

CDM-2018Q3-INFO01

Quarterly report

Financial resources

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1. Status of income and expenditure to support clean development mechanism activities from 1 January to 30 September 2018

1.1. Income

1. Table 1 below shows the balance brought forward from 2017 and the income received in the period 1 January to 30 September 2018.

Table 1. Income received in 2018, including carry-over from 2017 (in United States dollars)

Carry-over from 2017* (A)	90 014 749
Income received in 2018	
Accreditation fees	112 423
Fees from the accreditation process	79 468
Registration fees ^(a)	99 509
Share of proceeds ^(b)	7 109 581
Sub-total – Income 1 Jan–30 Sep 2018 (B)	7 400 981
Current balance of 2017 carry-over and 2018 income (A + B)	97 415 730

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

^(a) This fee is based on the average annual issuance of certified emission reductions (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 a prepayment of the share of proceeds to cover administrative expenses.

^(b) 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 each calendar year, and USD 0.20 per CER issued for amounts in excess of 15,000 CERs.

2. The total fees received as at 30 September 2018 amounted to USD 7.4 million (see table 1). A projected income of USD 9.0 million for 2018 was included in the clean development mechanism (CDM) management plan for 2018–2019.¹ Income received represents 82.2 per cent of the projected income, which is in line with the linear rate for the nine months of 2018 of 75 per cent. The total fees received in 2017 was USD 8.5 million.²
3. Certified emission reductions (CERs) held in the CDM registry at the end of Q3 amount to 445.6 million. The secretariat has already performed all related tasks (with the exception of forwarding) for the corresponding project issuances. Share of proceeds (SOP) from administration remains due for about two thirds of the CERs held in the CDM registry and amounts to approximately USD 59.1 million. This is an increase of USD 0.3 million in comparison to Q2. The outstanding SOP increased slightly in Q3 due to the ongoing

¹ As per the CDM two-year business and management plan 2018-2019 (CDM-EB97-A01-INFO, table 12).

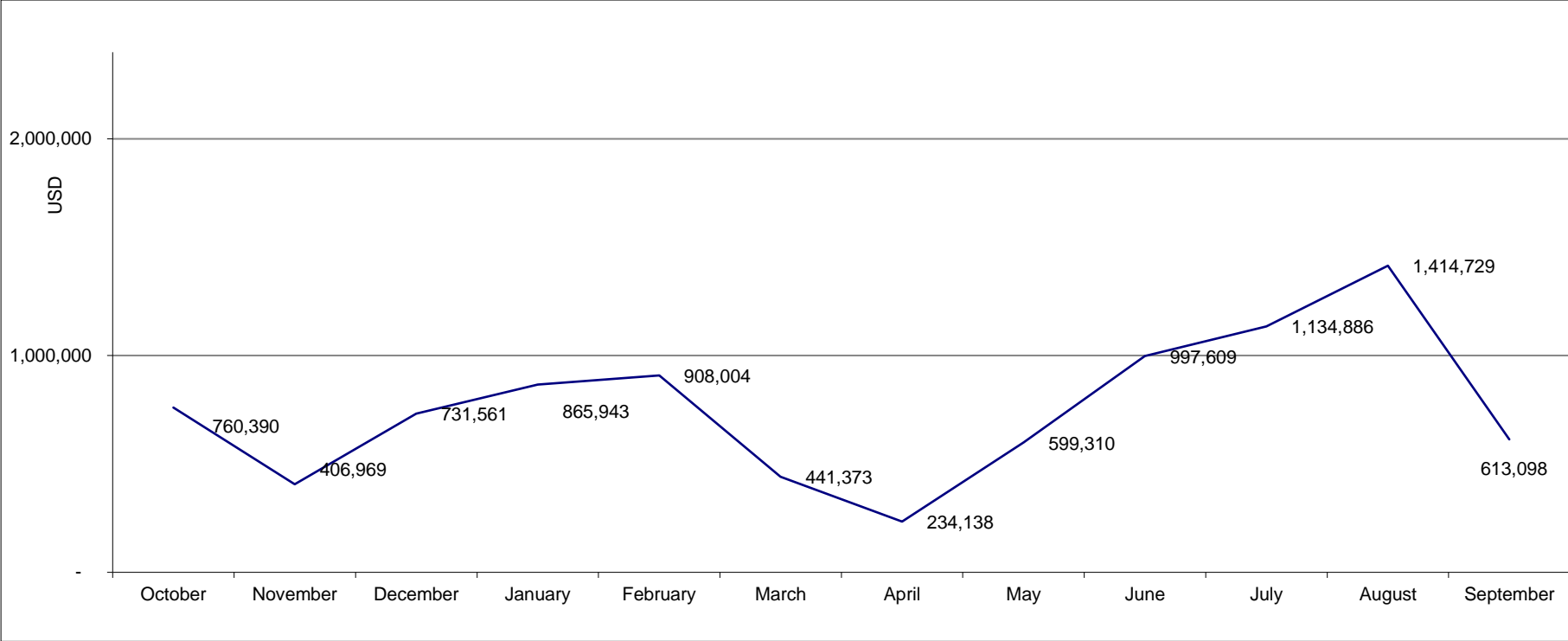
² As per Quarterly Report – Financial resources. Fourth Quarter, 2017 (CDM-2017Q4-INFO01, table 1).

