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Further breakdown of the necessary level of resources for the activities, processes and institutions under the clean development mechanism

Technical paper by the secretariat

Summary

This technical paper was prepared to support the Subsidiary Body for Scientific and Technological Advice at its sixty-first session in considering the functioning and operation of the processes and institutions under the clean development mechanism in the future. The paper presents a further breakdown of the necessary level of resources for the activities, processes and institutions that need to continue under the clean development mechanism, beyond the information provided previously on this matter, and includes information on modalities for transferring available funds in the trust fund for the clean development mechanism to the Adaptation Fund and to other areas potentially in need of funding.



I. Introduction

A. Mandate

1. At its eighteenth session, the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) requested the secretariat to prepare a technical paper on the necessary level of resources for the functioning and operation of the processes and institutions under the clean development mechanism (CDM) for consideration by the Subsidiary Body for Scientific and Technological Advice (SBSTA) at its sixtieth session.¹

2. SBSTA 60 requested the secretariat to prepare a technical paper for consideration at SBSTA 61 on the further breakdown of the necessary level of resources for activities, processes and institutions that need to continue under the CDM, beyond the breakdown contained in the previous technical papers on this matter² and the annual report of the CDM Executive Board to the CMP for 2023–2024,³ and to include in the paper information on modalities for transferring available funds in the CDM trust fund to the Adaptation Fund and to other areas potentially in need of funding.⁴

B. Scope

3. This technical paper presents estimates of the resources required for operations under the CDM for time frames between 2025 and 2032, along with the further breakdown of the resource estimates and information on modalities for transferring funds.

4. The resource estimates presented in the paper are indicative and do not prejudice the outcome of future discussions on the CDM two-year business and management plans or other decisions of the CDM Executive Board.

C. Possible action by the Subsidiary Body for Scientific and Technological Advice

5. The SBSTA may wish to consider the further breakdown of the resource estimates herein and decide on possible time frames regarding the functioning and operation of the processes and institutions under the CDM. It may also wish to recommend to the CMP to direct the Subsidiary Body for Implementation to authorize a transfer from the CDM trust fund to the Adaptation Fund and potentially to other areas in need of funding.

II. Estimation of resources for future operations under the clean development mechanism

A. Assumptions

6. According to the analysis by the secretariat presented in the previous technical papers referred to in paragraph 2 above, more than 90 per cent of the monitoring reports for CDM projects or programmes of activities have been submitted within five years of the occurrence of the corresponding emission reductions.

7. Therefore, considering that the latest possible end date of the monitoring period under the CDM was 31 December 2020, the requests for issuance of certified emission reductions

¹ Decision [1/CMP.18](#), para. 13.

² [FCCC/TP/2023/3](#) and [FCCC/TP/2024/4](#).

³ [FCCC/KP/CMP/2024/3](#).

⁴ [FCCC/SBSTA/2024/7](#), para. 124.

(CERs) relating to emission reductions occurring until 31 December 2020 are expected to be submitted in the time remaining until 31 December 2025 or any other later date.

8. According to the same analysis, the projected number of such requests for issuance is between 700 and 850.⁵ The narrow range of these figures can be attributed to the clear definition of possible use of the CERs towards achieving first and first updated nationally determined contributions and for voluntary cancellation purposes.

9. For the purpose of estimating the necessary level of resources for the functioning and operation of the processes and institutions under the CDM, taking into account the deadline for submitting such requests proposed in the technical papers referred to in paragraph 2 above, the number of requests for issuance of CERs used to estimate staff time and associated costs, should the deadline for submitting issuance requests be between 2025 and 2030, was 750 (i.e. near the lower end of the range presented in para. 8 above).

10. As mentioned in the most recent previous technical paper on this subject, the key components of the resource estimates are staff costs, including salaries and benefits; non-staff costs, such as overhead and administrative costs; and fixed costs for the annual maintenance of CDM information technology (IT) infrastructure (including both software and equipment) such as the CDM registry, the CDM information system and the United Nations online platform for the voluntary cancellation of CERs.

11. The table below presents a summary of various costs and projected year-end balances of the CDM trust fund under various scenarios. Tables I.1–I.6 (see the annex) present the further breakdown of the necessary level of resources for the activities, processes and institutions that need to continue under the CDM, and projected year-end balances for the CDM trust fund under various scenarios of time frame for winding down CDM operations and associated costs.

