

**CDM-EB97-A01-INFO**

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# CDM two-year business and management plan 2018–2019

Version 01.0



**United Nations**  
Framework Convention on  
Climate Change

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## **1. Ensuring the continued success of the CDM**

1. The Executive Board of the clean development mechanism (CDM) (hereinafter referred to as the Board) considers that its role, within the guidance set by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, is to ensure that the CDM remains a viable and effective tool for use by Parties and the private sector to mitigate climate change.
2. To this end, the Board actively promotes the contribution the CDM can make to help the world combat climate change and achieve the ultimate objective of the Convention. The present business plan sets out the Board's strategic direction for the CDM under two goals, each supported by a set of objectives for the period 2018–2019.
3. The goals reflect the medium-term desired outcomes. The objectives are more specific and are intended to guide the immediate work to be undertaken to achieve the Board's goals. The Board intends to prioritize and allocate resources, via a supporting two-year management plan (MAP), to activities that support the achievement of the goals and objectives. The MAP defines the work and associated resource requirements for the Board and its support structure to achieve the goals and objectives of the business plan.

## **2. The current and evolving context**

### **2.1. The current operational context**

4. The CDM is the largest offset mechanism in the world. At 30 September 2017, a total of 7,783 projects in 99 countries and 310 programmes of activities (PoAs) in 81 countries have been registered since 2004. The CDM has also issued over 1.87 billion certified emission reductions (CERs).
5. With over a decade of operation, the CDM has world-leading expertise in the development and implementation of greenhouse gas emission reductions. This includes the three core functional areas:
  - (a) In assessments, the CDM maintains and administers uniform procedures for registering activities that reduce or remove emissions, issuing credits for such reductions or removals, and accrediting third-party verifiers;
  - (b) In standards, the CDM maintains the world's largest source of credible and internationally accepted standards for measuring, reporting and verifying emission reductions and removals, and these are also used by mechanisms and stakeholders outside the CDM;
  - (c) In regulatory management, the CDM has an established, transparent and trusted governance structure, functional emissions registry and a transparent repository of the status and description of all projects and programmes.
6. In view of the decreasing workload related to methodologies, the Methodologies Panel and the Small-Scale Working Group were merged effective from September 2017. The CDM regulatory standards and procedures were further simplified after a detailed assessment and analysis of user feedback, and stand-alone standards were developed for PoAs.

7. Considering the growing trend for uncollected SOP, the Board agreed to amend the SOP practice as follows:
  - (a) For upcoming requests for issuance, to collect SOP prior to the secretariat commencing the completeness check of the issuance requests;
  - (b) For approved requests for issuance with uncollected SOP, to allow partial payments of SOP to enable project participants to access the corresponding proportion of CERs for forwarding or voluntary cancellation.
8. The current demand for CERs is low. A number of Annex I countries are not participating in the Kyoto Protocol. In addition, approximately 92<sup>1</sup> per cent of the present quantitative limit set by the European Union Emissions Trading System for the use of emission reduction units and CERs has already been used.
9. There are 31 designated operational entities (DOEs) at present, down from 45 during 2014. As per the accreditation procedure, the reaccreditation of 12 DOEs was due in 2017. As at 30 September 2017, 10 DOEs have been reaccredited and a remaining two DOEs are under an advanced stage of assessment. Further, as per the accreditation procedure, reaccreditation is due for seven DOEs in 2018 and nine in 2019. For the MAP 2018–2019, it is assumed that the number of DOEs will remain at 31.
10. Requests for registration and issuance declined significantly, as compared to 2011 and 2012 volumes, and are expected to remain low in the upcoming biennium (same levels as in 2017 expected). Requests for issuance have also declined as compared to 2011 and 2012 volumes, though less significantly, and are expected to remain at the same levels as in 2017.
11. As at 30 September 2017, 147,976 CERs have been cancelled using the voluntary cancellation platform (VC platform). The VC platform is being further upgraded so as to be more user-friendly and available in French and Spanish, in addition to English. It is expected the number of voluntary cancellations will go up during the biennium 2018–2019.

## **2.2. The evolving external environment**

12. An increasing number of governments (local, national and regional) utilize market-based carbon-pricing policies to address greenhouse gas emissions. In addition to established emissions trading systems in Europe, New Zealand, the Republic of Korea and regions in Canada, China and the United States of America, systems are emerging in jurisdictions as diverse as Australia, Chile, China, Colombia, Kazakhstan, Mexico and Ukraine. Several initiatives<sup>2</sup> are also underway to use elements of established tools, such as the CDM, with new forms of climate finance, such as green bonds, as a means to unlock financial flows by verifying the mitigation outcomes.

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<sup>1</sup> Based in the estimate usage cap of 1,600 million units, 1,058 million units were used for Phase 2 compliance and approx. 422 million units have been exchanged for Phase 3.

<sup>2</sup> As reported to The Board at its 91<sup>st</sup> and 94<sup>th</sup> meetings, including the development of a green bond-based CDM refinancing facility (CDM refinancing facility); a green bond-based CDM investment trust fund (Paris Climate Bond); and green bond programmes for the West African Development Bank (BOAD) and the East African Development Bank (EADB).

