



Improving the support of the UNFCCC to the CDM and JI

UNFCCC side event

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UN Climate Change Secretariat

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Overview

- Objective of the review
- Imperative for change
- Underlying drivers of current challenges
- Potential improvement actions

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Objective

"... to recommend to the secretariat a strategy and measures for ensuring that its **support of CDM and JI implementation**, in particular the CDM EB and JISC, **effectively meets identified needs** and is commensurate with expectations for their **future growth**"

Approach taken

- Diagnostic and recommendations
- Scope was the support for CDM and JI
- External customer perspective to improve
 - service
 - quality
 - efficiency
 - satisfaction
- Focus on ensuring scalability for growth

An independent review

- Review undertaken by an external consultancy
- McKinsey awarded contract after competitive bid
- On-site assessment, with UNFCCC and public info sources, with EB/JISC and stakeholder interviews
- Recommendations made to secretariat last week
- Much material, which is still being digested, but secretariat's initial reaction is positive

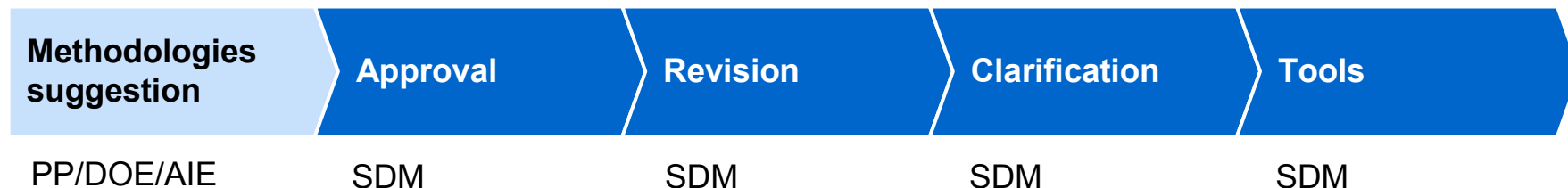
Focus on support by the secretariat

Project value stream

■ Main areas of review



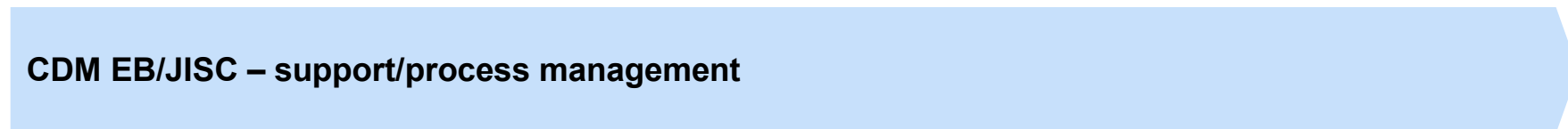
Supporting tools/guidelines



Process assurance



Governance structure



Two customers, differing objectives

Project participants

“Commercial focus”

- Financial viability
- Return on investment
- Local implementation
- Speedy realization
- Transparency
- Stability



Secretariat



Executive Board

“Environmental focus”

- Environmental integrity
- Market & mechanism credibility
- Regional distribution
- Transparency

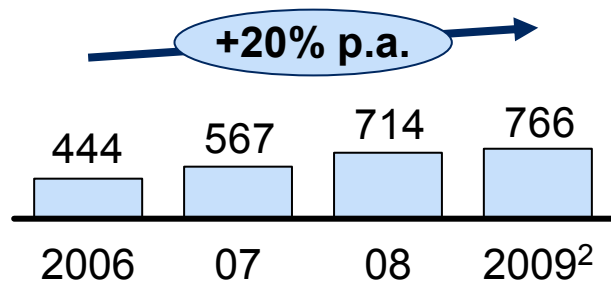


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High growth ...

