UNEP DTU PARTNERSHIP
CENTRE ON ENERGY, CLIMATE AND SUSTAINABLE DEVELOPMENT

Ensuring integrity of Art. 6 PA - challenges & opportunities from a civil society perspective

Thursday 11 May 2017 - 16.45 - 18.15, Carbon Market Watch SB 46 side event, Room 181, Bonn, Germany

# *Learning from CDM SD tool experience for Article 6 of the Paris Agreement*


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# Outline

- Background - SD provisions in Art. 6
- Experience with the CDM SD tool
- Recommendations for improvement
- Lessons learned for Art. 6 - issues and concerns
- Outlook & conclusions

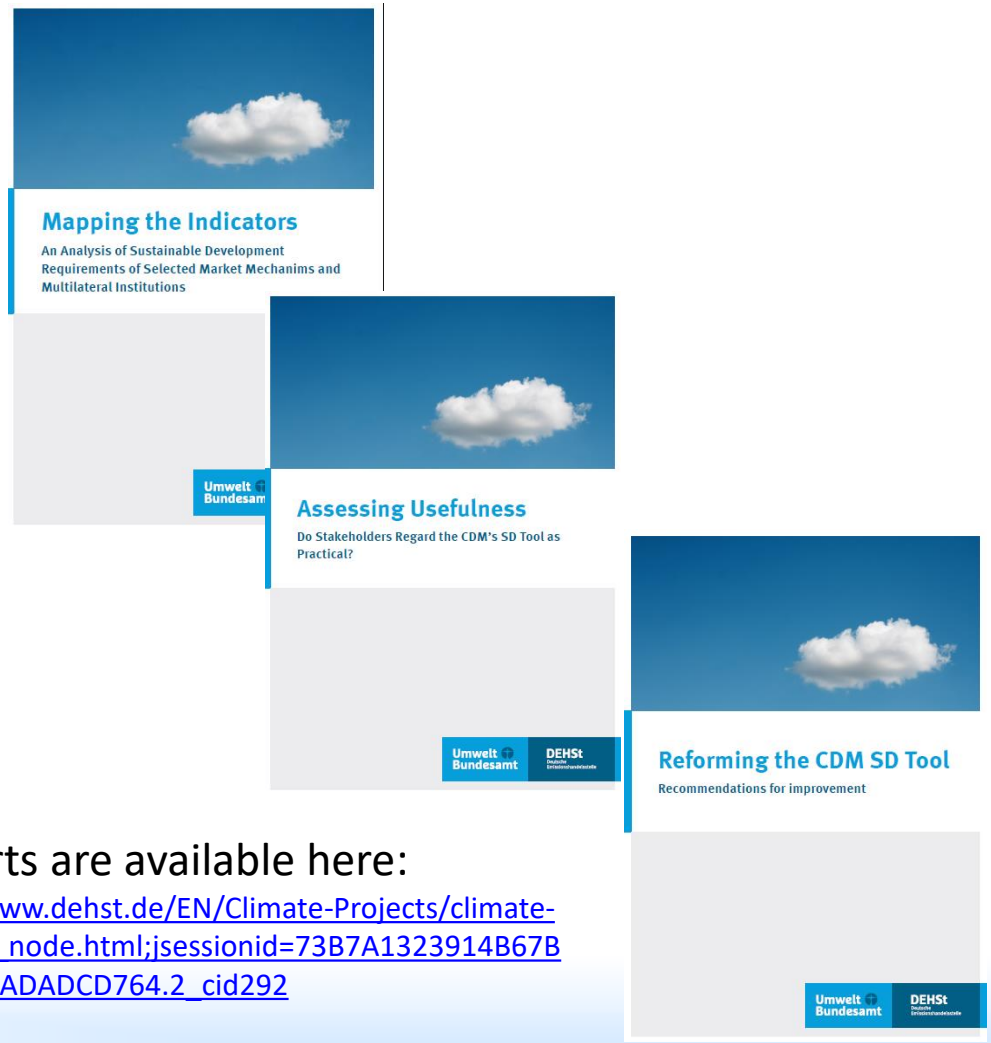
# Background - SD provisions in the PA Art. 6 and the KP Art. 12

| SD provisions | Kyoto Protocol 1997 | Paris Agreement 2015 |
|---|---|---|
| **Number of times SD is mentioned** | 3 times | 22 times |
| **Framing of climate mitigation & SD** | SD is mentioned to reassure Parties that climate mitigation will not conflict with development goals | SD co-benefits and SDGs are a driver of climate mitigation, sustainability is a safeguard for economic development. |
| **Article 12 (CDM)** | The purpose of the CDM shall be to assist NA1-Parties in achieving SD and to assist A1 Parties in achieving compliance with their commitments | |
| **Article 6 (Cooperative approaches)** | | Each of the four sections of Article 6 refer to sustainable development as the ultimate objective of the mechanisms created |
| **Article 6.4 (SMM)** | | Articles 6.4 to 6.7 establish a mechanism with the double aim to contribute to mitigation of GHG emissions and foster SD. The Paris Decision (§37b) states that rules, modalities and procedures are to be adopted by the CMA on the basis of 'real, measurable, and long-term benefits related to the mitigation of climate change'. This applies to the double aim, i.e. both GHG and SD benefits. |

