

Sustainable Development Initiative (SDI)

Promoting SD in the Implementation of Article 6 of the PA

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Integrating Sustainable Development in Article 6 rule book

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

Outline

1. Objective - integrate SD in the Article 6 'rulebook'
2. High Level Options for SD in Article 6
3. SD approaches for future Article 6 activities
 - SD assessment grid
 - SD Matrix for ETS linking
4. SDI Reflections on SBSTA work on Article 6 and Recommendations for COP25

1. Objective and SDI workprogram

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

2. High Level Options for SD in Article 6

High Level Options for SD in Article 6

- 6 High Level Options for SD in Article 6 identified in Submissions of Parties to Article 6 (SDD 2017 – 2018)
- Detailed consideration of High Level Options published in six policy briefs
- Integration of options in SDI work 2019 -2020

High Level Option	Summary of Main Requirements
Governance	National Prerogative Decision making
Safeguards	Identify, prevent and mitigate negative, unintended consequences of Art. 6 interventions
Stakeholder inclusivity	Opportunity for Stakeholders to engage Grievance mechanism
SD Objectives / SDG	Determination of SD objectives or relevant SDG (SD criteria)
SD Assessment, MRV	Ex-ante / ex-post Assessment Calculation of SD contributions (incl. selection of indicators, baseline or reference scenario, monitoring of progress over time)
Transparency, Reporting	Availability of data as required under ETF

3. SD Approaches for future Art. 6 activities

SD assessment grid

SD Matrix for ETS linking

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 for SD in Article 6
 - 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 CLIP tool
 - CDM SD tool
 - ICAT Sustainable Development Methodology

SD Assessment Grid – Testing of SD Approaches – Preliminary Results

Assessment areas	GS4GS	ICAT SD Methodology	UNDP CLIP Tool	CDM SD Tool
Governance Does the approach require Host Party approval?	Yes, for CDM projects. Not required for voluntary market but provisions to comply with national law may apply.	No, it is not required but the methodology may be used or adopted by Host Parties	No information available	Yes, a national LoA is required for CDM projects
Safeguards Does the approach provide for generic and specific safeguards to be complied with?	Yes, the standard provides for both generic, specific and activity specific safeguards to be complied with	Yes, the methodology provides for both generic and specific safeguards to be followed	Yes, UNDP's social and environmental safeguards procedures are applied	No provisions
Stakeholder inclusivity, grievance mechanism?	Yes, the standard requires mandatory feedback of stakeholders on the design of the activity. A grievance mechanism is required.	Yes, stakeholder input is required to be considered and has to be reflected in the design of the project. A grievance mechanism is required.	Yes, stakeholder input on the design of the project is mandatory. No provisions for grievance mechanism.	Yes, requirement to solicit stakeholder feedback on the design of the activity is mandatory No provisions for grievance mechanism.
SD impact assessment foreseen, alignment to SDG?	Yes, alignment to the SDGs, mandatory baseline scenario, detailed guidance on indicator selection and activity specific SDG tools to ensure consistency.	Yes, alignment to the SDGs, mandatory baseline scenario, detailed guidance on indicator selection.	Yes, alignment to the SDGs, mandatory baseline scenario, detailed guidance on indicator selection.	No, alignment to the SDGs not required, list of indicators provided but no guidance available.
MRV and claims management addressed?	Yes, mandatory ex-ante and ex-post reporting, independent verification required, claims are managed.	Yes, provisions for ex-ante and ex-post reporting, independent verification encouraged but not mandatory, guidance provided on claims.	No, provisions for ex-ante and ex-post reporting, verification and claims management not covered.	No, provisions for ex-ante reporting only, ex-post reporting, verification and claims management not covered.
ETF, Facilitation the compilation of information on SD as required by Art. 13 PA?	Yes, aggregation of information on how activity/programme promotes SD is possible (upon release of SDG impact tool)	Yes, aggregation of relevant SD information is possible. National indicators necessary.	Yes, data collection possible.	Yes, data collection possible.

