



Sustainable Development Initiative

ASSESSMENT OF SUSTAINABLE DEVELOPMENT APPROACHES FOR USE IN ARTICLE 6

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Gold Standard[®]

 **UNEP DTU**
PARTNERSHIP

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1. Executive Summary

This report is intended for Article 6 negotiators and experts involved in carbon markets. It aims to provide insights to assist in selecting suitable sustainable development impact assessment tools and approaches and to inform negotiations on the benefits of introducing a work programme to develop tools to measure and monitor the contributions of Article 6 activities to sustainable development.

Summary of findings

Building on previous work by the Sustainable Development Initiative, SDI (available [here](#)), the authors propose 17 requirements across 6 thematic areas to assess the comprehensiveness and suitability of sustainable development (SD) impact assessment tools and approaches in the context of Article 6 implementation. The four SD assessment approaches analysed include the CDM SD tool, Gold Standard for the Global Goals (GS4GG), ICAT Sustainable Development Methodology (ICAT SDM) and UNDP Climate Action Impact (UNDP CLIP) Tool.

Key findings include:

In the context of the Article 6 approaches, the four SD tools and approaches assessed are all found to be relevant to meet different aspects of the current SD provisions (still under negotiation), though the voluntary CDM SD tool is very limited in scope. For example, it does not provide for assessment of negative impacts for SD, neither for stakeholder engagement or contribution to SDGs.

- GS4GG and ICAT SDM are the most comprehensive SD approaches. The main differences are directly attributable to their different natures: GS4GG is managed by an independent, non-profit standards body and ICAT SDM is a procedural guide to assist governments and practitioners.
- ICAT and the UNDP CLIP both cover policy level interventions not covered under GS4GG; GS4GG includes standard requirements on verification, ex-post monitoring and claims management. Whilst strong on safeguards, stakeholder inclusivity and SD impact assessment, UNDP CLIP does not provide for a grievance mechanism to be in place nor does it provide guidance on third party verification; detailed guidance on Monitoring Reporting and Verification (MRV) or claims management.

All three approaches – ICAT SDM, GS4GG and UNDP CLIP – cover to some extent current Article 6 SD provisions as per the draft decision text by SBSTA (26 June 2019) and are therefore expected to be suitable in an Article 6 context.

- The CDM SD tool lags behind in all thematic areas. This is not unexpected and in line with previous literature on the issue (Arens et al. 2015; Olsen et al. 2017; Olsen et. al. 2019).

Special consideration was given to emissions trading systems (ETS) linking as a possible approach under Art. 6.2. The SDI used relevant SD assessment areas for addressing the risk and benefits of ETS linking as identified by relevant literature. For practical results, the SDI introduces a matrix with high-level SD elements to be considered ex-ante in ETS linking arrangements. The matrix in itself may serve as a first step towards increasing SD relevance within ETS linking.

Recommendations for policy makers

Building on these findings and on past-research by the SDI, the authors contend that whilst existing approaches offer credible pathways to assess the SD impacts of Article 6 activities, further work is required to increase the use of these approaches for carbon market players to comply with host Party and buyer requirements to ensure Article 6 activities promote SD. This can be done through alignment with the Sustainable Development Goal (SDG) process and capacity building, specifically:

- Alignment of the SD assessment process with SDG monitoring by developing lists of relevant indicators per activity types as supplementary guidance to existing approaches.
- Capacity building through the development of training programmes, tools and templates tailored to the needs of host Party authorities and local experts.

The SDI recommends the use of internationally agreed approaches such as the [Global indicator framework](#) for the SDGs.

Further research and testing of approaches is needed to drive the use of best practice tools and approaches and build the knowledge base on benefits associated with credible SD impact assessment. This is particularly true for the assessment of SD impacts of ETS Linking. The selection and monitoring of credible and relevant SD indicators will only deliver tangible results if the participating jurisdictions ensure cross-border collaboration when developing methodologies for selecting and monitoring SD indicators. This can enable a 'race to the top' – where project proponents would be incentivised to maximise synergies between climate and development outcomes, as opposed to a 'race to the bottom' known from the CDM, where trade-offs between climate and development objectives resulted in a 'climate-first' approach at the expense of promoting sustainable development.

2. Introduction

About the Sustainable Development Initiative

The overall objective of the SDI 2019-2020 work programme is to raise awareness on the opportunities associated with strong SD provisions in Article 6 through a combination of Party driven policy dialogue (workstream 1) piloting of approaches (workstream 2) and outreach activities to relevant carbon market players (workstream 3), as shown in Figure 1.

Figure 1 – SDI work programme 2019-20

GOAL: PROMOTE IMPLEMENTATION OF STRONG SD PROVISIONS IN ARTICLE 6 OF THE PARIS AGREEMENT

WS 1 - Party Driven Dialogue	Roundtable discussions
	Article 6 text recommendations
	Knowledge sharing from testing & piloting (Workstream 2)
WS 2 - Piloting of SD approaches	Evaluation of SD approaches in the context of Art 6 pilots
	Production of case studies and knowledge products
WS 3 - Outreach to relevant carbon market players	Dissemination of knowledge at relevant industry events
	Partnerships building and regional groups to raise awareness

About workstream 2 – Piloting of SD Approaches in an Article 6 context

The aim of workstream 2 is to produce recommendations to policy makers on what constitutes credible SD approaches. It will also provide the benefits associated with SD provisions based on an evaluation of various approaches to assess qualitatively and/or quantitatively the SD impacts of climate mitigation activities. A core objective is to propose approaches that assist Parties in demonstrating how voluntary cooperation promotes SD and environmental integrity as required by Art. 6.1.

Building on existing work by UNEP-DTU, Gold Standard and other partners, the SDI will identify opportunities to evaluate the implementation of existing SD approaches on Article 6 pilots (policies, programmes and projects).

In 2019, the work consists of an objective assessment of selected SD approaches, captured in this report. In 2020, case studies will be produced based on either desk review work or in depth implementation of SD approaches in the context of Article 6 pilot projects. Furthermore, workstream 2 addresses the special case of SD in the context of ETS linking under Art. 6.2. The SDI examines how ETS linking may promote SD and introduces a matrix to assist Parties in identifying and integrating SD relevant elements into the ETS linking architecture.

3. Comparison of SD assessment approaches relevant to Article 6

Presentation of the SD assessment grid

The SD assessment grid aims to assess and compare SD tools and approaches to enable users to decide which tool is most suitable for their use in reporting on sustainable development impacts in the context of Article 6 cooperative approaches (Art. 6.2), mechanisms (Art. 6.4) and non-market

approaches (Art. 6.8). The grid enables benchmarking of different existing SD tools and approaches available and allows users to select the tool most appropriate to meet the requirements for host country approval and buyer requirements for environmental and social integrity. This may over time enable alignment on SD impact assessment best practices and greater consistency in the approaches used. The UNFCCC Secretariat can facilitate the use of best practices, provided a mandate is given by the Parties to develop a work programme for development and voluntary use of international SD tools and approaches by countries and market players.

The structure of the grid builds on six high-level assessment areas identified based on Party submissions to the Article 6 negotiations during 2017-18 and presented by the SDI in six Policy Briefs (available [here](#)). Each thematic area includes a set of sub-criteria that provide requirements to assess and present findings for selected SD approaches. The six assessment areas, sub-criteria and the main questions related to each are described in Table 1.

