

CDM-EB87-A01-INFO

CDM two-year business plan 2016–2017 and management plan 2016

Version 01.1



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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 (CMP), 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 CDM can make to help the world combat climate change and achieve the ultimate objective of the Convention. This is in line with the Board's vision – **to continually enhance the CDM as an innovative, effective, credible and successful mechanism for mitigating climate change and driving sustainable development**. 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 2016–2017.
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 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 in 2016.

2. The current and evolving context

2.1. The current operational context

4. The CDM is the largest and most widely recognized offset mechanism in the world. At 31 October 2015, a total of 7,680 projects in 99 countries and 287 programmes of activities (PoAs) in 77 countries have been registered since 2004. The implementation of these projects and programmes is estimated to have leveraged at least USD 367 billion¹ in capital investment to underpin climate mitigation efforts and support the achievement of a range of sustainable development outcomes for host Parties. The CDM has also issued over 1.63 billion certified emission reductions (CERs) and stands ready to contribute further through the crediting of a further 0.75 to 6.6 billion emission reductions by 2020.²
5. With over a decade of operation, the CDM has world-leading expertise in the development and implementation of a greenhouse gas emission offset mechanism. 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;

¹ Total capital investment as reflected in the project design documents of 85 per cent of registered project activities (source data: UNEP CDM pipeline <www.CDMpipeline.org> as of 31 October 2015).

² State and trends of carbon pricing. World Bank group, September 2015.

- (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. The CDM accrued strengths from its period of rapid growth from 2009 to 2012 which include a substantial carry-over of financial resources, a well informed and transparent governance structure, a secretariat with substantive knowledge and expertise, and an extensive network of public and private-sector contacts (including designated national authorities, designated operational entities, project participants, and others) in over 120 countries.
- 7. However, current demand for CERs is low. A number of Annex I countries are not participating in the Kyoto Protocol or its second commitment period. In addition, approximately 90 per cent of the present quantitative limit set by the European Union Emissions Trading System for the use of emission reduction units (ERUs) and CERs has already been used. The European Union has also sent a message to markets that, at this stage, it does not intend to use CERs post-2020. Although potential demand in emerging carbon pricing initiatives is developing, albeit slowly, currently the confirmed demand is lower than the current supply capacities of the mechanism.
- 8. Requests for registration have declined significantly, and are expected to remain low through 2016 and 2017, and potentially beyond, in the absence of significant and unexpected external developments. Requests for issuance have also declined, though less significantly, primarily because the marginal cost of requesting issuance is relatively low in comparison with the costs of developing, implementing and registering a project. Nevertheless, rates of issuance requests are well below the peak levels of 2011 and 2012 and are expected to remain low in light of the current demand levels.

2.2. The evolving external environment

- 9. Four trends currently characterize the situation facing market approaches in global climate policy.
- 10. **First, commitments for the second commitment period of the Kyoto Protocol have been inscribed in a Doha Amendment that is in the process of ratification by Parties.** The end of the first commitment period was characterized by a period of uncertainty regarding on-going implementation of agreements under the Kyoto Protocol. The outcome of CMP 8 has provided the CDM with a firmer basis for its evolution and a potential source of demand through renewed and potentially more ambitious targets by some Annex I Parties. In addition, Parties are proceeding with negotiations under the Ad Hoc Working Group on the Durban Platform for Enhanced Action to conclude an agreement by the end of 2015. However, such an agreement will not directly affect the CDM during the course of the period covered by this business plan.
- 11. **Second, an increasing number of governments (local, national and regional) intend to utilize market-based carbon pricing policies to address greenhouse gas emissions.** In addition to established emissions trading systems in Europe, New Zealand and regions in the United States of America, systems are emerging in

jurisdictions as diverse as Australia, Canada, China, Kazakhstan and the Republic of Korea. Crediting programmes are also emerging, including bilateral mechanisms between developed and developing countries as well as a range of offset protocols. Both Mexico and South Africa are examining innovative ways of combining carbon taxes with flexibility to utilize offsetting using CERs. A number of other jurisdictions are at more exploratory stages.

