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Best practice, tools and guidance for sustainable development assessment of climate actions and relevant considerations for Article 6 of the Paris Agreement

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Sustainable Development Impact Assessment of Climate Actions

Best practice, tools and guidance for sustainable development assessment of climate actions and relevant considerations for Article 6 of the Paris Agreement

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This policy brief is produced by the Sustainable Development Dialogue ('Dialogue') on the implementation of Article 6 of the Paris Agreement under the UNFCCC process. It provides a summary of Party and stakeholder views expressed during a series of six engagement events held between January - June 2018. Views stated in this document are those of the authors¹ and do not represent any consensus among the Parties involved. The Dialogue is currently supported by Belgium, Germany, Liechtenstein, Norway, Sweden and Switzerland and receives technical assistance from UNEP-DTU Partnership and the Gold Standard Foundation.

Part 1 - Unpacking the issue: Assessment of climate actions' sustainable development impacts

Sustainable development and climate action linkages

The interconnected nature of sustainable development and climate change is recognised in the first International Panel on Climate Change (IPCC) assessment report 1990/1992. Since then, the science on sustainable development has matured and gained in political prominence, indicated by sustainable development being mentioned 23 times in the Paris Agreement against just three

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times in the Kyoto Protocol. The enhanced focus on sustainable development as the context for climate change indicates a gradual shift away from a 'climate-first' approach as seen in the Kyoto regime in 1997 towards the 'sustainable development' or 'climate compatible development' approach of the Paris regime in 2015 (Olsen, Verles, & Braden, 2018a). Today, researchers and practitioners increasingly focus on how to gain a better operational understanding of the complex linkages and how to maximise synergies and minimise tradeoffs for multiple goals. Both the Paris Agreement and the 2030 Agenda for global Sustainable Development Goals (SDGs) recognise the intrinsic nature of climate and development linkages and impacts.

Why it matters

Lessons learned from experiences with sustainable development assessment of Kyoto and voluntary mechanisms such as the Clean Development Mechanism Sustainable Development (CDM SD) tool (Olsen, Arens, & Mersmann, 2017) and the Gold Standard (Verles, 2016) show that tools and best practice approaches, which meet the needs of a broad range of stakeholders and support sustainable development can help attract a premium price and minimise the risks of negative impacts. In general, credible assessment of sustainable development impacts may lead to:

- Increased trust in the overall mechanism, especially from a private sector and government buyers' perspectives, since these actors are exposed to significant reputational risks
- The creation of a "race to the top" with projects competing to maximise sustainable development impacts;
- Higher transparency and credibility in sustainable development claims of participants
- Mitigation actions with multiple benefits for sustainable development are reported to benefit from higher prices

Best practices for sustainable development assessment of climate mitigation actions

Globally accepted best practices for credible sustainable development assessment include the following main elements (Arens et al., 2014):

- Indicators for sustainable development assessment, guidance and tools on methods of impact assessment
- Appropriate guidance for effective engagement of all impacted stakeholders, ensuring that stakeholders are involved from the design stage and provided with relevant communication channels to access information and raise complaints
- Credible assessment of any negative impact the mitigation activity or policy may lead to
- Robust monitoring, reporting and verification requirements including third party involvement to ensure credibility and impartiality

Since the adoption of the Sustainable Development Goals in September 2015, resources, guidance and tools available to assess the sustainable development contributions of activities, investments or policies are growing in number.

Examples of existing guidance and tools include:

- The [SDG Index and Dashboards Report](#): a report card for country performance on the historic Agenda 2030 and the SDGs
- [Gold Standard for the Global Goals](#): a unifying framework to quantify, maximise and certify sustainable development impacts of climate mitigation activities
- [SDG Selector for Business](#): a solution to identify which SDGs are relevant for businesses and the private sector
- [Initiative for Climate Action Transparency \(ICAT\) Sustainable Development Guidance](#): a modular guidance for assessing the environmental, social and economic impacts of policies and actions

Part 2 – Considerations relevant to the Article 6 work programme to be decided at COP24

Party submissions

In advance of COP23 Parties were invited to submit their views on the Article 6 approaches to the UNFCCC Secretariat by October/November 2017. The Secretariat received a total of 22 submissions. With respect to ‘sustainable development assessment’ 11 Parties expressed their views on the issue. A summary of the views is shown in Table 1 below.

