATION FUND TRUST FUND

Update on Status of Resources and CER Monetization

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

AFB 26

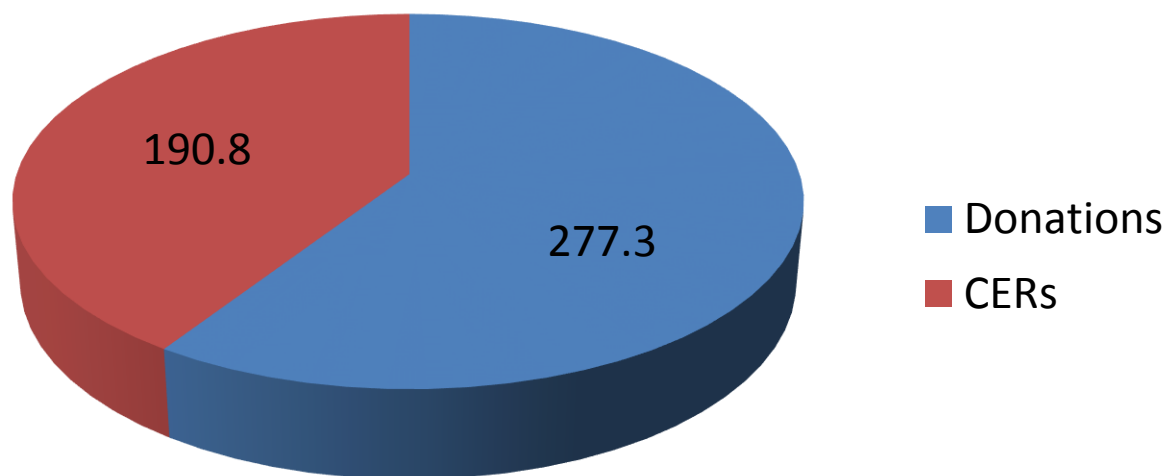
October 2015

Highlights – Trustee activities

- **Single Audit Issued (available on WBG website)**
- **AF Trust Fund Financial Statements and external audit – under preparation**
- **CER sales since Jan 1, 2015:**
 - **1.9 million tons; proceeds of EUR 3.6 million**
 - **EUR 1.65 per ton average sales price**
 - **Inventory reduced from 8.1mn to 7.8 mn tons**
- **Pledges outstanding:**
 - **Belgium (EUR 1.5 million), Wallonia (EUR 0.25 million)**
- **Cash Transfers to Implementing Entities:**
 - **USD 2.29 million**

Total AF Revenue to 30 June 2015

USD million



Total = USD 468.1 million

Receipts and Transfers

At 31 August 2015 and 31 July 2015

Table 1: Schedule of Receipts and Cash Transfers

From inception (2009) to August 31, 2015

(in USD eq. millions)

	<u>As of August 31, 2015</u>	<u>As of July 31, 2015</u>
<u>1. Cumulative Receipts</u>	483.39	483.31
a. Cash receipts from CER proceeds a/	194.36	194.25
b. Cash receipts from Donors and Other Sources	284.93	284.93
c. Investment Income earned on undisbursed balances of AF Funds	4.09	4.12
<u>2. Cumulative Cash Transfers</u>	180.74	178.46
a. Projects and Programs	149.83	147.54
b. Operational Expense b/	30.92	30.92
<u>3. Funds held in Trust (3 = 1 - 2)</u>	302.64	304.85

a/ Includes cash receipts from CER proceeds pending foreign exchange conversion.

b/ Operational expense represents administrative budgets, return of unused amounts to the AF Trust Fund, reimbursements to Administrative Trust Fund donors

