Sustainable Development Initiative (SDI)

Promoting SD in the Implementation of Article 6 of the PA

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Integrating Sustainable Development in the Art. 6 text

Karen Olsen, UNEP DTU, Sven Braden, Consultant & Marion Verles, Gold Standard

Outline

1. Reminders:
   - SDI workprogram (2019-2020)
   - Reflections on SDI text proposals for COP24
2. Piloting of SD tools and approaches
   - SD approaches assessment grid
   - ETS linking case study
3. For discussion - SDI text proposals for COP25

SDI workplan

GOAL: PROMOTE IMPLEMENTATION OF STRONG SD PROVISIONS IN ARTICLE 6 OF THE PA

WS 1 - Party Driven Dialogue	Roundtable discussions
	Article 6 text recommendations
	Knowledge sharing from testing & piloting (WS 2)
WS 2 - Piloting of SD approaches	Testing of SD approaches
	Production of case studies and knowledge products
WS 3 - Outreach to relevant carbon market players	Dissemination of knowledge at relevant industry events
	Partnerships building and regional groups to raise awareness

Reflections on SDI text proposals for COP24

Overall reflections on COP24 outcomes

- SD did not feature prominently in the Article 6 draft Katowice text by the President (14 Dec).

- The text on Article 6 cooperative approaches included minimum SD provisions that do not reflect any significant change from the KP

- In spite of the PA Art. 6 'shall requirements' to promote SD, operationalising the SD provisions was not a priority for all Parties

- Yet, the Article 13 Enhanced Transparency Framework (ETF) of the PA after Katowice mandates all countries to provide information on how Article 6 cooperative approaches promote sustainable development, consistent with decisions adopted for Article 6

Links to Art. 13 (ETF) after Katowice

Submission of information on sustainable development is <u>mandatory to all</u> (in the context of Art. 6 engagement)

> *§77: 'Each Party shall provide the information...... to track progress made in implementing and achieving its NDC under Article 4, including: (iv) <u>Information on how each cooperative approach promotes sustainable development</u>; and ensures environmental integrity and transparency, including in governance; and applies robust accounting to ensure inter alia the avoidance of double counting, consistent with decisions adopted by the CMA on Article 6.'* (Source: FCCC/CP/2018/L.23)

<u>For discussion:</u>
- Do Parties need assistance with <u>SD tools and approaches</u> to delegate reporting obligations to developers and/or verifiers and auditors for SD assessment and data collection?

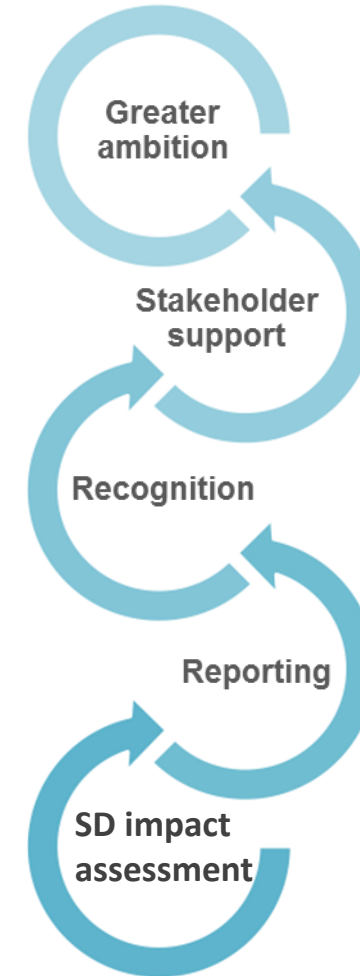# SDI text proposals - reminder

'Less is more', hence:

- Article 6.2: Focus on reporting

- Article 6.4: Focus on roles and responsibilities

The SDI position paper and text proposals for COP24 are available here

Piloting of SD tools and approaches

Objectives of piloting

- To demonstrate through real life cases, that SD assessment can be implemented in a robust, yet practical manner and delivers multiple benefits to all players involved

- Piloting under workstream 2 supports text proposals (workstream 1)

- Promoting SD will deliver enhanced ambition for climate action

Greater ambition

Stakeholder support

Recognition

Reporting

SD impact assessment

SD Assessment Grid

- Rationale:
  - Provide a simple grid to identify a SD approach suited to the needs of users
  - Allow for the benchmarking of SD tools, create the conditions for convergence and alignment around SD best practices

