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Item 14 (b) of the provisional agenda

Administrative, financial and institutional matters

Programme budget for the biennium 2010–2011

Approach to be taken by the Executive Secretary with regard to the collection of fees for the international transaction log

Submissions from Parties

1. The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), at its fourth session, invited Parties to the Convention that are also Parties to the Kyoto Protocol to submit to the secretariat, by 23 March 2009, their views on an approach to be taken by the Executive Secretary with regard to the collection of international transaction log (ITL) fees with a view to ensuring sufficient and stable funding for the ITL (FCCC/KP/CMP/2008/11, para. 68).
2. With regard to decision 11/CMP.3, paragraphs 16 and 17, the CMP requested the secretariat to compile the views referred to in paragraph 1 above for consideration by the Subsidiary Body for Implementation at its thirtieth session (FCCC/KP/CMP/2008/11, para. 69).
3. The secretariat has received four such submissions. In accordance with the procedure for miscellaneous documents, these submissions are attached and reproduced* in the languages in which they were received and without formal editing.

* These submissions have been electronically imported in order to make them available on electronic systems, including the World Wide Web. The secretariat has made every effort to ensure the correct reproduction of the texts as submitted.

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* This submission is supported by Bosnia and Herzegovina and Croatia.

PAPER NO. 1: CZECH REPUBLIC ON BEHALF OF THE EUROPEAN COMMUNITY
AND ITS MEMBER STATES

**THE CZECH REPUBLIC ON BEHALF OF THE EUROPEAN COMMUNITY AND ITS
MEMBER STATES**

This submission is supported by Bosnia and Herzegovina and Croatia

Prague, 24 March 2009

**Subject: Report of the administrator of the international transaction log (ITL) under the Kyoto Protocol (SBI)
Views on an approach to be taken by the Executive Secretary with regard to the collection of ITL fees with a view to ensuring sufficient and stable funding for the ITL**

The CMP at its 4th session, invited Parties to the Convention that are also Parties to the Kyoto Protocol to submit to the secretariat, by 23 March 2009, their views on an approach to be taken by the Executive Secretary with regard to the collection of ITL fees with a view to ensuring sufficient and stable funding for the ITL.

Budget

The EU recognises the crucial role of the ITL in the implementation of the Kyoto Protocol and continues to support the concept that administration of the ITL will be best managed as a separate budgetary and administrative unit.

A separate, fixed annual budget ensures that sufficient funds are readily available for the ITL system. The operation of a separate budget makes it necessary to develop own financial procedures, which regulate budget presentation, payment terms and consequences of leaving or coming into the system.

Reliable Funding

In order to ensure that the ITL has adequate and reliable funding, the Secretariat should continue to be authorized to collect fees from users of the ITL. In order to allow flexibility and to account for new users, the budget should be determined on a biennium basis and fees collected on an annual basis in line with the current process established in decision 11/CMP.3.

The EU appreciates the importance of reliable funding for the ITL and suggests that an appropriate notice structure will enhance the ability of Parties to meet this requirement. As such, the structure in decision 11/CMP.3 paragraph 15 should be maintained in the next biennium.

As Parties secure the appropriate funds (fees) within the constraints of their national environments, the Administrator of the ITL should continue to provide sufficient notice to Parties so that payment is efficiently managed. At the same time, Parties are strongly encouraged to ensure that the fees are paid within a reasonable time frame to allow for seamless ITL operation.

Transparency and Accountability

The EU appreciates the effort to date by the Administrator of the ITL towards its implementation and welcomes the information on the expenditures reported in the annual report of the administrator of the international transaction log under the Kyoto Protocol (FCCC/KP/CMP/2008/7) issued on 27 November 2008 ("the ITL Report"). In addition, the EU recognises that sufficient funding should be allocated to the ITL to deliver high quality services as required by the operations of such a central and complex IT system.

Towards this end, the EU requests that the ITL administrator establish procedures to monitor and report on the quality of services and effective management provided. This information should be made available to Parties as part of the annual report of the ITL administrator.

Resource requirements

The ITL Report does provide some detail on ITL expenditure for 2008 and estimated figures for 2009, and the SBI in its 29th session requested the ITL administrator to report on the activities planned for the future and the related resource requirement (item 13). This recommendation aims at providing more clarity and transparency on the assignment of resources to the activities that are supported by the ITL administrator.

Although a detailed itemisation of the funding was provided in the ITL Report, the EU would like further detail to be provided on planned activities, specifically the staffing levels in terms of an estimate in FTEs of the resources required per activity item.

