

SUBMISSION OF VIEWS BY THE SUSTAINABLE DEVELOPMENT INITIATIVE (SDI) IN RESPONSE TO THE CALL FOR INPUT 2024 - ISSUES INCLUDED IN THE ANNOTATED AGENDA AND RELATED ANNEXES OF THE THIRTEENTH MEETING OF THE ARTICLE 6.4 SUPERVISORY BODY.

The SDI welcomes the opportunity to comment on the annotated agenda of the 13th meeting of the Supervisory Body of the A6.4 mechanism, and wishes to submit its views on annex 10 of the agenda, 'Draft tool: Article 6.4 sustainable development tool'. The SDI's views are presented below.

RECOMMENDATIONS

The SDI supports the Supervisory Body's aspiration to develop the leading international market mechanism framework. Consequently, the sustainable development tool for the Article 6.4 mechanism (A6.4 SD tool) should set international best practice standards as an example for others to follow, such as privately-administered crediting programs of the voluntary carbon market.

Based on previous [SDI analysis and views](#), we conclude that the current version 07.0 of the A6.4 SD tool is designed to reach this goal and is set to raise the bar for promoting sustainable development.

Referring to earlier [input](#), this assessment is based on the following key elements:

1. **Robust and reliable safeguards, assessing risks and potential impacts, including ways to mitigate the risks and related management plans, supported by monitoring and verification, as well as stakeholder involvement:** This section has improved significantly since version 06.0, especially by providing more clarity in the do-no-harm risk assessment. This applies to technical improvements (such as changes to the conclusion section of the do-no-harm assessment tables), but also to the reference to International Labor Organization (ILO) standards, which are international best practice and will also ease the work of the auditors.
2. **Detailed SDG impact assessment, using criteria, tools and compliance procedures ensuring synergies and trade-offs between mitigation actions and SDG impacts result in overall positive SDG impacts:** in this section, simplification and clarification of the steps to be taken compared to the previous version of the tool will lead to greater workability and improved handling of the tool, which in turn is going to reduce costs.

Details of our analysis can be found below. While there are minor technical issues which can still be improved, the SDI considers this version of the SD tool as mature and supports its adoption. The SDI also considers early practical experiences with the SD tool as crucial for continuous improvement and quality assurance. Adoption would send a strong signal to the market which is currently under significant pressure, especially regarding quality concerns. After approving the grievance and appeals process at SB 011, this step would underline the SBM's commitment to deliver a robust and reliable international framework this year, and support the Article 6 development process as a whole.

1. BACKGROUND

In 2015, the Paris Agreement and the 2030 Agenda were agreed upon, two historic agreements that set both global goals for climate and sustainable development. The Paris Agreement preamble recognizes the intrinsic relationship between climate change actions, responses and impacts, and equitable access to sustainable development and the eradication of poverty.

Article 6 of the Paris Agreement allows Parties to pursue voluntary cooperation in the implementation of their NDCs with the overall objective of:

‘[...allowing] for higher ambition in their mitigation and adaptation actions and to promote sustainable development and environmental integrity.’

Meanwhile, the objective of the Article 6.4 mechanism is to establish a mechanism:

‘to contribute to the mitigation of greenhouse gas emissions and support sustainable development’.

At COP26 in 2021, the CMA decided that the Art. 6.4 mechanism Supervisory Body (SB) shall develop a tool for the assessment of the sustainable development impacts of mitigation actions latest by the end of 2023 (decision 3/CMA.3, paragraph 5 (c)). This is further specified in the rules, modalities and procedures for the mechanism, stating that:

‘The development of tools and approaches to assess and report information about how each activity is fostering sustainable development, while acknowledging that the consideration of sustainable development is a national prerogative’ (decision 3/CMA.3, Annex, Rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement, paragraph 24 (a), IX).

Furthermore, Parties requested the SB to establish requirements and processes to operate the mechanism, relating to, inter alia, the application of robust, social and environmental safeguards (ibid, paragraph 24 (a), X).

At its 4th meeting in March 2023, the SB decided that the SD Tool shall be mandatory to use. The SB further decided that the SD Tool shall:

- Be integrated into the activity standards, validation and verification standards and the related procedures, implying that SDG impacts get monitored and verified,
- Take into account sustainable development objectives of host Parties,
- Include positive and negative sustainable development impacts using quantitative and / or qualitative indicators, and

- Be informed on a review of sustainable development assessment procedures of other market-based mechanisms.