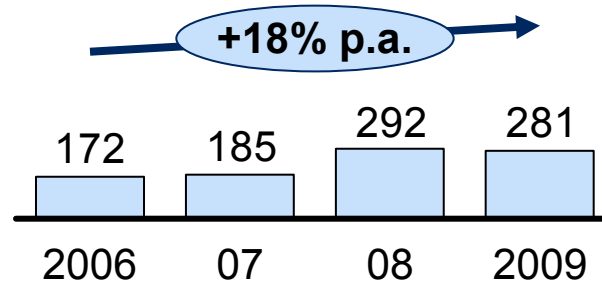
Registration

Number of projects submitted



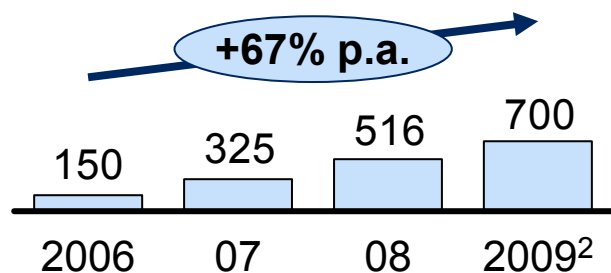
Methodology

Number of new methodologies, revisions, clarifications



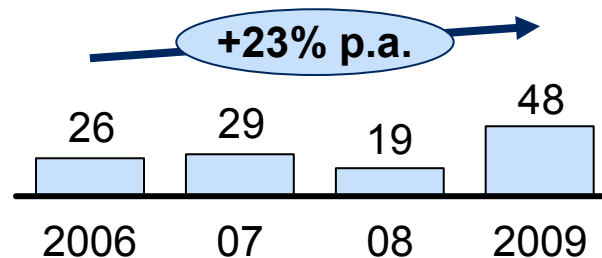
Issuance

Number of requests for issuance



Accreditation/re-accreditation

Number of assessments¹



1 Including witnessing, performance assessment, regular surveillance, onsite assessments (excluding desk reviews for initial and re-accreditation)

2 Projected based on linear regression model



... growing challenges

- Poor quality project documentation submitted
- Response from the EB and the secretariat has been more checking to “inspect-in” the quality, to the neglect of other aspects of performance
- Project documentation increasingly subject to review, though rejection rates remain very low
- Lead times are substantially higher
- Frustration among market stakeholders
- Considerable work and strain on secretariat staff

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Challenges have historical drivers

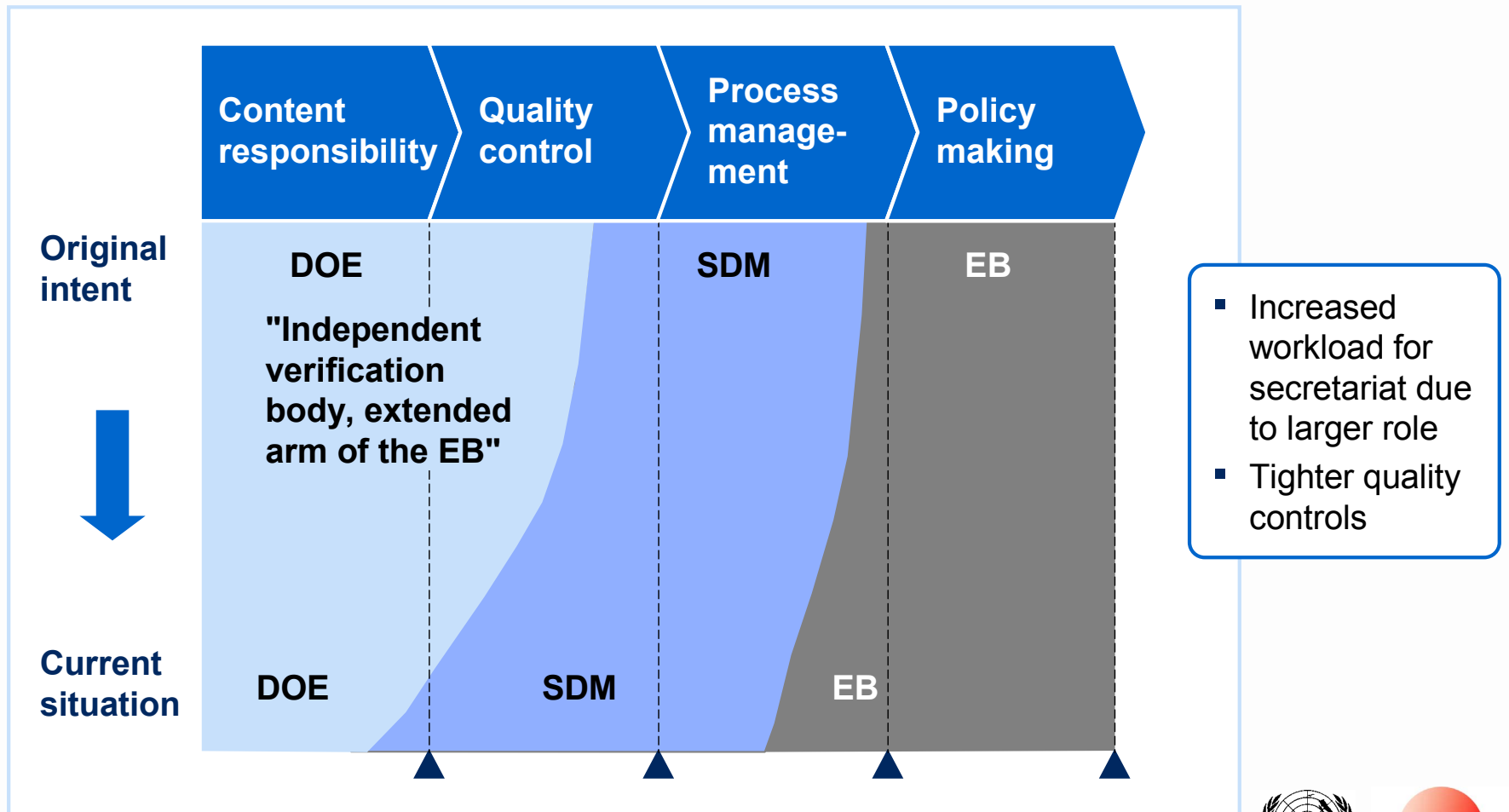
- Variable interpretation and application of standards and guidelines
- Insufficient transparency of the system and its performance
- Few consequences for DOEs of poor quality in submissions
- No effective feedback loop with DOEs
- No prioritisation of effort for risk or impact