The EU also underlines the importance of further improving the itemisation of the funding and in particular recommends that the breakdown of the ITL budget does not aggregate expenditures representing more than 5% of the total ITL budget and gives a clearer view on expenditures resulting from fixed activities (ongoing operations of the ITL) compared to ad-hoc activities that are more specific and limited in time.

Finally in the ITL report, the ITL administrator indicates that the total estimated expenditures for the current biennium 2008-2009 are 8,420,681 US dollars, which remains below the approved budget.

The EU has the view that the ITL is now fully operational and considers that the level of expenditure should remain relatively stable, provided that no significant changes to the system are planned in the next biennium. Should the ITL administrator have a different view, the EU would require that detail on these additional activities be included in the programme budget proposal.

Apportioning ITL Funding Requirements

To date, the ITL administrator has not provided Parties with the budget requirements for the 2010-2011 biennium. The EU expects that these requirements will be detailed in the proposed programme budget for the biennium 2010-2011 due in March 2009. In the absence of funding requirements and a detailed substantiation, it is difficult to determine a final method for the collection of fees. The EU considers that fees for the ITL should be collected from all Parties connected to the ITL including those Parties that intend to connect to the ITL before or during the next biennium.

Decision 11/CMP.3 ensures that the Subsidiary Body for Implementation, at its thirtieth session, will review the manner of distributing the fees. This decision also suggests that the review should consider a transaction basis for fee collection. Unfortunately, as EU registries were only connected to the ITL in October 2008, there is insufficient information on transactions to support this methodology. This is reflected in the most recent CMP conclusion (para 8 document FCCC/SBI/2008/L.18). Hence, the EU

considers that the fees for the 2010-2011 biennium budget should be apportioned based on a hybrid methodology whereby the fee consists of a portion paid on the basis of a flat-rate connection fee and the remainder paid on the basis of the adjusted Kyoto Protocol scale, similar to the method used for the allocation of fees for the current biennium reflected in Decision 11/CMP.3 Annex II.

PAPER NO. 2: JAPAN

**Views on an approach to be taken by the Executive Secretary
with regard to the collection of ITL fees**

In accordance with paragraph 9 of the relevant CMP conclusions adopted at its fourth session, as contained in FCCC/SBI/2008/L.18, Japan is pleased to provide its views on “an approach to be taken by the Executive Secretary with regard to the collection of ITL fees with a view to ensuring sufficient and stable funding of the ITL”.

As stressed in its last submission on the same issue, as compiled in FCCC/SBI/2007/MISC.1, it continues to be the view of the Government of Japan (GOJ) that the ITL fees should be calculated on the basis of an equal sharing among Annex B Parties. All Parties can use the ITL in exactly the same manner, if they so wish; thus it is fairly reasonable that they are requested to share the same burden.

However, the GOJ is also very aware of the difficult negotiations which have resulted in the agreed scale of fees for the biennium 2008-2009, as contained in Annex II of decision 11/CMP.3.

The scale is formed on the delicate balance of different views expressed by Parties and takes into account special circumstances of some Parties upon their request. Besides, as far as the GOJ understands, there have been no implementation problems or technical findings which require the modification of the scale. These facts lead the GOJ to the conclusion that the application of the current scale to the biennium 2010-2011 is another strong option that could be acceptable to all Parties.

Regardless of the method to be employed for the fee allocation, it is very important to bear in mind that all the ITL users (registries and supplementary transaction logs which connect to the ITL and take services from it) should share the burden of payments in one way or another.

The GOJ welcomes the secretariat's efforts in providing information on expenditures estimated to be incurred to enhance and operate the ITL for the biennium 2008-2009. The cost information is broken down to a sufficiently detailed level to meet the Parties' requests that are expressed through the relevant decisions, conclusions and submissions. The GOJ is also grateful for the detailed information on the ITL costs estimated for the biennium 2010-2011 which was provided to registry system administrators at the ninth meeting of the Registry System Administrators Forum held on 18-19 March 2009. The GOJ notes with appreciation that the costs for the above-mentioned biennium will be approximately 10% lower per annum than those for the previous biennium, pending the exchange rate of the Euro to the United States dollars. The GOJ hopes that the secretariat will continue to pursue means to further reduce the costs needed for the implementation of the ITL and related activities.