Source: Verles, M. (2016). Sustainable development. From Kyoto to Paris & beyond, Gold Standard Foundation. Retrieved from http://www.goldstandard.org/sites/default/files/documents/marion_verles_sd_kyoto_paris_beyond.pdf

# Experience with the CDM SD tool

- The CMP in 2011 mandated the CDM EB to highlight SD co-benefits of CDM projects
- CDM EB launched the CDM SD tool in 2012 and it went online in April 2014
- In 2015 the German Emissions Trading Authority tasked the Wuppertal Institute and UNEP DTU Partnership to conduct the research project ,***Evaluation and development of recommendations on the CDM EB's SD tool including the sustainability requirements of other flexible mechanisms***'




Reports are available here:
http://www.dehst.de/EN/Climate-Projects/climate-projects_node.html;jsessionid=73B7A1323914B67BF48C1F9ADADCD764.2_cid292

# Comparing the CDM SD tool with other mechanisms & stakeholder needs

| | CDM SD tool | Social Carbon | CCB Standards | CDM Gold Standard | Crown Standard | UN REDD Programme | UNDP NAMA SD tool | ADB | IFC |
|---|---|---|---|---|---|---|---|---|---|
| Indicators for SD co-benefits | ✔ | ✔ | ✔ | ✔ | ✔ | Criteria but no indicators | ✔ | Safeguards | Safeguards |
| Quantification | ✗ | ✗ | Partly quantitative | ✗ | ✗ | ✗ | ✔ | ✗ | ✗ |
| Assessment of negative SD impacts | ✗ | ✔ | ✔ | ✔ | ✗ | ✔ | ✔ | ✔ | ✔ |
| Monitoring and reporting | (✔) | ✔ | ✔ | ✔ | ✗ | ✔ | ✔ | ✔ | ✔ |
| Independent 3rd party validation and verification | (✔) | ✔ | ✔ | ✔ | ✗ | n/a | n/a | ✗ | ✗ |
| Certification | ✗ | ✔ | ✔ | ✔ | ✔ | n/a | n/a | n/a | n/a |
| Guidelines Stakeholder consultation | ✗ | ✔ | ✔ | ✔ | ✔ | ✔ | ✗ | ✔ | ✔ |

# Comparison with other mechanisms - summary

- highly differentiated requirements for SD assessment
- SD Tool in its current form quite limited
- Shortcomings:
  - no coverage of negative impacts, missing safeguards
  - no monitoring & evaluation
  - no stakeholder requirements, grievance mechanism
- Inclusion of these elements could strengthen CDM as a whole
- Report „Mapping the indicators“

# Comparison with stakeholder needs - a synthesis

- The SD tool is not directly useful to DNAs, as it is meant for PPs to use
- The UNFCCC evaluation (2014) found that most DNAs plan to refer to the tool for approval of CDM projects at national level (92%)
- The tool is similar to the checklist approach of most host countries. It facilitates a structured comparison that respects Parties' prerogative to decide national priorities
- There is an emerging interest to quantify SD outcomes and follow-up that SD claims are met
- From the perspective of users, all interviewees find the tool very useful and simple
- Weaknesses are identified, particularly avoiding negative impacts
- National standards fall short of meeting expectations in the premium market

# Recommendations for improvements

- Recommendations at two consecutive levels:
  - Level 1: Incremental improvements to the SD tool
  - Level 2: Institutional enhancement of the SD tool

- Level 1: Incremental improvements
  - Introduce no-harm safeguards
  - Develop monitoring and reporting guidelines
  - Introduce 3rd Party validation and verification of SD claims
  - Link enhanced stakeholder requirements to the CDM SD tool

