

ERCST Informal Forum on Implementation of Article 6 of the Paris Agreement Article 6

Zoom videoconference, 28 September 2020, 13-15 PM

# ***Transformational impact of Article 6 approaches for ambition raising, environmental integrity and SD - analysis and views by the Sustainable Development Initiative***

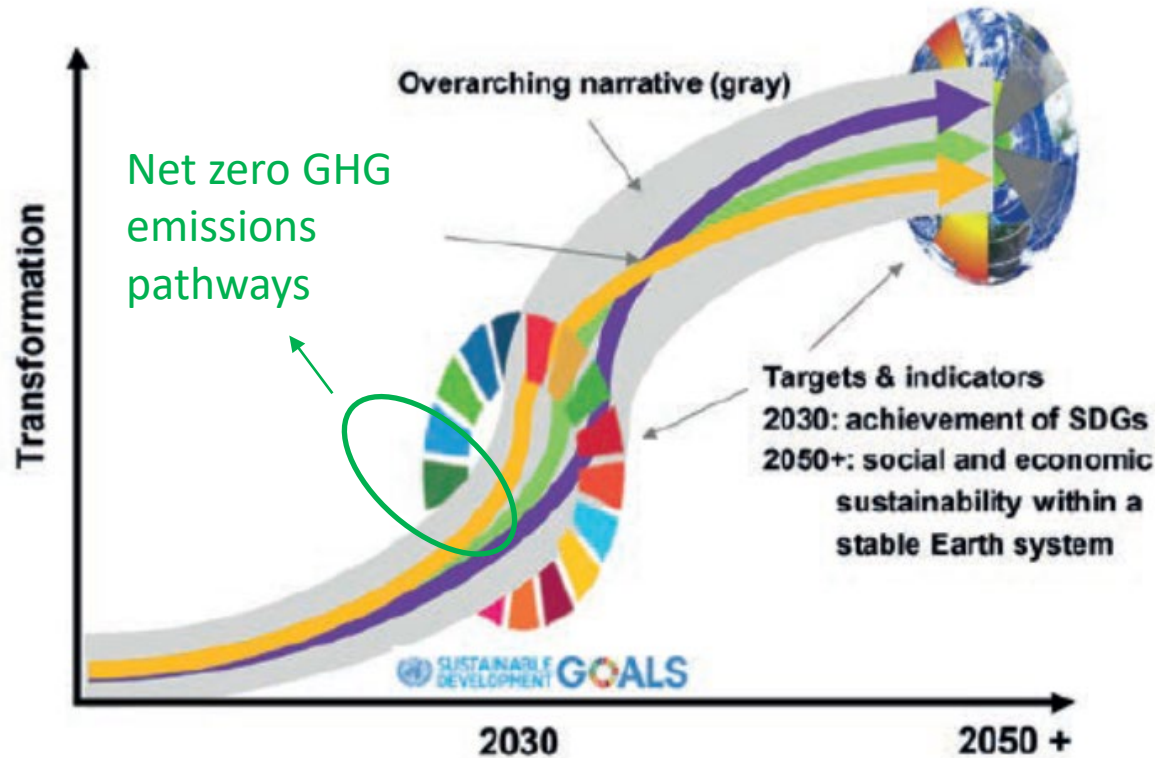
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Article 6 of the Paris Agreement under the UNFCCC

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# Transformational change for the global goals

- how Article 6 can contribute to transformational impact, i.e. net zero by 2050 & SDGs



## Transformational change concept:



Source: Costa Rica

The urgency of a transition towards sustainable development and net zero global greenhouse gas (GHG) emissions was underlined in the special report Global Warming of 1.5°C by the Intergovernmental Panel on Climate Change (IPCC, 2018).

Source: TWI2050 - The World in 2050 (2018). Transformations to Achieve the Sustainable Development Goals. Report prepared by The World in 2050 initiative. International Institute for Applied Systems Analysis (IIASA), Laxenburg, Austria.


# Definition<sup>1</sup> of transformation for Article 6

*Article 6 activities contribute to a fundamental, sustained change of a system that occurs in a dynamic manner, ends established high-carbon practices and aims at a zero-carbon society\*, in line with the Paris Agreement goal to limit global warming to 1.5–2°C and the United Nations SDGs, through the deployment of clean technologies and capital in combination with long-term, yet adaptive policies.*

\*Zero carbon means, “net zero carbon”, which implies that some remaining CO<sub>2</sub> emissions can be compensated by the same amount of CO<sub>2</sub> uptake, provided that the net emissions to the atmosphere are zero.