In light of the payments of the ITL fees to be made for the biennium 2010-2011, the GOJ requests the secretariat to invoice Parties annually on the basis of an equal division of the fees (50% both for 2010 and 2011) unless there is any clear reason to set the proportion to anything other than 50%. This will allow Parties to secure the budgets necessary to make the two-year payments in an efficient manner.

To conclude, the GOJ is looking forward to fruitful discussion taking place at the thirtieth session of the SBI on the basis of sufficient information to be provided by the secretariat in relation to, *inter alia*, transactions conducted, activities planned for the future, and related resource requirements.

PAPER NO. 3: LIECHTENSTEIN

Liechtensteins view on the approach to be taken by the Executive Secretary regarding the collection of ITL fees

In accordance with the conclusions adopted by the Subsidiary Body for Implementation (SBI) at its twenty-ninth session at Poznan – published in the document FCCC/SBI/2008/L.18 – Liechtenstein is pleased to provide to the Executive Secretary its view on the approach of collection of fees to cover operating costs of the Independent Transaction Log (ITL) for the biennium 2010-2011.

- Liechtenstein advances the view that sharing costs by the ITL should be based on the user pays principle. The most equitable way to implement this approach is to consider the number of transactions completed. As the Go-Live was only in October 2008, the period for estimations on shares for users is not adequate. Therefore Liechtenstein suggests to apply the cost sharing proposal of the biennium 2008-2009 also for the forthcoming biennium as an interim solution.
- Liechtenstein recognizes that the establishment of the CDM registry was of prime importance to provide the technical basis for implementing project-related flexible mechanisms according to Art. 12 of the Kyoto Protocol and that therefore the CDM registry was not charged. Nevertheless, after finalizing this work, the CDM registry should be included in the list of users and contribute its share to the community. The CDM registry should be charged at least with a flat-rate based on an equal share of all ITL users (36). Indicative Scale of total fees for CDM Registry: $100/36 = 2,777$ [%]. The shares of Parties already included in the system should in the following decrease correspondingly.

Liechtenstein is looking forward to discussing the issue of ITL fees during the climate talks in June and hopes for an overall accepted decision from the Executive Secretary.

PAPER NO. 4: RUSSIAN FEDERATION

Предложения Российской Федерации, представляемые в соответствии с пунктом 9 решения FCCC/SBI/2008/L.18 о подходе по взиманию платы за использование МРЖО.

Российская Федерация, принимая во внимание решения Сторон РКИК ООН (далее – Конвенции), в соответствии с которыми:

каждая Сторона, включенная в приложение I к Конвенции, создает и обеспечивает функционирование национального реестра для точного учета введения в обращение, хранения, передачи, приобретения, аннулирования и изъятия из обращения единиц выбросов и адсорбции парниковых газов;

секретариат РКИК ООН создает и обеспечивает функционирование Администратора международного регистрационного журнала операций (МРЖО), который ведет независимый МРЖО, призванный содействовать проведению оценки соблюдения каждой Стороной, включенной в приложение I к Конвенции, своих обязательств по Киотскому протоколу, с целью проверки подлинности операций национальных реестров и ведения базы данных для компиляции и учета единиц выбросов в установленных количествах во исполнение статьи 3 Киотского протокола к Конвенции;

считает, что операции по взаимодействию национальных реестров и МРЖО можно условно разделить на «обязательные» и «вспомогательные».

К «обязательным» операциям относятся:

ежегодные операции между национальным реестром и МРЖО согласно п.58 решения 13/СМР.1 и

операции по истечении дополнительного периода для выполнения обязательств (один раз в 5 лет) согласно статье 59 решения 13/СМР.1. Содержание и форматы таблиц данных и их ежегодный характер представлены в приложении к решению 14/СМР.1.

К «вспомогательным» относятся операции, связанные с передачей и приобретением единиц выбросов и абсорбции в результате деятельности в рамках статей 6, 12, 17 Киотского протокола. Обмен данными между национальным реестром и МРЖО по этим операциям производится в произвольные моменты времени, либо совсем не производится в течение календарного года, если Сторона не совершает операций в рамках выше перечисленных статей.

Средства для разработки и обеспечения функционирования МРЖО согласно решений 12/СМР.1 (пункт 9), 16/СР.10 (пункт 12), 24/ СР.8 (пункт 13) должны формироваться путем внесения взносов в Целевой фонд Конвенции для вспомогательной деятельности, и вследствие этого не могут носить обязательный характер, в отличие от взносов в Целевой фонд для основного бюджета Конвенции.

