20 June 2025

Responses to questions from Parties received during the meetings of the Contact Group on Administrative, financial and institutional matters and in writing

1. What are the implications of non-payment of the contributions to the UNFCCC budget by Parties?

Answer:

Under the financial procedures of the UNFCCC (outlined in decision 15/CP.1), each Party contributes annually to the core budget. These contributions are based on an indicative scale, agreed upon by consensus by the Conference of the Parties (COP), and based on the UN General Assembly's scale of assessments. Contributions are due by 1 January each year.

The head of the UNFCCC secretariat promptly acknowledges all pledges and payments and updates Parties at least twice a year on the status of pledges and payment of contributions.

There are two indicative scales of contributions:

- From Parties to the Convention and the Paris Agreement adopted by the COP
- From Parties to the Kyoto Protocol adopted by the CMP.

Each Party receives an annual notification from the secretariat detailing its expected contribution and any outstanding amounts. While many Parties fulfill their obligations on time, some have outstanding contributions spanning several years. The secretariat continues to follow up until all dues are paid. Encouragingly, some Parties with long-standing arrears have eventually cleared all outstanding and current contributions.

Importantly, each Party is only responsible for its own contribution—no Party is expected to cover another's share, and this has never happened. Moreover, non-Party stakeholders are not eligible for contributing to the core budget.

The secretariat implements the core budget based on actual funds received. If contributions fall short, it can only carry out activities within the available funding. In such cases, it seeks voluntary contributions to the trust fund for supplementary activities to undertake activities that were originally planned under the core budget. Voluntary contributions can come from both Parties and non-Party stakeholders. For example, Bloomberg Philanthropies has provided and pledged to continue providing significant support to help advance the objectives of the Paris Agreement. The same approach to bridge core contribution gaps was taken in the biennia 2018-2019 and 2020-2021.

Regardless of the implementation rate for the core budget, the secretariat will continue to pursue outstanding contributions. Recovering these funds can create a valuable cash balance. For instance, COP decision 27/CP.19 approved using €2.8 million from unspent funds to supplement the 2014–2015 budget. While such surpluses have been rare in recent years, they could re-emerge if budget implementation is low, and recovery of contributions is high.

2. Suggestion of a Long-Term Planning and Dialogue on UNFCCC Funding

Answer:

We welcome the suggestion to develop a long-term budget stability plan, as a means to enhance strategic planning, financial sustainability, and transparency in the implementation of the Convention and the Paris Agreement.

The secretariat also appreciates the idea of convening a multi-stakeholder dialogue on a Roadmap for UNFCCC Funding. Such a dialogue could provide a timely and inclusive platform to:

- Exchange views on the evolving funding landscape under the UNFCCC.
- Explore how core and supplementary funding streams can support the implementation of mandates.
- Identify opportunities for enhanced coordination among Parties, financial institutions, and non-Party stakeholders.

Subject to guidance from Parties and the availability of resources, the secretariat stands ready to:

- Prepare a preliminary outline for a long-term budget stability plan, for consideration by the Subsidiary Body for Implementation (SBI).
- Organizing a stakeholder dialogue on UNFCCC funding.

We look forward to further engagement with Parties on how best to take this proposal forward.

3. What is the geographical distribution of UNFCCC staff members?

Answer:

Details on the regional representation of staff within the secretariat, as at 31 December 2024, are available in Table IV.3 on page 33 of the *Budget performance for the biennium 2024–2025 as at 31 December 2024* (FCCC/SBI/2025/4), accessible at https://unfccc.int/sites/default/files/resource/sbi2025_04.pdf

4. How do the CDM trust fund set up in the relevant CMP decision, the future of which is currently being negotiated in the CDM agenda item, and the Budget decision currently interrelate?

- The options in the draft CDM decision did not contain the use for the one-off measure for efficiency, a proposal which seems to have actively ignored the longstanding requests of the LDCs and AGN to use leftovers from the CDM trust fund for adaptation, and of the EU to use them for Art. 6 operationalization, in particular for Art. 6.4, which is not covered by the one-off measure. As you have noted in the budget room, the AGN and LDCs have already recalled their longstanding position at the budget session at 2 pm. How much of the proposed one-off payment from the CDM trust fund is provided to Article 6?

Answer:

The development of the one-off budget proposal considered the projected funds in the Trust Fund for the CDM at the end of 2025, and existing liabilities as presented in the Technical Paper considered by the SBSTA in Baku.

The one-off of budget proposal was developed by considering options to fund projects that would increase the secretariat's efficiency and capacity to better respond to Parties needs, and opportunities to fund the development of infrastructure investments and capacity building under Art 6 of the Paris Agreement in the context of the 2026-2027 biennium programme budget.

5. While § 24 of document FCCC/SBI/2025/8 states that the core mandate of the Mitigation division includes Art. 6 PA, on p. 94/95 of FCCC/SBI/2025/Add.1, the 38 million EUR for Art. 6.4 operation do not seem to be covered by the core budget, nor the budget for supplementary activities. Can you confirm that this is meant to be covered by the core budget, or if not, which budget category this would relate to?