A drift from the original intent

- DOEs were to be the extended arm of the EB, giving expertise in assessing against standards
- EB was to set rules and ensure conformity with them, with support of the secretariat
- Board's ability to trigger reviews was a backstop, with most projects being registered automatically
- No single root cause
- All actors in the mechanisms have contributed to this change in the dynamic

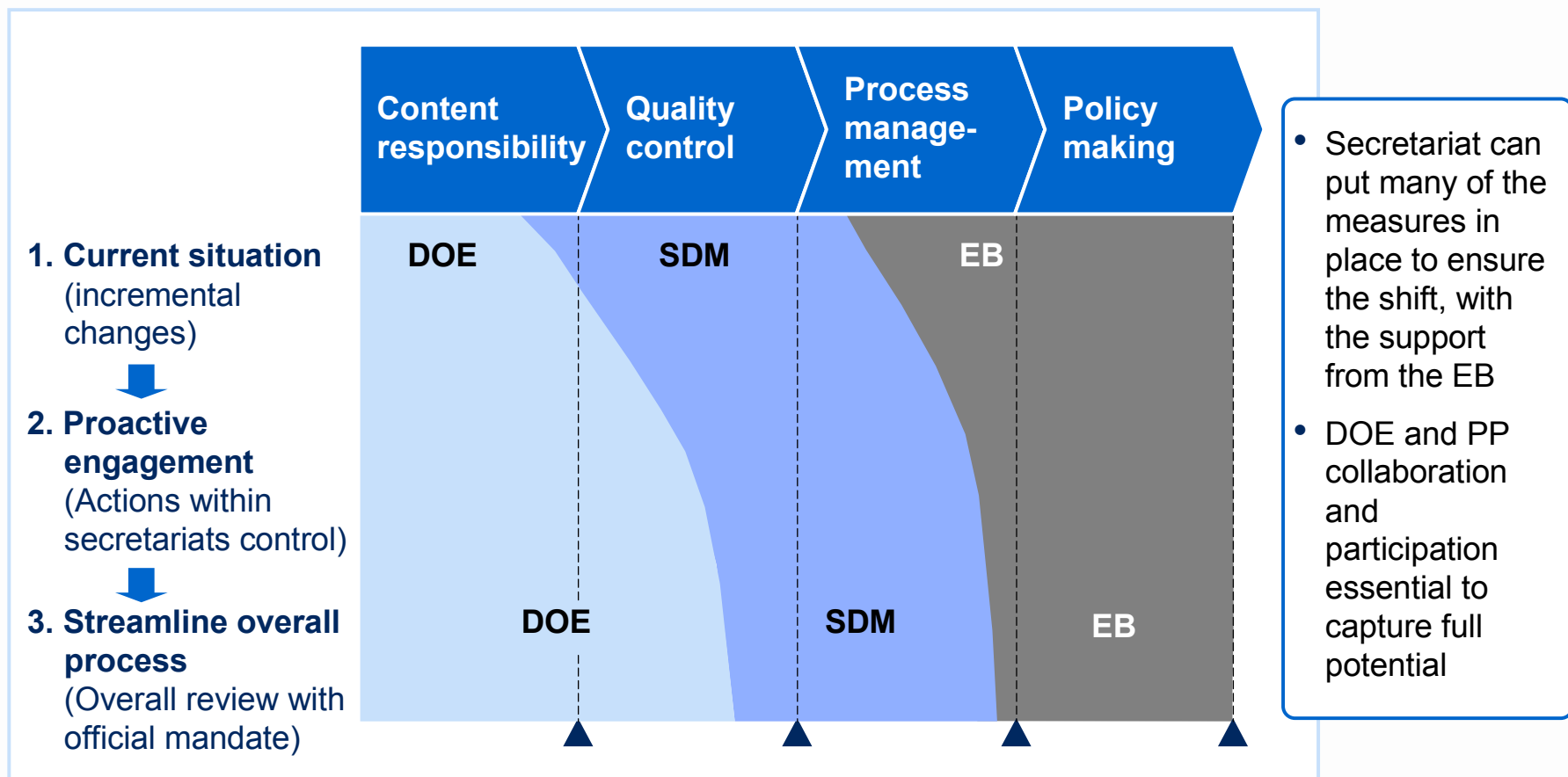


Drift shifts responsibility for content and quality from DOEs to the secretariat



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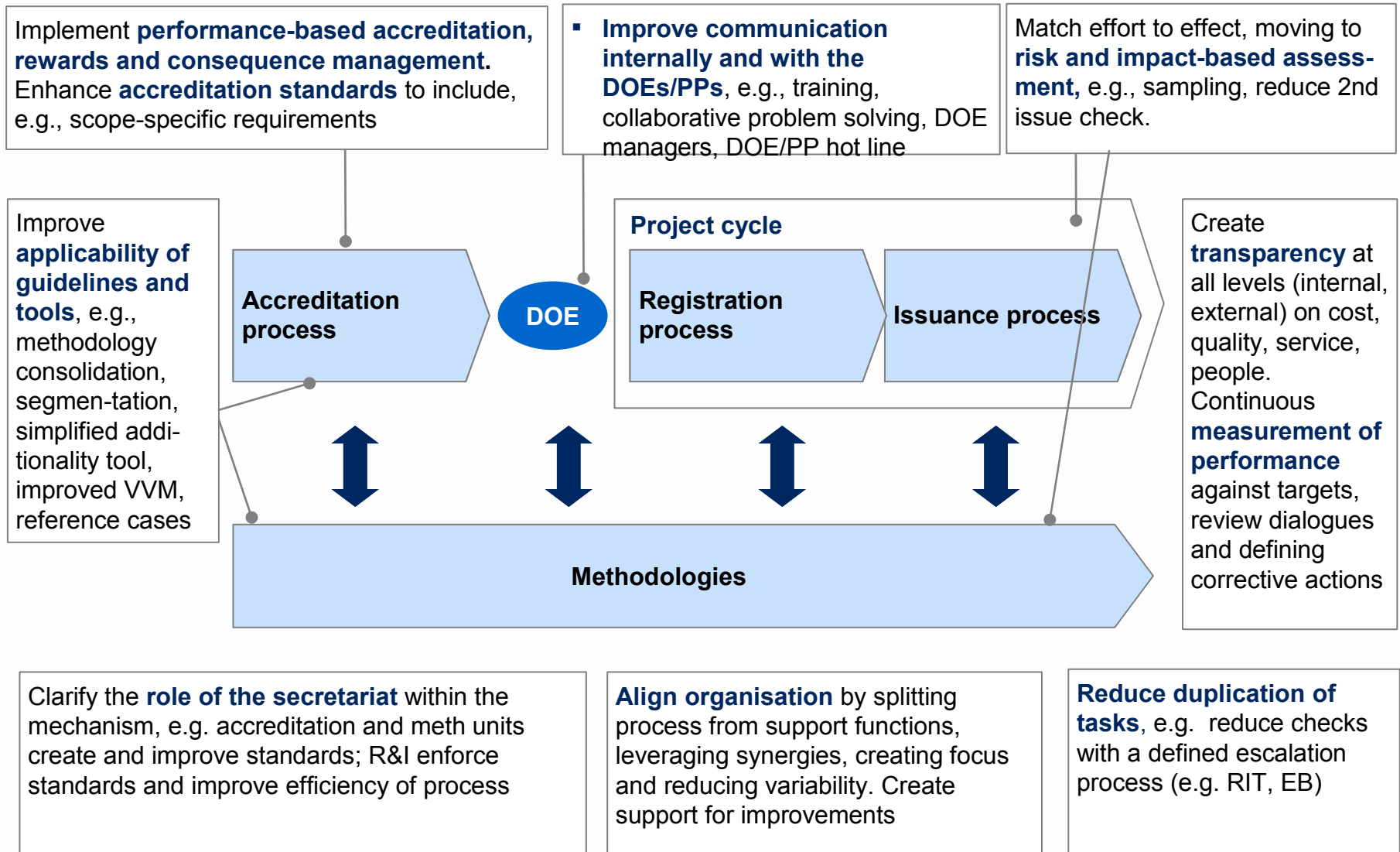
Need to transition back to the intent