Table 1 – Assessment Grid

ASSESSMENT AREAS	SELECTED SUB-CRITERIA	MAIN QUESTIONS
A. GOVERNANCE	<ul style="list-style-type: none"> National prerogative Methodology development process Disclosure 	Is host-country approval of the activity's contribution to SD required? If so, at what stage (ex-ante and/or ex-post) and based on what information and procedures?
B. SAFEGUARDS	<ul style="list-style-type: none"> Generic requirements to assess both positive and negative impacts for SD Specific safeguards (e.g. corruption, human rights etc.) 	Are comprehensive safeguards provided?
C. STAKEHOLDER INCLUSIVITY	<ul style="list-style-type: none"> Opportunity for stakeholders to engage Grievance / complaints mechanism 	Does the planning of activities and/or programmes enable the input of stakeholders and is a respective grievance mechanism in place?
D. SUSTAINABLE DEVELOPMENT IMPACT ASSESSMENT	<ul style="list-style-type: none"> Alignment with SDGs Baseline setting Impact assessment approach 	Are provisions available to assess, how Article 6 activities contribute to SDGs either in a holistic way (for example to multiple SDGs) or an alternative way of assessing SDG contributions?

E. MRV AND CLAIMS MANAGEMENT	<ul style="list-style-type: none"> • Ex-ante / ex-post • Verification • Claims guidance and management 	Is guidance available for ex-ante and/or ex-post monitoring, reporting and verification of the chosen SD indicators?
F. ENHANCED TRANSPARENCY FRAMEWORK (ETF)	<ul style="list-style-type: none"> • Information • Reporting 	Does the tool/approach facilitate the aggregation of information, which demonstrates how the Article 6 activity promotes SD as required under the ETF?

Presentation of the four SD assessment tools and approaches

The following SD tools and approaches were assessed:

1. Gold Standard for the Global Goals: (<https://www.goldstandard.org/project-developers/standard-documents>)

A broad range of activities, including standalone carbon mitigation projects, supply chain interventions and impact investment funds can use Gold Standard for the Global Goals to quantify and certify their contributions to the SDGs, including SDG 13. Every project must follow relevant safeguarding principles, engage local and affected stakeholders, and contribute to a minimum of three SDGs (SDG 13 is mandatory). Within carbon markets, Gold Standard for the Global Goals can be applied in the following scopes: Renewable Energy, End-use Energy Efficiency, Waste Handling & Disposal, Agriculture and Land use & Forests. Gold Standard does not support project types associated with geo-engineering or energy generated from fossil fuel or nuclear, fossil fuel switch, or any project that supports, enhances or prolongs such energy generation.

UNDP Climate Action Impact (CLIP) Tool: (<https://climateimpact.undp.org/#/>)

The tool is designed to help a broad range of stakeholders in managing the design, development, implementation, financing, measurement, reporting and verification of the various type of actions. The tool seeks to enable stakeholders to identify significant impacts, define indicators, quantify impacts and set targets and track the progress of the actions towards the NDCs. The tool is a bottom-up tool that can be applied to track 'significant, direct impacts' of actions.

2. ICAT Sustainable Development Methodology: (<https://climateactiontransparency.org/icat-guidance/sustainable-development/>)

The methodology provides an overarching framework and process for assessing the environmental, social and economic impacts of policies and actions. The purpose is to help users assess sustainable development impacts of NDC policies and actions towards multiple Sustainable Development Goals (SDGs). The methodology is applicable to all types of policies and actions, both mitigation and adaptation for NDC implementation. It provides general principles, concepts and procedures applicable to all sectors and all types of sustainable development impacts. The

overall steps of the methodology include defining the assessment, a qualitative and a quantitative approach to impact assessment, options for ex-ante (forward-looking) and/or ex-post (backward-looking) assessments and guidance for monitoring and reporting, decision making and using results.

3. CDM SD Tool: (<https://www4.unfccc.int/sites/sdcmicrosite/Pages/SD-Tool.aspx>)

The sustainable development (SD) tool enables Clean Development Mechanism (CDM) project developers to showcase the sustainable development benefits of their projects and programmes of activities. The tool contains a short survey about the project's co-benefits, which is used to create a detailed sustainable development co-benefits report that is then published on the UNFCCC's website for public access.

Presentation of SD assessment results

The four selected SD assessment approaches were evaluated side by side using the SD assessment grid. This enables comparison on how each of these tools meet/don't meet the criteria and sub-criteria listed in the SD assessment grid. The full assessment is provided in Annex 1. A summary of the type of SD approaches assessed is provided below in Table 2.

Table 2 – Types of SD Approaches

	Gold Standard for the Global Goals	ICAT SD Methodology	UNDP CLIP Tool	CDM SD Tool
Type of SD approach	Voluntary standard	Procedural, technical guide	Calculation and visualisation tool	Voluntary tool specifically developed for CDM projects
Owner	Independent non-profit organisation (Gold Standard Foundation)	Consortium of ICAT organisations (incl. UNOPS, WRI and UNEP-DTU)	International UN agency (UNDP)	CDM Executive Board
Scope	Activities (projects and programmes)	Activities and policies	Activities and policies	CDM Activities

Insights from the assessment of the four approaches against each of the six thematic areas and sub-criteria are summarized below.

Governance

The critical issue on governance relates to the national prerogative by host Parties to determine priorities for SD (Verles et al. 2018). SD provisions for Article 6 activities clearly emphasize the key role of the host Party to approve and inform the Supervisory Body (Art. 6.4) or demonstrate (Art. 6.2) that activities contribute to national priorities for SD. The primary assessment criteria to assist with the selection of tools in this context is therefore, whether host-country approval of the activity is required. Additional criteria include: whether the tool/approach is developed in an open and inclusive manner, SD assessment results and planned updates of the tool/approach are publicly available. Assessment results are provided in Table 3.

Table 3 – Assessment of Governance Requirements

Sub-criteria	Gold Standard for the Global Goals	ICAT SD Methodology	UNDP CLIP Tool	CDM SD Tool
National prerogative	Host country approval is required for GS CDM projects/programmes, not for voluntary actions. Alignment with national SD priorities is not required. Compliance with national laws is required.	Host-countries may apply or adopt the methodology to ensure NDC policies and actions meet national SD(G) priorities. For non-state users alignment with national SD priorities and compliance with national laws is encouraged.	No information provided.	It is voluntary to use the CDM SD tool. Few host countries make use of the tool, as it is mainly applied by project developers. A Letter of approval from the host-country Designated National Authority is required.
Methodology development	Standard development is led by nonprofit Gold Standard as per ISEAL requirements. Plans for updates and associated documents are openly available.	The methodology was developed by ICAT through a multi-stakeholder engagement process, overseen by WRI and UNEP DTU Partnership, coordinated by Verra. Plans for updates are not publicly available. Parties may use or adopt the methodology in whole or in parts, to make it their own.	The tool was developed by UNDP with support from external technical experts, it has undergone internal reviews and was also peer reviewed by international experts to ensure coherency with other tools such as ICAT. Plans and documents for updates are not publicly available.	The tool was mandated by Parties through the CDM EB and developed by the UNFCCC Secretariat with support from UNEP DTU Partnership. Updates depend on mandates provided by Parties to the UNFCCC Secretariat.