Financial Summary

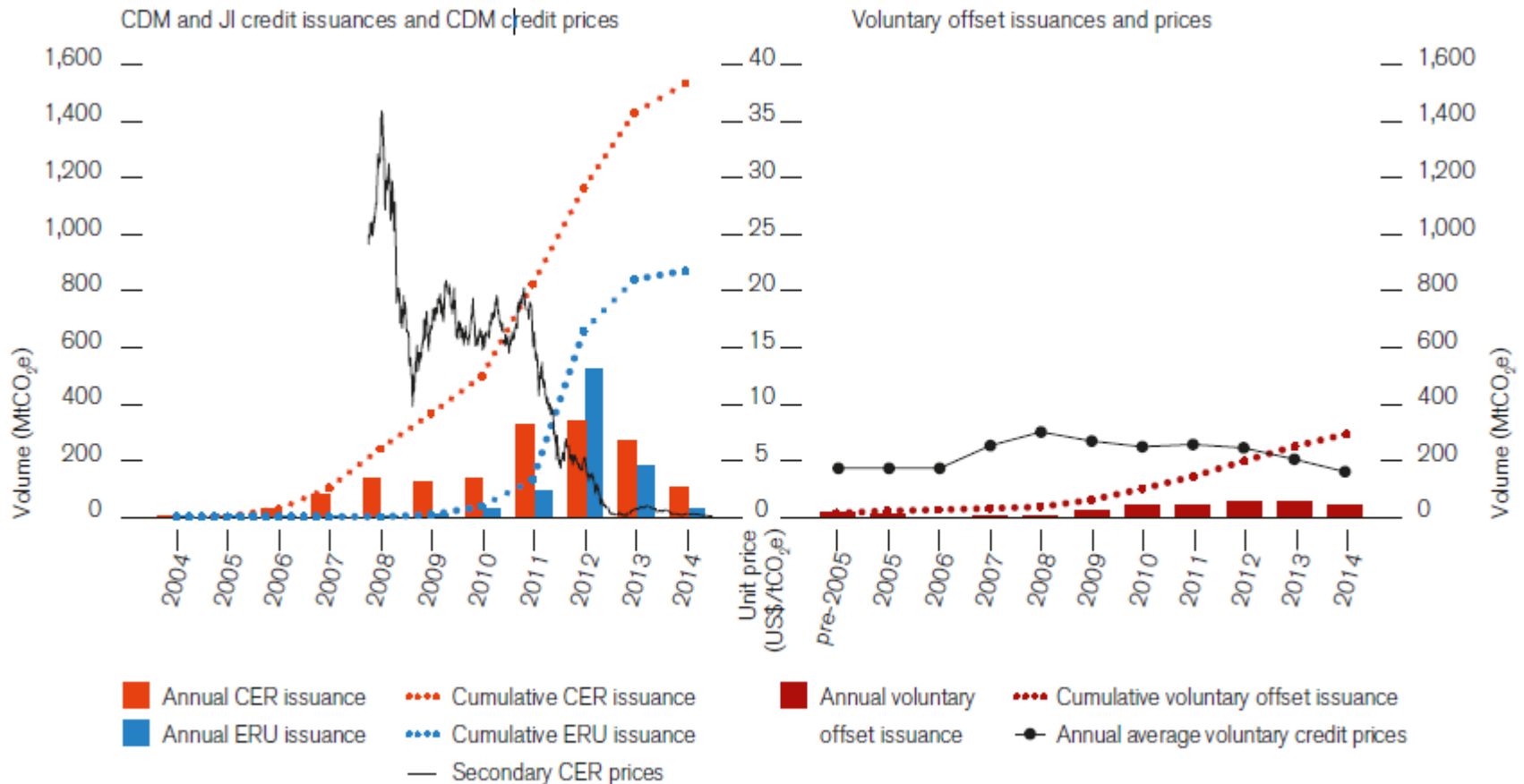
As at 31 August 2015

Table 2: Schedule of Funds Available
From inception (2009) to August 31, 2015
(in USD eq. millions)

	<u>As of August 31, 2015</u>	<u>As of July 31, 2015</u>
<u>1. Funds held in Trust</u>	302.64	304.85
<u>2. Restricted Funds</u> a/	3.00	3.00
<u>3. Funds held in Trust with no restrictions (3 = 1 - 2)</u>	299.64	301.85
<u>4. Funding decisions pending cash transfers</u>	169.62	171.91
<u>5. Funds available to support AF Board funding decisions (5 = 3 - 4)</u>	130.03	129.95

a/ Reserve to cover operational requirements of the AF Board

CER market overview



Source: UNFCCC for CDM and JI data on issuances, Intercontinental Exchange ICE for CDM data on prices, Forest Trends' Ecosystem Marketplace for data on voluntary offsets.

CER market overview

- Lack of demand
- Excess supply
- Reduction in CER issuance by CDM
- CP1 CERs no longer traded in EU ETS
- Development of national and sub-national carbon schemes around the world

Additional detail in World Bank's latest report on Carbon Markets:
State and Trends of Carbon Pricing 2015, The World Bank, Sept 2015
(available at www.worldbank.org)

CER monetization summary

- CER monetization
Inception – August 31, 2015**

	CER Monetized (Ton)	CER proceeds (EUR)	CER proceeds (USD)
OTC	13,539,145	79,812,037	107,499,614
Exchange	10,715,000	62,163,260	83,402,808
Auction	200,000	2,504,000	3,567,699
Total	24,454,145	144,479,297	194,470,122

