

**CDM-EB94-AA-A01**

## Concept note

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# Re-structuring the methodologies-related expert groups supporting the CDM Executive Board

Version 01.0



**United Nations**  
Framework Convention on  
Climate Change

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## **1. Procedural background**

1. At its ninety-third meeting, the Executive Board of the Clean Development Mechanism (CDM) (hereinafter referred to as the Board), considered a concept note on the structure of the methodologies-related expert groups under the Board and decided to merge the Methodologies Panel (MP) with the Small-Scale Working Group (SSC WG) to form a new MP, by expanding the scope of work of the MP to include work relating to small-scale methodologies and include members with small-scale expertise in the new MP, with effect from 01 September 2017.
2. In this context, the Board requested the secretariat to provide an analysis of scenarios for a reduction of experts serving on the new MP, for consideration at its ninety-fourth meeting. The Board further requested the secretariat to revise relevant procedures and terms of reference (ToR) of the new MP prior to its coming into effect in September 2017.

## **2. Purpose**

3. The purpose of this document is to provide an analysis of scenarios for a reduction of experts serving on the new MP, thus allowing the Board to take an informed decision in this regard.

## **3. Key issues and proposed solutions**

### **3.1. Current settings**

4. Based on rule 32 of the Rules of procedures of the Board and paragraph 18 of the CDM modalities and procedures,<sup>1</sup> the Board established the MP and SSC WG in 2002 and 2004, respectively, to consider issues relating to methodologies.
5. The MP considers large-scale methodologies in accordance with the CDM modalities and procedures and other methodological matters, while the SSC WG considers small-scale methodologies related matters in accordance with the simplified CDM modalities and procedures aimed at reducing transactions costs of small-scale project activities. The MP and SSC WG each met five times a year on average until 2012. Since 2013, due to the reduction in the number of proposals of new or revised methodologies, each meet three times a year.<sup>2</sup>
6. In 2016, joint sessions of the MP and SSC WG were held, allowing members of the two bodies to jointly make recommendations to the Board.
7. Table 1 below shows the size of the MP and the SSC WG in the past including the number of meetings per year. In their current terms, there are ten members in the MP and five in the SSC WG respectively. One member serves in both bodies as a joint member, which makes the total number of experts 14.

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<sup>1</sup> Annex to decision 3/CMP.1 and annex II to decision 4/CMP.1.

<sup>2</sup> The MP and SSC WG held electronic consultations in 2015.

**Table 1. Number of experts in the Methodologies Panel and the Small-Scale Working Group**

| Year      | MP member | Number of meetings per year | SSC WG member | Number of meeting per year |
|-----------|-----------|-----------------------------|---------------|----------------------------|
| 2002-2004 | 10        | 3+5+5                       | N/A           | ---                        |
| 2005-2007 | 15        | 5+6+6                       | 5             | 3+5+5                      |
| 2008-2009 | 16        | 5+6                         | 6             | 5+5                        |
| 2010-2012 | 16        | 6+5+5                       | 7             | 5+6+5                      |
| 2013-2017 | 10        | 3+5+3+3+3                   | 5             | 3+4+3+3+3                  |

### 3.2. Possible Scenarios

8. To fulfil the tasks derived from the terms of reference of the support structure of the Board requires different types of expertise, which can be categorized under two groups as in the table below.

**Table 2. Types of expertise needed in the new MP**

| CDM expertise  | Technical expertise   |
|--|---|
| Knowledge of the CDM regulatory framework as a whole         | Available best practice in sector's outside of mere CDM requirement                                   |
| Understanding of how methodologies work                      | Industrial experience   |
| Understanding of how conservativeness applies                | In-depth expertise on protocols and other national standards on quantification of emission reductions |
| Ability to ensure consistency amongst methodologies          | One-off needs (unique specialised technical knowledge)  |
| Ability to balance between large-scale and small-scale needs | Regional and Local knowledge of policy, technology and investment environment                         |
| Knowledge of CDM project development                         | Knowledge of project development outside of CDM   |

9. Both types of expertise required by the new MP can be complemented, to a certain extent, by the skills and expertise of secretariat staff, which was not the case at the time when the MP and SSC WG were first established.
10. Other more specialized technical areas could be covered as needed, by employing experts from the roster of experts or on-boarding consultants, as allowed for in the methodology procedure.<sup>3</sup> There are possible scenarios for the structure, under which a redefinition of core expertise may be considered. The change to the structure of the MP and in looking at the membership of the new MP, consideration should not only be given

<sup>3</sup> "Development, revision and clarification of baseline and monitoring methodologies and methodological tools" (version 02.0).

to potential cost savings as a result in the reduction of number of members, but also the need to ensure expertise, responsiveness to Board mandated work.