12. Third, in **the intergovernmental negotiations regarding market-based mechanisms, the mechanisms remain visible in on-going discussions towards the Paris agreement.** Seventy-one Parties, via their submitted intended nationally determined contributions, have expressed the need for international carbon markets or mechanisms. Among them, thirty-two parties have already expressed their intention to use these markets and mechanisms to assist them in achieving their contributions as either a buyer or host while a further thirty-six parties are also considering doing so.
13. Fourth, **interest in voluntary offsetting and corporate carbon neutrality is increasing.** There is interest among governments and the private sector to use market-based mechanisms as a means of attaining carbon neutrality and promoting development benefits. While this share of the market has been historically small relative to the compliance market, it is growing. As at 31 October 2015, the CDM registry has facilitated the voluntary cancellation of over 5 million (5,226,104) 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.

2.3. Enhancing the CDM within this context

14. The Board considers the growth of carbon market approaches to be a welcome sign of confidence in their potential. The Board notes that the contributions of the CDM in enhancing the cost-effectiveness of mitigation actions, building constituencies' support of ambitious climate action in developed and developing countries alike, and delivering development benefits has provided a successful impetus for this growth.
15. However, the Board also notes that the growth of carbon market approaches worldwide appears to be proceeding in different directions, creating potential risks:
 - (a) **Reduced environmental integrity:** the impact of uncoordinated actions by policymakers may result in the setting and/or agreeing of standards that do not consistently evaluate emission reductions and removals, thereby raising concerns about environmental integrity;
 - (b) **Inefficiency:** as the atmosphere is agnostic about where emissions are reduced, market-based mechanisms work most effectively if they are connected to cover as large an area as possible, so as to broaden the range of opportunities for identifying and implementing mitigation activities;
 - (c) **Increased transaction costs:** the burden of navigating multiple regulatory systems may increase transaction costs for the private sector, discouraging participation;
 - (d) **Complexity of linking:** linking mechanisms designed with differing evaluation and monitoring criteria would be an inherently complex undertaking and could pose challenges to environmental integrity.

16. The Board contends that the CDM provides a toolkit for addressing most of these potential risks, in that it can generate a robust set of universal standards for evaluating emission reductions and removals, enhance liquidity by virtue of its broad geographic and sectoral coverage, decrease transaction costs through the creation of a single regulatory apparatus, and provide a means for indirect linking of different mechanisms.

3. Goals and objectives

17. To achieve its vision, the Board has agreed that the following two goals and supporting objectives remain relevant for the period 2016–2017.

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

18. 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 for the CDM to maintain and strengthen its leadership position through further and selected optimization of core functional areas such as project and entity assessments, governance, and standard-setting.
19. This goal intends to build upon and continue the work of the Board in recent years 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 an ambitious 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 can further contribute to an overall reduction in global emissions.
20. Under this goal, the following objectives have been identified:
- (a) **Operate efficient project and entity assessment processes:** the Board intends, inter alia, 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, inter alia, to consolidate and simplify current practices for revising regulatory documents;
 - (c) **Develop simplified and user-friendly standards and procedures that increase efficiency and ensure environmental integrity:** the Board intends, inter alia, to continue to ensure that methodologies and tools are simple to use, further develop the regulatory framework for standardized baselines, facilitate the registration of additional PoAs, and identify quantifiable means to incorporate net mitigation into the CDM.

3.2. Goal 2: Nurture policies to broaden demand for, and participation in, the CDM

21. 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 for better understanding the contribution of the CDM to sustainable development.
22. 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 extending the CDM in realizing this greater potential.
23. The Board and the secretariat will continue to support designated national authorities and project participants in underrepresented countries and sectors, including the CDM loan scheme, a help desk and regional collaboration centres. 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, and the incorporation of suppressed demand, and other tools that the market demands.
24. 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, inter alia: to continue to engage in dialogue with emissions trading systems and sectoral programmes on the use of CERs in such systems; to support initiatives for the use of CERs to help close the pre-2020 mitigation gap and possibly facilitate meeting post-2020 international mitigation targets; and to develop strategic partnerships;
 - (b) **Enhance the use of the CDM for voluntary purposes:** the Board intends, inter alia, to broaden the strategy for achieving greater offsetting by public and private entities;
 - (c) **Further develop the CDM as a key tool for monitoring, reporting and verifying the outcomes of mitigation finance:** the Board intends, inter alia: to plan for the implementation of the revised CDM modalities and procedures; to provide recommendations to Parties on further improvements to the CDM and links between it and other components of the evolving international response to climate change; to consider links between the CDM and supported nationally appropriate mitigation actions; and to establish the CDM as an accepted delivery vehicle for development and climate financing (including via the Green Climate Fund).