SD Assessment Grid, Testing of SD Approaches – Preliminary Conclusions

- GS4GG and ICAT SDM are the most comprehensive SD approaches, main difference is directly attributable to different natures:
 - GS4GG is managed by an independent, non-profit standards body and the latter being a procedural guide for practitioners; includes standard requirements on verification, ex-post monitoring and claims management
 - ICAT covers policy level interventions not covered under GS4GG
- UNDP CLIP is strong on safeguards, stakeholder inclusivity and SD impact assessment, but does not require a grievance mechanism to be in place nor does it provide detailed guidance and requirements on MRV of SD claims.
- The CDM SD tool appears to be lagging behind in all thematic areas – this is not unexpected and in line with previous literature on the issue.

SD Matrix for ETS linking

- Rationale
 - Assess the relevance of SD requirements in an ETS linking context
 - Provide high level recommendations on how to strengthen SD provisions in future Linking Arrangements (currently only from ex ante perspective)
- Structure of the SD Matrix
 - Identification of risks and benefits of ETS linking based on ETS literature review
 - It builds on the 6 High Level Options on SD, which are used to mitigate risks and promote benefits in a SD context

SD Matrix for ETS Linking

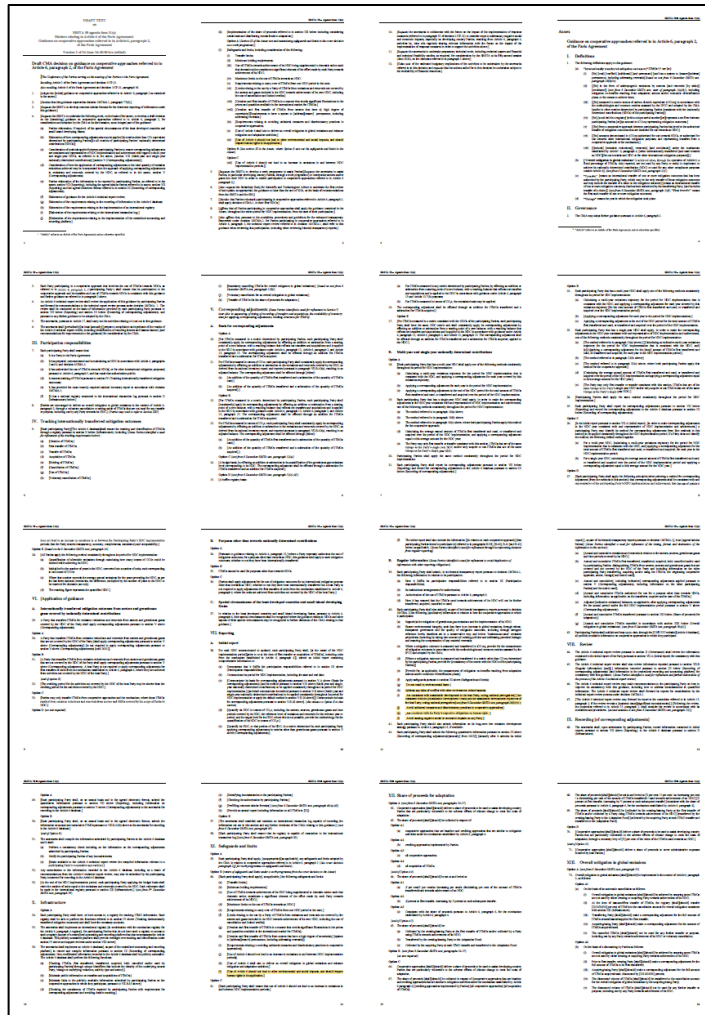
Elements	Guiding Principle	Specific ETS-Linking issues	Best Practice Recommendation for Linking Arrangements (LA)
Governance	National Prerogative, SD priorities are defined on a national level.	Is the LA in line with national SD priorities? Are participating jurisdictions ready to assess and mitigate 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 <ul style="list-style-type: none"> • 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 <ul style="list-style-type: none"> • 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 <ul style="list-style-type: none"> • increased mitigation of air pollution and improved health conditions, • cleaner energy production, creation of jobs, technology transfer, etc.
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 Inclusion	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 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.

SD Matrix for ETS linking – (Preliminary) Conclusions

- Domestic safeguards for jurisdictions participating in ETS Linking are crucial to mitigate risks to SD inherent to ETS linking
- SD Matrix only serves as a first step towards increasing SD relevance within discussions on ETS linking, limited scope since SD Matrix only offers ex ante perspective.
- Further research and testing of approaches and tools is necessary to gain experiences, especially regarding the assessment of SD impacts with a direct link to ETS linking.
- The selection and monitoring of credible and relevant SD indicators will only deliver tangible results if the participating jurisdictions ensure a cross border collaboration when developing methodologies for selecting and monitoring SD indicators.