Projected year-end balances of the trust fund for the clean development mechanism under various scenarios

<i>Last CER issuance request</i>	<i>Processing years</i>	<i>Year in which CDM operations cease</i>	<i>Staff costs (USD)</i>	<i>Non-staff costs (USD)</i>	<i>Estimated costs (USD)^a</i>	<i>Projected year-end balance (USD)^b</i>
2025	2025–2026	2027	10 396 389	6 068 917	16 465 306	12 780 377
2026	2025–2027	2028	11 714 241	7 351 523	19 065 764	10 179 919
2027	2025–2028	2029	13 178 521	8 684 608	21 863 129	7 382 554
2028	2025–2029	2030	15 228 514	8 644 351	23 872 865	5 372 818
2029	2025–2030	2031	16 253 510	8 841 460	25 094 970	4 150 713
2030	2025–2031	2032	16 546 366	8 983 079	25 529 445	3 716 238

^a Excludes any potential future increases in staff costs due to inflation and excludes grants for the CDM Executive Board for administrative support and IT-related expenses (e.g. software and equipment).

^b Excludes USD 45 million held in reserve and any potential future income.

B. Other cost considerations

12. It is anticipated that additional financial resources will be needed to support the continuation of CDM registry operations until the CMP decides how long the operations will continue and how any Kyoto Protocol units remaining in the CDM registry will be handled.

13. Other costs to be considered include those related to the fees that may be subject to reimbursement. These costs are associated with the fees received upfront by the secretariat for services that have not yet been fully delivered. Specifically, they pertain to registration fees and shares of proceeds awaiting a decision from the CDM Executive Board, approved refunds of registration fees, approved refunds of upfront shares of proceeds, and shares of proceeds invoiced on the second issuance of temporary CERs based on the total greenhouse

⁵ Approximately 150 million to 180 million CERs are associated with these 700–850 requests.

gas reduction claimed rather than just the increment.⁶ The potential liability related to the reimbursement of these fees is estimated at USD 10.0 million.

14. Additionally, there will be liabilities⁷ related to employee benefits that the secretariat has been reporting in its audited financial statements since 2008. These liabilities, which are not split for each trust fund, are currently computed once a year as a cumulative amount and the funding is held in a separate trust fund for UNFCCC employee liabilities. The liabilities related to the CDM trust fund, based on the estimates that all approved CDM posts would be filled on 31 December 2023, have been estimated at USD 25.0 million,⁸ including the liabilities related to the trust fund for the international transaction log.

15. The secretariat funds these liabilities on a pay-as-you-go basis, as agreed at CMP 17.⁹ From 2017 to 2023, a total of USD 12.1 million was collected from relevant UNFCCC trust funds, including USD 2.1 million from the CDM trust fund.

16. The pay-as-you-go approach cannot be applied to closing trust funds as the approach assumes that trust funds will continue indefinitely to cover liabilities related to employee benefits. For this reason, following a future CMP decision to close the CDM trust fund, the accrued liabilities, which are currently estimated at USD 25.0 million, would likely need to be paid from the USD 45 million held in reserve in the CDM trust fund.

17. The secretariat will continue charging the CDM trust fund on a pay-as-you-go basis until the fund is closed, and staff charges and other adjustments will be finalized during closure.

18. There will be IT expenses related to records management of CDM documentation. The liability related to these IT expenses is estimated at USD 2.0 million.

19. The CMP decided to authorize at CMP 18 a transfer from the CDM trust fund to the Adaptation Fund and potentially to other areas in need of funding.¹⁰ In this regard, the CMP, in considering possible uses for the envisaged surplus remaining in the CDM trust fund after ensuring an adequate level of resources for the functioning and operation of the processes and institutions under the CDM for any time frame agreed, and covering all liabilities, may wish to allocate a share of the remaining funds, in addition to allocation to the Adaptation Fund, to activities in need of funding in the current biennium, such as those under Article 6 of the Paris Agreement and the enhanced transparency framework under the Paris Agreement, including capacity-building for related reporting and review thereof.

C. Income from share of proceeds

20. The amount of income from the share of proceeds needed to cover liabilities related to administrative expenses is dependent on the number of CER issuance requests received, while the timing of income receipt depends on the year that the CMP selects as that in which the last issuance requests can be submitted for processing. Assuming there will be 750 issuance requests, some of which are expected to come from the least developed countries and small island developing States, income from the share of proceeds is conservatively estimated at USD 20.0 million.