11. To address the Board's mandate referred to in paragraph 2 above, the meeting costs incurred by members from different regions was examined for 2015 and 2016. The daily subsistence allowance (DSA) and the attendance fees are the same for all members regardless of where they travel from. The average travel cost of members from the different regions was found to be similar (anywhere between USD 1,000–1,400)<sup>4</sup>, thus the meeting costs per member are comparable, regardless of where the member is from.
12. Two options of modality are provided below in this note for a reduction of experts serving on the new MP, while taking into account the following aspects:
  - (a) The recent trends in work load of the methodological work, projects/programmes for registration/issuance;<sup>5</sup>
  - (b) The expertise in both the sectors and the scales distribution of CDM methodologies;
  - (c) Regional balance;
  - (d) Administrative and logistic aspects for organizing new MP meetings;
  - (e) Assumption of three meetings per year for the new MP.

### **3.2.1. Option 1 – Reduced number of members without any structural change to the panel's operation**

13. In this option, the new panel will be formed simply by merging the two bodies while reducing the total number of experts in the new panel (see figure 1 below). Based on the considerations in paragraph 12 above, as well as the recent experience made in running three physical meetings per year supplemented with electronic decisions in the period 2015–2016, it is the secretariat's estimate that twelve members would be an appropriate size for the new panel to deliver the functions defined in the relevant procedures as well as mandates provided by the Board. The composition could be a blend of members who have diverse experience in multiple sectoral scopes, the CDM project cycle, and policy and research, as well as institutional knowledge of the CDM and members who are specialized in priority sectors (e.g. transportation).
14. This option will not change the structure and way of organizing panel meetings. Previous experience also reveals that a good balance of high performing existing members with institutional knowledge and new members<sup>6</sup> with fresh perspectives will enable the panel to operate very effectively. Attention may also be paid to ensuring there is sufficient small-scale expertise in the new panel, which will be addressed by the Board in a different context while appointing the experts if this option is chosen. A merged panel of twelve members, meeting three times per year, for five days each time, would cost around USD 366,000 per year.

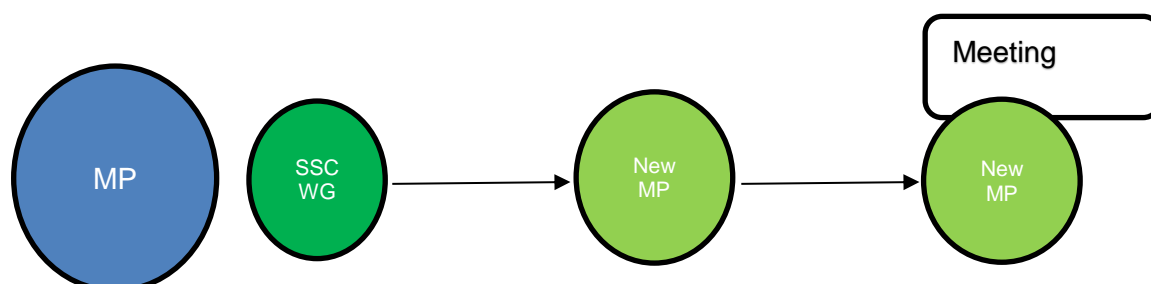
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<sup>4</sup> Please note that the individual member may not reside in the region that s/he is representing.

<sup>5</sup> Distributed application sector such as stoves, LED lights, water purification etc.

<sup>6</sup> In the recent call for experts, more than 50 experts applied for both the MP panel and the SSC WG.