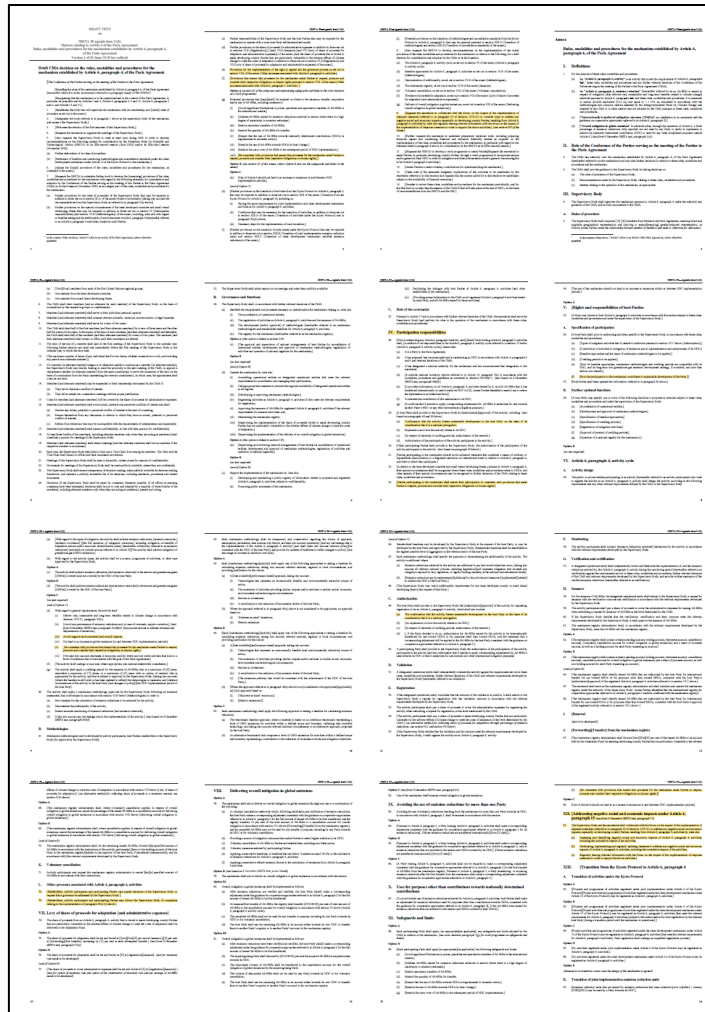
4. SDI Reflections on SBSTA work on Article 6 and Recommendations for COP25

Reflections on SD in Draft Guidance on Cooperative Approaches referred to in Article 6.2



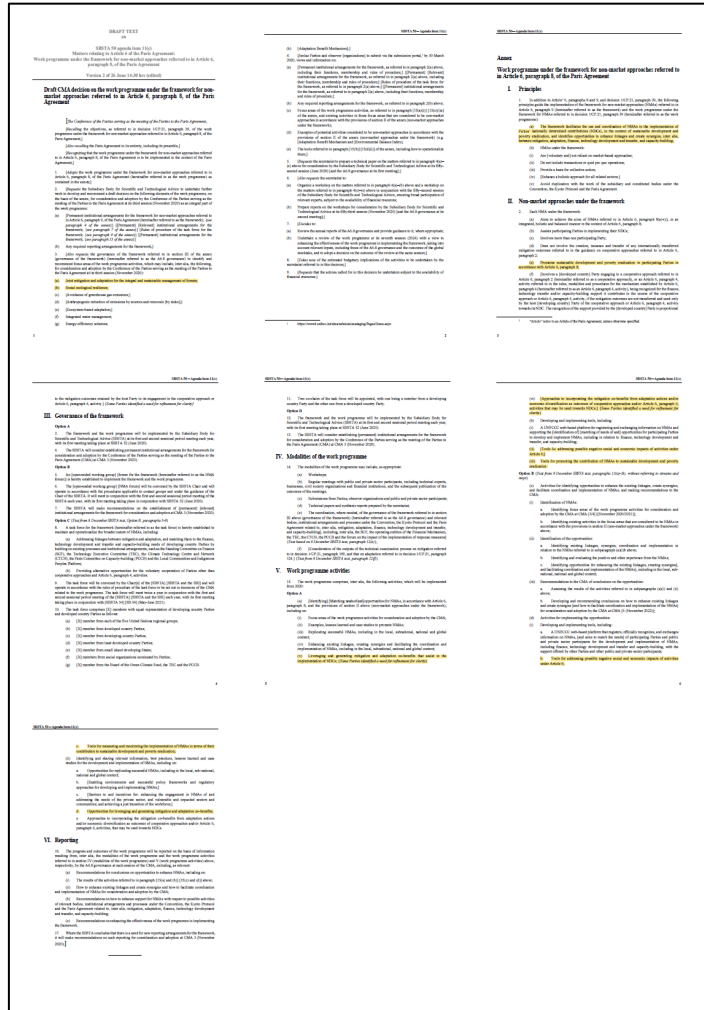
- Elements on SD are mainly mentioned as reporting elements within the biennial transparency report, are proposed as follows:
- **National Prerogative / SD Objective:** Reporting obligation for Parties would be to submit information, on how Article 6.2 activities are consistent with national SD objectives (or SDGs).
- **Safeguards:** Article 6.2 should not lead to negative environmental and social impacts and should respect human rights in its application (safeguards).