- CER monetization
Jan 1, 2015 – August 31, 2015**

	CER Monetized (Ton)	CER proceeds (EUR)	CER proceeds (USD)
OTC	1,930,568	3,188,697	3,602,835

CER monetization – price premium extraction

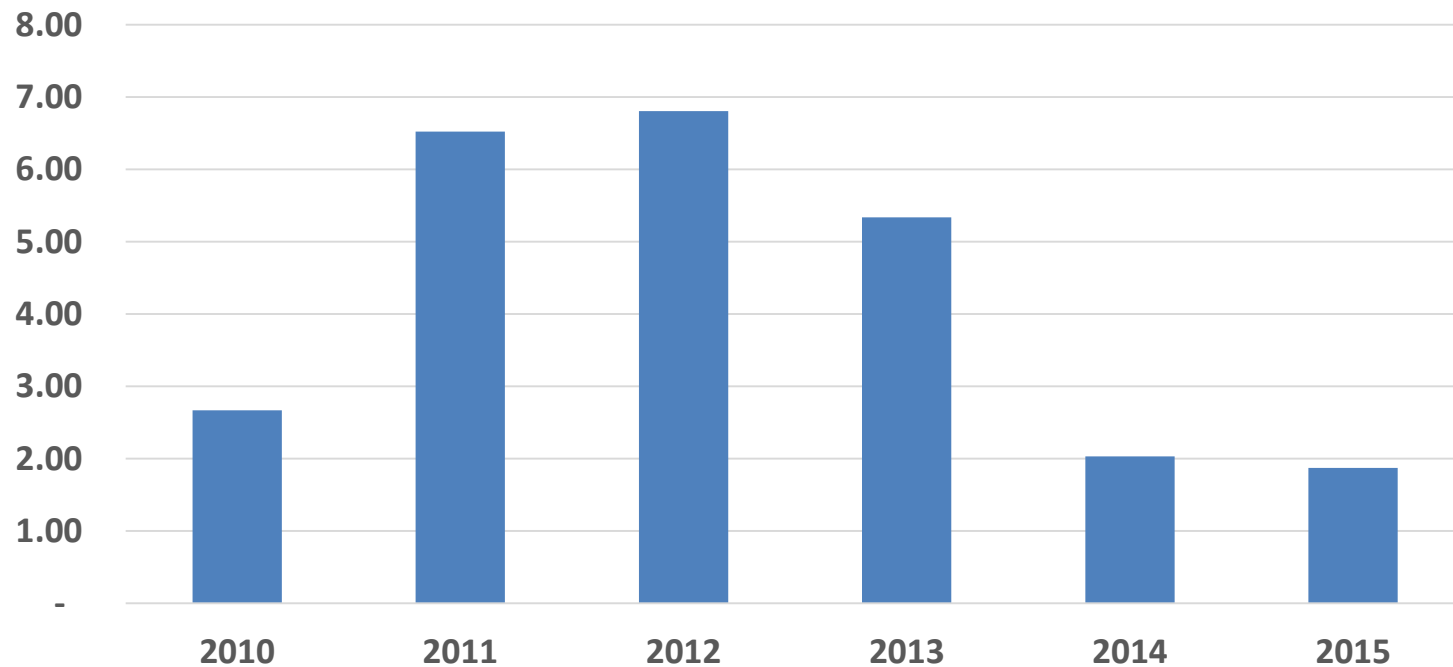
	Sales Volume	Sales Proceeds (EUR)	Ave Sales Price(EUR)	Ave CER market price (EUR)	Premium (EUR million)
Since inception	24,454,145	144,479,297	5.91	5.51	9.8
Since Jan 1, 2015	1,930,568	3,188,697	1.65	0.30	2.6

Potential sources of premium

- Voluntary purchase from public & private entities
- Development of carbon schemes outside Europe + use of international offsets

AF CER inventory as of August 31, 2015

CERs allocated to AF SoP by year (Millions)



CER monetization strategy for FY16

Factors to consider

- Revenue earned – approx USD 3.5 million to date in 2015 (EUR 2.6 million premium over market)
- Current issuance of 1 million + EU ETS eligible CP2 into AF SoP
- Market price around 0.4 - 0.5 EUR per ton
- Uncertainty in carbon markets & economic recovery
- CP2 expiration in year 2020

Way Forward in FY16

- continue CP1 and CP2 monetization with price premium
- review developments in carbon markets post-Paris COP

Trustee Reports posted at:

www.adaptation-fund.org

www.worldbank.org/fiftrustee