13. At the international level, the International Civil Aviation Authority adopted a new Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). CORSIA aims to stabilize emissions from international aviation at 2020 levels. The CDM is one of the potential offset providers to this scheme.
14. Interest in voluntary cancellation and corporate carbon neutrality is increasing. There is an increasing interest among governments and the private sector to use market-based mechanisms, including the CDM, as a means of attaining carbon neutrality and promoting sustainable development benefits. While this share of the market has been historically small relative to the compliance market, it is growing. As at 30 September 2017, the CDM registry has facilitated the voluntary cancellation of over 23.2 million CERs. Much of the demand in this area is due to voluntary approaches that allow for third-party verification of development benefits. Credits from these voluntary approaches, particularly those tagged with development benefits, are trading at a premium price.
15. The ambition set by the Paris Agreement indicates the need for early action to close the gap between current pledges under Nationally Determined Contributions and the aim of the Paris Agreement to hold the increase in the global average temperature to well below 2 °C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5 °C. The CDM is an established and operating market mechanism under the United Nations Framework Convention on Climate Change (UNFCCC) that can immediately contribute significant emission reductions to that end.
16. However, while the detailed rules and policies required to operate the Paris Agreement are elaborated in the UNFCCC process, operations under the CDM continue according to rules agreed under the Kyoto Protocol. The Doha Amendment to the Kyoto Protocol was adopted at the eighteenth session of the Conference of the Parties in 2012, but the ratification of the amendment is still short of allowing the amendment to come into force.
17. While the CDM is ready and capable of achieving significant additional emission reductions, the lack of clarity of what will happen with the mechanism after 2020 undermines the ability of the mechanism to attract further investments in emission reductions.

### **3. Goals and objectives**

18. The Board has agreed that the following two goals and supporting objectives remain relevant for the period 2018–2019.
- 3.1. Goal 1: Enable the implementation of mitigation activities to ensure the trusted certification of their outcomes efficiently and transparently**
19. The core strength of the CDM is its capacity to drive the implementation of a broad range of mitigation activities through affirmation of mitigation activities and evaluation of emission reductions and removals. The Board intends to ensure that the CDM continues to improve and evolve in order to strengthen, further optimize and maintain core functional areas such as project and entity assessments, governance, and standard-setting.
  20. This goal intends to build upon and continue the work of the Board to improve the credibility, transparency, user-friendliness, environmental integrity and consistency of the CDM. With the understanding that there will be an increasing demand for mitigation to meet the objectives of the Paris Agreement, this goal also allows for the development of innovative ways to increase the scale of mitigation activities that can be addressed

through the CDM. These include considering how emission sources at a broader level of aggregation can be targeted through the CDM, how greater use of standardization can reduce transaction costs, and how the use of the CDM or elements of the CDM can further contribute to an overall reduction in global emissions.

21. Under this goal, the following objectives have been identified:

- (a) **Operate efficient project and entity assessment processes:** the Board intends to fully implement the project cycle and accreditation procedures and meet all prescribed timelines without compromising the quality of assessments;
- (b) **Operate an effective regulatory framework resulting in reduced transaction costs for participants in the mechanism:** the Board intends to continue its past efforts of simplifying relevant standards and procedures;
- (c) **Develop simplified and user-friendly standards and procedures that increase efficiency and ensure environmental integrity:** the Board intends, inter alia, to further the work on the development of simplified CDM methodologies and standardized baselines, while maintaining environmental integrity; continue the development of digitized project and programme design document forms for CDM project activities and PoAs; and continue to explore possibilities for reducing the transaction costs of monitoring by expanding the use of tiered approaches offering a choice between conservative default values and direct measurements.

### 3.2. Goal 2: Nurture the demand for, and participation in, the CDM

- 22. This goal intends to build upon and continue the work of the Board in recent years to position the CDM as a reliable source of trusted offset credits. This goal also sets a more explicit direction for encouraging the use of CERs to meet a variety of compliance and voluntary purposes, both now and into the future, for increasing the use of voluntary cancellations in the CDM registry and better understanding the contribution of the CDM to sustainable development.
- 23. The potential of the CDM to contribute to mitigation and sustainable development in the longer term is, however, far from exhausted, both as a stand-alone mechanism and as a means to support other collaborative measures by Parties. The Board seeks to continue the CDM in realizing this greater potential and ensuring that the knowledge and lessons learned from the “learning-by-doing” of the CDM is shared as broadly as possible.
- 24. The Board and the secretariat will continue to support designated national authorities (DNAs) and project participants in underrepresented countries and sectors, including: supporting projects and conducting regional training events through the CDM regional collaboration centres; supporting the Nairobi Framework Partnership; and engaging with the Global DNA Forum. These are additional to the work of the Board in developing new approaches under the CDM that are particularly well-suited to underrepresented countries, including the development of standardized baselines, POAs, specific methodologies and tools, positive lists of technologies, the incorporation of suppressed demand, and other tools that the market demands.
- 25. Under this goal, the following objectives have been identified:
  - (a) **Facilitate the acceptance of CERs for compliance purposes:** In addition to the use of CERs by Parties to the Kyoto Protocol, the Board intends to continue to engage in and develop strategic partnerships;

- (b) **Enhance the use of the CDM for voluntary purposes:** the Board intends, inter alia, to continue to broaden the strategy for achieving greater offsetting or mitigation by public and private entities;
- (c) **Further develop the CDM as a tool for monitoring, reporting and verifying the outcomes of mitigation finance:** the Board intends to continue to further improve the CDM as well as the links between it and other components of the evolving international response to climate change.

#### 4. Principles guiding the elaboration of the MAP

- 26. The Board acknowledges the gravity of the challenges that are faced by the CDM and the low levels of revenue that are projected for 2018 and beyond. The Board recognizes the role it must play in communicating the achievements of the CDM; ensuring that the CDM continues to improve and evolve in order to strengthen, further optimize and maintain core functional areas; and ensuring the prudent management of resources of the CDM and its ability to perform its duties in maintaining and developing the mechanism up to the end of the true-up period of the second commitment period of the Kyoto Protocol.
- 27. The MAP defines the work and associated resource requirements needed by the secretariat to realize the Board's strategy. The Board intends to continue to prioritize activities that help realize its strategy and to terminate activities that do not. The Board will continue to strengthen the mechanism so as to best serve the needs of its users. The MAP contained in the appendix therefore covers the maintenance of mandated activities as well as the improvement efforts recorded as projects.