Disclosure	All SDG assessment results are publicly available on the Gold Standard Registry.	No provisions are available on the ICAT website. It is up to users to disclose information, where appropriate e.g. for reporting under the ETF.	No provisions.	All SD assessment results are publicly available on the UNFCCC CDM SD tool website.
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Safeguards

Safeguards help build and maintain trust in market and non-market mechanisms. The aim is to identify, prevent and mitigate (where prevention is not possible) negative, unintended consequences that may arise from an activity (Verles et al. 2018). So far Parties have proposed safeguards for cooperative approaches (Art. 6.2) to ensure no environmental harm is done, negative social and economic impacts are mitigated or avoided and human rights are respected. For the mechanism under Art. 6.4, Parties proposed safeguards to avoid negative environmental and social impacts and to ensure compliance with human rights in the activity processes. The primary assessment criteria to align with proposed Article 6 safeguards is whether the approach includes generic and specific safeguards. Additional assessment criteria is whether the approach requires that potential risks and the effects of mitigation measures are monitored over time. Assessment results are provided in Table 4.

Table 4 – Assessment of Safeguards Requirements

Sub-criteria	Gold Standard for the Global Goals	ICAT SD Methodology	UNDP CLIP Tool	CDM SD Tool
Generic provisions	Environmental and social risks are required to be identified, mitigated and monitored over the course of a project's crediting period.	Environmental and social risks are encouraged to be identified.	Environmental and social risk assessment is required in line with UNDP's social and environmental screening procedures.	No risk assessment is required and only contribution to sustainable development is required to be assessed.
Specific safeguards (e.g. corruption, human rights, child labor, indigenous people, etc.)	A wide range of safeguards are included and required to be assessed as part of assessing SDG contribution.	A wide range of safeguards are included and encouraged to be assessed as part of assessing SDG contribution.	A wide range of safeguards are included and required to be assessed except for corruption.	No risk assessment is required and only contribution to Sustainable Development is required to be assessed.

Additional activity specific safeguards	Safeguards are customized for different types of activities for e.g. large hydros etc.	Safeguards are generic and not customized for types of activities.	Safeguards are generic and not customized for types of activities.	No risk assessment is required and only contribution to Sustainable Development is required to be assessed.
Ex-post monitoring	The effectiveness of risk mitigation measures is required to be monitored at a specified frequency.	Ex-post monitoring is encouraged but not required.	Ex-post monitoring of safeguards is not specifically required. For specific risks, mitigation measures have to be included.	Ex-post monitoring of safeguards is not specifically required.

Stakeholder inclusivity

Including stakeholders into activity/programme planning provides a valuable entry point to improve the activity design and to maximise sustainable development outcomes. It can also serve to identify and control external risks (Braden et al. 2018) by ensuring that affected stakeholders, especially local communities, are not adversely impacted by an activity or a programme. This requires a grievance mechanism, especially in cases where stakeholder rights are at risk or have been harmed. Therefore, the two primary assessment criteria to determine whether existing SD tools and approaches address stakeholder inclusivity are 1) if the planning of activities and programmes require the input of stakeholder and 2) whether a respective grievance mechanism is in place. Assessment results are provided in Table 5.

Table 5 – Assessment of Stakeholder Inclusivity Requirements

Sub-criteria	Gold Standard for the Global Goals	ICAT SD Methodology	UNDP CLIP Tool	CDM SD Tool
Stakeholder input on the activity/programme design	In-person meeting to solicit stakeholder feedback on the design of the activity is mandatory and is required to be carried out in gender	The methodology refers to use of the ICAT Stakeholder Participation Guidance to include and consult stakeholders throughout the assessment process.	Stakeholder input on the design of the project is mandatory however there are no provisions for a mandatory in-person meeting or for gender-sensitive	In-person meeting to solicit stakeholder feedback on the design of the activity is mandatory but gender sensitive consultations are not essential. Stakeholder input

	sensitive manner. Stakeholder input is required to be considered and reflected in the design of the project. Stakeholders are required to be informed on how their feedback has been considered.		consultations. No provisioning to ensure that the stakeholder input is reflected in the design of the proposed activity or to communicate to stakeholders how their input has been considered.	is required to be considered and reflected in the design of the project. Stakeholders are required to be informed on how their feedback has been considered.
Grievance mechanism	Grievance mechanism is required to be setup in consultation with the stakeholders.	Grievance mechanism is encouraged to be setup in consultation with the stakeholders.	No provision for grievance mechanism.	No provision for grievance mechanism.

Sustainable Development Impact Assessment

Sustainable development impact assessment relates to the approach chosen to calculate positive SD contributions; it usually includes the selection of indicators, the definition of a baseline or reference scenario and the monitoring of progress over time. Previous analysis by the SDI showed that among 11 submissions from Parties mentioning SD assessment, three made references to the SDGs to serve as guidance for comparable/commonly accepted indicators. During informal conversations held in 2018, no Party objected the SDG framework playing a role in supporting Article 6 reporting on SD (Verles et al. 2018). There are three important considerations to ensure sound SD assessment is in place. These form the basis for the three primary assessment criteria proposed here: 1) whether there is an explicit reference to the SDGs, 2) whether impacts are assessed against a baseline scenario and 3) whether guidance is provided on how to select indicators and measure impacts in a credible way. Assessment results are provided in Table 6.

Table 6 – Assessment of SD Impact Assessment Requirements

Sub-criteria	Gold Standard for the Global Goals	ICAT SD Methodology	UNDP CLIP Tool	CDM SD Tool
Reference to the SDGs	Demonstration of contribution to a minimum of 3 SDGs is required (contribution to SDG 13 is mandatory).	Sustainable development impacts are encouraged to be mapped to the SDGs.	Sustainable development impacts are required to be mapped to the SDGs.	Sustainable development impacts are assessed but not required to be mapped to the SDGs.
Baseline	SDG outcomes certified are quantified against a baseline scenario.	SD impacts are identified and quantified against a baseline scenario.	No baseline.	No baseline.
Impact assessment approach	Projects/programmes can choose SDG impacts specific to the nature of their project/programme. SDG tools specific to project types are created to ensure that projects choose the most accurate indicators for their impacts.	Policies/activities can choose SD impact categories specific to the their nature. Detailed guidance is provided on selecting relevant and significant impact categories and how to choose relevant indicators.	Projects/Programmes can choose SDG impact specific to the nature of their project/programme. Comprehensive list of relevant indicators matched with various SDG is available.	List of SD indicators is available.

MRV and Claims Management

Transparent, credible reporting on SD benefits of mitigation actions is critical to ensure wide public support for climate policies and climate actions. It can also help unlock much needed public acceptance for market mechanisms. For example, to know the positive impacts for sustainable development of a solar PV policy may help leverage political support for upscaled actions. Identifying the potential negative impacts for local communities can help mitigate the impacts and

improve design for benefit sharing. SD provisions for Article 6 include the need to submit information on how activities are consistent with national SD objectives and foster SD. Primary assessment criteria include whether the approach requires ex-ante assessment and ex-post monitoring, whether verification is required, and whether claims are managed. Assessment results are provided in Table 6.

Table 7 – Assessment of MRV Requirements

Sub-criteria	Gold Standard for the Global Goals	ICAT SD Methodology	UNDP CLIP Tool	CDM SD Tool
Monitoring and Reporting	There are provisions for ex-ante assessment of expected impact as well as procedures to monitor, report and verify the impacts ex-post including clear requirements on the monitoring and auditing frequency.	There are provisions for ex-ante assessment of expected impacts as well as procedures to monitor and report the impacts ex-post.	There are provisions for ex-ante assessment of expected impact as well as procedures to monitor and report the impacts ex-post.	There are provisions for ex-ante assessment of expected impact. Ex-post monitoring is not required, no provisions are provided.
Verification	SDG outcomes need to be independently verified.	The ICAT methodologies have the design necessary for adoption as a Standard. Yet, application of the methodology is voluntary and flexible, to be used by Host Country governments and others, as needed.	No prescribed verification.	No prescribed verification, provisions not available.
Claims guidance	Clear guidance is available on the nature of	The ICAT Technical Review Guide provides	No guidance is available on the nature of the	No guidance is available on the nature of the

...	the claims that can be made by projects/ programmes.	guidance for 1st, 2nd and 3rd party assessment of claims made on impacts of a policy or action.	claims that can be made by projects/ programmes.	claims that can be made by projects/ programmes.
Claims management	There are provisions to take action if the claims are mis-reported by projects/ programmes.	There are no 'requirements', only voluntary provisions for steps of the assessment.	No provisions to take action if the claims are mis-reported by projects/ programmes.	No provisions to take action if the are mis-reported by projects/ programmes.