Secretariat actions need to support this

- Work more proactively with the EB and JISC to prompt improvements in processes
- Further shifts in management and behaviour in line with secretariat's operational functions
- Further process improvements possible
- Secretariat practices are often dependent on processes set by the EB/JISC

Examples of improvements, across all mechanisms functions



Recommended progression towards improved system performance

1. Gradual evolution

- Scale up secretariat organisation
- Increase sanctions and incentives for DOE
- Implement tighter quality controls
- Improve additionality tool

Not sufficient to close current performance gap

2. Proactive engagement by secretariat

- ① Secretariat to proactively make improvements
- ② Improved communication and collaboration with DOEs and PPs
- ③ Transparency at all levels, measuring performance against target
- ④ Performance management of DOE and experts
- ⑤ Work to improve guidelines
- ⑥ Internal effort prioritized based on risk and impact

Preferred option, within control of secretariat

3. Improve overall process

- EB focusing continuously on policy and relying on support from the secretariat
- Risk based assessment for all areas, with reduced checks
- Enhanced accreditation standards and rules
- Rewards or consequence management for DOE

Requires overall review and approval and out of scope of current assessment

Initiatives already underway

Processes

Initiatives

Accreditation

- Performance management of DOE/AIE to create transparency

Registration

- Simplified EB briefing notes to reduce workload and facilitate assessment by board members
- Enhanced completeness check to filter incomplete documentation early on

Issuance

- Detailed information notes for rejected cases
- Executive presentation at EB and only C cases presented

Methodologies

- Reduce lead times for new methodologies
- Consolidation and simplification of methodologies
- Enhanced effort on tools and guidelines improvements
- Enhanced pre-assessment to filter quality early on