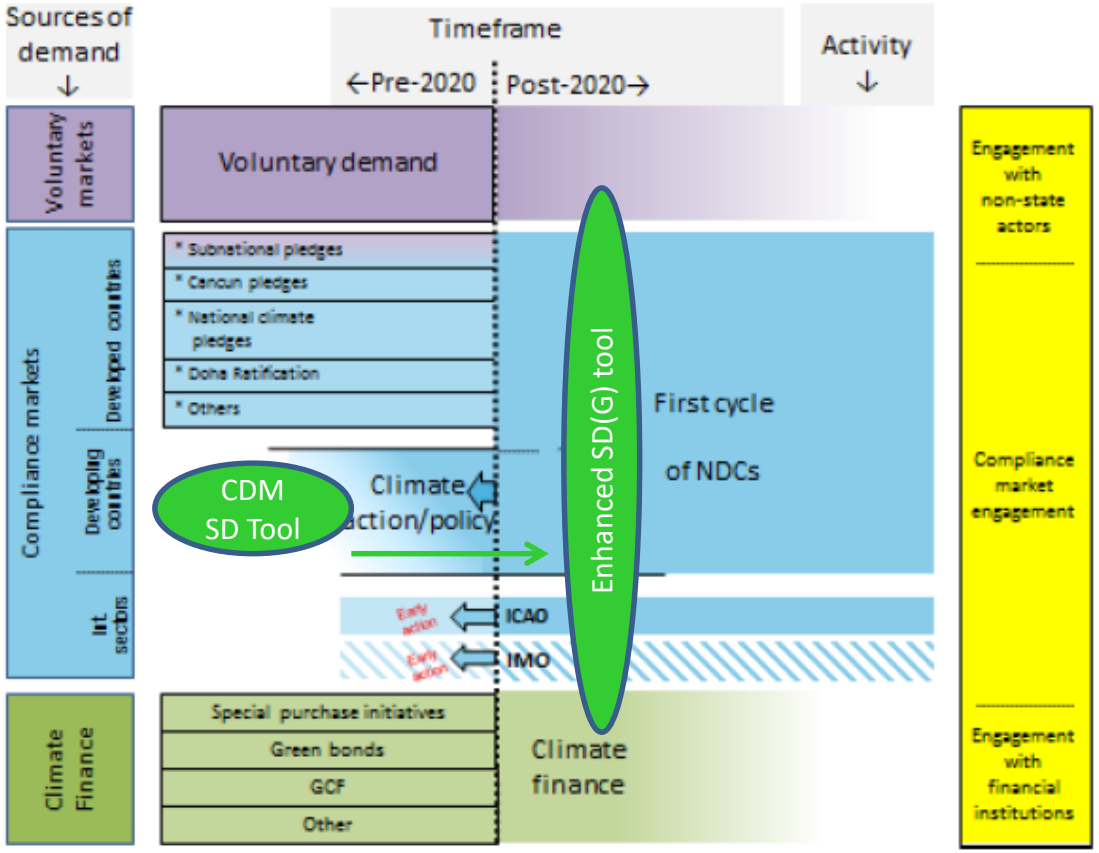
- Level 2: Institutional enhancements
  - Introduce UNFCCC certification of SD co-benefits
    - Meet interest in national certification (see Thailand);
    - Develop UNFCCC certification framework for DNAs with low capacity
  - Create a global standard for quantification of SD co-benefits
    - Develop a global approval standard for quantification methodologies

# Lessons learned for Art. 6 - issues and concerns

- No clear definition of SD
- The host country prerogative to define SD
- Fear that markets can only handle one aim per mechanism
- Fear that SD is too complex and costly to measure

# Outlook to SD assessment in a post-Paris architecture

**Figure 1. Evolving operating environment of the clean development mechanism**

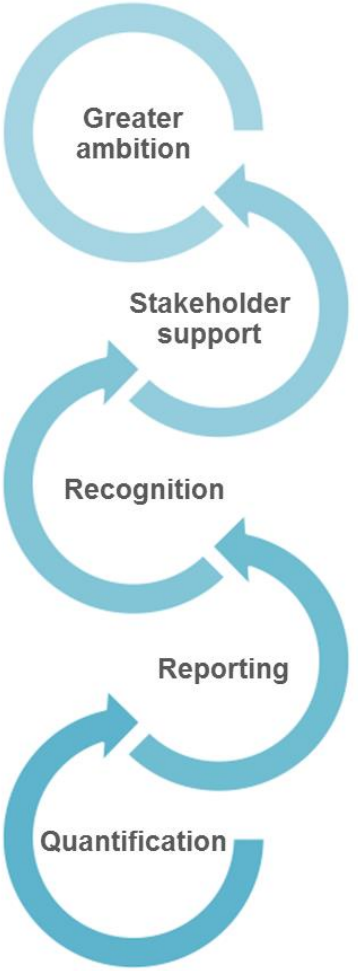



- Enhanced CDM SD tool can set robust standards beyond CDM
- Linking and harmonization with emerging mechanisms (Article 6 of PA)
- Not only carbon, also development relevance (SDGs)
- Globally harmonized SD assessment has multiple benefits:
  - Comparable across mechanisms
  - Mainstreamed into national development planning
  - Integrated into national performance measurement

Source: Adapted from CDM EB88 Annex 1

# Conclusions

- Art. 6.4 (SMM) provides a political mandate to measure SD impacts using rules developed internationally and to verify that impacts are ‘real, measurable, and long-term’.
- Introducing SD assessment for Article 6.4 building on an improved CDM SD tool is a relevant first step.
- A harmonization of SD assessment methods across cooperative approaches is advisable. This can help avoid a 'raise to the bottom' for SD assessment as known from CDM.
- An enhanced SD(G) tool in the SMM that builds on the CDM SD tool could lay down common international best practice that CMA guidance for cooperative approaches can build upon.




Source: Karen Holm Olsen, Christof Arens & Florian Mersmann (2017): Learning from CDM SD tool experience for Article 6.4 of the Paris Agreement, Climate Policy. To link to this article: http://dx.doi.org/10.1080/14693062.2016.1277686

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# Thank you!

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