finalization of issuances under the old SOP procedure. The new rules approved by the Executive Board of the CDM (hereinafter referred to as the Board) for partial payment of SOP on already approved issuances and upfront payment of SOP on new issuances were implemented in Q1 (1 January) and Q2 (1 June) respectively. These rules are intended to enable recovering some of the outstanding SOP amount to be recovered or to prevent it from growing further.

1.1.1. Registration fees and share of proceeds

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

Figure 1. Monthly registration fees and share of proceeds – 1 October 2017 to 30 September 2018 (12-month period)



1.2. Expenditure

5. 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 30 September 2018 (in United States dollars)

Expenditure classification	Budget 2018 a	Expenditure (Jan–Sep 18) b ^(q)	Difference (a-b) c	% Rate expenditure vs. budget (b/a) d
Staff ^(a)	10 801 200	8 048 311	2 752 889	74.5
Consultants ^(b)	424 700	197 350	227 350	46.5
Expert fees ^(c)	218 200	90 098	128 102	41.3
Expert travel ^(d)	206 400	161 491	44 909	78.2
Travel of representatives ^(e)	450 800	253 138	197 662	56.2
Travel of representatives – Executive Board (EB) ^(f)	420 500	282 015	138 485	67.1
Travel of staff ^(g)	362 100	340 112	21 988	93.9
Training ^(h)	20 000	18 751	1 249	93.8
Operating expenses ⁽ⁱ⁾	684 700	355 719	328 981	52.0
RCC operations ^(j)	588 400	468 538	119 862	79.6
Total Cost of Ownership ^(k)	1 510 000	1 451 567	58 433	96.1
Engagement agreement (Information and Communication Technology) ^(l)	1 240 286	944 309	295 977	76.1
Mobile communication ^(m)	15 100	7 985	7 115	52.9
Supplies and material ⁽ⁿ⁾	77 500	68 154	9 346	87.9
Grants (EB) ^(o)	376 500	358 200	18 300	95.1
Subtotal	17 396 386	13 045 738	4 350 648	75.0
13% Programme support ^(p)	2 261 530	1 695 946	565 584	75.0
Total	19 657 916	14 741 684	4 916 232	75.0

- (a) Staff costs include Staff, General Temporary Assistance salaries and staff-related costs such as overtime payments, dependency allowance, education grant, rental subsidy, home-leave travel, travel on appointment and separation. It also includes a late charge related to staff restructuring of USD 154,000.
 - (b) Consultant costs include consultant 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 panel and working group members' ticket costs and daily subsistence allowance (DSA).
 - (e) Travel of representatives from designated national authorities (DNAs) includes participants' ticket costs and DSA.
 - (f) Travel of representatives to EB meetings includes ticket costs, DSA, 40 per cent additional DSA for members/alternate members for meetings of the Board, and the EB events at the United Nations Framework Convention on Climate Change (UNFCCC) sessions.
 - (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 rental of equipment, shipping and transport costs, maintenance costs and other logistical costs normally associated with meetings of regulatory bodies and their panels and working groups.
 - (j) Regional Collaboration Centre (RCC) operation costs include costs relating to administering the RCCs and their staff missions, including travel and mission subsistence allowance costs, the RCC Global Forum and the RCC Roundtable.
 - (k) Total Cost of Ownership (TCO) – Service programmes in the secretariat (Information Technology Services, Conference Affairs Services and Administrative Services) render services to all secretariat activities funded from both core and non-core sources of funding (such as the CDM Trust Fund). The purpose of TCO charges is to ensure the allocation of costs of these support services to the sources of funding to which they relate. In 2018, the TCO charge per capita of EUR 13,950 is applied.
 - (l) Engagement agreement (Information and Communication Technology) includes information technology (IT) costs related to support the CDM management projects and the maintenance of the operational IT infrastructure required to operate the CDM project activity cycle workflows (e.g. registry, project submission work flows).
 - (m) Mobile communications are official mobile telephone charges for mobile phone services and do not include the charges incurred on the regular office telephones (those are covered through TCO).
 - (n) Supplies and material include the acquisition of hardware, supplies, software and subscriptions.
 - (o) Grants (EB) include 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 (laptops and software, printers).
 - (p) Programme support – 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.
 - (q) Expenditure includes obligations.
6. Column (d) in table 2 shows the rate of expenditure as a percentage of the total 2018 budget for each cost category. The linear rate of expenditure for the nine months of 2018 is 75 per cent.
7. Consultant costs amount to 46.5 per cent of the 2018 budget for this object of expenditure, which is significantly lower than the linear rate of expenditure (75 per cent). Consultancies are undertaken on a need basis.