## **Appendix.      Management plan**

### **1.      Introduction**

1. This management plan (MAP) sets out the approach, activities and resource requirements to support the 2018-2019 goals and objectives of the Executive Board of the clean development mechanism (CDM) (hereinafter referred to as the Board. Section 2 sets out the approach that the Board intends to take, which has been informed through its ongoing strategic planning exercises and stakeholder interactions. Section 3 links each of the Board's objectives to specific activities, including estimated volumes and resource requirements. Sections 4 and 5 provide additional information on the programme budget and human resources respectively.

### **2.      Approach**

2. The Board acknowledges the challenges facing the CDM. The CDM has, over the past 14 years since its operationalization under the Marrakesh Accords, established itself as a major contributor to climate finance. However, current low levels of demand for certified emission reductions (CERs) mean that fewer projects are coming through the CDM, as incentives for investment in the CDM have shrunk.
3. Under the first goal of the CDM business plan for 2018–2019, “Enable the implementation of mitigation activities to ensure the trusted certification of their outcomes efficiently and transparently”, the Board, following the major revision of the key CDM regulatory documents (“CDM project standard”, “CDM validation and verification standard” and “CDM project cycle procedure”) in 2017, will monitor the operation of this new set of regulations and make it efficient, including the modification to the information system (workflows) for processing requests for registration, issuance, etc. The Board also intends to continue efforts towards streamlining the CDM regulations in general, including various standards, procedures, methodologies and tools, with the aim of reducing complexity, making them more user-friendly, and enhancing their efficiency. This effort is aimed at further improving the mechanism in order to strengthen its value to, and use among, existing and new stakeholders, while preserving its environmental integrity, maintaining the stability of the regulatory apparatus, and reducing the burden or transaction costs on stakeholders.
4. Under the second goal of the business plan, “Nurture demand for, and participation in, the CDM”, the Board intends to focus on activities aimed at increasing the voluntary cancellation of CERs and the increased recognition and use of the CDM as a tool for policy implementation. Specific focus areas include (a) continued operation and improvement of the voluntary cancellation platform (VC platform); (b) the promotion of the VC platform to suppliers to ensure a high and diversified supply of CERs on the VC platform; (c) cooperation with international business and sector organizations, in particular the aviation sector; (d) cooperation with the United Nations system, the International Civil Aviation Authority and other international organizations; (e) enhanced online media and web presence, including testing a social media campaign; (f) development and implementation of a strategy and outreach plan to enhance the use of the VC platform among consumer-facing organizations and individuals; (g) cooperation with international financial institutions to promote the use of the CDM as a tool in support of results-based financing, green bonds, etc.; and (h) provision of information and



analyses regarding how the CDM may support policy implementation, including closing the pre-2020 ambition gap.

### **3. Activities, estimated volumes and resource requirements**

5. An overview of the resources allocated is provided in table 1. The allocation is broken down to show the resource allocation per objective per year, expressed as a percentage of the total allocation.
6. In planning human resource utilization and deployment, the secretariat bases estimated human resource requirements on previous years' data for activities covered by the MAP. However, adjustments are made during the year based on fluctuations in workloads across the activities and projects and new mandates received from the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol and the Board.

**Table 1. Indicative allocation of resources by objective (2018-2019)<sup>a</sup>**

Objective	Title of objective	Staff months 2018 <sup>b</sup>	Staff months 2019 <sup>b</sup>	Non-staff cost 2018 (USD)	Non-staff cost 2019 (USD)	% of resources 2018	% of resources 2019
1 (a)	Operate efficient project and entity assessment processes	230.7	224.7	108 000	108 000	17%	18%
1 (b)	Operate an effective regulatory framework resulting in reduced transaction costs for participants in the mechanisms	184.1	179.1	1 929 900	1 929 900	25%	27%
1 (c)	Develop simplified and user-friendly standards and procedures that increase efficiency and ensure environmental integrity	73.7	59.2	25 000	25 000	6%	5%
2 (a-c)	Facilitate the acceptance of CERs for compliance purposes; Enhance the use of the CDM for voluntary purposes; Further develop the CDM as a key tool for monitoring, reporting and verifying the outcomes of mitigation finance	245.0	241.0	1 376 900	1 387 400	26%	24%
	Cross-cutting activities including; communications, information technology, finance, planning, monitoring and reporting	219.3	216.8	1 645 386	1 478 237	26%	26%
<b>Total</b>		<b>952.8</b>	<b>920.8</b>	<b>5 085 186</b>	<b>4 928 537</b>	<b>100%</b>	<b>100%</b>

(a) This table does not include Total Cost of Ownership (TCO) and the 13% Programme Support Costs (PSC).

(b) **The total cost for 87 staff equivalents = USD 10 801 200.** One full-time (FT) staff equivalent = 10.8 person months. 87 CDM FT staff equivalents = 940 person months. The SDM programme has a total of 94 FT staff equivalents (1015 person months) funded under the CDM (87 FT staff equivalents), JI (4 FT staff equivalents), core UNFCCC(2 FT staff equivalents) and the Special Account for Programme Support Costs (1 FT staff equivalent) budgets.

**Table 2. Indicative allocation of resources (2016 - 2019)**

Objective	Title of objective	% of resources 2016	% of resources 2017	% of resources 2018	% of resources 2019
1 (a)	Operate efficient project and entity assessment processes	12%	16%	17%	18%
1 (b)	Operate an effective regulatory framework resulting in reduced transaction costs for participants in the mechanisms	25%	25%	25%	27%
1 (c)	Develop simplified and user-friendly standards and procedures that increase efficiency and ensure environmental integrity	10%	17%	6%	5%
2 (a-c)	Facilitate the acceptance of CERs for compliance purposes; Enhance the use of the CDM for voluntary purposes; Further develop the CDM as a key tool for monitoring, reporting and verifying the outcomes of mitigation finance	25%	12%	26%	24%
	Cross-cutting activities including; communications, information technology, finance, planning, monitoring and reporting	28%	26%	26%	26%
<b>Total</b>		<b>100%</b>	<b>96%<sup>a</sup></b>	<b>100%</b>	<b>100%</b>

<sup>(a)</sup> In 2017, the four per cent unallocated resources were allocated to priority areas of work, based on shifting workload demands under the various activities and projects during the year.

