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Programme budget for the biennium 2024–2025

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 2024–2025 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
true-up period	additional period for fulfilling commitments for the second commitment period of the Kyoto Protocol

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.¹
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.²

B. Scope of the note

3. This document contains the proposed budget for the ITL for the biennium 2024–2025. It 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 2024–2025 for consideration and adoption at CMP 18.

II. Key areas of work

5. The secretariat established and maintains the ITL to verify the validity of transactions undertaken by the CDM registry, established under decision 3/CMP.1, and by national registries established under decision 13/CMP.1.³ 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.⁴
6. The ITL administrator operates the ITL, the purpose of which is to record and verify the validity of transactions proposed by the CDM registry and 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. The ITL is necessary to ensure that no double counting of Kyoto Protocol units within registry systems and no issuance above the agreed limits occurs. In addition, the ITL administrator organizes meetings of the RSA Forum, which is aimed at enhancing cooperation between RSAs and facilitating the implementation by registry systems of common operational procedures, in response to decision 16/CP.10, and carries out assessments of Parties' national registries and their accounting of Kyoto Protocol units, as reported in their standard electronic format tables.

III. Work programme

7. As in the biennium 2022–2023, in 2024–2025 the ITL administrator will focus its activities on ensuring the business continuity of registry systems by:

¹ Decision 11/CMP.3, para. 11.

² 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.

³ As per decision 13/CMP.1, annex, para. 38.

⁴ Details on the activities of the ITL administrator are contained in its annual reports. The latest report is contained in document FCCC/KP/CMP/2022/5.

- (a) Providing technical services through the ITL to enable the CDM registry and national registries 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 information and CDM information systems and the compilation and accounting database in order to maintain their connections and operations with the ITL;
- (d) Fostering cooperation among RSAs through the RSA Forum to ensure that registry systems are accurate, efficient and secure;
- (e) Supporting the testing activities of the ITL and registry systems through the annual disaster recovery test with a view to enhancing the reliability and security of the ITL;
- (f) Fulfilling its obligations as the ITL administrator in accordance with all applicable decisions of the COP and the CMP.

8. Some activities that were carried out in previous bienniums will be reduced in scope or discontinued in the biennium 2024–2025:

- (a) No registries will be initialized or go-live activities performed during this period;
- (b) No changes will be made to the data exchange standards in the light of the entry into force of the Doha Amendment, as the accounting of Kyoto Protocol units will remain the same, or to the common operational procedures, which are already well established;
- (c) No new functions will be added to the ITL software and the number of new releases of the ITL will be limited to two in addition to any releases urgently required owing to critical security vulnerabilities or bugs;
- (d) Parties' national registries and their accounting of Kyoto Protocol units will be assessed in 2024 but not in 2025 owing to the standard independent assessment report process for the true-up period being completed in the first half of 2024;
- (e) The RSA extranet will be minimally maintained, with no new developments undertaken or content added, with the exception of materials pertaining to the RSA Forum (such as agendas and presentations);
- (f) No new working groups will be established under the RSA Forum, with the exception of a working group on the long-term preservation of records, and existing working groups will be phased out;
- (g) The security audit of the ITL, which is usually undertaken annually, will only be performed once in the biennium 2024–2025 given that audits in recent years have not uncovered any major security issues;
- (h) Training and guidance materials for 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 will not be further developed, though existing materials will remain available on the RSA extranet;
- (i) Support for the annual reporting on and review of national registries under Articles 7–8 of the Kyoto Protocol will not be provided after mid-2024.

9. In 2024–2025 the ITL administrator will carry out a new activity related to the preservation of ITL records, such as transactions of Kyoto Protocol units proposed by registries, standard independent assessment reports, contracts, emails and the content of the RSA extranet, until at least 2030, owing to the fact that it will become increasingly difficult for the secretariat to maintain and operate the ITL after mid-2025, when many of the technologies underlying the ITL will become obsolete. If ITL operation is still required after this time, services pertaining to the ITL (e.g. in terms of availability, recovery time in case

of a disaster, and security) are likely to decrease unless significant new investments are made. Additionally, the ITL administrator will provide support to ensure the compliance of the RSA Forum, data exchange standards and common operational procedures with Article 6, paragraph 2, of the Paris Agreement.

10. With regard to the validation and recording of transactions of Kyoto Protocol units, the ITL is expected to remain operational until at least mid-2025 because some types of transaction (e.g. the issuance, forwarding and cancellation of certified emission reductions in registries) are anticipated to continue beyond the end of the true-up period.