4. Principles guiding the elaboration of the MAP

25. The Board acknowledges the gravity of the challenges that are faced by the CDM and the low levels of revenue that are projected for 2016 and beyond. Careful stewardship of previous revenue and careful monitoring of expenditure will continue in order to ensure

the continuation of the CDM until the end of the second commitment period under the Kyoto Protocol.

26. The MAP defines the work and associated resource requirements needed by the secretariat to realize the Board's vision. The Board intends to continue to prioritize activities that help realize its vision and to terminate activities that do not. The Board will continue to strengthen the mechanism so as to best serve the needs of the emerging global climate system in whatever form Parties agree on in the future. 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 effective execution of the vision of the Executive Board of the clean development mechanism (CDM) (hereinafter referred to as the Board) and the defined goals and objectives for the CDM in 2016. 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 many projects will never be implemented, as incentives for investment in the CDM have shrunk. Good projects lie stranded and capacity is drastically reducing, and yet the need for global action has never been greater.
3. Under the first goal of the CDM business plan for 2016–2017 – “Enable the implementation of mitigation activities and ensure the trusted certification of their outcomes efficiently and transparently” – the Board intends to continue to focus effort on streamlining the CDM with the aim of reducing complexity, making it more user-friendly, and enhancing its 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 policies to broaden 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 UN system, ICAO and other international organizations; (e) enhanced online media and web presence; (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 CDM as a tool in support of results based financing, green bonds etc.; and (h) providing information and analysis 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, expressed as a percentage of the total allocation.

Table 1. Indicative allocation of resources by objective

Objective	Title of objective	Staff months	Staff cost (USD)	Non-staff cost (USD)	Total cost (USD)	% of resources
1(a)	Operate efficient project and entity assessment processes	175.0	1 798 800	72 400	1 871 200	12%
1(b)	Operate an effective regulatory framework resulting in reduced transaction costs for participants in the mechanism	211.9	2 165 700	1 738 500	3 904 200	25%
1(c)	Develop simplified and user-friendly standards and procedures that increase efficiency and ensure environmental integrity	143.1	1 463 300	119 500	1 582 800	10%
2(a), (b), (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.	214.6	2 194 000	1 757 100	3 951 100	25%
	Other activities (cross-cutting)	249.3	2 548 600	1 971 200	4 519 800	28%
Total		994.8	10 170 400	5 658 700	15 829 100(*)	100%

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

6. Tables 2 to 6 link specific activities to the objectives as set out in the 2016–2017 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 2. Objective 1(a): Operate efficient project and entity assessment processes

Activity group	Activity for MAP document	Volume	Staff months	Indicative staff cost (USD)	Non-staff cost (USD)	Indicative total cost (USD)
CDM registry	Changes to modalities of communication and transactions	4800 transactions	37.4	382 300	14 000	396 300
	CDM registry reports	280 reports	3.5	35 800	—	35 800
	Opening and maintaining voluntary cancellation platform seller accounts	100 accounts	4.8	49 100	—	49 100
Project assessments	Requests for direct communication, renewal of crediting period and review (Volume: 30 requests direct communication, 55 requests for renewal of crediting period, 10 requests for review)	95 requests	11.9	121 700	10 000	131 700
	Requests for programme of activities (PoA) issuance	20 requests	9.4	96 200	2 000	98 200
	Requests for PoA post registration changes (PRC)	10 requests	3.8	38 900	—	38 900
	Requests for PoA registration	15 requests	4.0	41 100	1 600	42 700
	Requests for project issuance	450 requests	54.4	556 100	2 800	558 900
	Requests for project PRC	30 requests	6.0	61 700	—	61 700
	Requests for project registration	100 requests	20.7	211 400	2 000	213 400
	PoA post-registration component project activities (CPA) inclusion requests	240 CPA inclusions	0.4	4 100	—	4 100
	Sustainable development co-benefits, including reporting and promotional activities	20 reports	0.5	5 100	—	5 100