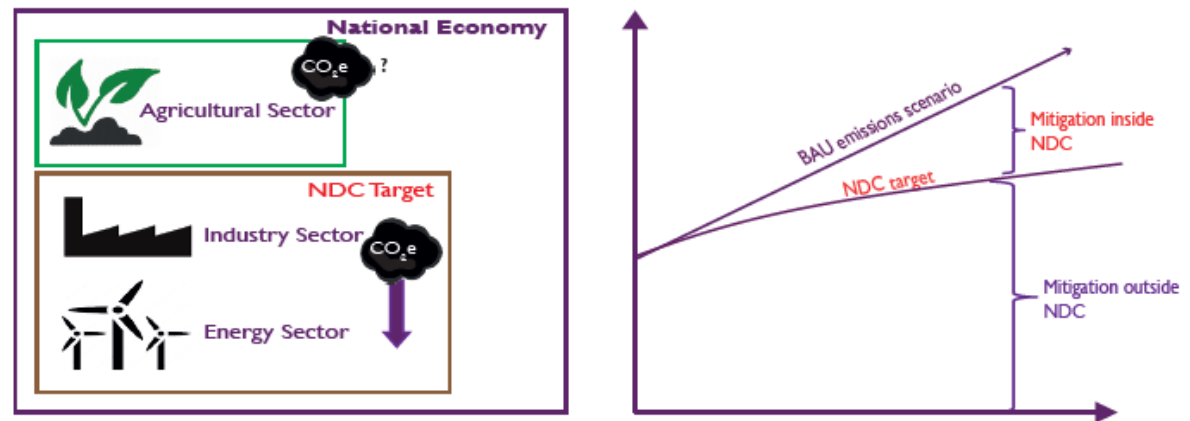
<sup>1</sup> The draft definition of transformation for Article 6 is developed in context of the ongoing project 'Transformative design for Article 6 mechanisms' (2020-21) funded by the German Environment Agency and implemented by UNEP DTU Partnership, Perspectives and First Climate.

# The A6 challenge to raise NDC ambition


**Environmental integrity risks** - related to a *static* challenge (within NDC period, no double counting) and a *dynamic* challenge (long-term ambition raising) incl. accounting through corresponding adjustments and perverse incentives for inside/outside NDC:

- Diverging views:

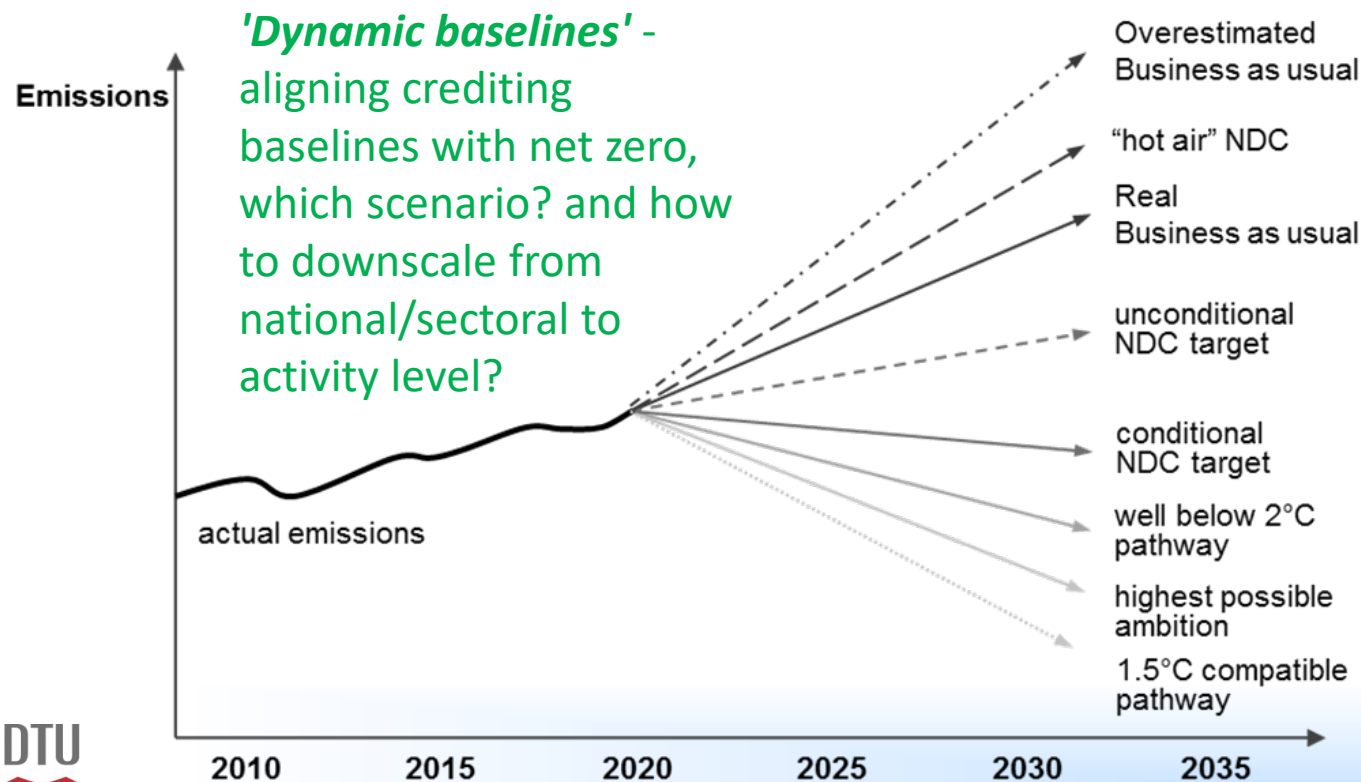
Figure 10: Two possibilities to define “outside” NDC