7. Tables 3 to 7 link specific activities and projects to the objectives as set out in the 2018–2019 business plan. The ‘staff months’ column in each table provides an indication of the effort required to perform a particular activity.

### 3.1. Goal 1: Enable the implementation of mitigation activities and ensure the trusted certification of their outcomes efficiently and transparently

Table 3. Objective 1(a): Operate efficient project and entity assessment processes

Activity group	Activity for MAP document	Volume		Staff months		Non-staff cost (USD)	
		2018	2019	2018	2019	2018	2019
<b>CDM registry</b>	Changes to modalities of communication and transactions	4950 transactions	4950 transactions	34.9	29.9	7 000	7 000
	CDM registry reports	400 reports	400 reports	2.5	2.5	--	--
	Opening and maintaining voluntary cancellation platform seller accounts	85 accounts	105 accounts	5.0	5.0	--	--
	<i>*PROJ255 Stranded CERs</i>	--	--	2.0	2.0	--	--
<b>Project assessments</b>	Requests for direct communication, renewal of crediting period, and review	175 requests	175 requests	21.0	21.0	26 000	26 000
	Requests for programme of activities (POA) issuance	60 requests	60 requests	28.0	28.0	--	--
	Requests for POA post registration changes (PRC)	10 requests	10 requests	3.5	3.5	--	--
	Requests for POA registration	20 requests	20 requests	4.8	4.8	--	--
	Requests for project issuance	700 requests	700 requests	84.0	84.0	30 000	30 000
	Requests for project PRC	30 requests	30 requests	5.7	5.7	--	--

Activity group	Activity for MAP document	Volume		Staff months		Non-staff cost (USD)	
	Requests for project registration	100 requests	100 requests	20.0	20.0	5 000	5 000
	POA post-registration component project activities (CPA) inclusion requests	130 CPA inclusions	130 CPA inclusions	0.2	0.2	--	--
	Sustainable Development Co-benefits including reporting and promotional activities	40 reports	40 reports	0.8	0.8	--	--
<b>Entity assessments</b>	Performance assessments (validation and verification)	12 assessments	12 assessments	10.6	10.6	--	--
	Regular surveillance and spot checks	5 assessments	15 assessments	1.0	3.0	--	--
	Requests for initial and re-accreditation	10 requests	4 requests	3.0	1.2	--	--
	Calibrate assessment team leads	1 workshop	1 workshop	2.5	2.5	40 000	40 000
	DOE calibration workshop	1 workshop	--	1.2	--	--	--
<b>Total</b>				<b>230.7</b>	<b>224.7</b>	<b>108 000</b>	<b>108 000</b>

(\*) Text in boldface represents projects.

**Table 4. Objective 1(b): Operate an effective regulatory framework resulting in reduced transaction costs for participants in the mechanism**

Activity group	Activity for MAP document	Volumes		Staff months		Non-staff cost (USD)	
		2018	2019	2018	2019	2018	2019
<b>Communications</b>	Media relations	--	--	6.0	6.0	165 000	165 000
<b>External queries</b>	Stakeholder communications	500 transactions	450 transactions	12.0	11.0	--	--
<b>Market and policy analysis</b>	Policy analysis and reports	--	--	10.0	10.0	--	--
<b>Secretariat interactions with stakeholders</b>	Calls for input and feedback to stakeholders	--	--	2.6	2.6	--	--
	Global DNA Forum	1 event	1 event	8.0	8.0	434 800	434 800
<b>Servicing of panels/working groups</b>	Accreditation Panel	3 meetings	3 meetings	10.5	10.5	91 500	91 500
	Methodologies Panel	3 meetings	3 meetings	18.0	18.0	249 300	249 300
	Roster of Experts (CDM)	--	--	5.0	5.0	--	--
<b>Servicing of regulatory body</b>	Support to the Executive Board	5 meetings	5 meetings	71.5	71.5	320 300	320 300
	Additional Benefits for members / alternate members of the regulatory body	--	--	0.0	0.0	669 000	669 000
<b>Accreditation system</b>	Entity administration	31 entities	31 entities	7.8	7.8	--	--
	Entity assessment planning	26 assessments	26 assessments	3.6	3.6	--	--
	Entity performance monitoring system	--	--	2.5	2.5	--	--
	Handling of complaints and requests for revisions	--	--	1.0	1.0	--	--

Activity group	Activity for MAP document	Volumes		Staff months		Non-staff cost (USD)	
<b>Registration &amp; issuance system<sup>(a)</sup></b>	Work flow support	--	--	9.0	5.0		
	R&I system support	2600 tasks	2200 tasks	13.0	13.0		
<b>Regulatory framework management</b>	Regulatory framework management	--	--	3.6	3.6	--	--
<b>Total</b>				<b>184.1</b>	<b>179.1</b>	<b>1 929 900</b>	<b>1 929 900</b>

(a) Note: This activity is not a new activity but is being placed under a separate code in the secretariat's effort tracking system (ETS) to better track staff resources assigned to this area of work in 2018-2019.