Enhanced Transparency Framework (ETF)

The purpose of the ETF is to provide a clear understanding of climate change action, including clarity and tracking of progress towards achieving Parties' Nationally Determined Contributions under Article 4 (see Art. 13.5). Although obligations under the ETF only apply to Parties (e.g. governmental authorities) private sector participants should be aware of information relevant for the ETF. A mutual understanding of reporting obligations under the Paris Agreement for actors involved can serve as an important driver for capacity building and support in both, the public and the private sector.

To determine whether existing SD tools and approaches facilitate Parties' efforts to comply with the ETF, the following key question should be answered: Does the tool or approach facilitate the compilation and submission of appropriate information on how the activity/programme promotes sustainable development as required by Article 13 of the Paris Agreement? The scope of this assessment is limited since the determination of the final ETF reporting is subject to further guidance/decisions by CMA. Assessment results are provided in Table 7.

Table 8 – Assessment of Requirements Relevant to the ETF

Sub-criteria	Gold Standard for the Global Goals	ICAT SD Methodology	UNDP CLIP Tool	CDM SD Tool
Information	Aggregation of information which demonstrates how the activity/	Aggregation of information which demonstrates how the activity/	The tool provides a starting point for MRV and data collection with the	Aggregation of information which demonstrates how the activity/ programme

...	programme promotes SD as required under the ETF will be possible shortly with the release of SDG impact reporting tools.	programme promotes SD as required under the ETF is possible, however, indicators are required to be setup by host parties.	aim of aligning the efforts to national reporting requirements of the UNFCCC for NDCs and to track progress made towards the SDGs.	promotes SD as required under the ETF is possible.
Institutional arrangements	Users are not required to report the aggregated information to host parties.	Users can report the aggregated information to host parties; however, this has not been made mandatory.	Users are not required to report the aggregated information to host parties.	Users are not required to report the aggregated information to host parties.

The assessment results are summarised in Table 8.

Table 9 – Summary of Assessment Results

Assessment areas	Gold Standard for the Global Goals	ICAT SD Methodology	UNDP CLIP Tool	CDM SD Tool
Governance Does the approach require host Party approval?	Yes, for CDM projects. Not required for voluntary market but provisions to comply with national law may apply.	No, it is not required but the methodology may be used or adopted by host Parties.	No information available.	Yes, a national LoA is required for CDM projects.
Safeguards Does the approach provide for generic and specific safeguards to be complied with?	Yes, the standard provides for both generic, specific and activity specific safeguards to be complied with.	Yes, the approach provides for generic safeguards to be complied with but not for activity specific ones.	Yes, UNDP's social and environmental safeguards procedures are applied.	No provisions.

Stakeholder inclusivity Does the planning of activities and/or programmes require the input of stakeholder and is a respective grievance mechanism in place?	Yes, the standard requires mandatory feedback of stakeholders on the design of the activity. A grievance mechanism is required.	Yes, stakeholder input is encouraged to be considered. A grievance mechanism is encouraged.	Yes, stakeholder input on the design of the project is mandatory. No provisions for grievance mechanism.	Yes, requirement to solicit stakeholder feedback on the design of the activity is mandatory. No provisions for grievance mechanism.
SD impact assessment Is the proposed approach comprehensive and in line with the SDGs?	Yes, alignment to the SDGs, mandatory baseline scenario, detailed guidance on indicator selection and activity specific SDG tools to ensure consistency.	Yes, alignment to the SDGs, mandatory baseline scenario, detailed guidance on indicator selection.	Yes, alignment to the SDGs, mandatory baseline scenario, detailed guidance on indicator selection.	No, alignment to the SDGs not required, list of indicators provided but no guidance available.
MRV and claims management Is the proposed approach comprehensive?	Yes, mandatory ex-ante assessment and ex-post reporting, independent verification required, claims are managed.	Provisions for ex-ante assessment and ex-post reporting, independent review encouraged but not mandatory.	Provisions for ex-ante assessment and ex-post reporting are there but verification and claims management not covered.	No, provisions for ex-ante reporting only, ex-post reporting, verification and claims management not covered.

Enhanced Transparency Framework Does the tool/ approach facilitate the compilation and submission of information on how the activity/ programme promotes SD as required by Art. 13 Paris Agreement?	Yes, aggregation of information on how activity/programme promotes SD is possible (upon release of SDG impact reporting tools)	Yes, reporting formats are provided to enable compilation and submission of information as required under the ETF. National indicators necessary.	Yes, data collection possible.	No, the CDM SD tool does not facilitate submission of information as required by the ETF.
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Applicability of tools in an Article 6 context

To assess the relevance of these four SD approaches to each of the three different Article 6 activities, we provide below a short overview of the SD provisions in the current draft decision text by SBSTA (26 June 2019) of the Article 6 'rulebook' (Braden et al., 2019). It is important to note, the descriptions below only reflect possible options for SD provisions that are still under international negotiation towards COP25. Particularly, the differences between Art. 6.2 and Art. 6.4 could end up being minimal (for example only a few additional and formal steps for Art. 6.4 but reporting the same type of information as for Art. 6.2).

Cooperative approaches (Art. 6.2): Elements on SD are mainly mentioned as reporting elements within the biennial transparency report, as follows:

One reporting obligation for Parties would be to submit information, on how Art. 6.2 activities are consistent with national SD objectives (or SDGs). Parties would submit information on their Art. 6.2 activities to explain that no environmental harm is done, or how negative social and economic impacts have been avoided. Art. 6.2 should not lead to negative environmental and social impacts and should respect human rights in its application (safeguards).

Mechanism (Art. 6.4): SD elements are more elaborated for the mechanism than in cooperative approaches. SD elements are embedded into the architecture of the mechanism, as follows: In order to participate in the mechanism, the host country would have to confirm towards the Supervisory Body that the activity fosters SD. Parties would need to specify towards the Supervisory Body, how their participation contributes to SD in their jurisdiction. The draft text contains basic safeguarding provisions, such as through avoidance of negative environmental and social impacts as well as by promoting human rights within the activity processes.

There is the possibility of stakeholders, Parties or other activity participants to appeal decisions of the Supervisory Board.

The Supervisory Body could also receive complaints in case the safeguarding provisions of the activity design have been violated.

The draft text on Article 6.4 suggests undertaking a work programme to develop provisions for the implementation of the right to appeal and the grievance process.

Finally, the draft contains a provision to avoid negative impacts of Article 6.4 activities.

Unfortunately, there is not a similar provision to promote positive impacts for sustainable development and enable monitoring and assessment over time.

Non-market approaches (Article 6.8): Negotiations under Article 6.8 aim at the determination of a respective work programme that contains non-market approaches to assist countries in the joint implementation of their NDCs. The draft text is still vague on the architectural determination of non-market approaches and only contains limited SD provisions. However, the draft mentions focus areas with relevance for SD such as Sustainable Forest Management, Energy Efficiency Schemes or Integrated Water Management.

