

CDM-EB93-AA-A05

Concept note

Structure of the methodologies-related expert groups under the Executive Board of the CDM

Version 01.0



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1. Procedural background

1. At its ninety-second meeting, the Executive Board of the clean development mechanism (CDM) (hereinafter referred to as the Board), initiated discussions on the possibility of merging the Methodologies Panel (MP) and Small-Scale Working Group (SSC WG) in the context of the approval of the CDM-management plan (CDM-MAP 2017). In this regard, the Board requested the secretariat to prepare a concept note on the possibility of merging the MP and the SSC WG for cost and process efficiency reasons.
2. Based on the rule 32 of the Rules of Procedures of the Board and paragraph 18 of the CDM modalities and procedures¹, the Board may establish committees, panels or working groups to assist it in the performance of its functions. Following this authority, the Board established the MP and SSC WG in 2002 and 2004, respectively, to assist the Board in developing recommendations on:²
 - (a) The establishment, revision or withdrawal of methodological standards, guidelines and clarifications for CDM project activities;
 - (b) The methodological requirements for CDM project activities;
 - (c) The provision of advice and recommendations to the Board regarding the need for and priority areas for methodological guidance.
3. The work of these two expert groups differs from one another in that the SSC WG specifically works on small-scale methodologies related matters. It does so in accordance with the simplified CDM modalities and procedures, which are aimed at reducing transactions costs to small projects. The MP considers large-scale methodologies in accordance with the CDM modalities and procedures and other methodological matters. Currently the MP has ten members and the SSC WG has five members. Both the bodies are meeting three times a year since 2016.³

2. Purpose

4. The purpose of this document is to provide the Board with information on merging these two active methodological bodies, as part of the Board's continued efforts towards process improvement and prudent management of resources, thus allowing the Board to take an informed decision in this regard.

3. Key issues and proposed solutions

3.1. Work of the methodological bodies

5. With respect to the recent situation of the CDM, including the changed work requirements and reduction of demand over time, which has altered the roles and responsibilities of the panels and working groups, as well as the secretariat. In the early days of the CDM, tasks were clearly related to the establishment of a new methodological system, mainly based on submissions (bottom-up). More recently, the work of the panels and working groups is

¹ Decision 4/CMP.1 and decision 3/CMP.1.

² Paragraph 4 of "Terms of reference of the support structure of the CDM Executive Board" (version 04).

³ The MP and SSC WG held electronic consultations in 2015.

more related to optimization, improvements, simplification, and streamlining of existing methodologies and standards, and/or developing new standards for sectors and regions underrepresented in the CDM. Such work is often based on top-down mandates from the Board.

6. The demand for the work of panels and working groups has also reduced since the end of 2012. This is not only due to the changed market situation but also due to:
 - (a) A mature methodological system comprising a large number of well-established methodologies for different project types;
 - (b) Panels and working groups being proactive and engaging in direct communication with the methodology proponent to identify solutions to suit the actual context, as compared to the early years of limited feedback through the designated operating entities;
 - (c) Decreasing number of new bottom-up submissions;
 - (d) Establishment of additional stakeholder communication channels with the Board for project participants, replacing the single formal clarification route that was set-up in the early days of the CDM.
7. The number of various bottom-up submissions and standardized baseline considered by the Panel and working groups have varied and are provided below for the year 2012 to 2016.

Table 1. Submissions considered by the MP and SSC WG

		2012	2013	2014	2015	2016
Large-scale	PNM	7	8	1	1	2
	Revision	17	4	3	2	1
	Clarification	20	13	7	11	0
	Sub-total	44	25	11	14	3
Small-scale	PNM	9	9	3	2	2
	Revision and clarification	66	30	17	3	8
	Sub-total	75	36	20	5	10
SB	PSB (bottom-up only)	4	6	17	9	5
Total	Total (simple sum)	123	67	48	28	18

3.2. Current operation of the Methodologies Panel and Small-scale Working Group

8. While the Board has always been flexible with the number of experts depending on the demand for methodological work throughout the time of the CDM, as a result of a reduced number of issues being discussed by panel and working groups. In 2014, the Board:
 - (a) Reduced the number of experts in the MP from sixteen to ten and those of the SSC WG from seven to five;

