CLEAN DEVELOPMENT MECHANISM

CDM-2015Q4-INFO03

Quarterly report

Financial resources

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United Nations
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Climate Change

TABLE OF CONTENTS **Page**

1. Status of income and expenditure to support CDM activities during the period from 1 January to 31 December 2015

1.1. Income

1. Table 1 below shows the balance brought forward from 2014 and the income received in the period 1 January to 31 December 2015.

Table 1. Income received in 2015, including carry-over from 2014 (in USD)

Carry-over figure from 2014 (A)	**128 031 587**
Income received in 2015	
Accreditation fees	22 500
Fees from the accreditation process	28 686
Registration fees [(a)]	849 744
Methodology fees [(b)]	4 000
Share of proceeds (SOP) [(c)]	10 142 220
Sub-total – Income (B)	**11 047 150**
Current balance of 2014 carry-over and 2015 income (A + B)	**139 078 737**

Note: USD 45 million held in reserve (EB 45, 2009) is not included in the above figures.

[(a)] This fee is based on the average annual issuance of CERs over the first crediting period and is calculated as a share of proceeds to cover administrative expenses, as defined in decision 7/CMP.1, paragraph 37. Projects with annual average emission reductions of less than 15,000 tonnes of carbon dioxide equivalent are exempt from the registration fee, and the maximum fee applicable is USD 350,000. This fee is considered to be a pre-payment of the share of proceeds to cover administrative expenses.

[(b)] A non-refundable submission fee of USD 1,000 is payable at the time a new methodology is proposed. If the proposal leads to an approved methodology, the project participants receive a credit of USD 1,000 against payment of the registration fee or a pre-payment of share of proceeds.

[(c)] The share of proceeds, payable at the time of issuance of CERs, is USD 0.10 per CER issued for the first 15,000 CERs, for which issuance is requested in a given calendar year, and USD 0.20 per CER issued for amounts in excess of 15,000 CERs.

2. The total fees received as at 31 December 2015 amounted to USD 11.0 million (Table 1). This is considerably more than the expected income of the USD 3.1 million projected income for 2015.[1] The 2014 projects versus actual income[2] reflected a significant drop in the CER price that occurred during that period. The average price that is now being realized has more than doubled (USD 0.14/CER to USD 0.36/CER). This

[1] As per CDM business plan 2014-2015 (CDM-EB81-A01, section 4.1, paragraph 13).

[2] The projected income for 2014 was USD 25 million. The total income received for 2014 was USD 9.2 million.

increase has in turn stimulated demand leading to an increase in both the quantity of issuances being submitted with a modest increase (4 per cent) in issuance fees being paid in 2015. This is reflected in the increased revenue figure when compared to the very conservative figure originally used in the budget preparation.

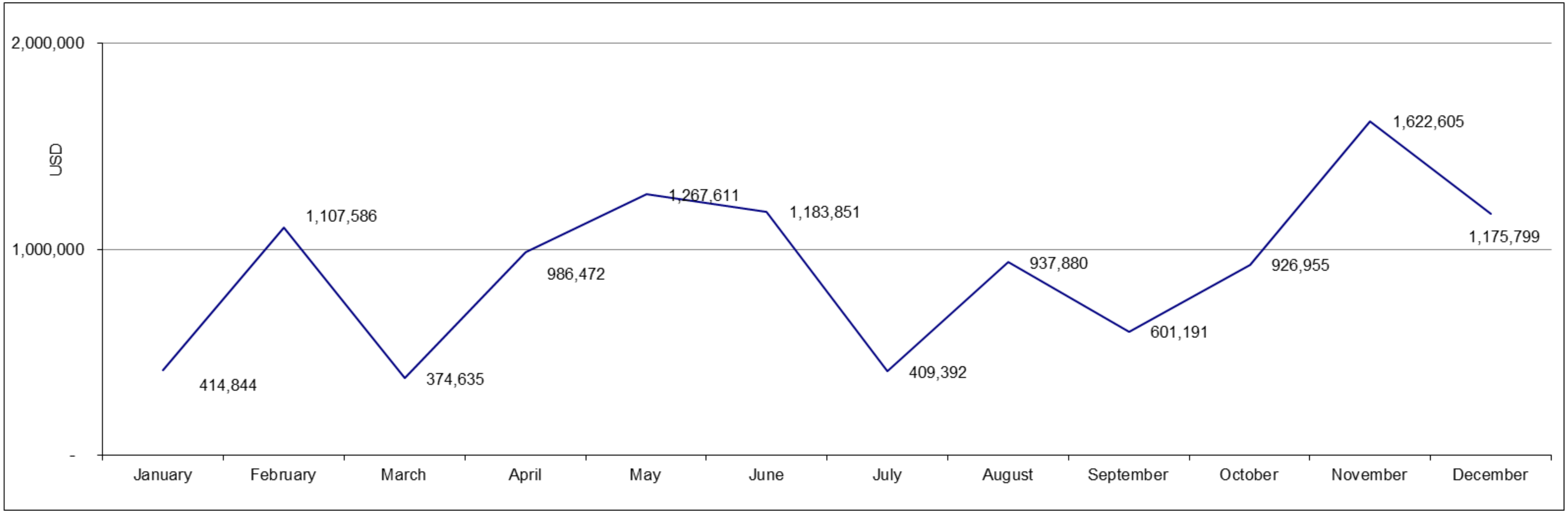
3. CERs remain in pending accounts, for which the Share of Proceeds administration has not been paid. The CERs have a value in terms of fees of approximately USD 34.0 million. The secretariat has already performed all related tasks with the exception of forwarding for the corresponding projects. Under the current CDM rules, secretariat work invested in CDM projects that do not complete the forwarding stage of the cycle cannot be recovered.