The most specific reference to SD is the suggestion to develop tools for addressing possible negative social and economic impacts of activities under Article 6 as well as for measuring and monitoring the implementation of non-market approaches in terms of their contribution to sustainable development and poverty eradication.

Building on SD provisions of the current draft text provisions detailed above, we propose the following recommendations on SD approaches that can be used to meet selected Article 6 requirements.

Table 10 – Suitability of Selected Tools in an Article 6 Context

Article 6 approach	SD provisions in the SBSTA non-paper, 29 June 2019	Suitable Tool
Cooperative approaches (Article 6.2)	Reporting obligation for Parties would be to submit information, on how Article 6.2 activities are consistent with national SD objectives (or SDGs).	
	Parties would submit information on their Article 6.2 activities in order to explain that no environmental harm is done, or how social and economic impacts have been avoided.	GS4GG, ICAT
	Article 6.2 should not lead to negative environmental and social impacts and should respect human rights in its application.	GS4GG, ICAT, UNDP CLIP
Mechanism (Article 6.4)	Host country confirm that the activity fosters SD.	GS4GG, CDM SD tool
	Parties to specify how their participation contributes to SD in their jurisdiction.	none

	Basic safeguarding provisions such as avoidance of negative environmental and social impacts as well as promoting human rights within the activity processes.	GS4GG, ICAT, UNDP CLIP
	Appeal and grievance mechanisms and requirements are available.	GS4GG, ICAT
Non-market approaches (Article 6.8)	Addressing possible negative social and economic impacts of activities	GS4GG, ICAT, UNDP CLIP
	Measuring and monitoring the implementation of non-market approaches in terms of their contribution to sustainable development and poverty eradication is possible.	GS4GG, ICAT, UNDP CLIP

4. Presenting the SD Matrix for ETS Linking

This section seeks to answer the question, how ETS linking can promote SD in practical terms. The study is based on a review of relevant literature on ETS and ETS Linking. The examination identifies the risks and benefits for SD due to ETS linking.

The SD Matrix for ETS Linking is a standalone tool that aims to assist Parties in their endeavors to promote SD through ETS linking arrangements under Art. 6.2 of the Paris Agreement. The structure of the matrix is the same as in Table 1 (Assessment Grid), however each thematic area includes a set of sub-criteria to be considered specific to ETS issues.

ETS Linking and SD - an Article 6.2 Policy Approach

Article 6 of the Paris Agreement enables Parties to engage in voluntary cooperation and account for jointly achieved outcomes as part of their NDCs. More specifically, Art. 6.2 foresees corporative approaches that require the use of mitigation outcomes towards NDCs, while at the same time obliging Parties to promote sustainable development. It is the common perception of Parties that Art. 6.2 provides the framework for future ETS linking. ETS linking refers to an arrangement between two or more separate emissions trading systems. The arrangement enables ETS participants in one system to use allowances from the other linked system for compliance.

Within the negotiations under Art. 6.2 ETS linking is often referred to as a policy approach, whereas other bilateral or multilateral approaches under Art. 6.2 are described as activities or programmes. The latter refers to measures that involve one or more countries and ultimately result in the reduction of GHG emissions. This is not necessarily the case for ETS Linking.

The differentiation of policies and activities/programmes is relevant when defining the scope of Parties obligations to promote sustainable development. The implementation of activities under

Art. 6.2 may be characterized by the pre-defined role of the participating countries, namely a host country (where the activity takes place) and at least one investor country (that supports the activity by providing technical/financial support). Here, the prerogative of determining sustainable development clearly lies with the host country. A separation between host and investor country does not apply for ETS linking. In the context of Art. 6.2 ETS linking appears to be an approach *sui generis*. This is particular true for the promotion of SD. In ETS Linking the participating jurisdictions could be considered both “Host” Parties. Hence, they are equally in charge of ensuring that the ETS linking does promote sustainable development or does not hinder such development. Unlike other cooperative approaches under Art. 6.2., ETS linking is a joint endeavor of participating jurisdiction; it does not allow for a clear allocation of SD prerogatives to one jurisdiction. Consequently, the obligation to promote SD via ETS linking needs to be addressed by joint means (e.g. within Linking Arrangement, within joint Commissions etc.). It is expected that any ETS linking would be preceded by an analysis of the potential impacts on the sectors covered in both, or all countries being linked, such as impacts on economic performance, employment, competitiveness etc. It is therefore expected that ex-ante assessments of SD impacts will be made, which may also be followed by ex-post assessments in the jurisdictions that are linking their respective ETS. Under Art. 6.2 and the corresponding ETF of Art. 13, this is the type of information, which will be reported by countries through the Biennial Transparency Reports, BTR. The ETF requires countries to report on Article 6 activities in each BTR. Consequently, the BTRs could serve as reporting plans to follow up on SD during ETS linking.

SD Matrix for ETS Linking – six assessment areas

The recognition and support of SD within ETS linking is structured along the six assessment areas identified by the Sustainable Development Dialogue between 2017 and 2018: Governance, Safeguards, Stakeholder Consultation, SD Criteria, SD Assessment as well as Transparency and Reporting. Compared to the assessment areas used above we have amended the sequence and re-phrased some of the assessment areas in order to account for the specific characteristics of ETS linking. Considerations of specific ETS linking aspects have been taken into account based on a dedicated review of relevant ETS literature. The outcome of the examination has been compiled in a way to facilitate Parties efforts to promote the support of and to mitigate the risks towards sustainable development under ETS linking arrangements. A matrix is proposed to analyse the procedural and institutional architecture of ETS linking arrangements and to help formulate respective recommendations.

Table 11 – SD Matrix for ETS Linking under Article 6.2 of the Paris Agreement

SD Matrix for promoting SD in ETS Linking Arrangements (LA)			
Assessment Areas	Guiding Principles / Objectives	Specific ETS Linking issues considered?	Best Practice Recommendation for LA
Governance	National Prerogative, Sustainable Development priorities are defined on a national level.	Is the LA in line with national SD priorities? Are participating jurisdictions ready to assess and mitigate any negative unintended consequences that may harm environmental integrity or SD?	Oversight body that represents the interests of ETS linking participants in a balanced manner. A dedicated procedure to allow for solving conflicts. A clear reference in LA to national prerogative.
Safeguards	Safeguards address risks and unintended consequences. They are a pre-requisite to gain public support for policy making.	Are linking risks identified and addressed in the LA? ETS linking holds specific risks that may contradict SD, such as increase of domestic emissions, reduction of environmental and social co-benefits, incentivization of weak GHG reduction targets, exposure to external shocks (developments in one system may be automatically exported to the linking partner).	Embedding safeguards that address risks of ETS Linking, e.g. through harmonization of key features of participating ET Systems and recognition of domestic safeguards (e.g. Air quality provisions, training programmes address job losses, etc.).