Reflections on SD in Draft Rules, Modalities and Procedures for the Mechanism established by Article 6.4



- SD elements are more elaborated for the mechanism than in cooperative approaches. SD elements are embedded into the architecture of the mechanism; proposed as follows:
- **National Prerogative:** In order to participate in the mechanism, the host country would have to confirm towards the Supervisory Body that the activity fosters SD.
- **SD Objective:** Parties would need to specify towards the Supervisory Body, how their participation contributes to SD in their jurisdiction.
- **Safeguards:** Avoidance of negative environmental and social impacts as well as by promoting human rights within the activity processes.
- **Stakeholders Inclusivity and Grievance Mechanism:** Parties or other activity participants to appeal decisions of the Supervisory Board
- The Supervisory Body could also receive complaints in case the safeguarding provisions of the activity design have been violated.
- The draft text on Article 6.4 suggests undertaking a work programme to develop provisions for the implementation of the right to appeal and the grievance process.

Reflections on SD in the Work Programme under the Framework for Non-Market Approaches referred to in Article 6.8



- Article 6.8 contains non-market approaches to assist countries in the joint implementation of their NDCs.
- Focus Areas with relevance for SD: Sustainable Forest Management, Energy Efficiency Schemes, Integrated Water Management etc.
- **SD Assessment:** proposed as part of Work Programme activities, in particular the development of

Tools for measuring and monitoring the implementation of NMAs in terms of their contribution to sustainable development and poverty eradication.

SDI Recommendations for COP25

Approach	Observations	Recommendation
6.2	<p>Draft text contains only minimum provisions on SD. SD is only mentioned in context of reporting elements – no provisions on consequences in case of poor reporting. No provisions on SD Assessment / MRV of SD</p>	<p>Work Programme</p> <ul style="list-style-type: none"> to define the information required to be submitted by Parties (structured summary); to develop voluntary tools for measuring and monitoring the implementation of cooperative Approaches in terms of their SD contribution
6.4	<p>Draft text more elaborated on SD than in 6.2 SD embedded in participation requirements Provisions on grievance mechanism, (too?) strong role of Supervisory Body No provisions on SD Assessment / MRV of SD</p>	<ul style="list-style-type: none"> Grievance Mechanism should ensure that independent committee addresses decision of Supervisory Body <p>Work Programme / Mandate to Supervisory Body</p> <ul style="list-style-type: none"> to define the information required to be submitted by Parties; To develop voluntary tools for measuring and monitoring the implementation of the mechanism in terms of its SD contribution
6.8	<p>Draft Text is still vague on the architectural determination of non-market approaches, limited SD provisions, Work Programme to develop voluntary tools for measuring and monitoring the implementation of Non Market approaches in terms of their contribution to SD and poverty eradication</p>	<ul style="list-style-type: none"> Determination of architecture necessary (e.g. more detailed guidance on implementation of focus areas) Proposed Work Programme on measuring and monitoring SD contribution could provide blueprint for other Art. 6 approaches

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