- (b) Mandated an increasing amount of work to the MP and SSC WG to be undertaken either jointly or in consultation with each other (as described in paragraph 10 below);
 - (c) Reduced the annual number of meetings from five to three.
- 9. During 2016, two meetings each of the MP and SSC WG were held in joint session or as joint groups, allowing members of the two bodies to undertake the mandated work, and jointly make recommendations to the Board.
- 10. The trend for joint work between the MP and SSC WG increased between 2014 and 2016. The Board's mandates to the MP to work jointly with the SSC WG also increased in 2016 from 17% to 45%, as compared to 2014, and, likewise, mandates to the SSC WG to work jointly with the MP increased from 36% to 77%, as compared to 2014.
- 11. Individual sessions of the MP and SSC WG are held for the following reasons: to consider a limited number of scale specific methodological cases; to deal with housekeeping issues, such as the adoption of the agenda; to deliver updates on the latest EB decisions; to deliver updates on the status of methodologies submissions; to adopt the report.
- 12. Both the MP and the SSC WG highlighted to the Board their appreciation of the joint sessions, noting that they allow both bodies not only to exchange views and expertise but also to adopt a holistic approach in considering CDM methodologies. In particular, for the SSC WG, with only five members, joint sessions mean the availability of more experts in the event that only one or two SSC WG members are able to attend a meeting.

3.3. Operationalization of merging the Methodologies Panel and Small-scale Working Group

- 13. The operation of only one methodological body, that comprises members of both current bodies would:
 - (a) Simplify CDM operations related to methodological work because the governance aspects, in particular the adoption of the report, are currently carried out individually for each body;
 - (b) Promote a more consistent approach among large and small-scale methodologies, (although it is noted that a simplified approach for small-scale methodologies would need to be maintained);
 - (c) Lead to the better use of expertise in both bodies for processing large and small scale methodologies and standardized baselines;
 - (d) Allow for more efficient use of secretariat resources, such as one week, as opposed to two weeks.
- 14. **Proposal to merge the bodies:** Based on the efficiency gains described in paragraph 13 above, the Board may decide to merge the two methodological bodies, which would operate under the chairmanship of a Chair and Vice-Chair. In so doing, it may be proposed to further consider reducing the overall number of technical experts from the combined number of 15 members. A reduction in the number of members may be considered, while maintaining distinct expertise of the small-scale within the new methodology panel and

based on other considerations of regional balance and coverage of sectoral scopes, as per the rules of procedure of the CDM.

15. **Cost savings:** If the recommended approach is implemented, the direct cost of meetings of the methodologies related bodies would decrease and, in addition, the secretariat costs of supporting bodies would decrease. Staff time on preparing agendas, documents, briefing notes, reports and general coordination, would be adjusted by economies of scale.
16. **Administrative efficiency:** In order to simplify the administrative transition to the new merged body, it is recommended that the MP rules be expanded to be given responsibility for small-scale methodologies, and that the SSC WG ceases its operations, rather than ceasing operations of both the MP and the SSC WG, and establishing a new merged body. This is because the former approach is lighter from both an administrative and operational perspective.
17. **Implementation:** The proposal in paragraph 14 above should become effective as of September 2017, when the terms of the current experts have expired and new members have been appointed. This approach would thus allow for a smooth transition and avoid administrative complexity. As such, between the period from February 2017 to September 2017, the MP and SSC WG would operate in a business as usual mode, and meet as separate bodies.⁴

4. Impacts

18. The expansion of the role of the MP to cover small scale work, and the inclusion of the SSC WG members into the MP, along with a reduction in the overall number of experts, would reduce costs to be in-line with the required level of demand in this area of the CDM. To the extent that it reduces administrative duplication in the secretariat, it will also reduce costs. Following the proposal to reduce the number of experts in September, the per meeting costs will be reduced proportionately.
19. AS a result of the merger, it is also expected that there would be an improvement in the quality of the work in relation to methodologies, resulting from a more holistic approach to methodological work that still recognizes scale specific issues.

5. Subsequent work and timelines

20. If agreed by the Board, merging the MP and SSC WG would be effective once the term of the new selected members of the methodology body starts, which is currently planned for September 2017.
21. Relevant procedures will need to be revised in accordance with the decision of the Board.

6. Recommendations to the Board

22. The secretariat recommends that the Board:
 - (a) Merge the MP and SSC WG;

⁴ In March 2017 and July 2017, the MP and SSC WG meetings are planned to take place in parallel.

- (b) Consider reducing the experts in the panel and, if so, request the secretariat to make an assessment of a possible reduction of experts for the consideration of the Board at its next meeting;
- (c) Request the secretariat to revise the relevant procedures.

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