SD Objectives / SDG Framework	SD objectives are clearly defined / the SDGs are used as a unifying framework to communicate goals and measure progress.	Are specific linking benefits mentioned as objectives in LA? Well-designed LA may lead to overall benefits for participating jurisdictions in terms of environmental, economic and political aspects.	Clear reference to specific linking benefits as objectives (e.g. in line with SD objectives / SDG, reference to environmental and social co-benefits, such as higher GHG reductions, increased mitigation of air pollution and improved health conditions, contribution to cleaner energy production, creation of jobs, technology transfer, and others. Incorporation of reciprocal acknowledgement of SD benefits (or applicable SDGs) in LA.
SD Assessment	Assessment of SD increases trust, transparency amongst stakeholders and minimizes potential reputational risks.	Is progress towards SD objectives of ETS linking monitored during implementation?	Establishment of MRV mechanism that assesses impacts of ETS linking (ex-ante and ex post) for envisaged SD objectives / SDGs, incl. a clarification of How/Where/When assessments and reports are created. Assessment should be based on relevant and credible SD indicators. In order to improve comparability of developments across ETS linking jurisdictions it is recommended to apply the "Global indicator framework for the SDGs and targets of the 2030 Agenda".
Stakeholder Inclusivity	Ensuring broad acceptance of a policy/activity by engaging relevant stakeholders.	Are stakeholders consulted during linking negotiations as well as during the linking phase?	Transparent and inclusive process with clear engagement rules in place, incl. grievance/ complaints mechanism. Stakeholder consultation should allow for public access to all relevant documents and official reports.

Transparency and Reporting (ETF)	Providing a clear understanding of climate change action, including tracking of progress towards NDCs.	Does LA provide for a process to submit appropriate information on how it promotes sustainable development, as required by Art. 13 of the Paris Agreement and Decision 18/CMA.1. and consistent with decisions to be adopted by the CMA on Article 6?	Establishment of a process to (regularly) submit information on how ETS linking supports progress towards achievement of SD objectives. Depending on the form of the outcome and content of the required "structured summary" Information may cover linking related safeguards, procedures on stakeholder consultation, SD criteria and SD Assessment.
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Governance

Governance of ETS linking is based on an ETS linking arrangement. Under Art. 6.2 such governance would be executed via a joint and thus international agreement. However, priorities on SD must be defined on a national level (national prerogative). The ETS linking arrangement should therefore allow for the recognition of national SD priorities. Moreover, to enable SD integration on a national level ETS linking should be governed by an oversight body which represents the interests of ETS linking participants in a balanced manner. Most existing ETS linking agreements already provide for governing bodies (e.g. the Joint Committee in the agreement between the EU and Switzerland). In these cases national SD integration could justify the extension of existing bodies in order to address requirements of Art. 6 (promoting SD). By mandating a body with the task of overseeing the integration of national SD integration, participating jurisdictions would be more likely to assess and mitigate negative consequences of ETS linking towards SD. In addition, the oversight body should provide for dedicated procedures to allow for solving conflicts in cases where negative consequences occur.

Safeguards

Safeguards address risks and unintended consequences and are a pre-requisite to gain public support for policy making. In the context of ETS linking, safeguards are relevant to address specific risks such as the increase of domestic emissions, reduction of environmental and social co-benefits, incentivization of weak GHG reduction targets or the exposure to external shocks of participating jurisdictions (for risks of ETS linking see ICAP 2018, PMR 2016 and UBA 2018). Safeguards that address risks of ETS linking can be embedded through harmonization of architectural key features of participating ET Systems. For example, jurisdictions participating in ETS linking should ensure that the established emission limits are of the same type (e.g. absolute) and that enforcement of ETS regulations is stringent and comparable across borders. Unbalanced ETS key features in a linked system may shift emissions towards more "emissions-friendly" jurisdictions, e.g. such with lower level of enforcement. These jurisdiction face the risk of losing ETS co-benefits such as achieving cleaner air quality or improving health conditions.

In addition to mitigating SD risks by harmonizing ETS key features across linked jurisdictions it is also crucial that linking arrangements recognize domestic safeguards of participating jurisdictions (e.g. application of national air quality provisions, training programmes address job losses, etc.).

SD Objectives

In order to promote SD through ETS linking the associated SD objectives (e.g. higher GHG reductions, increased mitigation of air pollution, improved health conditions, contribution to cleaner energy production, creation of jobs, technology transfer etc.) should be determined. Such determination could be considered by direct means (e.g. through reference in the Linking Agreement) or by indirect means (e.g. through applicable domestic legislation). Since it may be challenging to set nationally determined SD objectives in a multilateral arrangement it may be appropriate to agree on joint high level SD objectives. It is widely acknowledged that ETS linking may lead to overall benefits for participating jurisdictions in terms of environmental, economic and political aspects (see ICAP 2016, PMR 2016, UBA 2018). These benefits are inherent to ETS linking and serve as the reason for the linking in the first place. They could serve as a basis for joint SD objectives of all participating jurisdictions and should explicitly be referred to in the linking arrangement.

SD Assessment

SD Assessment increases trust amongst stakeholders and minimizes potential reputational risks. The assessment should be linked to pre-defined SD criteria. Cai et al. 2016 highlighted the relevance on air quality in the context of ETS. They suggest that the environmental impacts of emissions trading should be carefully monitored and assessed. If systematic evaluation finds worsening air pollution and public health in specific localities associated with emissions trading, additional environmental policies, such as stricter air pollution standards, or not allowing production expansion in hotspots, should be implemented to complement the carbon market (see also "recognition of domestic safeguards" under Safeguards). Conclusions of a study on co-pollutants in California's cap and trade programme point in a similar direction (Cushing et al. 2018). Impacts on air quality or other elements relevant to SD may be caused or even intensified by ETS linking. These potential impact areas should be identified and monitored during implementation. An MRV mechanism that assesses potential impacts of ETS linking (ex-ante and ex post) should provide clarification of How/Where/When assessments and reports are created (for further references on SD Assessment see ICAT 2019). Assessment should be based on relevant and credible SD indicators. In order to improve comparability of developments across ETS linking jurisdictions we recommended to apply the ["Global indicator framework for the SDGs and targets of the 2030 Agenda"](#).

Stakeholder inclusivity

Ensuring broad acceptance of a policy/activity by engaging relevant stakeholders prior and during the respective implementation is key for SD. Therefore, stakeholders should be consulted during linking negotiations as well as during the linking phase. The consultation should be based on a transparent and inclusive process with clear engagement rules. Stakeholder consultation should allow for public access to all relevant documents and official reports.

Enhanced Transparency Framework, ETF

The ETF is a core mechanism of the Paris Agreement (Article 13). Its objective is to provide a clear understanding of climate change action, including clarity and tracking of progress towards NDCs. Each participating Party within an ETS linking arrangement under Article 6.2 needs to provide appropriate information on how it promotes SD, as required by Article 13 and Decision 18/CMA.1 and consistent with decisions adopted by the CMA on Article 6 (tbd). In order to promote SD through ETS linking we recommended that Parties to ETS Linking Arrangements establish a corresponding process for (regular) submission of information related to the assessment areas described above, e.g. through Biennial Transparency Reports.

Summary Findings of ETS Linking Case Study

The case study used the six SD assessment areas for addressing the risks and benefits of ETS linking as identified in relevant ETS literature. In order to provide for practicable results the study introduces a high level matrix of SD elements to be considered ex ante in ETS linking arrangements. We want to highlight that the Matrix as such may only serve as a first step towards increasing SD relevance within ETS linking. Further research and testing of approaches and tools is necessary to gain experiences, especially regarding the assessment of SD impacts with a direct link into ETS linking. The selection and monitoring of credible and relevant SD indicators will only deliver tangible results if the participating jurisdictions ensure a cross-border collaboration when developing methodologies for selecting and monitoring SD indicators. We strongly recommend that the internationally agreed [Global indicator framework](#) for the Sustainable Development Goals and targets of the 2030 Agenda for Sustainable Development play a prominent role in that regard.