**Table 5. Objective 1(c): Develop simplified and user-friendly standards and procedures that increase efficiency and ensure environmental integrity**

Activity group	Activity for MAP document	Volume		Staff months		Non-staff cost (USD)	
		2018	2019	2018	2019	2018	2019
<b>Methodologies</b>	Processing of requests for clarification, deviation, revision, new submissions and micro-scale additionality	15 requests	15 requests	7.0	7.0	10 000	10 000
	Processing of submitted standardized baselines	20 evaluations	20 evaluations	28.5	28.5	--	--
	<i><b>*PROJ256 Digitization of methodologies for web-based generation of project design documents and monitoring templates</b></i>	1 methodology digitization		13.0	0	--	--

Activity group	Activity for MAP document	Volume		Staff months		Non-staff cost (USD)	
	<b>*PROJ110 Further development of standardized baselines framework</b>	--	--	5.1	5.1	5 000	5 000
	<b>*PROJ244 Development of new methodologies to broaden the applicability of the CDM</b>	--	--	8.0	6.5	5 000	5 000
	<b>*PROJ223 Simplification of methodologies</b>	--	--	12.1	12.1	5 000	5 000
<b>Total</b>				<b>73.7</b>	<b>59.2</b>	<b>25 000</b>	<b>25 000</b>

(\*) Text in boldface represents projects

### 3.2. Goal 2: Nurture demand for, and participation in, the CDM

**Table 6. Objective 2(a): Facilitate the acceptance of CERs for compliance purposes; Objective 2(b): Enhance the use of the CDM for voluntary purposes; Objective 2(c): Further develop the CDM as a key tool for monitoring, reporting and verifying the outcomes of mitigation finance**

Activity group	Activity for MAP document	Volume		Staff months		Non-staff cost (USD)	
		2018	2019	2018	2019	2018	2019
<b>Partnerships</b>	Partnerships and engagement activities	--	--	25.0	25.0	150 000	150 000
	Nairobi framework coordination and regional activities with a specific focus on Africa, LDCs and SIDS	--	--	13.0	13.0	150 000	150 000



Activity group	Activity for MAP document	Volume		Staff months		Non-staff cost (USD)	
	Support to stakeholders / capacity building (DOEs)	--	--	3.5	3.5		
	Public policy development	--	--	15.0	15.0		
	Operation and further development of the voluntary cancellation platform	--	--	8.0	4.0		
	Improvement of the CDM to make it attractive for result based finance	--	--	12.0	12.0	50 000	50 000
	Use of CDM in climate finance	--	--	10.5	10.5	188 500	199 000
	Nurturing demand for CDM and voluntary cancellation of CERs	--	--	49.0	49.0	250 000	250 000
	RCC Operations	9 events	9 events	24.0	24.0	419 400	419 400
	RCCs-On-site support to projects	214 supported projects	214 supported projects	58.5	58.5	133 000	133 000
	RCC Support to Bottom-up Standardized Baselines	20 requests	20 requests	26.5	26.5	36 000	36 000
<b>Total</b>				<b>245.0</b>	<b>241.0</b>	<b>1 376 900</b>	<b>1 387 400</b>

### 3.3. Other activities

Table 7. Cross-cutting activities

Activity group	Activity for MAP document	Volumes		Staff months		Non-staff cost (USD)	
		2018	2019	2018	2019	2018	2019
<b>Communications</b>	Communications engagement and marketing	--	--	26.5	26.5	120 000	120 000
	<b>*PROJ257 CDM Achievements</b>	--	--	2.5	0.0		
<b>Internal administration</b>	Human resources, skills development and learning	--	--	49.0	49.0	145 000	145 000
	Finance (including budget, expert payments, fee payments and procurement)	--	--	6.0	6.0	15 000	15 000
	Intra-secretariat engagement agreements (IT)	--	--	3.0	3.0	1 240 286	1 073 137
	Internal communications	--	--	2.0	2.0		
	Information, knowledge and records management	--	--	17.9	17.9		
	Supplies and subscriptions	--	--	1.0	1.0	85 100	85 100
	Travel management	--	--	6.0	6.0		
	Management and meetings	--	--	49.0	49.0	40 000	40 000
	Planning, monitoring and reporting	--	--	49.4	49.4		
	Secretariat-wide responsibilities	--	--	7.0	7.0		
<b>Total</b>		--	--	<b>219.3</b>	<b>216.8</b>	<b>1 645 386</b>	<b>1 478 237</b>

(\*) Text in boldface represents projects

#### 4. Programme budget

8. The Sustainable Development Mechanisms (SDM) programme of work in support of the CDM for the two-year period 2018–2019 will continue to be funded from the accumulated fees and the share of proceeds (SOP). Projections assume a USD 9 million income for each year in the period 2018–2019.
9. The 2018–2019 budget is allocated to activities that continue to support the Board's commitment to making the CDM more agile, less expensive and burdensome to use, and better integrated with regional, national and voluntary carbon markets as well as nationally appropriate mitigation actions and channels for delivering results-based finance. Specifically, the budget focuses resources on:
  - (a) Maintaining staff and non-staff resources for essential operational activities while concentrating improvement efforts towards specific projects to further streamline the CDM while preserving its environmental integrity, maintaining the stability of the regulatory apparatus and avoiding any additional burden on stakeholders;
  - (b) Engaging with policymakers/stakeholders in compliance and voluntary markets, upgrading the VC platform (making it more user friendly and available in other languages) and supporting enhanced communication and messaging about completed cancellations through United Nations Framework Convention on Climate Change (UNFCCC) media;
  - (c) Supporting project developers to overcome identified limitations and gaps in skills and technical knowledge that inhibit the use of the CDM by stakeholders in least developed and developing countries, promoting and supporting CDM projects and building capacity to provide localised support without the continuous presence of UNFCCC staff.

##### 4.1. Income

10. Table 8 below shows the balance brought forward from 2016 and the income received in the period from 1 January to 30 September 2017.