Activity group	Activity for MAP document	Volume	Staff months	Indicative staff cost (USD)	Non-staff cost (USD)	Indicative total cost (USD)
Entity assessments	Performance assessments (validation and verification)	15 assessments	9.0	92 000	—	92 000
	Regular surveillance and spot checks	17 assessments	4.1	41 800	—	41 800
	Requests for initial and re-accreditation	9 requests	3.5	35 800	—	35 800
	Calibrate assessment team leads	-	2.5	25 600	40 000	65 600
Total			175.9	1 798 800	72 400	1 871 200

Table 3. Objective 1(b): Operate an effective regulatory framework resulting in reduced transaction costs for participants in the mechanism

Activity group	Activity for MAP document	Volume	Staff months	Indicative staff cost (USD)	Non-staff cost (USD)	Indicative total cost (USD)
Communications	Media relations	—	6.0	61 300	42 000	103 300
External queries	Stakeholder communications	400 transactions	21.0	214 700	—	214 700
Market and policy analysis	Policy analysis and reports	—	11.0	112 400	—	112 400
Secretariat interactions with stakeholders	Calls for input and feedback to stakeholders	—	4.9	50 100	—	50 100
Servicing of panels/ working groups	Afforestation and Reforestation Working Group	1 meeting	1.7	17 400	24 400	41 800
	Accreditation Panel	3 meetings	11.0	112 400	97 200	209 600
	Carbon Dioxide Capture and Storage Working Group	0 meeting	0.0		21 000	21 000
	Methodologies Panel	3 meetings	13.3	136 000	224 600	360 600
	Roster of experts (CDM)	—	6.0	61 300	—	61 300
	Small-scale Working Group	3 meetings plus one electronic	10.5	107 200	116 300	223 500

Activity group	Activity for MAP document	Volume	Staff months	Indicative staff cost (USD)	Non-staff cost (USD)	Indicative total cost (USD)
Servicing of regulatory body	Support to the Executive Board	5 meetings	75.8	774 400	739 000	1 513 400
	Payment of grants	—	—	—	376 500	376 500
	<i>*Identification of key performance indicators (KPIs)</i>	—	2.5	25 600	—	25 600
	<i>*Systematic learning system/enhancing quality by institutionalizing regular accountability</i>	—	3.0	30 700	—	30 700
Accreditation system	Entity administration	40 entities	5.3	54 200	—	54 200
	Entity assessment planning	40 assessments	2.0	20 400	—	20 400
	Entity performance monitoring system	—	2.9	29 600	—	29 600
	Handling of complaints and requests for revisions	—	1.0	10 200	—	10 200
Regulatory framework management	Regulatory framework management	—	7.0	71 600	—	71 600
Regulatory policy improvement	<i>*Enhance the clarity, consistency and user-friendliness of regulations</i>	—	5.0	51 100	27 500	78 600
	<i>*Application of the E- policy for additionality demonstration</i>	—	4.0	40 900	—	40 900
	<i>*Simplification and streamlining of the CDM</i>	—	18.0	184 000	70 000	254 000
Total			211.9	2 165 700	1 738 500	3 904 200

(*) Text in boldface represents projects

Table 4. 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	Indicative staff cost (USD)	Non-staff cost (USD)	Indicative total cost (USD)
Methodologies	Processing of requests for clarification, deviation, revision, new submissions and micro-scale additionality	34 requests	14.9	151 900	25 000	176 900
	Processing of standardized baselines	20 evaluations	28.8	294 400	—	294 400
	<i>* Further development of standardized baselines framework</i>	—	22.5	229 900	14 500	244 400
	<i>* Development of new methodologies to broaden the applicability of the CDM</i>	—	27.5	281 100	40 000	321 100
	<i>* Simplification of methodologies including digitization to reduce transaction costs</i>	—	49.5	506 000	40 000	546 000
Total			143.1	1 463 300	119 500	1 582 800