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ANNEX 1 – ASSESSMENT RESULTS

Criteria	Provisions	Gold Standard for the Global Goals (GS4GG)	UNDP Impact Assessment tool	CDM Sustainable Development co-benefits tool	ICAT Sustainable Development Methodology
A. Governance	<i>Read provisions against each criteria before completing the assessment</i>	<i>Specify 'Yes/No/Not relevant' with justification</i>	<i>Specify 'Yes/No/Not relevant' with justification</i>	<i>Specify 'Yes/No/Not relevant' with justification</i>	<i>Specify 'Yes/No/Not relevant' with justification</i>
		Scope: GS4GG is applicable to all Project Developers and the Projects or Programmes for	Scope: The tool can assess any type of climate action, namely mitigation or	Scope: The UNFCCC's CDM does not require that project report mandatorily on their Sustainable	Scope: The methodology is applicable to all types of policies and actions, both mitigation and adaptation
1. National prerogative	Is there provision to obtain Host-country approval of the activity/programme (refers to projects,	NO. Host country approval is required for Gold Standard CDM projects/programmes but not	NO.	YES. All CDM projects are required to get host country approval.	NO. Host countries may apply the methodology to ensure NDC policies and actions meet national SD(G)
	Is there provision to align the activity/programme with host country Sustainable Development (SD)	NO. Aligning with host country priorities is not required as most Gold Standard projects are	YES. The tool requires description on the linkages of the action with the relevant	NO. Aligning with host country priorities is not required as most CDM projects are voluntary	YES. The methodology encourages description of how policies and actions align with government SD
	Is activity/programme compliant with applicable national / subnational laws?	YES. Projects applying the Gold Standard certification are required to be compliant with	YES. This is checked indirectly as tool requires description on the linkages of the	YES. Projects applying for CDM certification are required to be compliant with national laws.	YES. This is checked indirectly as tool requires description on the linkages of the action with the
2. Accessibility	Are all tool/approach documents available openly, freely and in easily accessible manner?	YES. All the documents are available freely on the website.	YES. All the documents are available freely on the website.	YES. All the documents are available freely on the website.	NO. There is no functionality available yet on the ICAT website to share assessment results.
	Is information available publicly on planned update of documents?	YES. Next planned updates are mentioned in Principles & Requirements and governance	NO.	NO. Planned updates of documents are not publicly mentioned.	YES. Updates of the methodology are available for public consultation for a period of minimum 30 days.
3. Decision making	Is technical decision making for the tool/approach overseen or approved by independent experts? (Or is	YES. The standard development is led by the Gold Standard Foundation team as per ISEAL	YES. Website states "The tool was developed under oversight of Alexandra	YES. The tool was mandated by CDM-EB and developed by the CDM Secretariat alongwith UNEP	YES. The methodology is developed through a multi-stakeholder engagement process involving subject
	Are relevant stakeholder groups represented in such decision making approaches?	YES. This is specified in Technical Governance: Guiding Principles	NO.	YES.	YES.
4. Disclosure	Are there provisions to make activity/programme documentation and information on	YES. The documentation is made public on the Gold Standard Impact Registry, linked from the Gold	NO.	YES. The documentation for activities/programmes is made publicly available on the CDM website.	YES/NO. If the methodology is used by Host Party governments, they decide on the transparency of
	Are details of tool/approach's governance structures and participants publicly available?	YES. This information is available on the Gold Standard website under 'Governance'.	NO.	YES. It has been developed by UNFCCC Secretariat under supervision of CDM-EB, which was mandated	YES. The governance structures of ICAT are publicly available. ICAT collaborates with CBIT with regard to
5. Complaints mechanism	Is there a complaints mechanism in place to allow stakeholders to raise concerns on the tool/approach	YES. There is publicly available complaints mechanism for both the Standard (Standards Setting	NO.	NO.	NO. The ICAT methodology is a public good, not a standard. Hence, complaints against use of the
B. Safeguards					
1. Generic provision around safeguards	Does the tool/approach have provisions for minimizing or eliminating important environmental	YES. Risks identified as part of safeguard assessment are required to be minimized or	YES. Risk assessment is required in line with UNDP's social and environmental	NO. The tool does not require activities/programmes to assess any potential negative impacts.	YES. The methodology enables assessment of both positive and negative impacts for SD. Use of the
2. Specific safeguards to be covered					in the format of provisions to be followed to ensure certification of 'no-harm-done'. Rather, the
a. Corruption	Are there provisions for activity/programmes to not involve, be complicit in or inadvertently contribute to	YES.	NO.	NO.	YES. Through alignment with SDGs.
b. Human rights	Are there provisions for activity/programmes to respect internationally proclaimed human rights and	YES.	YES.	NO.	YES. Through alignment with SDGs.
c. Labour rights	Are there provisions for activity/programmes to ensure that there is no forced labour and that all	YES.	YES.	NO.	YES. Through alignment with SDGs.
d. Child Labour	Are there provisions for activity/programmes to prohibit child labour (as per ILO Minimum Age	YES.	YES.	NO.	YES. Through alignment with SDGs.
e. Indigenous people	Are there provisions for activity/programmes to respect indigenous people's human rights as	YES.	YES.	NO.	YES. Through alignment with SDGs.
	Are free, prior and informed consent (FPIC) principles applied where activity/programmes may impact	YES.	YES.	NO.	YES. Through alignment with SDGs.
f. Forced eviction and displacement	Are there provisions for activity/programmes to not involve and not be complicit in the involuntary	YES.	YES.	NO.	YES. Through alignment with SDGs.
g. Water sensitivity	Are there provisions for activity/programmes to assess impact on natural or pre-existing pattern of	YES.	YES.	NO.	YES. Through alignment with SDGs.
h. Gender sensitivity	Are there provisions for activity/programmes to eliminate discrimination against women and any form	YES.	YES.	NO.	YES. Through alignment with SDGs.
i. High conservation value area and critical habitats	Are there provisions for activity/programmes to refrain from physically affecting or altering largely	YES.	YES.	NO.	YES. Through alignment with SDGs.