4. The total interest accrued in the CDM Trust Fund from prior years to 30 June 2015, amounted to USD 9.6 million and is included in the carry-over and balance reported in Table 1. The accrued interest is currently ear-marked to fund the loan scheme to support the development of CDM project activities in countries with fewer than ten such activities registered, in accordance with decision 3/CMP.6, paragraph 65.

1.1.1. Registration fees and shares of proceeds

5. Figure 1 below provides a monthly overview of the income received.

Figure 1. Monthly registration fees and share of proceeds - 1 September 2014 to 31 December 2015 (12 months period)



1.2. Expenditure

6. Table 2 shows the expenditure incurred and the utilization rate for the reporting period.

Table 2. Comparison of budget and expenditure for the period 1 January to 31 December 2015 (in United States dollars)

UN Object of Expenditure	Budget (Jan–Dec 15) a	Actual expenditure (Jan–Dec 15) b[n]	Difference (a-b) c	% Rate Expenditure vs Budget (b/a) d
Staff[a]	15 380 762	14 494 086	886 676	94%
Consultants[b]	219 203	249 265	- 30 062	114%
Experts fees[c]	442 800	200 304	242 496	45%
Experts travel[d]	439 588	223 745	215 843	51%
Travel of representatives – EB[e]	1 131 841	520 532	611 309	46%
Travel of representatives – DNA[f]	498 164	437 821	60 343	88%
Travel of staff[g]	244 658	287 394	- 42 736	117%
Training[h]	161 464	103 227	58 237	64%
Operating expenses[i]	5 865 287	6 346 611	- 481 324	108%
Mobile Communications[j]	18 800	21 626	- 2 826	115%
Supplies and material[k]	95 000	32 249	62 751	34%
Grants (EB) [l]	357 000	454 817	- 97 817	127%
Sub-total	**24 854 567**	**23 371 677**	**1 482 890**	94%
13% Programme support[m]	3 231 093	2 485 003	746 090	77%
Total	**28 085 660**	**25 856 680**	**2 228 980**	92%

[a] Staff costs include Staff, General Temporary Assistance (GTA) and staff-related costs such as salaries, overtime payments, dependency allowance, education grant, rental subsidy, home leave travel, travel on appointment and separation, etc.

[b] Consultant costs include consultants and individual contractor fees and associated travel costs.

[c] Expert fees refer to panel and working group attendance fees and case fees.

[d] Expert travel refers to ticket costs and daily subsistence allowance (DSA) of panel and working group members.

[e] Travel of representatives - EB includes ticket costs, DSA, 40 per cent additional DSA for members/alternate members for meetings of the Board and the EB events at the UNFCCC sessions.

[f] Travel of representatives - DNA includes ticket costs and DSA for participants.

[g] Travel of staff includes ticket costs, DSA, terminal expenses and miscellaneous expenses.

[h] Training costs include staff attendance or course fees, ticket costs and DSA.

[i] Operating expenses include engagement agreements (conference affairs, IT, regional collaboration centres), rental of equipment, shipping and transport costs, maintenance costs and other logistic costs. It also includes the Total Cost of Ownership (TCO) which is a UNFCCC secretariat-wide cost recovery

mechanism for the reimbursement of services provided to secretariat programmes, applied as per a secretariat Management Team decision of 2007. In 2015 TCO is estimated to be USD 1.7 million.

(j) Official mobile telephone charges. This does not include the charges incurred on the regular office telephones which are covered through TCO.

(k) Acquisition of hardware, supplies, software and subscriptions.

(l) Grants (EB) includes support to individual members/alternate members for: (i) secretarial/administrative support (temporary secretarial staff and related services, printing, stationery and consumable materials, telephone and internet costs, insurance to cover the loss or theft of laptops); and (ii) IT-related expenses (laptop and software, printers).

(m) In accordance with the financial procedures of the United Nations, 13 per cent of overhead charges are payable on all trust funds of the UNFCCC to cover administrative services provided by the United Nations Office at Geneva and the UNFCCC secretariat.

(n) Expenditure includes obligations.