(*) Text in boldface represents projects

3.2. Goal 2: Nurture policies to broaden demand for, and participation in, the CDM

Table 5. 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	Indicative staff cost (USD)	Non-staff cost (USD)	Indicative total cost (USD)
Partnerships	Partnerships and engagement activities	—	34.3	350 700	163 500	514 200
	Nairobi Framework coordination and regional activities with a specific focus on Africa, LDCs and SIDs	—	5.0	51 100	150 000	201 100
	Global DNA Forum	1 event	8.0	81 800	557 600	639 400
	Support to stakeholders/capacity-building	—	5.6	57 300	—	57 300
	RCC operations	10 events/ missions	36.0	368 000	469 000	837 000
	RCCs-On-site support to projects	250 supported projects	65.0	664 500	155 000	819 500
	RCC support to bottom-up standardized baselines (SBs)	20	18.5	189 100	36 000	225 100
	Public policy development	—	10.0	102 200	—	102 200
	Further development and promotion of the voluntary cancellation tool	—	20.0	204 500	226 000	430 500
Servicing of Party-level bodies	CMP	—	4.8	49 100	—	49 100
	Subsidiary bodies	—	7.4	75 600	—	75 600
Total			214.6	2 194 000	1 757 100	3 951 100

3.3. Other activities

Table 6. Cross-cutting activities

Activity Group	Activity for MAP document	Volume	Staff months	Indicative staff cost (USD)	Non-staff cost (USD)	Indicative total cost (USD)
Communications	Communications engagement and marketing	—	61.8	631 800	266 900	898 700
Internal administration	Human resources, skills development and learning	—	45.9	469 300	198 500	667 800
	Finance (including budget, expert payments, fee payments and procurement)	—	6.0	61 300	15 000	76 300
	Intra-secretariat engagement agreements (IT)	—	3.0	30 700	1 203 000	1 233 700
	Internal communications	—	6.4	65 500	—	65 500
	Information, knowledge and records management	—	12.5	127 800	9 000	136 800
	Supplies and subscriptions	—	1.0	10 200	88 800	99 000
	Travel management	—	6.0	61 300	—	61 300
	Management and meetings	—	48.7	497 800	150 000	647 800
	Planning, monitoring and reporting	—	51.0	521 300	40 000	561 300
	Secretariat-wide responsibilities	—	7.0	71 600	—	71 600
Total			249.3	2 548 600	1 971 200	4 519 800

4. Programme budget

7. The Sustainable Development Mechanisms (SDM) programme of work in support of the CDM for the two-year period 2016-2017 will continue to be funded from the accumulated fees and the share of proceeds (SOP). Projections assume zero income for the period 2016-2017.
8. The 2016 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 avoid any additional burden on stakeholders;
 - (b) Engaging with policy makers/stakeholders in compliance and voluntary markets, providing official notification of voluntary cancellation actions and supporting enhanced communication and messaging about completed cancellations through UNFCCC media; and
 - (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

9. Table 7 below shows the balance brought forward from 2014 and the income received in the period from 1 January to 31 October 2015.

Table 7. Income received in 2015, including carry-over from 2014 (in USD)

Carry-over figure from 2014 (A)	128 031 587
Income received in 2015	
Accreditation fees	22 500
Fees from the accreditation process	28 686
Registration fees ^(a)	753 316
Methodology fees ^(b)	4 000
Share of proceeds (SOP) ^(c)	6 971 584
Sub-total – Income 1 January - 31 October 2015 (B)	7 780 086
Current balance of 2014 carry-over and 2015 income (A + B)	135 811 673