Российская Федерация, принимая во внимание заявления Секретариата РКИК ООН о недостаточности средств в Целевом фонде для вспомогательной деятельности на оплату затрат по функционированию МРЖО, предлагает для перехода на самофинансирование МРЖО в будущем разделить финансовые затраты Сторон на функционирование МРЖО на две категории:

- затраты для обеспечения выполнения ежегодных обязательных операций Сторон в течение заданных интервалов времени согласно принятым временным графикам. Необходимые средства могли бы формироваться на основе индикативной шкалы ООН и обеспечиваться Сторонами приложения I Конвенции;
- затраты для обеспечения непрерывного характера (либо по заданному графику) работы МРЖО с целью обмена данными и их верификации между национальными реестрами в рамках деятельности согласно статьям 6, 12, 17 Киотского протокола. Средства для осуществления данных затрат могли бы формироваться на основе

количества совершенных Стороной транзакций и предварительно рассчитанной и согласованной стоимости одной транзакции.

При этом Российская Федерация исходит из того, что для обеспечения регулярного пополнения надлежащим образом обоснованного Администратором МРЖО Секретариат РКИК ООН должен обеспечить соблюдение процедуры обсуждения и обязательного утверждения в соответствии с общепринятыми в ООН процедурами бюджета МРЖО, подготовленного с учетом мнения Сторон.

Только такие надлежащим образом принятые решения Сторон по формированию бюджета МРЖО могут являться основанием для начисления взносов Сторон, а также для выделения финансовыми органами Сторон средств для выполнения финансовых обязательств Сторон в рамках РКИК ООН и её Киотского протокола.

[TRANSLATION AS PROVIDED]

Unofficial translation

**Russian Federation views on
approach to be taken by the Executive Secretary
with regard to the collection of ITL fees with a view to ensuring sufficient and stable funding for
the ITL.**

The Russian Federation,

taking into consideration the Decisions of the UNFCCC Parties according to which:

- each Party included in Annex I shall establish and ensure functioning of the National Registry to register any transaction and operation with units of emission or absorption of GHGs,
- the UNFCCC Secretariat in its capacity of assigned Administrator of the ITL shall establish and maintain the ITL to verify the validity of transactions undertaken by National Registries established by the Parties under decisions 3/CMP.1 and 13/CMP.1

presumes that interaction and operations between National Registries and the ITL can be set apart into “mandatory” and “secondary” ones.

“Mandatory” refers to:

- annual operations between National Registries and the ITL under item 58 of decision 13/CMP.1,
- and
- operations upon expiring additional period for fulfillment of obligations (once a 5 year period) according to clause 59 of decision 13/CMP.1.

“Secondary” refers to operations related to transfer or acquisition of units of emission or absorption of GHG as result of activity under clauses 6, 12, 17 of the Kyoto Protocol. Data exchange within these operations between National Registries and the ITL is carried out either at random or not carried out at all during a calendar year if a Party performs no operations under the clauses mentioned above.

According to Decisions 12/CMP.1 (item 9), 16/CP.10 (item 12), 24/CP.8 (item 13) financial resources for the ITL development and functioning shall be covered by fees to be paid by the ITL users as contribution to the Trust Fund for Supplementary Activities under the UNFCCC. As a result these fees are not of mandatory nature as distinct from fees to the regular budget of the Convention.

The Russian Federation, taking into account the UNFCCC Secretariat statement regarding insufficiency of resources in the Trust Fund for Supplementary Activities under the UNFCCC to cover expenses for the ITL functioning, proposes in order to ensure the ITL self-sufficiency in the future to set apart financial expenses of the Parties concerned for support of the ITL functioning into two categories:

- Expenses to provide carrying out annual mandatory operations by the Parties within a certain period of time according to adopted timetables. The required funds can be collected from the Parties of Annex I to the Convention on the basis of the UN scale of assessments;
- Expenses to provide ongoing (or according to adopted timetable) the ITL functioning for data exchange and verification between National Registries and the ITL within the activity under clauses 6, 12, 17 of the Kyoto Protocol. Resources for covering these expenses can be collected on the basis of number of transactions performed by the Parties concerned and of one transaction value preliminary calculated and agreed-upon.

Thereby the Russian Federation assumes that the UNFCCC Secretariat shall ensure adherence of generally accepted UN principles for considering and essential approval by the Parties of the ITL budget prepared by the Secretariat with due account for opinions of the Parties concerned.

Only such decisions on the ITL budget approved in the proper way by the Parties can be considered as basis for charging fees and for allocation of funds by national governments of the Parties concerned.