JI

- Training concepts for internal experts on accreditation standards

Further simplification can reduce both reviews and load on the secretariat

Assessment of methodology design¹ vs. baseline review rate

Applicability of conservative options²

High

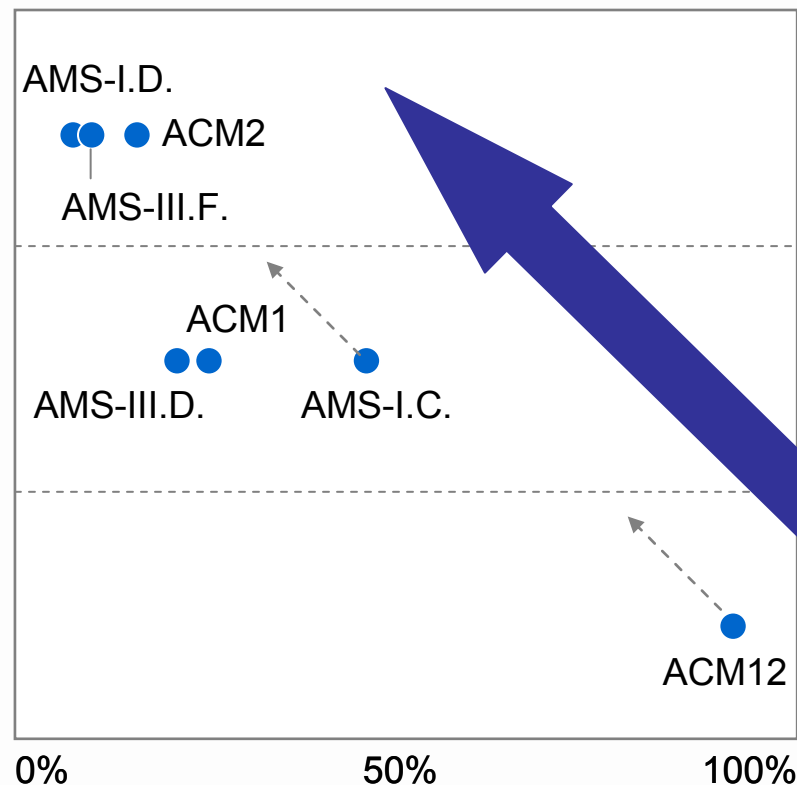
- ~ 100% of projects apply conservative options

Low

- Fewer than half of projects apply conservative options

None

- Methodology specific baseline calculation without conservative options



Fewer reviews with more use of conservative options in methodologies

Reviewed projects for baseline issues
Percent of submissions

¹ Based on top four small scale and three large scale methodologies representing 76% of projects submitted; investigation period 07.08 – 06.09

² Conservative options: predefined baseline options and/or default values



Transfer responsibility for quality in project documentation back upstream

- Stronger performance management and feedback, to identify improvements
- Concerted effort to break the current cycle through stronger collaboration with DOEs
- Proactive work with EB/JISC to improve guidance where more clarity and specificity is needed

Stronger performance management, from measurement to corrective action

Set direction and context

1. Establish clear metrics, targets, and accountability

Measure stakeholder value

5. Define and track clear improvement actions

Execute and manage performance

2. Create realistic budgets and plans

4. Hold robust performance dialogues

3. Track performance effectively

- Actions and their owners are logged in action sheet

| Team action log | | | | | |
|-----------------|---|----------------|----------|---------|---|
| ID | Action | Responsibility | Due Date | Status | Comment/Result |
| 1 | Finalize electronic tracking format in xls | Ian | 25.12.09 | ongoing | Both sites tracking data, some minor adjustments to make. Site A implemented, speed losses tracked very rudimentary, need steps for site B to calibrate load cells and final tracking |
| 2 | Implement xls tracking sheet ON | Ehab | 18.09 | on hold | Both sites tracking data, some minor adjustments to make |
| 3 | Implement xls tracking sheet BK | John | 3.12.09 | ongoing | Both sites tracking data, some minor adjustments to make |
| 4 | Finalize tracking sheet and use categories for each press | David | 08.03.08 | done | Working undertaken with Maintenance Engineers and Team manager |
| 5 | Finalize tracking sheet and use categories for each press | Elen | 23.11.09 | ongoing | Press hall trending to be incorporated in the OEE tracking, first categories drafted, data gathering not resolved yet |
| 6 | Implement xls tracking sheet ON Press Hall | Ian | 1.1.10 | ongoing | Initial categories defined in site A, list finalized, sheets in press hall implemented, measure for two weeks to see sheet applicability |
| 7 | Implement xls tracking sheet BK Press Hall | Peter | 1.11.09 | ongoing | Initial categories defined in site A, list finalized, sheets in press hall implemented, measure for two weeks to see sheet applicability |

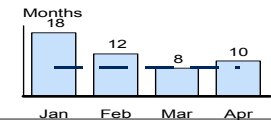
- Performance is reviewed on a regular basis



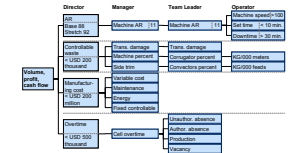
Typical questions

- "What is happening?"
- "Why?"
- "What needs to be done?"
- "Who is going to do it?"
- "When is it going to be done?"