**Table 8. Income received in 2017 as at 30 September, including carry-over from 2016 (in USD)**

<b>Carry-over figure from 2016 (A)</b>	<b>102 390 607</b>
<b>Income received in 2017</b>	
Accreditation fees	45 000
Fees from the accreditation process	145 274
Registration fees <sup>(a)</sup>	248 683
Methodology fees <sup>(b)</sup>	—
Share of proceeds (SOP) <sup>(c)</sup>	6 015 263
<b>Sub-total – Income 1 January - 30 September 2017 (B)</b>	<b>6 454 220</b>
<b>Current balance of 2016 carry-over and 2017 income (A + B)</b>	<b>108 844 827</b>

*Note:* USD 45 million held in reserve (EB 45, 2009) is not included in the above figures.

- <sup>(a)</sup> This fee is based on the average annual issuance of CERs over the first crediting period and is calculated as a share of proceeds to cover administrative expenses, as defined in decision 7/CMP.1,

paragraph 37. Projects with annual average emission reductions of less than 15,000 tonnes of carbon dioxide equivalent are exempt from the registration fee, and the maximum fee applicable is USD 350,000. This fee is considered to be a pre-payment of the share of proceeds to cover administrative expenses.

- (b) A non-refundable submission fee of USD 1,000 is payable at the time a new methodology is proposed. If the proposal leads to an approved methodology, the project participants receive a credit of USD 1,000 against payment of the registration fee or a pre-payment of share of proceeds.
- (c) The share of proceeds, payable at the time of issuance of CERs, is USD 0.10 per CER issued for the first 15,000 CERs for which issuance is requested in a given calendar year, and USD 0.20 per CER issued for amounts in excess of 15,000 CERs.

11. The total fees received as at 30 September 2017 amounted to USD 6.5 million (see table 8). This is 72.2 per cent of the expected income of the USD 9 million in projected income for 2017.<sup>3</sup> Projected income is expected to be achieved by year end.
12. CERs remain in pending accounts for which forwarding has not been requested. The CERs have a value in terms of fees of approximately USD 51.1 million. The secretariat has already performed all related tasks with the exception of forwarding for the corresponding projects. Under the current CDM rules, secretariat resources invested in CDM projects that do not complete the forwarding stage of the cycle cannot be recovered. Under the prevailing market conditions, the secretariat does not expect to recover the corresponding fees.

#### 4.2. 2018–2019 budget

13. The proposed budget for the two years (2018 and 2019) covered by this MAP is USD 19.7 million for 2018, an increase of USD 56,000 (0.3 per cent) when compared to the 2017 budget, and USD 19.5 million for 2019, a decrease of USD 121,000 (–0.6 per cent) when compared to the 2017 budget. Table 9 provides a summarized comparison of the approved budgets for 2016 and 2017 with the proposed budget for 2018 and 2019.

**Table 9. Budget comparison 2016 to 2019 (USD)**

Budget	2016	2017	2018	2019
Staff <sup>(a)</sup>	10 170 000	10 400 000	10 801 200	10 801 200
Non-Staff	9 448 431	9 202 259	8 856 716	8 679 703
<b>Total</b>	<b>19 618 431</b>	<b>19 602 259</b>	<b>19 657 916</b>	<b>19 480 903</b>

- (a) Staff costs include Staff, General Temporary Assistance and staff-related costs such as salaries, overtime payments, dependency allowance, education grant, rental subsidy, home leave travel, travel on appointment and separation, etc.

14. Table 10 shows the breakdown of the proposed budget by the different cost categories. The table provides comparisons of the proposed budgets 2018 (column a) and 2019 (column b), with the previous year's budget (column c), 2017 consumed budget as at 30 September 2017 (column d) and projected expenditure for the period January to December 2017 (column e). It also shows, as a percentage, the rate of increase or decrease between the proposed 2018 (column f) and 2019 (column g) budgets and the projected expenditure as at 31 December 2017 (column e).

<sup>3</sup> As per CDM management plan (CDM-EB92-A01-INFO, section 4.2, Table 10).

15. Table 11 shows the breakdown and comparison of the 2018–2019 budget proposals and the 2017 approved budget.

**Table 10. Breakdown and comparison of the 2018–2019 budget proposals and 2017 expenditure projections (United States dollars)**

Cost category	2018 Budget proposal	2019 Budget proposal	2017 Approved budget	Jan-Sep 2017 Expenditure	Jan-Dec 2017 Projected expenditure	Budget 2018 vs. projected expenditure 2017	Budget 2019 vs. projected expenditure 2017
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
Staff Costs <sup>(a)</sup>	10 801 200	10 801 200	10 400 000	7 982 009	10 712 000	0.8%	0.8%
Consultants <sup>(b)</sup>	424 700	435 950	614 500	275 249	533 615	-20.4%	-18.3%
Experts <sup>(c)</sup>	218 200	218 200	316 200	111 875	248 212	-12.1%	-12.1%
Expert travel <sup>(d)</sup>	206 400	206 400	225 000	193 848	218 640	-5.6%	-5.6%
Travel of representatives <sup>(e)</sup>	450 800	450 800	400 800	271 720	380 686	18.4%	18.4%
Travel of representatives – EB <sup>(f)</sup>	420 500	420 500	513 760	368 370	502 384	-16.3%	-16.3%
Travel of staff <sup>(g)</sup>	362 100	365 100	357 800	286 780	381 086	-5.0%	-4.2%
Training <sup>(h)</sup>	20 000	20 000	20 000	18 667	20 000	0.0%	0.0%
Operating expenses <sup>(i)</sup>	684 700	680 950	781 000	216 836	713 617	-4.1%	-4.6%
RCC Operations <sup>(j)</sup>	588 400	588 400	588 400	459 684	588 400	0.0%	0.0%
Total Cost of Ownership <sup>(k)</sup>	1 510 000	1 510 000	1 535 000	1 428 059	1 535 000	-1.6%	-1.6%
Engagement agreement (ICT) <sup>(l)</sup>	1 240 286	1 073 137	1 118 072	917 563	1 118 072	10.9%	-4.0%
Mobile telecommunication <sup>(m)</sup>	15 100	15 100	18 800	4 386	18 800	-19.7%	-19.7%
Supplies and materials <sup>(n)</sup>	77 500	77 500	81 300	46 229	79 500	-2.5%	-2.5%
EB Grants <sup>(o)</sup>	376 500	376 500	376 500	289 702	376 500	0.0%	0.0%
13% Administration <sup>(p)</sup>	2 261 530	2 241 166	2 255 127	1 673 227	2 263 912	-0.1%	-1.0%
<b>Total</b>	<b>19 657 916</b>	<b>19 480 903</b>	<b>19 602 259</b>	<b>14 544 203</b>	<b>19 690 423</b>	<b>-0.2%</b>	<b>-1.1%</b>

