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## Subsidiary Body for Implementation

### Programme budget for the biennium 2022–2023

#### Proposal by the Executive Secretary

#### Addendum

#### Trust Fund for the International Transaction Log

##### *Summary*

This document contains the proposed work programme and budget for the international transaction log for the biennium 2022–2023 for consideration by the Subsidiary Body for Implementation.

## Abbreviations and acronyms

CDM	clean development mechanism
CMP	Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol
COP	Conference of the Parties
GS	General Service level
ITL	international transaction log
P	Professional level
RSA	registry system administrator
RSA Forum	Registry System Administrators Forum
SBI	Subsidiary Body for Implementation



## **I. Introduction**

### **A. Mandate**

1. CMP 3 requested the secretariat to establish the Trust Fund for the International Transaction Log to receive fees to cover the resource requirements of the activities of the ITL administrator.<sup>1</sup>
2. The UNFCCC financial procedures require the Executive Secretary to prepare the administrative budget for the following biennium and to dispatch it to all Parties to the Convention at least 90 days before the opening of the ordinary session of the COP at which the budget is to be adopted.<sup>2</sup>

### **B. Scope of the note**

3. This document contains the proposed budget for the ITL for the biennium 2022–2023. It also details the proposed work programme for the ITL for that period and the resources required to implement it.

### **C. Possible action by the Subsidiary Body for Implementation**

4. The SBI is expected to recommend a budget for the ITL for the biennium 2022–2023 and a methodology for the collection of its fees during that period for consideration and adoption by the CMP in November 2021.

## **II. Key areas of work**

5. The secretariat established and maintains the ITL to verify the validity of transactions undertaken by registries established under decisions 3/CMP.1 and 13/CMP.1.<sup>3</sup> As the ITL administrator, the secretariat is responsible for, inter alia, ensuring the proper functioning of this critical infrastructure, which enables and facilitates the settlement of transactions of units pertaining to the flexible mechanisms pursuant to Articles 6, 12 and 17 of the Kyoto Protocol.<sup>4</sup>
6. The ITL administrator maintains and operates the ITL, the purpose of which is to record and verify the validity of transactions proposed by the national registries of Parties to the Convention that are also Parties to the Kyoto Protocol with commitments inscribed in Annex B to the Kyoto Protocol and by the CDM registry. The ITL is necessary to ensure that no issuance above the agreed limits and no double counting of Kyoto Protocol units occurs within the registry systems. In addition, the ITL administrator organizes meetings of the RSA Forum, which are aimed at enhancing cooperation between RSAs and facilitating the implementation by registry systems of common operational procedures, in accordance with decision 16/CP.10.
7. The ITL is expected to remain operational until at least one year after the end of the expiration of the additional period for fulfilling commitments for the second commitment period of the Kyoto Protocol to allow sufficient time for Parties to retire and, where necessary, acquire enough Kyoto Protocol units to demonstrate compliance with their commitments under Article 3, paragraph 1 bis, of the Kyoto Protocol and for the ITL to validate the reports submitted by Parties upon expiration of the additional period for fulfilling commitments.

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<sup>1</sup> Decision 11/CMP.3, para. 11.

<sup>2</sup> Decision 15/CP.1, annex I, para. 3. The financial procedures are also applicable to the Kyoto Protocol in accordance with its Article 13, para. 5, and the Paris Agreement in accordance with its Article 16, para. 5.

<sup>3</sup> Decision 13/CMP.1, annex, para. 38.

<sup>4</sup> Details on the activities of the ITL administrator are contained in its annual reports. The latest report is contained in document FCCC/SBI/2020/INF.11.

