Gold Standard Conference: Grow to Zero
14-15 April 2016, Metropol at Fraumünsterstrasse 12, 8001 Zürich, Switzerland

The future of the CDM SD tool

Karen Holm Olsen
Low Carbon Development Programme
UNEP DTU Partnership
The CDM SD tool – introduction and background

- 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

<table>
<thead>
<tr>
<th>Indicators for SD co-benefits</th>
<th>Social Carbon</th>
<th>CCB Standards</th>
<th>CDM Gold Standard</th>
<th>Crown Standard</th>
<th>UN REDD Programme</th>
<th>UNDP NAMA SD tool</th>
<th>ADB</th>
<th>IFC</th>
</tr>
</thead>
<tbody>
<tr>
<td>CDM SD tool</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>Criteria but no indicators</td>
<td>✔️</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quantification</td>
<td>❌</td>
<td>❌</td>
<td></td>
<td>❌</td>
<td>✔️</td>
<td>✔️</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assessment of negative SD impacts</td>
<td>❌</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monitoring and reporting</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td></td>
</tr>
<tr>
<td>Independent 3rd party validation and verification</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Certification</td>
<td>❌</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Guidelines Stakeholder consultation</td>
<td>❌</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td></td>
</tr>
</tbody>
</table>
Comparison with other mechanisms - summary

• highly differentiated requirements for SD assessment
• SD Tool in its current form quite limited
• Shortcomings:
  o no coverage of negative impacts, missing safeguards
  o no monitoring & evaluation
  o 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 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 avoidance negative impacts and attracting a premium price for carbon credits with high sustainable development benefits
- National standards fall short of meeting expectations in the premium market
Recommendations for improvements

• Recommendations at two consecutive levels:
  o Level 1: Improvements to the SD tool
  o Level 2: Enhancement of the SD tool

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

• Level 2: Enhancements
  o Introduce UNFCCC certification of SD co-benefits
    - Meet interest in national certification (see Thailand);
    - Develop UNFCCC certification framework for DNAs with low capacity
  o Create a global standard for quantification of SD co-benefits
    - Develop a global approval standard for quantification methodologies
Outlook to the future for the CDM SD tool

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
Thank you!

For more information, please contact the project team:
Christof Arens
Karen Holm Olsen
Florian Mersmann
Joergen Fenhann
Frederic Rudolph
Miriam Hinostroza
Christiane Beuermann
Fatemeh Bakhtiari