<sup>(a)</sup> Staff costs include Staff, General Temporary Assistance (GTA) and staff-related costs such as salaries, overtime payments, dependency allowance, education grant, rental subsidy, home leave travel, travel on appointment and separation, etc. Consultant costs include consultants and individual contractor fees and travel costs.

- (b) Consultant costs include consultants and individual contractor fees and travel costs.
- (c) Expert costs include panel and working group attendance fees and case fees.
- (d) Expert travel includes ticket costs and daily subsistence allowance (DSA) of panel and working group members.
- (e) Travel of representatives - includes ticket cost and DSA for participants in the CDM meetings, workshops including the DNA forum.
- (f) Travel of representatives – EB includes ticket costs, DSA, 40 per cent additional DSA for members/alternate members for meetings of the Board and the EB events at the UNFCCC sessions
- (g) Travel of staff costs includes ticket cost, DSA, terminal expenses and miscellaneous expenses.
- (h) Training costs include staff attendance or course fees, ticket costs and DSA.
- (i) Operating expenses include rental of equipment, shipping and transport costs, maintenance costs and other logistics costs.
- (j) RCC operation costs include costs related to administering the RCCs, RCC staff missions, including travel and MSA costs, RCC Global Forum and Roundtable.
- (k) Total Cost of Ownership (TCO) - Service programmes in the secretariat (Information Systems (ITS), Conference Affairs (CAS) and Administrative Services (AS)) render services to all secretariat activities funded from both core and non-core sources of funding (such as the CDM trust fund). The purpose of Total cost of ownership (TCO) charges is to ensure the allocation of costs of these support services to the sources of funding to which they relate. In 2016, the TCO charge per capita of EUR 9,444 will be applied.
- (l) Engagement agreement (Information Technology Services) - Includes IT costs related to the support of two MAP projects and the maintenance of the operational IT infrastructure required to operate the CDM project activity cycle workflows (e.g. registry, project submission work flows etc.).
- (m) Official mobile telephone charges – This does not include the charges incurred on the regular office telephones which are covered through TCO.
- (n) Acquisition of hardware, supplies, software and subscriptions.
- (o) EB Grants includes support to individual members/alternate members for: (i) secretarial/administrative support (temporary secretarial staff and related services, printing, stationery and consumable materials, telephone and internet costs, insurance to cover the loss or theft of laptops); and (ii) IT-related expenses (laptop and software, printers).
- (p) In accordance with the financial procedures of the United Nations, 13 per cent of overhead charges are payable on all trust funds of the UNFCCC to cover administrative services provided by the United Nations Office at Geneva and the UNFCCC secretariat (Programme Support Costs - PSC).
- (q) Positive value shows the percentage of budget increase as compared to 2017 projection, negative value shows percentage decrease as compared to 2017 projection.

**Table 11. Breakdown and comparison of the 2018-2019 budget proposals and 2017 approved budget (United States dollars)**

<b>Cost Category</b>	<b>Budget proposal 2018</b>	<b>Budget proposal 2019</b>	<b>Budget 2017</b>	<b>2018 budget against 2017 budget</b>	<b>2019 budget against 2017 budget</b>
<b>Staff costs</b>	10 801 200	10 801 200	10 400 000	3.9%	3.9%
<b>Consultants</b>	424 700	435 950	614 500	-30.9%	-29.1%
<b>Experts</b>	218 200	218 200	316 200	-31.0%	-31.0%
<b>Expert travel</b>	206 400	206 400	225 000	-8.3%	-8.3%
<b>Travel of representatives</b>	450 800	450 800	400 800	12.5%	12.5%
<b>Travel of representatives – EB</b>	450 800	450 800	513 760	-18.2%	-18.2%
<b>Travel of staff</b>	362 100	365 100	357 800	1.2%	2.0%
<b>Training</b>	20 000	20 000	20 000	0.0%	0.0%
<b>Operating expenses</b>	684 700	680 950	781 000	-12.3%	-12.8%
<b>RCC Operations</b>	588 400	588 400	588 400	0.0%	0.0%
<b>Total Cost of Ownership</b>	1 510 000	1 510 000	1 535 000	-1.6%	-1.6%
<b>Engagement agreement (ICT)</b>	1 240 286	1 073 137	1 118 072	10.9%	-4.0%
<b>Mobile telecommunication</b>	15 100	15 100	18 800	-19.7%	-19.7%
<b>Supplies and materials</b>	77 500	77 500	81 300	-4.7%	-4.7%
<b>EB Grants(o)</b>	376 500	376 500	376 500	0.0%	0.0%
<b>13% Administration</b>	2 261 530	2 241 166	2 255 127	0.3%	-0.6%
<b>Total</b>	<b>19 657 916</b>	<b>19 480 903</b>	<b>19 602 259</b>	<b>0.3%</b>	<b>-0.6%</b>