### III. Proposed work programme

8. In 2022–2023 the ITL administrator will focus its activities on ensuring the operational reliability and business continuity of registry systems and the ITL by:

- (a) Providing technical services through the ITL to enable national registries and the CDM registry to perform transactions of Kyoto Protocol units;
- (b) Ensuring the reliable hosting of the ITL and updating the hardware and software of the ITL infrastructure as necessary;
- (c) Providing support to national registries, the consolidated system of European Union registries, including the European Union transaction log, the CDM registry, the joint implementation and CDM information systems and the compilation and accounting database in order to maintain their connections and operations with the ITL;
- (d) Initializing and performing go-live events for registries not yet connected;
- (e) Supporting any changes to the data exchange standards and new releases of the ITL and standard electronic format software resulting from operational experience and changes adopted under the common operational procedures for change management;
- (f) Facilitating the annual reporting on and review of national registries under Articles 7 and 8 of the Kyoto Protocol;
- (g) Administering and maintaining the RSA extranet to facilitate coordination and knowledge-sharing among RSAs;
- (h) Fostering cooperation among RSAs through the RSA Forum and its working groups in order to ensure that registry systems are accurate, efficient and secure;
- (i) Supporting the testing activities of the ITL and registry systems, including the annual disaster recovery test and annual security audit, with a view to enhancing the reliability and security of the ITL;
- (j) Offering online training and guidance materials to RSAs and relevant experts from Parties to the Kyoto Protocol that are not included in Annex I to the Convention on the general functioning of the ITL and registry systems, the common operational procedures and other relevant knowledge areas;
- (k) Fulfilling its obligations as the ITL administrator in accordance with all applicable decisions of the COP and the CMP;
- (l) Monitoring and supporting negotiations and implementation of transitional arrangements relating to Article 6 of the Paris Agreement where these have an impact on the ITL.

### IV. Proposed budget

9. The proposed budget for the ITL reflects the resources required to ensure its continued reliable operation. All efforts have been made to keep the requirements to a minimum (see para. 17 below).

10. Table 1 presents the proposed budget for the ITL for the biennium 2022–2023 by object of expenditure and a comparison with the approved budgets since the biennium 2016–2017.

Table 1

**Proposed budget for the international transaction log for the biennium 2022–2023 by object of expenditure**

(Euros)

Object of expenditure	Approved budgets			Proposed budget
	2016–2017	2018–2019	2020–2021	2022–2023
Staff costs <sup>a</sup>	1 567 420	1 614 260	1 538 800	1 309 480

<i>Object of expenditure</i>	<i>Approved budgets</i>			<i>Proposed budget</i>
	<i>2016–2017</i>	<i>2018–2019</i>	<i>2020–2021</i>	<i>2022–2023</i>
Consultants	124 250	99 666	99 666	45 000
Travel of staff	40 000	30 000	30 000	24 072
Experts and expert groups	20 000	—	—	—
Training	20 000	20 000	20 000	16 000
General operating expenses <sup>b</sup>	2 802 046	2 607 220	2 205 017	1 847 911
Contributions to common services	167 000	240 000	208 000	194 048
<b>Subtotal</b>	<b>4 740 716</b>	<b>4 611 146</b>	<b>4 101 483</b>	<b>3 436 511</b>
Programme support costs	616 294	599 450	533 193	446 746
Adjustment to working capital reserve	(5 654)	(6 076)	(23 901)	(31 309) <sup>c</sup>
<b>Total (budget)</b>	<b>5 351 356</b>	<b>5 204 520</b>	<b>4 610 775</b>	<b>3 851 948</b>
Credit from unspent balances	0	2 500 000	2 500 000	—
Contributions to fees after credit from unspent balances	5 351 356	2 704 520	2 110 775	—
<b>Total</b>	<b>5 351 356</b>	<b>5 204 520</b>	<b>4 610 775</b>	<b>—</b>

*Note:* Figures in brackets indicate negative values.

<sup>a</sup> Staff costs include the costs for overtime and general temporary assistance: EUR 20,000 in the biennium 2016–2017, EUR 10,000 in 2018–2019, EUR 10,000 in 2020–2021 and EUR 10,000 proposed for 2022–2023.

<sup>b</sup> General operating expenses include the cost of contractors: EUR 2,698,046 in the biennium 2016–2017, EUR 2,576,220 in 2018–2019, EUR 2,174,017 in 2020–2021 and EUR 1,847,911 proposed for 2022–2023.

<sup>c</sup> In accordance with decision 17/CMP.7, para. 6, the working capital reserve has been established at 8.3 per cent of the estimated expenditure for the Trust Fund for the International Transaction Log for one year. The current working capital reserve is EUR 192,339, while the working capital reserve for the biennium 2022–2023 amounts to EUR 161,030, a decrease of EUR 31,309.