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

- (a) 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.
10. The total fees received as at 31 October 2015 amounted to USD 7.8 million (Table 7). This is considerably more than the expected income of the USD 3.1 million projected income for 2015.³ The 2014 projections versus actual income⁴, reflected the significant drop in the CER price that occurred during that period. The average price that is now being realized has more than doubled (0.14 \$/CER to 0.36 \$/CER). This increase has in turn stimulated demand leading to an increase in both the size of issuances being submitted with a modest increase (4%) in issuance fees being paid in 2015. This is reflected in the increased revenue figure when compared to the very conservative figure originally used for the budget.
11. CERs remain in pending accounts for which forwarding has not been requested. The CERs have a value in terms of fees of approximately USD 33.4 million. The secretariat has already performed all related tasks with the exception of forwarding for the corresponding projects. Under the current CDM rules, secretariat work 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 in 2015.
12. The total interest accrued in the CDM Trust Fund from prior years to the end of 2014 amounted to USD 9.1 million and is included in the carry-over and balance reported in Table 1. The accrued interest is currently ear-marked to fund the loan scheme to support the development of CDM project activities in countries with fewer than ten such activities registered, in accordance with decision 3/CMP.6, paragraph 65.

4.2. 2016 budget

13. The proposed budget for the one-year period (2016) of this MAP is USD 19.6 million, a decrease of USD 8.5 million (30 per cent) when compared to the 2015

³ As per CDM business plan 2014-2015 (CDM-EB81-A01, section 4.1, paragraph 13).

⁴ The projected income for 2014 was USD 25 million. The total income received for 2014 was USD 9.2 million.

budget. Table 8 provides a summarized comparison of the approved budgets for 2013, 2014 and 2015 with the proposed budget for 2016.

Table 8. Budget comparison 2013 to 2016

Budget	2013	2014	2015	2016
Staff ^(a)	19 063 306	17 867 510	15 380 763	10 170 000
Non-Staff	19 320 402	15 048 769	12 704 897	9 448 431
Total	38 383 708	32 916 279	28 085 660	19 618 431

^(a) 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.

14. Table 9 shows the breakdown of the proposed budget by the different cost categories. The table provides comparisons of the proposed budget (column a), with the previous year's budget (column b), actual expenditure as at 31 October 2015 (column c) and projected expenditure for the period January to December 2015 (column d). It also shows, as a percentage, the difference between the proposed 2016 budget to the projected expenditure as at 31 December 2015 (column e).

Table 9. Breakdown and comparison of the 2016 budget proposal and 2015 expenditure projections (United States dollars)

Cost category	2016 Budget proposal (a)	2015 Approved budget (b)	Jan-Oct 2015 Expenditure (c)	Jan-Dec 2015 Projected expenditure (d)	Budget vs. projected expenditures. (e)
Staff costs ^(a)	10 100 000	15 173 926	11 881 973	14 852 466	-32.0%
Staff related costs ^(a)	50 000	51 845	21 943	26 331	89.9%
General temporary assistance (GTA) ^(a)	20 000	154 991	184 789	221 747	-91.0%
Consultants ^(b)	730 900	219 203	104 239	125 087	484.3%
Experts ^(c)	288 100	442 800	116 000	139 200	107.0%
Expert travel ^(d)	260 700	439 588	210 500	252 600	3.2%
Travel of representatives – DNAs ^(e)	589 800	499 067	463 099	555 719	6.1%
Travel of representatives – EB ^(f)	428 000	1 130 939	460 762	552 914	-22.6%
Travel of staff ^(g)	291 300	244 658	260 195	312 234	-6.7%
Training ^(h)	20 000	161 464	20 922	25 107	-20.3%
Operating expenses ⁽ⁱ⁾	691 000	1 883 401	1 892 678	2 271 214	-69.6%
RCC Operations ^(j)	660 000	548 102	485 829	582 995	13.2%
Total Cost of Ownership ^(k)	1 550 000	1 626 489	1 372 344	2 372 344	-34.7%
Engagement agreement (Conference Affairs Services)	—	207 293	189 433	227 320	-100.0%
Engagement agreement (Information Technology Services) ^(l)	1 203 000	1 600 000	1 055 722	1 501 520	-19.9%
Mobile telecommunication ^(m)	18 800	18 800	14 654	17 585	6.9%
Supplies and materials ⁽ⁿ⁾	100 600	95 000	31 595	37 914	165.3%
EB Grants ^(o)	376 500	357 000	435 617	435 617	-13.6%

Cost category	2016 Budget proposal (a)	2015 Approved budget (b)	Jan-Oct 2015 Expenditure (c)	Jan-Dec 2015 Projected expenditure (d)	Budget vs. projected expenditures. (e)
13% Administration ^(p)	2 239 731	3 231 094	2 485 003	2 982 003	-24.9%
Total	19 618 431	28 085 660	21 687 296	27 491 916	-28.6%

- (a) 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.
- (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 - DNA includes ticket cost and DSA for participants
- (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 6 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).