- Structure of the grid
  - It builds on the 6 high level options identified by the SD initiative in 2018
  - It provides a set of requirements to assess selected SD approaches (Yes / No)

- SD Approaches tested
  - Gold Standard for the Global Goals 'SDG Impact Tools'
  - UNDP SDG tool
  - CDM SD tool
  - ICAT Sustainable Development Methodology

SD Assessment Grid overview

Criteria	Summary of Main Requirements
Governance	National Prerogative Accessibility Decision making Baseline Verification Transparency
Safeguards	Generic requirements Specific safeguards (corruption, human rights etc) Activity specific safeguards
Stakeholder inclusivity	Opportunity for Stakeholders to engage Grievance / complaints mechanism
SD Impact Assessment	Intervention design principles Impact assessment approach
MRV and Claims Management	Ex-ante / ex-post Claims guidance and management Verification
New ETF relevance	Availability of data as required under ETF

Assessment outcomes (preliminary)

Criteria	Summary of Main Requirements	GS SDG Impact Tools	UNDP Tool	CDM SD Tool	ICAT SD Methodology
Governance	National Prerogative Accessibility Decision making Baseline Verification Transparency (intervention related information)	Broadly YES Except for: Host country approval, alignment with national SD priorities	Broadly YES Except for: Host country approval, baseline assessment, transparency	Broadly YES Except for: Alignment with national SD priorities, mandatory verification	
Safeguards	Generic requirements Specific safeguards (corruption, human rights etc.) Activity specific safeguards	Yes	Broadly YES Except for: Activity specific safeguards	Not covered	
Stakeholder inclusivity	Opportunity for Stakeholders to engage Grievance / complaints mechanism	Yes	Not covered	Yes, but no grievance mechanism	
SD Impact Assessment	Intervention design principles Impact assessment approach	Yes	Yes	Yes, but no linkage to SDGs	
MRV and Claims Management	Ex-ante / ex-post Claims guidance and management Verification	Yes	Partly, does not cover claims, verification	Partly, does not cover claims, ex-post monitoring is optional	
New ETF relevance	Availability of data as required under ETF	Yes	Yes	Yes	

SD Approaches Assessment – next steps

- Formulate recommendations to users on the basis of:
  - Intervention level (project / program / policy / sectoral / national)
  - Needs and expectations from SD perspective
  - Costs / benefits analysis

- Expand the list of SD approaches tested

- Final report due end of July

ETS linking case-study

- Objectives:

  - Assess the relevance of SD requirements in a linking context
  - Provide recommendations on how to strengthen SD provisions in **future** Linking Arrangements
  - Analyse the extent to which **current** Linking Arrangements integrate SD requirements

Promotion of Sustainable Development through ETS Linking under Art. 6.2 PA
Recommended elements in future Linking Arrangements

Elements	Guiding Principle	Specific ETS-Linking issues	Best Practice Recommendation for Linking Arrangements (LA)
Governance	National Prerogative, SD priorities are defined on a national level.	Is the LA in line with national SD priorities? Are participating jurisdictions ready to assess and mitigate any negative unintended consequences?	Oversight body that represents the interests of ETS linking participants and allows for solving conflicts. Reference to national prerogative.
Safeguards	Safeguards address risks and unintended consequences.	Mitigation of **risks** that may arise from ETS linking, including - increase of domestic emissions, - reducing environmental and social co-benefits - incentivization of weak GHG reduction targets.	Embedding safeguards that address risks of ETS linking through - Harmonization of key features of participating ETS - Recognition of domestic safeguard to support social and environmental co-benefits (e.g. Air quality provisions, training programs to address job losses, etc).
SD Objectives / SDG Framework	SD objectives / relevant SDGs are clearly defined.	Key SD **benefits** of ETS linking: <u>Environmental</u>: More ambitious long-term abatement targets / <u>Economic</u>: Increase cost efficiencies, market stability and liquidity, reduction of competitive distortion / <u>Political</u>: Supports global cooperation, streamlines administrative processes.	Clear reference to envisaged SD objectives such as - higher GHG reductions, - increased mitigation of air pollution and improved health conditions, - cleaner energy production, - creation of jobs, - technology transfer, etc.