Table 1: High-level options and issues differentiated across the three Article 6 approaches

High-level option	Art. 6.2	Art. 6.4	Art. 6.8
SD assessment	<ul style="list-style-type: none"> Guidance to assist participating Parties in their consideration of approaches to promote sustainable development 	<ul style="list-style-type: none"> A tool to assess the contribution of activities to SDGs adopted, to define comparable standards and indicators Development of guidance for certification of mechanisms outside of the convention 	<ul style="list-style-type: none"> Develop SD tools for assessment of: <ul style="list-style-type: none"> impacts for SD dimensions/SDGs sustainability transition no negative impacts

Among the 11 submissions which mentioned sustainable development assessment, all of them agreed that determination of sustainable development is a national prerogative. Several Parties stated that a Designated National Authority (DNA) should assess and decide on the contribution to sustainable development. In three submissions by South Africa, the Environmental Integrity Group (EIG) and the European Union, reference was made to the Agenda 2030 and SDGs to serve as guidance for host Parties and/or as a tool with comparable indicators and standards. In two submissions by the Like Minded Developing

Countries (LMDC) and the Arab group, sustainable development and NDCs are seen as a primary goal of the Article 6 approaches, although the nationally determined character of sustainable development implies it cannot be defined or standardised. Yet, the development of sustainable development assessment tools is proposed under Article 6.8. In submissions by the African Group of Negotiators (AGN), Thailand, the Least Developed Countries (LDCs) and Norway, tools, guidance and best practice approaches for sustainable development assessment are proposed to be developed at an international level, similar to the voluntary CDM SD Tool. The idea to certify existing tools and standards outside the UNFCCC is proposed by the Independent Association of Latin America and the Caribbean (AILAC).

Analysis of Party and stakeholder views – convergence and divergence

This section presents analysis of feedback from Parties and stakeholders during the six Dialogue events with an aim to identify key areas of convergence and divergence of views. All events followed Chatham House Rules, which mean that views can be documented but not ascribed to a particular Party or stakeholder.

Three key issues were explored in roundtables and 'deep dive' discussions:

- 1) The usefulness of a common SDG tool
- 2) If a tool should be voluntary or mandatory
- 3) Whether certification of existing sustainability standards outside the UNFCCC process would be helpful to Parties

Some participants found the idea of a common SDG tool useful to help standardise sustainable development assessment and assist in comparing information as well as in aggregation of results. Some participants said the usefulness of the assessment would depend on several factors, including being linked to the SDG process in the country, not introducing criteria through the backdoor, being focused on process rather than the tool itself and include positive as well as negative aspects. Some participants also questioned, why an assessment was necessary if there already is a national framework for SDG reporting.

Whilst no Parties objected to the idea of an SDG tool, clear views were expressed that such a tool should be voluntary and should respect the national prerogative of all Parties to decide on specific priorities and criteria for sustainable development. Concern was expressed that some Parties would not want to make use of a voluntary tool. A middle ground was proposed to prescribe assessment but not a tool per se. Regarding the certification of existing standards, it was unclear, if the Supervisory Body or Parties would do the certification. It was noted that certification comes at an additional cost to project developers and national authorities, which may be a hurdle to them.

Part 3 – The Subsidiary Body for Scientific and Technological (SBSTA) Chair informal notes and Dialogue text recommendations

The SBSTA Chair informal notes

Draft elements of text are presented in the SBSTA Chair informal notes issued prior to the SB48 and were revised during the sessions. The revised informal notes issued 8 May 2018 do not mention SD assessment. However, draft elements of text relevant to SD assessment are found in each of the three informal notes as follows:

Article 6.2 guidance on cooperative approaches: In the reporting requirements, the text uses terms such as ‘how cooperative approaches promote SD and SDGs’. It can be argued that to provide such information/explanation/confirmation an assessment for sustainable development is needed. The text also includes provisions with regards to the assessment of negative social and economic impacts resulting from 6.2 activities. This may refer to the context of response measures only and not to sustainable development assessment in general.