# Considerations to safeguard EI:

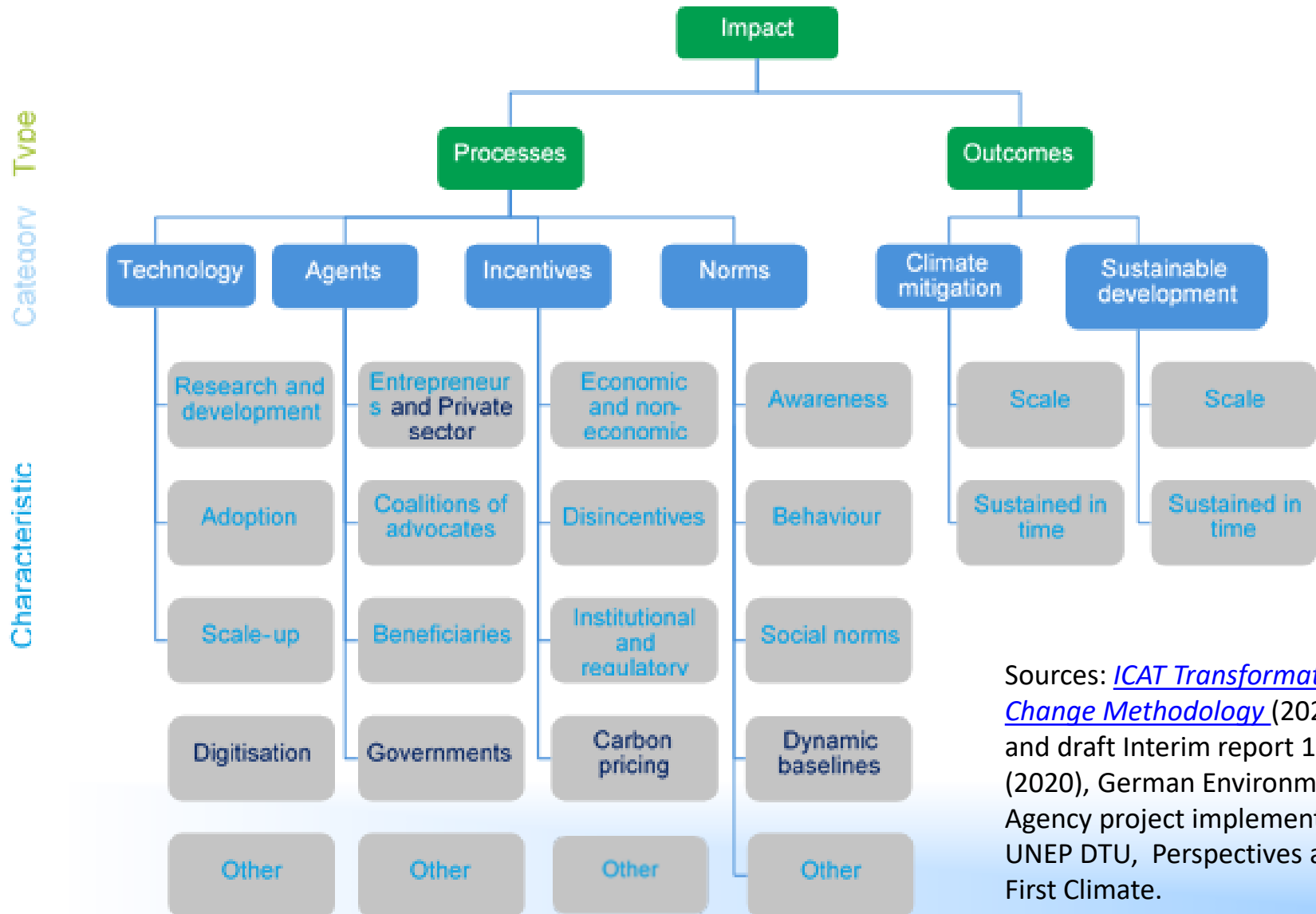
- promoting transformational impact for the global goals