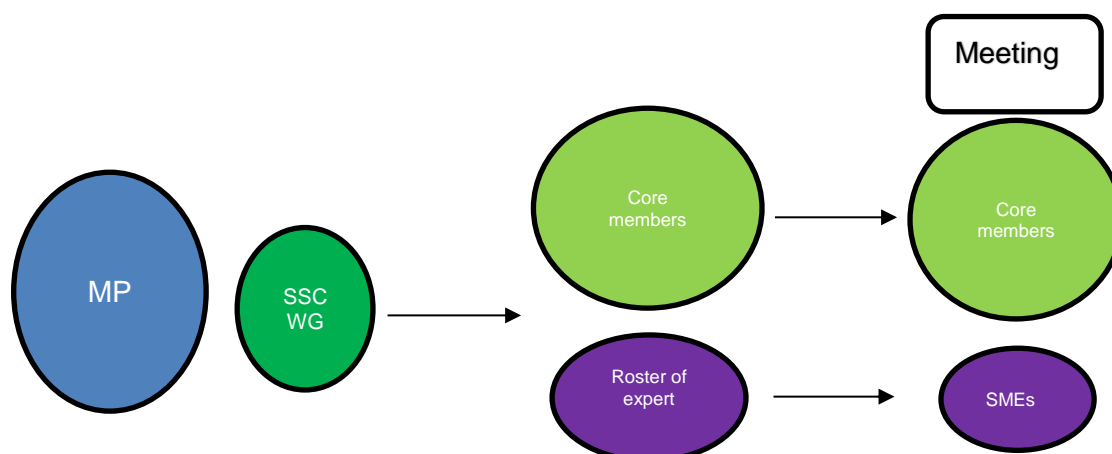
**Figure 1. Option 1 for merging the Methodologies Panel and the small scale working group with reduced numbers**



**3.2.2. Option 2 - Reduced number of members with structural change to the operation of the panel (mix of core members and subject matter experts)**

15. In this option, there are two groups of experts: core members<sup>7</sup> and subject matter experts (SMEs) in the roster. The new panel will be constituted by core members, who have diverse experience in multiple sectoral scopes, the CDM project cycle, and policy and research, as well as institutional knowledge of the CDM. When a panel meeting is convened, the core members will always meet (both electronically and physically) as is the practice today, whereas additional SMEs from the roster who have been assigned with tasks may also be invited to attend the meeting depending on the complexity of the assigned tasks (see Figure 2 below).

**Figure 2. Option 2 for panel with reduced number and structural changes to the operation of the panel**



16. The most radical change in the structure and operation of the panel is built on the idea of maintaining a core panel and a large pool of experts with technical expertise, and to making use of this expertise in the most cost-efficient way.
17. In terms of the size of the new panel (i.e. core members), it is possible to reduce the size further in comparison with Option 1, considering that the needed expertise may vary from

<sup>7</sup> "Permanent" is relative compared with the arrangement of SMEs as explained later, i.e. it will still be subjected to the re-selection process after the current term is finished as is the practice today.

meeting to meeting and that the core members are expected to be competent in multiple areas. SMEs will serve on an ad hoc basis and only when the panel is faced with a need for specific expertise or a very high workload. In such a context, the secretariat estimates its size (i.e. core member) to be eight based on the considerations in paragraph 12 above. Compared with Option 1 above, experts who are mostly specialized in certain priority sectors (e.g. transportation, refrigeration and air conditioning) will be considered as SMEs, instead of panel members.

18. However, this option will indeed change the current meeting operations significantly, including, inter alia, the creation and maintenance of a roster for SMEs. Moreover, the roles and responsibilities of the core members and the invited SMEs shall be defined clearly so that the good collaborative relationship and the efficiency of the meeting can be maintained.
19. It may be worth considering inviting SME to the meetings according to the required competencies for cases on the agenda (i.e. especially the experts in specific sectoral scopes) in consultation with the chair/vice-chair of the panel, keeping in mind the specific sectoral expertise requirements. Alternatively, the SME could also provide input by electronic means. The SME members would be exercising the same roles of a core member if they participate in a physical meeting or electronic meeting.
20. Two options should be considered regarding the technical experts:
  - (a) SME are selected by the Board in response to a call for experts and they do not have the status of panel members; or
  - (b) SME are drawn from the existing roster of experts, which would be restructured for this purpose. Currently there are a large number of unused experts on the roster. The membership would in future be limited to a fixed number of experts with certain required technical expertise.
21. The cost under Option 2, with its dynamic, demand-dependent composition of members in the meetings, is calculated to be approximately USD 270,000 considering that around eight of the core members and up to two members of SMEs are expected to cover the diverse cases in one meeting. The cost of meetings would be demand-based and could be greatly reduced, depending on the need for technical expertise.