8. Expert fees amount to 41.3 per cent of the 2018 budget for this object of expenditure, which is lower than the linear rate of expenditure (75 per cent). This is due to the fact that the payment for the third meeting of the Methodologies Panel and Accreditation Panel was processed in Q4.
9. Costs for the travel of representatives amount to 56.2 per cent of the 2018 budget for this object of expenditure, which is lower than the linear rate of expenditure (75 per cent). Activities are not equally distributed across the year. Expenditure is expected to align with the original projections as the year progresses.
10. Costs for the travel of EB members amount to 67.1 per cent of the 2018 budget for this object of expenditure, which is lower than the linear rate of expenditure (75 per cent). Savings are expected as a result of reducing the number of EB meetings from five to four during the year.
11. Costs for travel of staff amount to 93.9 per cent of the 2018 budget for this object of expenditure, which is significantly higher than the linear rate of expenditure (75 per cent). The expenditure is expected to be higher than the amount budgeted and this is due to travel of staff to two EB meetings outside Bonn instead of only one budgeted. This expenditure excludes travel related to entity assessments for USD 105,487 as this is reimbursed by the designated operational entities and included as income under fees from the accreditation process.
12. Training costs amount to 93.8 per cent of the projected 2018 budget for this object of expenditure, which is higher than the linear rate of expenditure (75 per cent). This reflects the training schedule in the approved training plan, which scheduled more events in the first nine months of the year. Expenditure is expected to align with the original projections as the year progresses.
13. Operating costs amount to 52.0 per cent of the projected 2018 budget for this object of expenditure, which is significantly lower than the linear rate of expenditure (75 per cent). Activities are not equally distributed across the year. Expenditure is expected to align with the original projections as the year progresses.
14. RCC operations costs amount to 79.6 per cent of the 2018 budget for this object of expenditure, which is slightly higher than the linear rate of expenditure (75 per cent). This is because the costs related to RCC activities are not equally distributed across the year. Expenditure is expected to align with the original projections as the year progresses.
15. TCO costs amount to 96.1 per cent of the 2018 budget for this object of expenditure, which is significantly higher than the linear rate of expenditure (75 per cent). This is because expenditure includes the commitments for costs related to full year. Expenditure is expected to align with the original projections as the year progresses.
16. Mobile communication costs amount to 52.9 per cent of the projected 2018 budget for this object of expenditure, which is lower than the linear rate of expenditure (75 per cent). Expenditure is lower than the original projections due to introduction of cost-saving measures.
17. Supplies and materials costs amount to 87.9 per cent of the projected 2018 budget for this object of expenditure, which is significantly higher than the linear rate of expenditure (75 per cent). The higher rate of expenditure reflects the subscription commitments that extend to year-end. Expenditure is expected to align with the linear rate as the year progresses.

18. Grants (EB) costs amount to 95.1 per cent of the projected 2018 budget for this object of expenditure, which is significantly higher than the linear rate of expenditure (75 per cent). This is due to the fact that almost all of the 2018 grant requests have been processed in the system, and funds have been fully committed against this item of expenditure.

1.3. Summary of financial position

19. Table 3 below shows the balance of the CDM Trust Fund as at 30 September 2018. The expenditure of USD 14.9 million included in table 2 exceeds the income for the period ending 30 September 2018 of USD 7.4 million (see table 1), resulting in a deficit of USD 7.5 million.

Table 3. Available balance as at 30 September 2018 (in United States dollars)

Carry-over figure from 2017 (A)	90 014 749
Status of funds for the period Jan–Sep 2018	
Income received	7 400 981
Less: Expenditure	14 860 884
Total surplus/(deficit) (B)	-7 459 903
Balance available as at 30 September 2018 (A+B)	82 554 846

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

20. Tables 4 and 5 below show the income and expenditure trends for October 2017 to September 2018 and the nine-month period in the year.

Table 4. Quarterly income and expenditure October 2017– September 2018

	4th quarter 2017	1st quarter 2018	2nd quarter 2018	3rd quarter 2018
Income	1 998 010	2 279 799	1 917 325	3 203 856
Expenditure	3 065 448	4 838 009	4 539 281	5 483 594
Income minus expenditure	-1 067 438	-2 558 210	-2 621 956	-2 279 738

Table 5. Income and expenditure for the first nine months of 2017 and 2018

	2017	2018
Fee income	6 454 220	7 400 981
Expenditure	14 518 864	14 860 884
Surplus/(deficit) for the period Jan-Sep	- 8 064 644	-7 459 903

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