7. As at the time of preparing this report, the 2015 accounts are not final. Transactions not yet processed include: the Total Cost of Ownership charges for the second half of 2015 (projected at USD 1.5 million), 13 per cent Programme Support costs for period November through December 2015 (projected at USD 0.7 million) and the final payments for staff resulting from the restructuring process (projected at USD 3.5 million). Column (d) in Table 2 shows the rate of expenditure as a percentage of the total 2015 budget for each cost category.

8. Consultants' costs are 114 per cent of the projected 2015 budget for this object of expenditure. The over expenditure reflects the movement to the new financial system (UMOJA) in quarter four. In preparing the 2015 budget in the IMIS financial system, some consultant costs were budgeted under the Training cost category. In the move to UMOJA, all consultancy costs were consolidated under the Consultant cost category, resulting in an increase in expenditure under the Consultant cost category and a decrease in expenditure under the Training cost category.

9. Expert fees amounts to 45 per cent of the projected 2015 budget for this object of expenditure. There is a reduction (-seven per cent or USD 31K) from the previous quarter (52 per cent) reporting, which reflects the end of year closing of obligations (committed funds that were not spent). The overall under expenditure reflects a lower level of case work required in 2015, in comparison to what was budgeted.

10. Expert travel and Travel of EB representatives amount to 51 per cent and 46 per cent of the 2015 budget for these objects of expenditure, respectively. The under expenditure in both reflects the use of a budget calculation method which provides a lump sum per member and alternate member; regardless of from where the elected individuals, serving on the Board and the panels and working groups, actually travel. Other reasons for the lower than expected expenditure under this object of expenditure is: a current Board vacancy; the absence of some members/alternate members at meetings; back to back meeting arrangements in Bonn for some of the Chairs and Vice chairs of panel and working groups in conjunction with Board meetings and, the proximity of several of the current members/alternate members to the meeting venue.

11. Travel of DNA representatives is 88 per cent of the 2015 budget for this object of expenditure. Expenditure is in line with the planned budget, taking into account the use of a budget calculation method for travel of participants, which provides a lump sum per participant, regardless of from where the participant actually travel.

12. Travel of staff representatives is 117 per cent of the 2015 budget. The over expenditure reflects the movement to the new financial system (UMOJA) in quarter four. In preparing the 2015 budget in the IMIS financial system, some travel of staff costs were budgeted under the Training cost category. In the move to UMOJA, all staff travel costs were consolidated under the Travel of staff cost category, resulting in an increase in expenditure under the Travel of staff cost category and a decrease in expenditure under the Training cost category.

13. Training expenditure is 64 per cent of the 2015 budget for this object of expenditure. The under expenditure rate is explained in paragraphs eight and 13.

14. Operating Expenses is 108 per cent of the projected 2015 budget for this object of expenditure. The 2015 over expenditure is expected to increase further, due to the Total cost of ownership (TCO) costs that have not yet been processed (see paragraph 7). The over expenditure is due to:

    (a) The fact that TCO projections were based on a 30 per cent human resource natural attrition rate, which did not occur. For the 2016 budget, the TCO projections will be based on the actual approved staffing table after the 2015 restructuring process is complete;

    (b) In preparing the 2015 budget in the IMIS financial system, some material costs were budgeted for under the supplies and materials category. In the move to UMOJA, these costs were consolidated under the Operating expense cost category, resulting in an increase in expenditure under the Operating expense cost category and a decrease in expenditure under the material and supplies cost category.

15. The expenditure for supplies and materials are 34 per cent of the 2015 budget for this object of expenditure. The explanation for this under expenditure is provided for in paragraph 14 (b).

16. The expenditure for Grants (EB) amounts to 127 per cent of the 2015 budget. The over expenditure is due to the fact that some 2014 declarations were processed in 2015 and that all 2015 declarations were processed.

1.3. Summary of financial position

17. Table 3 below shows the balance of the CDM Trust Fund as at 31 December 2015. The expenditure of USD 25.9 million stated in Table 2 exceeds the income for the period ending 31 December 2015 (Table 1) of USD 11.0 million, resulting in a deficit of USD 14.8 million. Although it had been anticipated at the time of consideration of the CDM MAP 2015, that the operationalization of the CDM is entering a difficult period, where expenditure would exceed income, the income received during 2015 has exceeded the projected income.

Table 3. Available balance as at 31 December 2015 (in USD)

Carry-over figure from 2014 (A)	**128 031 587**
Status of funds for the period Jan – Sept 2015	
Income received	11 047 150
Less: Expenditure	25 856 680

Total surplus/(deficit) (B)	**- 14 809 530**
Balance available at 31 December 2015 (A+B)	**113 222 057**

Note: USD 45 million held in reserve (EB 45, 2009) is not included in the above figures.

Table 4. Income and expenditure trend January-December 2015

	1st quarter 2015	**2nd quarter 2015**	**3rd quarter 2015**	**4th quarter 2015**
Income	1 897 064	3 473 295	1 950 662	3 726 129
Expenditure	6 684 752	6 220 878	7 277 582	5 673 468
Income minus expenditure	**- 4 787 688**	**- 2 747 583**	**- 5 326 920**	**- 1 947 339**

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