15. The decrease in the Staff costs category in the proposed 2016 budget, as compared to the 2015 budget, is due to a reduction in human resources resulting from a restructuring within the secretariat's SDM programme. The 2015 projected expenditure (column d) for this cost category does not include the termination costs for the CDM funded posts, estimated at USD 3.5 million.
16. The significant increase in the Consultants cost category in the proposed 2016 budget, as compared to the 2015 budget, reflects changes in assigning the budget against the different cost categories. In the previous financial system (IMIS), used in preparing the 2015 proposed budget, consultancy costs associated with staff development and training, retreats and support to events were included in either the Training cost category or, the Operating Expenses cost category. In the new financial system (UMOJA), used in preparing the 2016 proposed budget, all consultancy costs are being consolidated under the Consultant cost category.
17. The decreases in Experts and Expert Travel cost categories in the proposed 2016 budget, as compared to the 2015 budget, reflect the expected reduction in the number of cases in 2016.
18. The increase in the Travel of staff cost category in the proposed 2016 budget, as compared to the 2015 budget, reflects an increase in efforts to engage with external partners including other Intergovernmental Organisations and increased efforts to actively promote the use of the voluntary cancellation tool.
19. The decrease in the Operational cost category in the proposed 2016 budget, as compared to the 2015 budget, represents the changes in moving into the new financial system, as described in paragraph 17.
20. The increase in RCC operations cost category in the proposed 2016 budget, as compared to the 2015 budget, reflects changes in assigning the budget against the different cost categories. In the previous financial system (IMIS), used in preparing the 2015 proposed budget, RCC costs associated with RCC on-site support to projects, standardized baselines and capacity building were included in other cost categories under project work. In the new financial system (UMOJA), used in preparing the 2016 proposed budget, all RCC costs are being consolidated under the RCC operations cost category.
21. As can be seen from Table 10, 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 (2016–2017) covered by this business plan and associated MAP.

Table 10. Projected year end balances for the period 2016 – 2017

	2015	2016	2017
Carryover*	173 031 587	153 319 757	133 701 326
Income	7 780 086	—	—
Expenditure	27 491 916	19 618 431	19 618 431
Year-end balance	153 319 757	133 701 326	114 082 895