Promotion of Sustainable Development through ETS Linking under Art. 6.2 PA
Recommended elements in future Linking Arrangements

Elements	Objective	Specific ETS-Linking issues	SDI Best Practice Recommendation for Linking Arrangements (LA)
SD Assessment	Increasing trust, transparency amongst stakeholders and minimizing reputational risks.	Is progress towards SD objectives of ETS Linking monitored during implementation?	Establishment of MRV mechanism that assesses impacts of ETS linking (ex ante and ex post) for envisaged SD objectives. Assessment should be based on relevant and credible SD indicators (e.g. SDG indicators).
Stakeholder Inclusivity	Ensuring broad acceptance of a policy/activity	Are stakeholder consulted during Linking negotiations (1) as well as during (2) the of Linking phase?	Transparent and inclusive process with clear engagement rules in place, incl. Grievance / complaints mechanism. Stakeholder consultation should allow for public access to all relevant documents and official reports.
Transparency and Reporting	Tracking of progress towards NDCs	Does LA provide for a process to submit appropriate information on how it promotes sustainable development, as required by Art. 13 PA and Decision 18/CMA.1 and consistent with decisions to be adopted by the CMA on Article 6.	Establishment of a process to (regularly) submit information (structured summary) on how ETS linking supports progress towards achievement of SD objectives.

ETS linking – SD recommendations

- Preliminary results (in the context of Article 6.2):
  - Accountability of MO – implications for SD accounting
    - Recommendation that 'double claiming' in the context of SD benefits is not an issue of practical relevance, support credible MRV and transparent reporting as per Article 13 para 77 d
  - Recommendations on how to deliver on Article 6 obligation to promote SD:
    - Safeguarding principles adapted to address specific risks of ETS linking
    - Identification of typical SD benefits expected from linking + proposed indicators and monitoring approaches
  - Benefits associated with SD provisions in Linking Arrangements
    - Supporting National SD priorities (e.g. environmental and social co-benefits)
    - Serving Article 6 mandate
    - Public acceptance

For discussion - language proposals for COP25

For discussion - SDI text proposals for Art. 6.2 (focus on reporting)

Issue	Text proposal	Questions for discussion
Reporting /Ex ante	<u>In context of reporting</u> assist Parties to submit information on how cooperative approaches promote SD through: • Development of tools and approaches (for voluntary use) to support SD reporting and to avoid/mitigate negative impacts catering to various types of collaboration (project level, sectoral level, policy level); • Ex-ante assessment of expected SD contributions of the collaboration;	• Should SD reporting ex-ante be mandatory? • Would a work programme be helpful to define the information required to be submitted by Parties? • Should the Subsidiary Bodies assist with the development of SD tools/templates and approaches for voluntary use by Parties?
Reporting / Ex post	• Periodic ex-post reporting of the SD contributions.	• Should SD reporting ex-post be mandatory?

SDI text proposals, Art. 6.4 (Focus on roles and responsibilities)

Issue	Text proposal	Questions for discussion
Participation requirements for host Parties	'Authorization by Party: • The confirmation based on information that the activity fosters sustainable development in the host Party based on its consideration that is national prerogative	• Should ex-ante SD assessment and host Party approval be mandatory? • Should ex-post SD assessment and reporting be mandatory? • Would a work programme be helpful to define the information required for approval by the host Party?
Role of Supervisory Body	Facilitative role of the Supervisory Body, mandated to: • Foster knowledge exchange and support development of tools and approaches for SD assessment to promote SD goals and priorities of host Parties that follow common best practice standards	• Should the Supervisory Body be mandated to develop voluntary tools and approaches for SD assessment (similar to the existing CDM SD tool) that aligns with best practices for SDG impact assessment?
Role of Supervisory Body	Facilitative role of the Supervisory Body, mandated to: • Develop minimum SD requirements for activities for no-harm-done.	• Should the Supervisory Body be mandated to develop safeguards for host Parties to follow best practice procedures for no-harm-done?

Thanks!

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Karen Holm Olsen, UNEP DTU Partnership, kaol@dtu.dk

Sven Braden, Consultant, braden@climatefoundation.li

Marion Verles, Gold Standard Foundation, marion.verles@goldstandard.org