16. The increase in the Staff costs category in the proposed 2018–2019 budget, as compared to the 2017 budget, is due to a new United Nations rule effective 1 January 2017 related to After Service Health Insurance (ASHI) for staff funded from voluntary contributions and funds such as the CDM Trust Fund. The report of the Secretary-General (A/68/353) estimates that the ASHI is equivalent to nine per cent of gross salary plus post adjustment. This new accrual policy is being implemented in a phased manner by the United Nations, and the monthly accrual equivalent to three per cent of gross salary plus post adjustment is being applied through the payroll to all posts funded under the CDM Trust Fund. The CDM Trust Fund covers 87 posts. The expected additional charge is estimated to be in the range of USD 400,000. Without the increase in the Staff costs category due to the ASHI, the proposed budget would be USD 19.2 million for 2018, a decrease of USD 397,699.00 (–2.0 per cent) compared to the 2017 budget, and USD 19.0 million for 2019, a decrease of USD 574,712.00 (–2.9 per cent) compared to the 2017 budget.
17. The decrease in the Consultants cost category in the proposed 2018–2019 budget, as compared to the 2017 budget, reflects the secretariat human resource strategy that priority is given to ensuring the full use of available staff resources over consultants or temporary hires and the flexible use of the SDM work force which is comprised of 94 total SDM programme staff funded by different funding sources.
18. The decreases in Experts and Expert Travel cost categories in the proposed 2018–2019 budget, as compared to the 2017 budget, reflect the merging of the Small-Scale Working Group and the Methodologies Panel.
19. The increase in the Travel of representatives cost category in the proposed 2018–2019 budget, as compared to the 2017 budget, reflects events planned under the activity “Use of CDM in climate finance”, as agreed by the Board at its ninety-first meeting (EB 91). Other expenses projected under this cost category are the travel of representatives to the Global DNA Forum and other CDM events.
20. The decrease in the Travel of Board representatives cost category in the proposed 2018–2019 budget, as compared to the 2017 budget, reflects a decrease from five to four meetings of the Board in 2018 and in 2019, as compared to 2017.
21. The increase in the Travel of staff cost category 2018–2019 budget, as compared to the 2017 budget, reflects continued efforts to engage with external partners including other intergovernmental organizations, continued efforts to actively promote the use of the VC platform, and travel associated with the activity “Use of CDM in climate finance”.
22. The decrease in the Operational cost category in the proposed 2018–2019 budget, as compared to the 2017 budget, reflects the merging of the Small-Scale Working Group and the Methodologies Panel and the reduction of meetings of the Board.
23. The ICT engagement agreement cost category for 2018 includes costs related to: regular maintenance and hosting (USD 680,000); the workflow solution proposed to automate the business rules across phase 2 of the programme of activities (PoA) life cycle (USD 225,000); the revision of the workflow for the CDM registry (USD 100,000), as approved by the Board at EB 95; and additional maintenance and hosting costs related to the new products, the Simplified Processing Tool, the Sustainable Development Tool (SD Tool) and the PoA life cycle (USD 160,000) and hosting charges (USD 80,000).
24. As can be seen from table 12, current projections indicate that there are sufficient resources to continue funding a programme of work for the CDM to fulfil mandated

responsibilities and sustain appropriate levels of operations for the two-year period (2018–2019) covered by this business plan and associated MAP.

**Table 12. Projected year end balances for the period 2018 – 2019**

	<b>2017</b>	<b>2018</b>	<b>2019</b>
Carryover*	135 939 695	125 249 272	114 591 356
Income	9 000 000	9 000 000	9 000 000
Expenditure	19 690 423	19 657 916	19 480 903
<b>Year-end balance</b>	<b>125 249 272</b>	<b>114 591 356</b>	<b>104 110 453</b>

\* Carryover includes the reserve of USD 45 million but does not include interest accumulated that is used for the Loan Scheme

## **5. Human resources**

### **5.1. Allocating resources**

25. The SDM programme has a skilled and flexible workforce comprised of 94 staff, consisting of 87 that are funded through the CDM, 4 through Joint Implementation, 2 through the core UNFCCC budget, and 1 through the Administrative 13 per cent. These resources are used to deliver on the CDM-MAP activities and projects, as well as other tasks for which SDM is responsible.
26. The MAP 2018–2019 identifies an estimated resource need of 952 staff months (about 88 staff equivalents) in 2018 and 921 staff months (about 85 staff equivalents) in 2019 to deliver the proposed activities and projects. It should be noted that each year, experience has shown that additional tasks arise, estimates of necessary resources for specific activities and projects are under or overestimated, and priorities change (and thus resource allocations), requiring adjustments to be made.
27. The secretariat has systems in place to track and report on human resource deployment and closely monitors resource allocations against priority areas of work to ensure the full utilization of available staff in delivering high quality products on time.

### **5.2. Actions to ensure continued prudent management of resources**

28. The secretariat makes an effort to ensure efficient and optimal resource use by assessing the need for specific posts at the time that posts become vacant. As a principle, preference will be given to allowing for natural attrition and either redistributing required tasks of the posts or delivering tasks through other means.
29. As part of the planning of resource utilization and deployment, priority is given to ensuring the full use of available staff resources over consultants or temporary hires, taking into account the expertise required and the optimal use of staff-related expertise versus external resource use.
30. As part of its broader work and responsibilities, and in its effort to ensure optimal resource use, the SDM programme engages in partnerships and seeks to attract alternative funding sources. These efforts will be taken into account to the extent that they can relieve resource and/or financing pressures for CDM-required deliveries.
31. The secretariat has in place a system for managing a roster of external expertise to assist with its project assessment-related activities in support of the CDM. The roster

allows for the improved management of unforeseen peak workloads, as well as for the reallocation of staff resources to priority areas of work when necessary.

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#### Document information

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