⁶ See CDM Executive Board document CDM-EB93-A06-PROC, appendix 1, para. 17.

⁷ This includes liabilities related to after-service health insurance, repatriation grants and repatriation travel.

⁸ Of the estimated total UNFCCC employee benefit liabilities of USD 147.0 million as at 31 December 2023.

⁹ Decision [8/CMP.17](#), para 16

¹⁰ Decision [1/CMP.18](#), para. 14.

D. Modalities for transferring funds from the trust fund for the clean development mechanism

21. To implement guidance provided at CMP 16,¹¹ the secretariat transferred USD 20.0 million from the reserves of the CDM trust fund to the Adaptation Fund, treated this transaction as a charge against reserves and did not charge any programme support costs to this transaction.

22. However, at the recommendation of the United Nations Board of Auditors and in order to comply with International Public Sector Accounting Standards (IPSAS), the type of transaction was changed from a transfer to an expense and reported accordingly in the annual financial statement for the year ended 31 December 2023.¹²

23. To comply with the recommendation, any future transfers from the CDM trust fund to the Adaptation Fund will be treated as an expense, and the applicable programme support costs will be charged in accordance with UNFCCC administrative instruction AI/2023/15 on programme support costs.

24. The CMP may wish to take note of the IPSAS requirement to include programme support costs as a factor in making decisions on the use of the reserves of the CDM trust fund. Decisions on the use of the reserves should also consider all liabilities of the CDM trust fund, as explained in chapter II.B above, that need to be provided for before further transfers are made to the Adaptation Fund and to other areas potentially in need of funding.

¹¹ See decision [2/CMP.16](#), para. 20.

¹² See document [FCCC/SBI/2023/INF.9](#), para. 38.

Annex

Further breakdown of the necessary level of resources for the activities, processes and institutions under the clean development mechanism

Table I.1

Scenario where last request for issuance of certified emission reductions is received in 2025 and clean development mechanism operations cease in 2027

<i>CDM operations</i>	<i>No. of staff months</i>	<i>Staff costs (USD)</i>	<i>Non-staff costs (USD)</i>	<i>Total costs (USD)</i>
CDM registry operations	82	1 150 453	396 607	1 547 060
Project assessment	79	1 108 834	382 259	1 491 092
Accreditation of designated operational entities	14	197 045	67 929	264 974
Servicing of panels	43	605 650	208 791	814 441
Servicing of the regulatory body	114	1 609 902	554 997	2 164 899
Accreditation	16	230 179	79 352	309 530
Methodologies development	39	549 118	189 303	738 421
Regulatory management	36	505 253	174 181	679 433
Interaction with stakeholders	45	639 152	220 341	859 493
Cross-cutting internal administrative activities	270	3 800 805	3 795 158	7 595 963
Total	738	10 396 389	6 068 917	16 465 306

Table I.2

Scenario where last request for issuance of certified emission reductions is received in 2026 and clean development mechanism operations cease in 2028

<i>CDM operations</i>	<i>No. of staff months</i>	<i>Staff costs (USD)</i>	<i>Non-staff costs (USD)</i>	<i>Total costs (USD)</i>
CDM registry operations	91	1 271 810	438 443	1 710 254
Project assessment	98	1 368 888	471 910	1 840 798
Accreditation of designated operational entities	21	293 940	101 333	395 273
Servicing of panels	50	693 027	238 914	931 941
Servicing of the regulatory body	143	1 997 179	688 507	2 685 686
Accreditation	20	282 407	97 357	379 764
Methodologies development	29	412 921	142 350	555 271
Regulatory management	41	580 127	199 993	780 120
Interaction with stakeholders	57	793 681	273 613	1 067 295
Cross-cutting internal administrative activities	287	4 020 259	4 699 103	8 719 362
Total	837	11 714 241	7 351 523	19 065 764

Table I.3

Scenario where last request for issuance of certified emission reductions is received in 2027 and clean development mechanism operations cease in 2029

<i>CDM operations</i>	<i>No. of staff months</i>	<i>Staff costs (USD)</i>	<i>Non-staff costs (USD)</i>	<i>Total costs (USD)</i>
CDM registry operations	73	1 028 857	354 688	1 383 545
Project assessment	127	1 781 344	614 100	2 395 444
Accreditation of designated operational entities	28	392 729	135 389	528 119
Servicing of panels	64	890 816	307 100	1 197 916
Servicing of the regulatory body	183	2 562 324	883 334	3 445 658
Accreditation	26	367 144	126 569	493 713