- *'Additionality'* and/or *'transformational impact'* assessment to be based on characteristics of transformational change for net zero pathways (long-term ambition aligned with Paris Agreement and 2030 Agenda global goals):



Sources: Michaelowa et al. (2019) 'Additionality Revisited: Guarding the Integrity of Market Mechanisms under the Paris Agreement', Climate Policy & Hermwille (2020) 'Reconciling Pretensions and Reality. The Situation-Ambition Approach for Dynamic Baselines under Article 6.4', JIKO Policy Paper, No. 1/2020

# Conceptual understanding of transformation



Sources: [ICAT Transformational Change Methodology](#) (2020) and draft Interim report 1 (2020), German Environment Agency project implemented by UNEP DTU, Perspectives and First Climate.

# Reflections on SD in the COP25 texts<sup>1</sup>

- **Overall**, operational SD provisions are in the periphery of the negotiations. Hence, there is a risk of no clear mandate on how to promote sustainable development under Article 6, which could lead to 'a race to the bottom for SD', known from the CDM.
- **Article 6.2:** Promoting SD is limited to provisions for reporting on SD in BTRs. Consideration for safeguards and no-negative impacts went missing in Madrid. Also, operationalization is missing to ensure a grievance mechanism, monitoring and assessment of SD over time.
- **Article 6.4:** SD elements are more elaborate (e.g. for authorisation by the Host Party, avoidance of negative environmental and social impacts and providing information to the Supervisory Body). Unfortunately, the provisions are limited to mitigate negative impacts and do not adequately promote positive impacts for sustainable development.
- **Article 6.8:** Art. 6.8 no longer proposes the development of tools for assessing positive and negative impacts of its activities over time.

**Note:** A work programme for development of voluntary tools for SD(G) impact assessment to promote positive impacts and avoid negative ones could support countries that need it, similar to the CDM SD voluntary tool.

<sup>1</sup> The negotiation text referenced comes from the 3rd iteration from COP25 (Presidential Proposal), available [here](#)

# SDI update on 2020 work streams

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## WS 1 - Party Driven Dialogue

Roundtable discussions

Article 6 text recommendations

Knowledge sharing from testing & piloting (WS 2)

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## WS 2 - Piloting of SD approaches

Agreement for Article 6 pilot and preliminary review of pilot design

Capacity building and SD roadmap, production of knowledge products

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## WS 3 - Outreach & strategic partnerships

Interviews with Parties and partners at relevant events

Partnership building for a community of practice

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# Thanks!

- *SDI analysis available [here](#)*

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The Sustainable Development Initiative (SDI) for Art. 6 aims at promoting strong provisions on sustainable development in the rulebook of Art. 6. The initiative is managed by UNEP DTU Partnership and the Gold Standard Foundation in collaboration with ERCST and other partners, launched in 2017 and supported by Belgium, Finland, Germany, Norway and Sweden in 2020. Views stated are those of the presenters and do not represent any consensus among the Parties involved.

## Art. 6.2 Weaker than Pre-COP25, focus on reporting of SD information

Issue	Pre-COP25 (SBSTA Drafts)	COP25 Presidential Proposal (all 3 iterations are considered)	Comments
Safeguards	<p>Options on safeguards included:</p> <ul style="list-style-type: none"> <li>• Use of Art. 6 should not lead to negative <b>environmental</b> or <b>social</b> impacts;</li> <li>• Use of Article 6 should respect <b>human rights</b> in its application;</li> </ul>	<p><b>No safeguards anymore</b>, both options were erased in final draft texts. A decision on the need for safeguards shall only be done (after SBSTA Review of guidance) by 2028, Paragraph 9 lit. e)</p>	<p>The proposal to have no safeguard in the guidance at all could undermine Art. 6.2 credibility from the start.</p>
Sustainable Development	<p>Reporting element of BTR; Parties shall include information on how each cooperative approach is consistent with SD objectives of host Party, noting national prerogatives, Paragraph 22 lit. g).</p>		<p>No guidance on SD here since its reference is just repetition of text in Art. 6.2 – in fact, explicit reference to national prerogative may even limit international coordination in the future.</p>
Other Issues	<p>No guidance on</p> <ul style="list-style-type: none"> <li>• Assessment / Monitoring SD</li> <li>• grievance mechanisms,</li> <li>• stakeholder consultations</li> </ul>		<p>Grievance mechanisms and stakeholder consultations are crucial to support public acceptance of Art. 6.2 activities.</p>