### **3.2.3. Comparison of advantages and disadvantages of Option 1 and Option 2**

#### **3.2.3.1. Advantages of Option 1**

22. There are few rearrangements needed and the established structure, has proven to be effective in delivering good results.
23. Due to the high number of members needed in this structure, the coverage of technical expertise is wide and diverse expertise of members would trigger more innovative solutions. The group would be more heterogeneous.

#### **3.2.3.2. Disadvantages of Option 1**

24. The cost would be higher than Option 2 since all members would attend all meetings irrespective of the demand of expertise at each particular meeting.

**3.2.3.3. Advantages of Option 2**

25. Reducing membership (e.g. eight core members and two SME) means that frequency of the meeting could be higher without incurring higher costs compared with the scenario 1 (thus increasing responsiveness).
26. The overall coverage of technical knowledge could be broad if “SME” are invited as dictated by the demand.

**3.2.3.4. Disadvantages of Option 2**

27. There is higher complexity in planning, that is, if this scenario results in the planned benefit of limiting the number of members per meeting, cases must be planned with a high level of detail. In the worst-case scenario, responsiveness would be reduced or the average number of members would remain high.
28. One benefit of a higher number of members in a meeting is that members not directly involved in a case can still give comments based on their experience and may add value to the discussion. This would be limited under this structure with a small number of members in the meeting.

**Table 3. Summary of advantages/disadvantages between the two options**

|  | <b>Option 1<br/>(Static composition)</b>   | <b>Option 2<br/>(Core panel members with<br/>technical experts’ support)</b>   |
|--|--|--|
| <b>Overall cost (meetings and case assignment)</b> | (+)<br>There would be savings compared to business as usual (14 to 12 members), further savings depending on the number of meetings  | (+)<br>There is a high savings potential, expenditures are on demand   |
| <b>Simplicity of the work arrangements</b>         | (+)<br>There would be reduced logistical and administrative arrangements. Little change would be needed to the meeting arrangement. The use of the established structure, which has proven to be able to deliver good results until now. Tested working arrangements | (-)<br>There is high complexity of work arrangements. The assignment cases must be planned with a high level of detail                                     |
| <b>Flexibility</b>                                 | (-)<br>This option is not very flexible in inviting members based on demand, but meetings can be easily reduced on demand  | (+)<br>There is high flexibility (plus meetings on demand is a possibility)  |
| <b>Expertise in the groups</b>                     | (+)<br>All the members of the panel attend the meeting and therefore possibility to have diverse views   | (-)<br>Diverse expertise would be available in a “pool” of members, but fewer members attending physical meeting would loose diversity of views in meeting |



|  | <b>Option 1<br/>(Static composition)</b>   | <b>Option 2<br/>(Core panel members with<br/>technical experts' support)</b>   |
|--|--|--|
| <b>Efficiency with regard<br/>to timelines and<br/>responses</b> | <b>(-)</b><br>Due to greater number of members, there are fewer number of meetings per year could only be planned under a given cost | <b>(+)</b><br>Due to potentially less number of members required for a meeting, more meetings could be planned without increasing the total cost |

## 4. Impacts

29. The new panel with a reduction in the overall number of experts, while still addressing both large-scale and small-scale specific issues, would reduce costs to be in-line with the required level of demand in the development, revision and clarification of CDM methodologies and standardized baselines.
30. It will also reduce costs to the extent that it reduces administrative duplication in the secretariat. Following the Board's decision to merge the MP and SSC WG with the reduction in the number of experts from September 2017, the per meeting costs will be reduced proportionately.

## 5. Subsequent work and timelines

31. The new MP would be effective once the term of the newly selected members of the methodology body commence, which is currently planned for September 2017.
32. Relevant procedures such as "Terms of reference of the support structure of the CDM Executive Board", "Selection and performance evaluation of members of panels and working groups under the CDM Executive Board", "Development, revision and clarification of baseline and monitoring methodologies and methodological tools", "Development, revision, clarification and update of standardized baselines" and "Submission and consideration of microscale renewable energy technologies for automatic additionality" would be revised and presented to the Board at its ninety-fifth meeting (July 2017).

## 6. Recommendations to the Board

33. The secretariat recommends that the Board:
  - (a) Choose one of the options presented in section 3 of this concept note:
  - (b) Take note that revised relevant procedures will be provided for the Board's consideration at its ninety-fifth meeting (July 2017) to reflect the above decisions.

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### Document information

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