IV. Proposed budget

11. 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, taking into account the new, reduced or discontinued, and continuing activities identified in paragraphs 7–9 above.

12. Table 1 presents the proposed budget for the ITL for the biennium 2024–2025 by object of expenditure and a comparison with the approved budgets since the biennium 2018–2019.

Table 1

Proposed budget for the international transaction log for the biennium 2024–2025 by object of expenditure

(Euros)

Object of expenditure	Approved budgets			Proposed budget
	2018–2019	2020–2021	2022–2023	2024–2025
Staff costs ^a	1 614 260	1 538 800	1 309 480	1 129 552
Consultants	99 666	99 666	45 000	50 000
Travel of staff	30 000	30 000	24 072	41 760
Experts and expert groups	–	–	–	–
Training	20 000	20 000	16 000	17 000
General operating expenses ^b	2 607 220	2 205 017	1 847 911	1 408 236
Contributions to common services	240 000	208 000	194 048	118 800
Subtotal	4 611 146	4 101 483	3 436 511	2 765 348
Programme support costs (13%)	599 450	533 193	446 746	359 495
Subtotal	5 210 596	4 634 676	3 883 257	3 124 843
Adjustment for inflation (7%) ^c	–	–	–	218 739
Subtotal	5 210 596	4 634 676	3 883 257	3 343 582
Adjustment to working capital reserve	(6 076)	(23 901)	(31 309)	(22 271) ^d
Total (budget)	5 204 520	4 610 775	3 851 948	3 321 311
Credit from unspent balances	2 500 000	2 500 000	2 500 000	3 321 311
Contributions to fees after credit from unspent balances	2 704 520	2 110 775	1 351 948	–
Total	5 204 520	4 610 775	3 851 948	3 321 311

^a Staff costs include the costs for overtime and general temporary assistance: EUR 10,000 in the biennium 2024–2025.

^b General operating expenses represent the costs of the ITL service providers.

^c The proposed ITL budget includes an adjustment of 7 per cent for anticipated cost increases due to inflation expected in the remaining months of 2023 and 2024–2025. It is proposed that the CMP approves the budget with the proposed adjustment.

^d 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 161,030, while the working capital reserve for the biennium 2024–2025 amounts to EUR 138,759, a decrease of EUR 22,271.

13. The number of ITL staff will be further reduced in the biennium 2024–2025 as a result of decreased operational support needs following the reduction and discontinuation of certain activities. The ITL staff will be composed of one P-4, one P-3 and two P-2 level posts. The staff costs include an increase due to adjusted standard salary costs.⁵ Table 2 presents the post requirements for the ITL for the biennium 2024–2025 and a comparison with the post requirements since the biennium 2018–2019.

Table 2

Post requirements for the international transaction log for 2024–2025

<i>Post level</i>	<i>2018–2019</i>	<i>2020–2021</i>	<i>2022–2023</i>	<i>2024–2025</i>
P-4	2	2	1	1
P-3	3	3	1	1
P-2	1	1	3	2
GS	1	0.5	1	–
Total	7	6.5	6	4

14. The training budget has been adjusted to reflect the required training activities.

15. The proposed budget for general operating expenses is significantly lower than the approved budget for the biennium 2022–2023 owing to the optimized use of the cloud-based infrastructure environment and reduced digital certificate management costs.

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

17. In addition to reducing and discontinuing certain activities (see para. 8 above), 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 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 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. This budget is proposed under the assumption that there will be no changes to the data exchange standards in 2024–2025.

V. Unspent balances and methodology for the collection of international transaction log fees

19. As at 31 December 2022, the unspent balances of the Trust Fund for the International Transaction Log amounted to USD 7,611,564, excluding the operating reserve of USD 171,491 and outstanding contributions of USD 74,358.⁶ Given the current income and planned expenditures for the biennium 2022–2023, this means that the unspent balances

⁵ See document FCCC/SBI/2023/2, annex I.

⁶ Preliminary figures.

would be sufficient to fully cover Parties' fees in the biennium 2024–2025 and possibly also in the biennium 2026–2027, if required.

20. On the basis of the above, the SBI is expected to consider that the proposed budget for the biennium 2024–2025 be covered in full by the unspent balances of the Trust Fund for the International Transaction Log, resulting in lower overhead for Parties and for the ITL administrator related to the collection of user fees. As a result, there will presumably be no need for the SBI to recommend a methodology for the collection of ITL fees in the biennium 2024–2025.