## Art. 6.4 embeds SD in its operating architecture (1)

Issue	Pre-COP25 (SBSTA Drafts, incl. options)	COP25 Presidential Proposal (all 3 iterations are considered)	Comments
Safeguards	<ul style="list-style-type: none"> <li>Avoid negative environmental and social impacts;</li> <li>Mechanism to assist Parties to respect, promote and consider their respective obligations on human rights;</li> </ul>	Art. 6.4 activity shall <b>avoid negative environmental and social impacts</b> , Paragraph 31 lit. d) (iii). <b>No more reference to human rights.</b>	<u>Safeguards</u> are now <u>part of the activity design</u> , which means their consideration is mandatory from the start. Further Safeguards may be added if needed from 2028 on, Paragraph 12
Sustainable Development	<u>As Participation Requirement:</u> <b>Host Party shall</b> , prior to participating in the mechanism, ensure that (...) it has indicated publicly how its participation in the mechanism contributes to SD, while acknowledging national prerogative, Paragraph 26 lit. d)		Obligation to publicly indicate how activity contributes to SD (as a participation requirement) is an improvement compared to CDM
	<u>As part of Approval process:</u> Confirmation that the activity fosters sustainable development in the host Party;	<u>As part of Approval process:</u> Confirmation <b>and information on how</b> the activity fosters sustainable development in the host Party; Paragraph 39 lit. a)	<b>Explanation requirement</b> reg. SD contribution <b>is new</b> and improves SD role compared to CDM (only confirmation of SD contribution in LoA, no explanation required)

## Art. 6.4 embeds SD in its operating architecture (2)

Issue	Pre-COP25 (SBSTA Drafts)	COP25 Presidential Proposal (all 3 iterations are considered)	Comments
Stakeholder Consultation	YES - Activity shall undergo local and, where appropriate, subnational stakeholder consultation consistent with applicable domestic arrangements in relation to public participation, local communities and indigenous peoples, as applicable; Paragraph 31 lit. e)		Presidential Proposal developed prior options on stakeholder consultations further.
Grievance Mechanism	YES - Stakeholders, activity participants and participating Parties may appeal decisions of the Supervisory Body or request that a grievance be addressed by the Supervisory Body, Paragraph 59.		There is a risk that the Supervisory Body may not be objective in grievance processes, if it has to examine its own decisions – this risk should be mitigated through respective future decisions on implementation of SBSTA, Paragraph 8 lit. e).
Other Issues	<b>No guidance on</b> <ul style="list-style-type: none"> <li>Assessment / Monitoring SD</li> </ul>		Art. 6.4 can play a future role model – also for domestic arrangements under 6.2 – therefore <b>the Supervisory Body could be mandated to develop voluntary tools/approaches on SD assessment and monitoring</b>

## Art. 6.8 – Non-Market Approach (NMA)

Issue	Pre-COP25 (SBSTA Drafts, incl. options)	COP25 Presidential Proposal (all 3 iterations are considered)	Comments
Safeguards	NO safeguards applicable, 6.8 does not establish a process with guidance or rules for specific results (e.g. ITMO in 6.2 or ER in 6.4).		
Sustainable development	YES, it is the explicit goal of NMA to assist Parties in implementing their NDCs through <b>contribution to SD and poverty eradication</b> in participating Parties, Paragraph 2 lit. b) (ii)		
	Examples NMA focus area of non-market approaches may be (...) avoidance of GHG emissions, adaptation benefit mechanism, ecosystem-based adaptation, integrated water management; Paragraph 7 lit. a) (ii)		Example show potential link to SDGs
	<u>Work Programme Activities</u> <b>Tools</b> for promoting the contribution of NMAs to SD and poverty eradication;	<u>Work Programme Activities</u> <b>Identifying and sharing relevant information (...) on how to leverage and generate mitigation co-benefits</b> that assist the implementation of NDCs, Paragraph 8 lit b) (ii) d)	With the <b>disappearance of the SD tool proposal</b> , the draft loses its most tangible outcome.
Stakeholder consultation	YES, the modalities of the work programme may include <ul style="list-style-type: none"> <li>meetings with <b>public and private sector stakeholders</b>, (...), and <b>publication of the outcomes</b> of such meetings; and</li> <li>submissions from public and private sector stakeholders; Paragraph 7 lit b) and c)</li> </ul>		Stakeholders play a crucial role in determining NMAs