- All KPIs have targets defined



- KPIs are cascaded from business plan

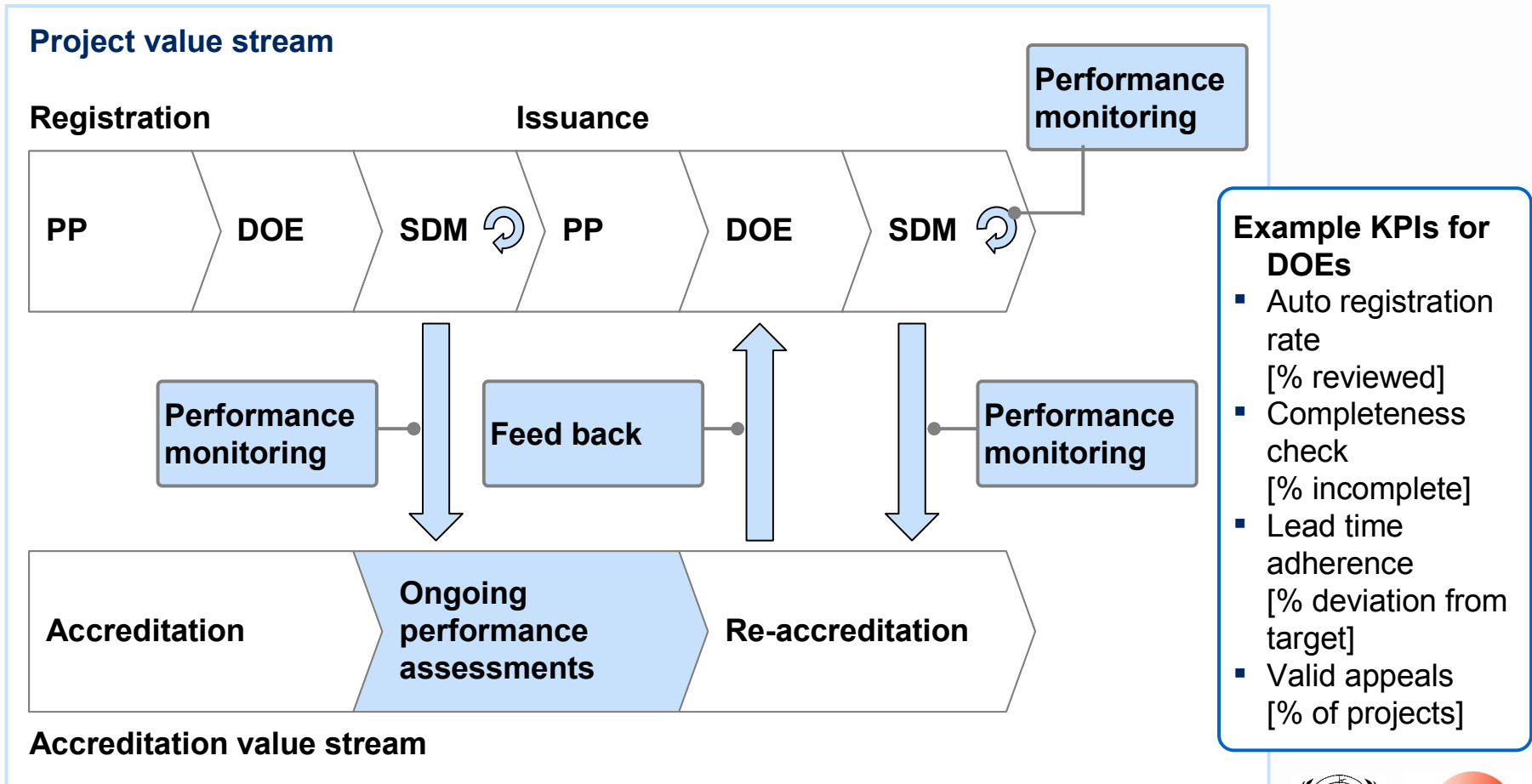


- KPI are visually displayed on performance boards



... allows better quantified feedback and identification of improvements

■ New process



Short term impacts, with more possible over time