11. The number of ITL staff will be further reduced in the biennium 2022–2023 as a result of increased efficiency and decreased business analysis needs, as the ITL requirements have been stable in the past few years and are expected to remain stable in the foreseeable future. The ITL staff will be composed of one P-4, one P-3 and three P-2 level posts and one GS post. The staff costs include an increase due to adjusted standard salary costs.<sup>5</sup> Table 2 presents the post requirements for the ITL for the biennium 2022–2023 and a comparison with the post requirements since the biennium 2016–2017.

Table 2

**Post requirements for the international transaction log for 2022–2023**

<i>Post level</i>	<i>2016–2017</i>	<i>2018–2019</i>	<i>2020–2021</i>	<i>2022–2023</i>
P-4	2	2	2	1
P-3	3	3	3	1
P-2	1	1	1	3
GS	1	1	0.5	1
<b>Total</b>	<b>7</b>	<b>7</b>	<b>6.5</b>	<b>6</b>

12. The ITL administrator will continue to optimize the activities supporting the annual reporting on and review of national registries under Articles 7 and 8 of the Kyoto Protocol, which will continue to be conducted by secretariat staff without support from experts or expert groups.

13. The training budget will be less than in the biennium 2020–2021 but will be sufficient to ensure continuity of training. To that end, within the framework of the RSA Forum, the secretariat will continue offering online training and guidance materials to RSAs and relevant experts from Parties to the Kyoto Protocol that are not included in Annex I to the Convention on the general functioning of the ITL and registry systems, the common operational procedures and other relevant knowledge areas.

<sup>5</sup> See document FCCC/SBI/2021/4, annex I.

14. The proposed budget for general operating expenses is significantly lower than the approved budget for the biennium 2020–2021 owing to optimization of the cloud-based infrastructure environment,<sup>6</sup> as well as to the renegotiation of two important support contracts underpinning the ITL operations. The proposed budget includes a provision for any indexation applied by existing contractors.

15. As noted in the annual report of the ITL administrator for 2020,<sup>7</sup> a review of the technical functions underpinning the ITL, including the service desk, software development, application support and infrastructure support, was completed with a view to determining the optimal mix of internalized versus externalized functions. The results of the review have been factored into the proposed budget for general operating expenses and staff, respectively.

16. The proposed budget for contributions to common services reflects per capita support costs commensurate with the level of staffing.

17. The ITL administrator will continue to apply the following measures to keep the resource requirements of the ITL to a minimum:

(a) Optimizing the data centre hosting, technology refresh, and licence and third-party support costs of the required hardware and software;

(b) Systematizing, documenting and addressing typical incident, user error and user problem scenarios, while providing proactive guidance to registry systems, to minimize reoccurrence and the associated remedial costs;

(c) Simplifying registry testing arrangements, registry contact management and digital certificate management with the goal of optimizing associated costs;

(d) Engaging RSAs in the centralized annual review of national registries, thereby avoiding the cost of consultants and minimizing travel costs;

(e) Providing options for virtual and remote participation in meetings<sup>8</sup> with a view to lowering travel and meeting costs;

(f) Identifying ways to employ secretariat staff instead of consultants or contractors, where possible, including options for consolidating activities related to the ITL service desk, software development and application support.

18. The budget is proposed under the assumption that there will be no major changes to the data exchange standards in 2022–2023.

## V. Methodology for the collection of international transaction log fees

19. The SBI is expected to recommend a methodology for the collection of ITL fees in the biennium 2022–2023 for consideration and adoption by the CMP in November 2021.<sup>9</sup> This methodology is expected to address the following issues:

(a) Using and reporting on unspent funds from previous bienniums;

(b) Establishing a scale of fees for users of the ITL;

(c) Dealing with potentially unpaid fees;

(d) Dealing with possible new entrants and disconnections.

<sup>6</sup> See document FCCC/SBI/2018/INF.10, para. 17.

<sup>7</sup> See document FCCC/SBI/2020/INF.11, para. 71.

<sup>8</sup> The 22<sup>nd</sup> RSA Forum was held virtually from 5 to 6 October 2020.

<sup>9</sup> Decision 5/CMP.15, para. 19.