Article 6.4 rules, modalities and procedures for the mechanism: The text suggests providing confirmation of fostering sustainable development and provide explanation on the conformity with SDGs. Again, it may be argued that

to provide such information, explanation or confirmation an assessment for sustainable development is needed. Learning from experience, similar language features in the CDM modalities and procedures and this has never been interpreted by Parties as a requirement for sustainable development assessment.

The text also provides for two other issues: 1) a Designated Operational Entity (DOE) to evaluate a mitigation activity against the requirements set-up in the modalities and procedures and 2) the assessment of negative social and economic impacts resulting from Article 6.4 activities. If the DOE evaluation of the mitigation activity would encompass all elements of the activity including its contribution to sustainable development, this would mean that the text provides for sustainable development assessment. However as mentioned above, in the absence of an explicit mention of sustainable development assessment, these provisions might be interpreted as solely relating to emission reductions.

Article 6.8 draft decision on the work programme under the framework for non-market approaches (NMAs): The text sets the following principles:

- (vi) In accordance with Article 6, paragraph 8, NMAs promote sustainable development and poverty eradication,
- (xii) NMAs should maintain harmony among environmental, social and economic dimensions of sustainable development, taking into consideration Article 4, paragraphs 7 and 15.

It is furthermore stated that NMAs should ensure manageable sustainable development transition for all Parties and that they address the concerns of Parties with economies most affected by the negative social and economic impacts of response measures.

Fostering sustainable development is not only a 'shall' requirement but also a key objective of the Article 6.2 approaches and the Article 6.4 mechanism. It can therefore be argued that the text provisions are 'hooks' that allow for SD assessment. However, by not explicitly providing requirements asking for SD assessment and a clear mandate on how to do it (what to assess, how, by who, frequency etc.), this may be a recipe to repeat the CDM shortcomings with regards to sustainable development. To avoid 'a race to the bottom' and rather

promote a 'race to the top' for fostering sustainable development through Article 6 approaches, the Dialogue recommends the following text elements to ensure SD assessment is mandated in the Article 6 'rulebook' to be decided at COP24.

Text recommendations

The following recommendations have been produced by the Dialogue experts. Please note, the proposed text does not reflect consensus and will be further developed prior to COP24.

Article 6.2:

- Clearly state that reporting and assessment of sustainable development is a requirement to ensure compliance with host country priorities for sustainable development goals (SDGs) and to avoid negative impacts and trade-offs.
- Develop or adopt a tool (such as the Ecuador principles) that can be used to assess the sustainable development contributions of a mitigation activity
- Clearly specify who will continuously assess and monitor the contribution to sustainable development (e.g. host party? a verification body?)

Article 6.4:

- Clearly state that verification of the claims for sustainable development of the mitigation activity is a requirement in the same way as verification of the mitigation outcomes. State how claims will be verified (e.g. DOE, the host party or use of an existing sustainability standard?)
- Mitigation activity cycle to include provisions for monitoring, reporting and verification of sustainable development claims and continuous compliance with safeguards
- Develop or adopt an existing tool (such as the Ecuador principles) that can be used to assess the sustainable development contributions of a mitigation activity
- Include a provision that activity specific methodologies, in addition to mitigation outcomes, include requirements on how to assess and monitor sustainable development benefits for this particular activity

- Clearly specify who shall continuously assess and monitor the contributions to sustainable development and compliance with safeguards (e.g. host party? Using Party? DOE?)
- Clearly specify who takes decisions based on the outcome of such evaluation (e.g. host party? Using Party? Supervisory Body?)

Article 6.8:

- The work programme to include the development of a common SDG tool for assessment of sustainable development to comply with host country priorities or the adoption of an existing tool such as the Ecuador principles.
- Develop common approaches to ensure that negative impacts for sustainable development goals are avoided

Thanks:

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