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The Best of Two Worlds

Article 6 mechanisms shall contribute to Sustainable Development Goals (SDGs)

by Karen Holm Olsen, UNEP DTU Partnership (UDP) and Alexandra Soezer, United Nations Development Program (UNDP)

The Paris Agreement and the UN Sustainable Development Goals (SDGs) were two milestone achievements in 2015. The Intended Nationally Determined Contributions (INDCs) put forward by Parties before the Climate Conference in Paris will have to be fully embedded in the 2030 agenda to achieve truly transformational, lasting impacts for low carbon and SDGs and, ultimately, resilient communities that are able to quickly respond to and recover from adverse situations.

To avoid negative impacts of NDC mitigation policies and actions (MPAs) and ensure that the newly introduced mechanisms and frameworks under Article 6 of the Paris Agreement will contribute to SDGs in a transparent and measurable way, a coherent and structured Sustainable Development (SD) assessment is essential.

The SD objective of Article 6 mechanisms

Article 6 of the Paris Agreement establishes two ways of market-based cooperation between Parties (Art. 6.2-6.3 and Art. 6.4-6.7) and a framework for non-market approaches (Art. 6.8-6.9) as means of international cooperation. A defining characteristic of the three ways of cooperation is the common objective that all MPAs shall contribute to SD. Art. 6.2-6.3 enable Parties to use the International Transfer of Mitigation Outcomes (ITMOs) to achieve their NDCs and promote SD, while Art. 6.4-6.7 define a mechanism that will contribute to the mitigation of greenhouse gas emissions and support SD. In the negotia-

tions leading up to the Paris Agreement this was named the Sustainable Development Mechanism, reflecting the ethos of the mechanism that mitigation outcomes are not the only primary objective but a means to support development priorities in a sustainable way. A framework for non-market approaches to SD is defined in Art. 6.9 with the aim to promote both mitigation and adaptation ambition in NDCs, enhance public and private sector participation and facilitate coordination across instruments and institutions. To ensure consistency and avoid fragmentation of carbon markets, SD assessment should be treated in the same way across all cooperative approaches of Article 6. Regardless of differences in the three approaches, a common international approach to highlight the contribution of MPAs to global and national SDGs along with safeguards to avoid negative impacts is crucial to ensure the integrity of mitigation outcomes.

Particularly Article 6.4, later renamed the Sustainable Mitigation Mechanism (SMM) (Marcu 2016) to reflect its two equally important objectives of contributing to the mitigation of GHG emissions and fostering SD, provides a strong mandate for quantitative sustainable development assessment. In the Paris Decision (§ 37 b) to give effect to the Paris Agreement it is stated that rules, modalities and procedures shall be adopted by the Conference of the Parties serving as the Meeting of the Parties to the Agreement on the basis of 'real, measurable and long-term benefits related to the mitigation of climate change'. Though the wording of the decision is exactly the same as the wording in Article 12 (§ 5 b) of the Kyoto Protocol



Making the benefits visible: mitigation activities have multiple effects, among them job creation. Technician servicing a wind turbine.

defining the Clean Development Mechanism (CDM), the framing is different. In the CDM the wording refers to emission reductions resulting from each project activity, while in the SMM the wording refers to the mechanism as a whole. With the dual objective of the SMM this means that not only the GHG emissions shall be 'real, measurable and long-term'. Also, the SD benefits shall be assessed in an equal way based on the same requirements. Compared to the CDM this is a much strengthened provision for SD assessment with far reaching implications. Guidance will be needed at international level to demonstrate how MPAs contribute to SDGs and avoid negative impacts such as human rights violations. The PD (§ 37 f) further states that the SMM shall be based on experience and lessons learned from existing mechanisms and approaches under the Convention and its legal instruments such as the CDM.

Learning from experience

UNEP DTU Partnership (UDP) assisted the UNFCCC Secretariat to develop the voluntary CDM SD tool, which was approved by the CDM Executive Board in 2012. Recently, UDP and the Wuppertal Institute reviewed experience and lessons learned from using the tool to provide recommendations to improve the SD assessments of mitigation actions undertaken so far (Arens et al. 2015). Key shortcomings identified were a lack of no-harm safeguards, monitoring and reporting guidelines, independent third party validation and verification of SD claims, links to enhanced stakeholder requirements and the absence of a standard for quantification of SD co-benefits within a UNFCCC certification framework for Designated National Authorities (DNAs).

In national consultation meetings with key stakeholder, UNDP has often experienced that SD benefits of Nationally Appropriate Mitigation Actions (NAMAs) are a central element for encouraging country ownership and long-term sustainability of actions. Building on the CDM SD tool, UNDP further developed the assessment of SD impacts of actions through a structured, bottom-up approach to measure SD impacts of actions. UNDP developed an SDG tool (UNDP, 2014) that will help policy makers evaluate the sector-specific transformational impacts of country-led actions and enables them to track the SD impacts of a NAMA over its entire lifetime. The SDG tool is designed to define, quantify and monitor SD parameters while gathering instrumental data to help politicians make informed decisions and create the right policy instruments that will lead to sectoral paradigm shifts.

The approach taken is to identify the most relevant indicators under five domains (environment, social, economic, growth & development) which highlight those impacts that have dual impacts on social and economic development and institutional, formulate parameters to quantify impacts, detail monitoring and reporting requirements (including sampling approaches), and ensure that all identified parameters can be easily verified by a third party verifier through guidance provided for monitoring, reporting, quality assurance and quality control. Each indicator is linked to the SDGs and their targets to ensure that the impacts of an action can be assessed against the overall SD priorities of a country.

The SDG tool provides guidance for a structured approach to SD assessment and demonstrates that impacts are 'real, measureable and long-term' while keeping sufficient flexibility for policy makers and stakeholders to identify those impacts that can be quantified cost-effectively and others that are described in a qualitative manner to prevent project implementation from becoming too costly.

The defined linkages between countries' MPAs and the SDGs will ensure future alignment of NDC implementation with the Agenda 2030 and further

the achievement of the SDGs. Article 6 approaches can play a crucial role to promote national and global SDGs and enhance ambition for MPAs provided that international guidance is developed to enable coherent SD assessment across mechanisms and instruments. Existing experience and lessons learned from CDM and NAMAs shall inform the assessment of SD impacts to ensure that Article 6 approaches do not repeat the weaknesses of the CDM to pursue a climate-centric approach and miss out on the opportunities to promote SDGs.

Disclaimer: *The views expressed in this opinion piece are attributable to the authors in their personal capacity and not to any institutions with which they are affiliated.*

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