<i>CDM operations</i>	<i>No. of staff months</i>	<i>Staff costs (USD)</i>	<i>Non-staff costs (USD)</i>	<i>Total costs (USD)</i>
Methodologies development	34	483 891	166 816	650 707
Regulatory management	37	525 175	181 048	706 223
Interaction with stakeholders	73	1 019 729	351 541	1 371 270
Cross-cutting internal administrative activities	294	4 126 512	5 564 022	9 690 534
Total	939	13 178 522	8 684 608	21 863 129

Table I.4

Scenario where last request for issuance of certified emission reductions is received in 2028 and clean development mechanism operations cease in 2030

<i>CDM operations</i>	<i>No. of staff months</i>	<i>Staff costs (USD)</i>	<i>Non-staff costs (USD)</i>	<i>Total costs (USD)</i>
CDM registry operations	77	1 071 941	258 657	1 330 598
Project assessment	140	1 955 393	471 833	2 427 226
Accreditation of designated operational entities	35	489 607	118 141	607 749
Servicing of panels	78	1 084 289	261 637	1 345 926
Servicing of the regulatory body	223	3 115 057	751 657	3 866 714
Accreditation	32	450 101	108 608	558 709
Methodologies development	39	552 542	133 327	685 869
Regulatory management	43	607 705	146 638	754 344
Interaction with stakeholders	89	1 240 836	299 411	1 540 247
Cross-cutting internal administrative activities	333	4 661 043	6 094 441	10 755 483
Total	1 089	15 228 514	8 644 351	23 872 865

Table I.5

Scenario where last request for issuance of certified emission reductions is received in 2029 and clean development mechanism operations cease in 2031

<i>CDM operations</i>	<i>No. of staff months</i>	<i>Staff costs (USD)</i>	<i>Non-staff costs (USD)</i>	<i>Total costs (USD)</i>
CDM registry operations	79	1 102 125	206 370	1 308 495
Project assessment	148	2 065 612	386 781	2 452 392
Accreditation of designated operational entities	36	503 182	94 220	597 402
Servicing of panels	80	1 111 352	208 098	1 319 449
Servicing of the regulatory body	233	3 252 276	608 981	3 861 257
Accreditation	35	491 667	92 063	583 730
Methodologies development	44	621 982	116 465	738 447
Regulatory management	46	649 141	121 550	770 691
Interaction with stakeholders	102	1 421 541	266 180	1 687 722
Cross-cutting internal administrative activities	360	5 034 632	6 740 753	11 775 385
Total	1 163	16 253 510	8 841 460	25 094 970

Table I.6

Scenario where last request for issuance of certified emission reductions is received in 2030 and clean development mechanism operations cease in 2032

<i>CDM operations</i>	<i>No. of staff months</i>	<i>Staff costs (USD)</i>	<i>Non-staff costs (USD)</i>	<i>Total costs (USD)</i>
CDM registry operations	79	1 097 442	156 313	1 253 755
Project assessment	142	1 973 316	281 067	2 254 382
Accreditation of designated operational entities	39	542 804	77 314	620 117

<i>CDM operations</i>	<i>No. of staff months</i>	<i>Staff costs (USD)</i>	<i>Non-staff costs (USD)</i>	<i>Total costs (USD)</i>
Servicing of panels	86	1 190 149	169 517	1 359 666
Servicing of the regulatory body	233	3 238 457	461 265	3 699 722
Accreditation	39	545 257	77 663	622 920
Methodologies development	49	688 939	98 128	787 067
Regulatory management	50	702 062	99 997	802 060
Interaction with stakeholders	101	1 401 582	199 632	1 601 214
Cross-cutting internal administrative activities	371	5 166 359	7 362 183	12 528 542
Total	1 189	16 546 366	8 983 079	25 529 445

Note: Non-staff costs for this and the other tables in this annex include 13 per cent programme support costs and the estimated total cost of ownership that was charged from service programmes such as Information and Communication Technology and Administrative Services in the secretariat that render services to all secretariat activities funded from both core and non-core sources of funding such as CDM trust fund. The purpose of these charges is to ensure the allocation of costs of these support services to the sources of funding to which they relate.