SB 007, among others, required the assessment of the positive and negative impacts of activities on the SDGs, targets and/or indicators of the host Party. Monitoring requirements for SD indicators are to be developed. Moreover, a separate module for forestry / AFOLU activities was requested.

At SB 008 and SB 010, respectively, further refinement of the framework took place. SB 011 decided to continue developing the SD tool without the separate AFOLU module and to launch a call for inputs with a special focus on views by the CDM designated operational entities (DOEs) and the validation and verification bodies (VVBs).

2. SDI VIEWS

The SDI builds its recommendations on lessons learned from the voluntary CDM SD Tool (Olsen, Arens and Mersmann, 2018)¹ and best practice standards for quality and integrity (p.ex. from the ICVCM²) and places two key principles at the heart of its analysis.

- Safeguards: Mandatory use of criteria, tools, and compliance procedures to ensure no negative impacts of mitigation activities,
- Sustainable development: Mandatory use of criteria, tools and compliance procedures to ensure that synergies and trade-offs between mitigation actions and SDG impacts result in overall positive SDG impacts.

The following brief assessment is based on a screening during the one-week commenting period for the annotated agenda of SBM 013 and does not represent scientific analysis.

¹ Learning from CDM SD tool experience for Article 6.4 in the Paris Agreement. Available here: <https://orbit.dtu.dk/en/publications/learning-from-cdm-sd-tool-experience-for-article-64-in-the-paris->

² Core Carbon Principles and Assessment Framework documents available here: <https://icvcm.org/the-core-carbon-principles/>

Safeguards

Assessing safeguards addresses para 24 No. X of the RMP and ensures that an Art. 6.4 mitigation activity does not lead to any negative consequences as a result of the intervention. The basic principle being that any intervention should not do harm to the societies and the environment and that they take place in a well-established, bi- and multilateral development cooperation (SDI Policy Brief, 2018)³.

Assessment of selected changes made to the current version 07.0 of the tool:

- Improved safeguards principles and criteria: compared to version 06.0, the textual clarity and quality of the safeguards sections has been enhanced. Paragraph 27, for example, provides more clarity and stringency regarding the level and nature of the assessment.
- The streamlined conclusion on the do-no-harm risk assessment tables now provide clear guidance on how to arrive at the conclusion, which brings about improved clarity for users and auditors alike. This is assisted by the newly-added flow chart (figure 1).
- The anti-corruption paragraph (principle 10) is now based on a declaration, which goes back to a suggestion by the DOEs. While a self-declaration is a comparably weak measure, it is clear that auditors cannot go beyond checking the availability of such a statement. Thus, this change enhances the auditability and will therefore also make the work of DOEs more efficient and reduce audit risk.
- A further improvement is the definition of terms such as “significant” and “feasible”, which further improves workability of the framework. In this respect, further clarification of the term “excessive” would be helpful, but in the view of the SDI this can also be clarified iteratively in later revisions of the tool, based on feedback from the first applications of the tool.

Sustainable development impacts

- The SD impact assessment section has been completely revised and streamlined. The flow chart clearly shows the steps to be taken in the assessment.
- The changed focus on qualitative assessment of positive and negative SD impacts will strengthen assessment efficiency and also increase transparency.
- The requirements for the required type / quality of impact have been made more clear and easier to comply with.
- A requirement for tabular impact reporting might be helpful, but could be part of the A6.4 SD form

³ SDI Policy Briefs (2018) are available here: <https://unepccc.org/publications/policy-briefs-for-article-6-of-the-paris-agreement/>

Validation

Regarding validation (paras 101 / 102), it could be considered to leave out the requirement for conducting stakeholder interviews by DOEs and instead rely on the stakeholder consultation input. As interviews with local stakeholders require considerable time and effort for identifying relevant stakeholders and conducting the interviews, this could help minimizing costs and improve audit efficiency.

Other issues

The SDI welcomes the newly introduced reference to International Labor Organization (ILO) standards in the definitions section. This mirrors international best practice and will also contribute to streamlining validation and verification.

The Sustainable Development Initiative (SDI) for Article 6 aims at promoting strong provisions on sustainable development for the rulebook of Article 6 and its implementation. The initiative is a collaboration between the UNEP Copenhagen Climate Centre and the Wuppertal Institute, supported by Germany, Norway, Sweden and Finland 2021-23. Views stated are those of the authors and do not represent any consensus among the Parties involved.

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For more information, please visit the website <https://www.unep.org/sdi>