Answer:

The EUR 38 million for Art. 6.4 operations are not meant to be covered through core fund but through the Trust Fund for the Paris Agreement Crediting Mechanism. The figure of EUR 38 million is indicative, and 2026-2027 budget for the mechanism is expected to be approved by the A6.4 Supervisory Body in their next meeting later this year (SBM 017, 4-8 August 2025). However, please note that funding allocated to implementing the Article 6.4 mechanism at CMP 16 (decision 2/CMP.16, para. 18) will be fully spent by early 2026 and funds generated from the share of proceeds fees under Article 6, paragraph 4, are unlikely to cover costs of the mechanism in 2026 (see paragraph 9 of the meeting report of the sixteenth meeting of the Article 6.4 mechanism Supervisory Body https://unfccc.int/sites/default/files/resource/A6.4-SBM016.pdf)
Activities of the PACM are considered category 2 Recurring or long-term activities.

6. Can you provide some more clarity on the liabilities listed in §§ 13-18 of the https://unfccc.int/sites/default/files/resource/tp2024_07.pdf?

    - Are the liabilities governed by the principles of the general capital reserve e.g. applied to the core budget of 8.3% per year?

Answer:

In line with decision 7/CMP.1, an operating reserve was established and fixed by the CDM Executive Board (EB 35 decision) at USD 30 million. In 2009 the reserve was increased and set to USD 45 million (EB 45) and since then no further decisions were made to change the level of the reserve.

UNFCCC applies UN financial rules and regulations where reserves are meant to cover any cash shortfalls or to meet the final expenditures under the trust fund, including liquidating any liabilities. CDM is guided by the decisions of the EB board.

- Could you provide a detailed breakdown of the different components, specifically: 25 million for pensions, 10 million for reimbursement of fees, and 2 million for IT documentation (archives)? An overview over the assumptions, which seem surprising at least for the reimbursement of fees, would be great.

Answer:

Regarding the liabilities, in May 2022, the secretariat produced document FCCC/SBI/2022/INF.7 "Possible long-term financing strategies for secretariat employee benefit liabilities" to address the recommendation from the United Nations Board of Auditors (BOA) in its report on the UNFCCC financial statements for the year ended 31 December 2018, whereby the BOA advised the secretariat to seek a decision by the Conference of the Parties on the funding plan for the employee benefit liabilities of after-service health insurance (ASHI), repatriation grants and repatriation travel. All of which are benefits that are compliant with the United Nations staff rules and regulations.

The Subsidiary Body for Implementation (SBI) was invited to review the options presented by UNFCCC and to discuss how best to finance these long-term liabilities. As per their review (28 July 2022), the SBI requested UNFCCC to continue to fund the liability on a 'pay-as-you-go' basis (i.e. UNFCCC to finance the costs as they fall due).

The current funding mechanism does not take into consideration instances where a trust fund is closed as it assumes that the trust fund will continue into perpetuity and exist to service costs that fall due for the liabilities.

At the time of preparation of the technical paper, the liabilities generated by the CDM trust fund were estimated to be at USD 25 million. The total liabilities are based on actuarial valuations prepared by EY (formerly known as Ernst & Young). The actual amount will be calculated at the time when the liabilities will become due, on the date when the trust fund is to be closed.

With regards to the possible reimbursement of fees, applicable CDM rule is as below:

Based on CDM rule, there are 270 CDM activities where the registration fees were paid in advance, but projects have not been registered, amounting 10 million of applicable costs for reimbursement of registration fees paid in advance. Please note that these 270 projects include projects type for which registration fee been paid in advance and: (a) marked incomplete during completeness check / information and reporting check and subject to full re-imbursement of registration fee paid in advance; or (b) withdrawn before publication and subject to full re-imbursement of registration fee paid in advance; or (c) request been published and withdrawn and subject to re-imbursement of registration fee for any portion in excess of USD 30,000; or (d) request been rejected by the CDM Executive Board and subject to re-imbursement of registration fee for any portion in excess of USD 30,000.

The estimated cost of 2 million for records management of CDM is based on similar exercise secretariat conducted for closure of operations of Joint Implementation. The JI closure report at cmp2023_07.pdf, mentions USD 250,000 is required for records management (CDM amount is 8 times higher considering the volume and information it has).

7. Can you provide clarity on the actual current amount contained in the CDM trust fund reserve? The CDM two-year business and management plan 2026-2027table 11 lists 45 million USD; the programme budget for 2026/27 (FCCC/SBI/202/8) § 63 55.5 million USD or 51.5 million EUR?

   Answer:

   The USD 55.5 million in the financial statements (page 48) represents the total surplus of the trust fund as at 31.12.2024 and includes the reserve of USD 45 million and USD 10.5 million of unspent balances.

8. Will it be possible to disburse money on the basis of SB conclusions on the budget or only once the governing COP/CMP decision has been taken?

   Answer:

   The authority to approve the use of the unspent balance of the CDM trust fund rests with the CMP. However, the SBI may submit a recommendation requesting the CMP to authorize a transfer of funds from the CDM account to the Trust Fund for Supplementary Activities to support the one-off budget allocation.

9. The Art .6.2 registry and related services also lack funds, but these issues are not shown in the budget. How do you see related costs to be covered?

   Answer:

   A budget of approximately EUR 2.1 million has been included in the proposed budget 2026-2027 (category 2) and approximately EUR 1.6 million in the one-off budget (category 2). Should the requisite budgets not get approved, the financing of these activities will revert to a voluntary basis, potentially impacting operational continuity and delivery.

   In addition, within the 2026-2027 proposed budget an amount of approximately EUR 3.2 million is part of the supplementary budget (that includes a portion of category 2 activities as well as all category 3 and 4 activities).

   Amounts above are inclusive of programme support costs.

   Within the current biennium, the Art. 6.2 activities are being funded from voluntary contributions and the joint implementation residual financial resources of ~USD 1.1 million, transferred for Art. 6.2 use (Decision 2/CMP.18).