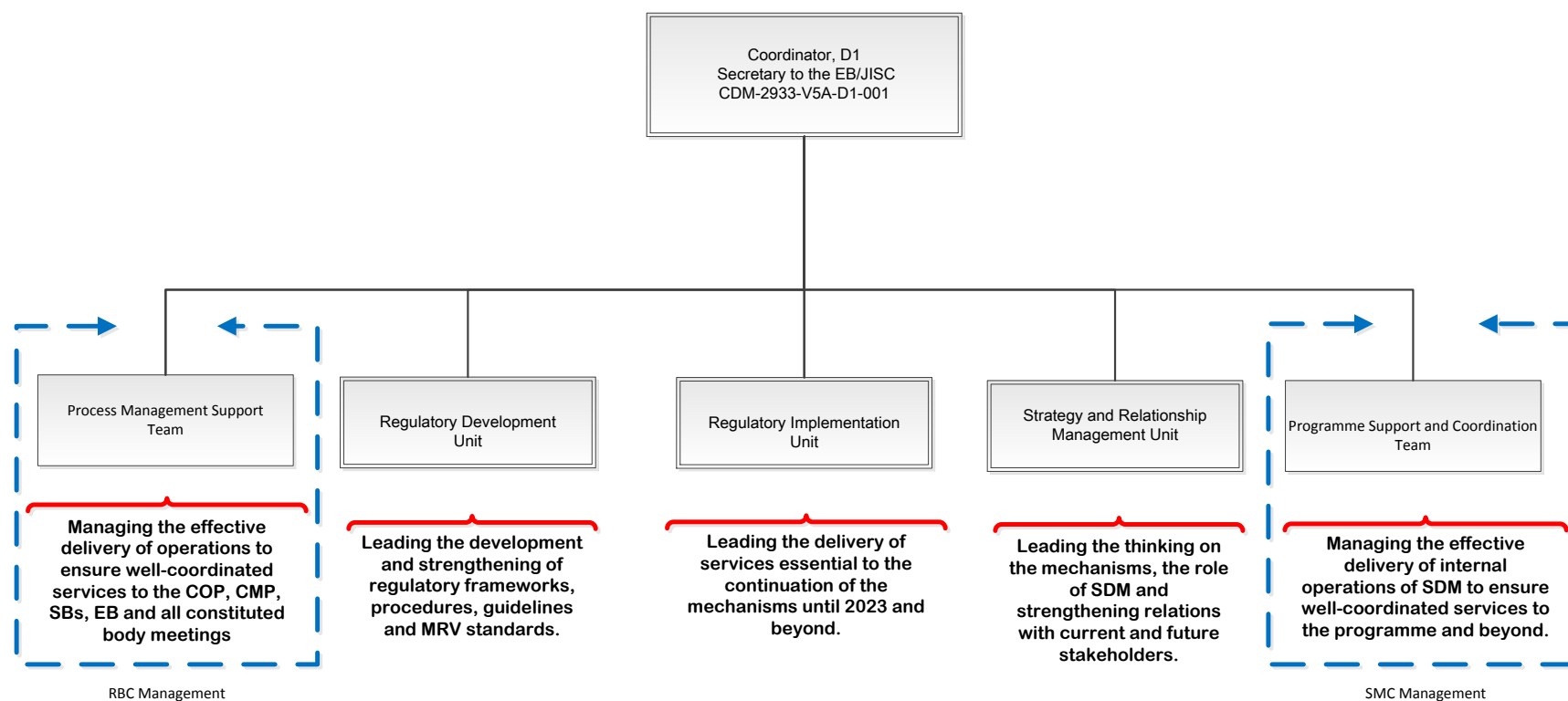
* Carryover includes the reserve of USD 45 million but does not include interest accumulated that is used for the Loan Scheme

5. Human resources

5.1. Programme restructuring

22. During the period from May to November 2015, the SDM programme underwent a process of programme restructuring in order to proactively confront the challenges related to an uncertain carbon market.
23. The entire SDM programme was affected by the restructuring exercise and it resulted in the creation of new units with new functions and job descriptions.
24. As a result of the restructuring process, the number of units within the SDM programme has been reduced from six to five, as shown in figure 1. The programme also is supported by staff located in the Communications and Outreach and Legal Affairs Programmes of the secretariat, as shown in table 11.

Figure 1. Structure of SDM programme - November 2015



25. The indirect and direct results of the restructuring process are as follows:
- (a) Redeployment of four staff members to other programmes within the secretariat between May to November 2015.
 - (b) Departure of 18 staff members, accepting a Mutual Separation Agreement offered by the secretariat in September 2015.
 - (c) Termination of 28 contracts of staff members in October 2015.
26. As a result of the process, the number of posts has been reduced from 137 CDM-funded posts (as of May 2015) to 87 CDM-funded posts (as of November 2015). The services provided for CDM related work by other programmes within the secretariat (ITS, AS) are also funded through the MAP. These services are provided by both secretariat staff and consultants.
27. The 87 SDM staff members funded by the CDM will be redeployed within the new structure as shown in table 11.

Table 11. Sustainable Development Mechanisms programme, effective 2 November 2015

Sustainable Development Mechanisms programme	
Units	Number of staff
Office of the Coordinator	1
Process Management Unit	8
Programme Support and Coordination Unit	11
Regulatory Development Unit	27
Regulatory Implementation Unit	17
Strategy and Relationship Management Unit	19
Legal Affairs	1
Communication and Outreach	3
Total	87

Document information

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