Views on Sustainable Development
Provisions in the rulebook drafts
of Art. 6 Paris Agreement

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Introduction

- Art. 6 is expected to be the enabler of carbon markets under the Paris Agreement. The Article covers cooperative approaches (Art. 6.2), a mechanism to contribute to GHG mitigation and SD support (Art. 6.4) and non-market approaches (Art. 6.8). In order to make Art. 6 work, countries need to agree on a detailed rulebook for implementation.

- The Paris Agreement foresaw that the rulebook should be concluded by the end of 2018 (at COP24 in Katowice, Poland). That was not the case. Nor were countries able to conclude the rulebook one year later at COP25 in Madrid, Spain (led by Chile). Work will continue over 2020 and 2021.

- The next attempt for countries to adopt the rulebook will be at COP26 in Glasgow, UK in 2021.
Introduction

How is the SD Mandate from the Agreement text reflected in the rulebook drafts?
Identification of SD provisions

What are provisions on Sustainable Development in the context of Art. 6? What areas do these provisions cover?

<table>
<thead>
<tr>
<th>Governance</th>
<th>Safeguards</th>
<th>Stakeholder Inclusivity</th>
<th>SD Assessment</th>
<th>MRV of SD</th>
<th>Reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Prerogative, Disclosure of Information</td>
<td>Requirements that prevent and/or mitigate negative, unintended consequences that may arise from an activity</td>
<td>Opportunity for stakeholders to engage, incl. grievance mechanisms</td>
<td>Alignment with SDGs, Baseline setting, Impact assessment approach</td>
<td>Monitoring scopes include ex-ante and ex-post scope, Verification</td>
<td>Aggregation of Information, Reporting</td>
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High level options to promote SD in Art. 6 identified in respective submissions from countries in 2017
Scope of Analysis – SBSTA texts between Bonn and Madrid
### Art. 6.2 – SD only considered as reporting element

<table>
<thead>
<tr>
<th>Issue</th>
<th>Pre-COP25 (SBSTA Drafts)</th>
<th>COP25 Presidential Proposal (all 3 iterations are considered)</th>
<th>Observation</th>
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<tr>
<td>Safeguards</td>
<td>Options on safeguards included:</td>
<td><strong>No safeguards anymore</strong>, 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, <em>Paragraph 9 lit. e</em>)</td>
<td>The proposal to have no safeguard in the guidance at all could undermine Art. 6.2 credibility from the start.</td>
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<tr>
<td></td>
<td>• Use of Art. 6 should not lead to negative <em>environmental</em> or <em>social</em> impacts;</td>
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<td></td>
<td>• Use of Article 6 should respect <strong>human rights</strong> in its application;</td>
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<tr>
<td>Stakeholder Consultation</td>
<td><strong>Not mentioned</strong></td>
<td></td>
<td>Grievance mechanisms and stakeholder consultations are crucial to support public acceptance of Art. 6.2 activities.</td>
</tr>
<tr>
<td>Assessment / Monitoring SD</td>
<td><strong>Not mentioned</strong></td>
<td></td>
<td>Voluntary tool/approaches to assist Parties in assessing/tracking SD</td>
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<td>Reporting</td>
<td>SD is a reporting element of BTR; **Parties shall include information on how each cooperative approach is consistent with SD objectives of host Party, noting national prerogatives, <em>Paragraph 22 lit. g</em>).</td>
<td></td>
<td>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.</td>
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### Observation

- **Safeguards**
  - Avoid negative environmental and social impacts;
  - Mechanism to assist Parties to respect, promote and consider their respective obligations on human rights;
  - Art. 6.4 activity shall avoid negative environmental and social impacts, Paragraph 31 lit. d) (iii).
  - No more reference to human rights.
  - Safeguards are now part of the activity design, which means their consideration is mandatory from the start. Further Safeguards may be added if needed from 2028 on, Paragraph 12

- **Sustainable Development**
  - As Participation Requirement:
    - Host Party shall, 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
  - As part of Approval process:
    - Confirmation that the activity fosters sustainable development in the host Party;
    - As part of Approval process: Confirmation that and information on how the activity fosters sustainable development in the host Party; Paragraph 39 lit. a)
    - Explanation requirement reg. SD contribution is new and improves SD role compared to CDM (only confirmation of SD contribution in LoA, no explanation required)
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<td>Stakeholder Consultation</td>
<td>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)</td>
<td>Presidential Proposal developed prior options on stakeholder consultations further.</td>
<td></td>
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<td>Grievance Mechanism</td>
<td>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.</td>
<td>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).</td>
<td></td>
</tr>
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<td>Assessment / Monitoring SD</td>
<td>Not mentioned</td>
<td>Art. 6.4 can play a future role model – also for domestic arrangements under 6.2 – therefore the Supervisory Body should be mandated to develop voluntary tools/approaches on SD assessment and monitoring to assist Parties with fostering SD</td>
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Conclusions

• Art. 6.2 is weak on SD provisions. The lack of mandatory stakeholder engagement may pose a severe social acceptance risk from its beginning. And, without any safeguards the draft guidance on cooperative approaches exposes an open flank on SD.

• Art. 6.4’s drafts rules and procedure, as laid out in the Proposal of the Chile Presidency, state a clear improvement compared to the drafts of the Polish Presidency from 2018. However, Art. 6.4 can play a role model in the design of national climate policies in the future. This may also apply for domestic arrangements under Art. 6.2. It would be helpful to mandate the Supervisory Body to develop voluntary tools/approaches that could support countries with SD assessment and its monitoring over time.

BUT: Since the draft rules have not been adopted yet – will the last drafts be starting point for the next round of negotiations or do countries start from scratch?
Thank you!


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