Risk Assessment for transition towards sustainable economies					
a. Economic restructuring	Does the tool/approach has provision for assessment of possible negative impacts like displacement of	NO. Gold Standard Requirements primarily focussed on actions rather than policy though typically	NO.	NO.	YES. ICAT focuses on assessment of both policies and actions.
b. Social equity	Does the tool/approach has provision for social dialogue with all relevant stakeholders as integral	NO. Gold Standard Requirements are primarily focussed on actions rather than policy.	NO.	NO.	YES. The methodology refers to use of the ICAT Stakeholder Participation Guidance to consult
3. Additional activity specific safeguards	Where appropriate are further activity/programme-specific safeguards in place - provide examples?	YES. There are specific requirements for Renewable Energy, Community Service and Land Use & Forest	NO.	NO.	NO
	Does the tool/approach have a publicly available grievance process?	YES. Each project certified under Gold Standard is required to implement a grievance mechanism that	NO.	NO.	NO
4. Ex-post monitoring	Are there provisions for activity/programmes/policies to monitor the effectiveness of their	YES.	NO.	NO.	YES. The methodology provides for ex-post assessment. As the methodology is voluntary to use
	Does the tool/approach require/provide for formulation of policies for social protection, including	NO. Gold Standard Requirements are primarily focused on actions rather than policy.	NO.	NO.	YES. The methodology provides for learning and decision making to take assessment results into
C. Stakeholder inclusivity					
stakeholders to provide feedback on	Are there provisions for activity/programmes to hold an in-person meeting with stakeholders to collect	YES. At least one in-person meeting with stakeholders is mandatory, as stated in the	NO. Feedback from stakeholders is required but in-person meeting is not	YES. Atleast one in-person meeting with stakeholders is mandatory.	YES. The methodology refers to use of the ICAT Stakeholder Participation Guidance to include and
	Are there provisions for activity/programmes to conduct stakeholder consultation in gender-sensitive	YES. All Gold Standard projects are required to be gender-sensitive and project developers are required	NO.	NO.	YES. The methodology refers to use of the ICAT Stakeholder Participation Guidance to include and
	Is there provision to exchange feedback with stakeholders to inform how their comments have	YES. Gold Standard projects must seek and incorporate stakeholder feedback in the design of the	NO.	YES. Projects are required to demonstrate that the stakeholder feedback has been considered and	YES. The methodology refers to use of the ICAT Stakeholder Participation Guidance to include and
2. Grievance mechanism	Are there provisions for activity/programmes to set up practical means for stakeholders to record any	YES. Each project certified under Gold Standard is required to implement a grievance mechanism that	NO.	NO.	YES. The methodology refers to use of the ICAT Stakeholder Participation Guidance to include and
D. Sustainable Development Impact Assessment					
1. Reference to the SDG as a unifying framework	Are activity/programmes required/enabled to contribute to SDGs either in an holistic way (for	YES. Gold Standard projects are required to demonstrate contribution to a minimum of 3 SDGs.	YES. SDG mapping is done though questions on whether the activity impacts	NO. The SD co-benefit assessment is voluntary, there is no linkage to the SDGs and there is no	YES. The methodology provides for mapping of SD impacts towards the SDGs.
2. Baseline assessment	Is there a provision for activity/programmes to carry out a baseline scenario assessment?	YES. The SDG outcomes certified by GS are against justified baseline scenario.	NO.	NO.	YES. The baseline scenario needs to be assessed for each policy or action.
3. Impact assessment approach	Are activity/programmes required/enabled to choose relevant SDG indicators that are consistent with the	YES. Activities/programmes are required to choose indicators that are consistent with the activity	YES. Comprehensive list of relevant indicators matched with various SDG	NO. List of relevant SD indicators for each category of SD co-benefits is available.	YES.
E. MRV and claims management					
1. Monitoring and reporting	Are there provisions for activity/programmes to carry out ex-ante assessment of expected impacts (using	YES. Gold Standard projects are required to demonstrate impacts with reference to the	YES.	YES. The SD co-benefit assessment is an ex-ante assessment but there is no linkage to the SDGs.	YES.
	Are there provisions for activity/programmes to carry out ex-post monitoring and reporting of the chosen	YES.	YES. However, this is required for only quantitative indicators.	NO. SD co-benefits monitoring and reporting is voluntary.	YES.
2. Verification	Is there provision for activity/programmes to provide regular reports and have these verified by an	YES. Reports are to be provided at a minimum prescribed frequency and are audited by Gold	NO. Since this is a voluntary tool and not linked to a standard per se, there are no	NO. Since this is a voluntary tool and not mandatory for CDM projects to use and report, there are no	YES. The methodology provides for regular monitoring and reporting. It is recommended that
	Are the assessors independent of AND selected independently from the entity managing the	YES. The assessors are third party independent auditors and are independent from Gold Standard.	Not relevant.	Not relevant.	YES/NO. The methodology is flexible and accomodates for independent verification, as needed.
	Is there an oversight mechanism for third party auditors?	YES. GS uses DOEs that are approved as auditors by CDM-EB so oversight is provided by CDM-EB and	NO.	YES. The CDM Accreditation panel provides oversight on third party auditors.	NO. Governments decide themselves, if they want to do First, Second or Third Party verification of results.

3. Claims guidance	Does the tool/approach provide clear guidance on what claims can be made for specific certification	YES. Separate guidance is available in both Product Requirements and Claims Guidance.	NO.	NO. The CDM standard caters to only one kind of claim i.e. asset issuance in the form of CERs. No	YES. The ICAT methodologies have the design necessary for adaption as a Standard. Yet, the
4. Claims management	Are claims monitored and can be acted upon, if found to be misleading?	YES. The claims are not directly policed but claims guidelines provides details on how the Standard can	NO.	NO. The CDM Executive Board can take action if projects are found to be indulging in malfeasance or	YES. The ICAT methodologies have the design necessary for adaption as a Standard. Yet, the
Information relevant for reporting under Enhanced Transparency Framework					
1. Information	Does the tool/approach facilitate the aggregation of information which demonstrates how the	PARTLY. SDG tools and standardized reporting of SDG outcomes will make it feasible to aggregate	PARTLY. The tool provides a starting point for MRV and data collection with the aim	NO. The tool does not facilitate aggregation of information.	PARTLY. The methodology is developed with the aim of being relevant to countries for transparency of
2. Institutional arrangements	Are users of the tools/approaches mandated to report information that can be aggregated for ETF purposes	NO.	NO.	NO.	YES/NO. The methodology provides for this but is not mandatory.

References

Gold Standard for the Global Goals

[Principles & Requirements](#)

[Claims Guidelines](#)

[Stakeholder Procedure, Requirements & Guidelines](#)

[Safeguarding Principles & Requirements](#)

[Validation & Verification Body Requirements](#)

[Grievance/Complaints Procedure](#)

[Activity Requirements](#)

[SDG Impact Quantification](#)

[Standards Setting Procedure](#)

[Technical Governance: Guiding Principles](#)

UNDP Impact Assessment Tool

<https://climateimpact.undp.org/#1/>

<https://climateimpact.undp.org/#1/toolbar/about-the-tool>

<https://climateimpact.undp.org/#1/toolbar/beyond-the-tool>

Using the tool:

<https://climateimpact.undp.org/#1/toolbar/main>

CDM Sustainable Development co-Benefits Tool

<https://www4.unfccc.int/sites/sdcmicrosite/Pages/SD-Tool.aspx>

<https://www4.unfccc.int/sites/sdcmicrosite/Pages/FAQs.aspx>

https://www4.unfccc.int/sites/sdcmicrosite/Documents/SD%20tool%20FAQ_Release%202.v3.pdf

<https://www4.unfccc.int/sites/sdcmicrosite/Pages/SD-Reports.aspx>

ICAT Sustainable Development Methodology (June 2019)

<https://climateactiontransparency.org/icat-guidance-final-public-consultation/>

ANNEX 2 – APPROACH TO APPLY RELEVANT SD APPROACHES TO ARTICLE 6 PILOTS

Introductions to pilot approach and objectives

Work by the SDI to date has shown that SD considerations generally rank low on negotiators' priority list with other matters, such as accounting rules or CDM transition, taking priority. We believe that active engagement with Article 6 negotiators alone will not be sufficient to create a race to the top on SD requirements. Experiences from carbon market developments over the years indicate that it is possible to raise the bar on specific issues by adopting a 'leading by example' approach in conjunction with active engagement with policy makers. By 'leading by example' approach we mean an approach that focuses on implementing innovations in the field and sharing broadly with carbon market players the benefits that can be obtained from those innovations. This is how the Gold Standard for example has managed to make 'co-benefits' mainstream in the voluntary carbon markets – by showing the feasibility of monitoring these in a cost-effective manner on the ground and by showcasing the opportunities derived by a range of actors from project proponents to end-buyers. UNEP DTU takes a 'science-based' approach to methodology development for sustainable development impact assessment. For example UNEP DTU supported the UNFCCC Secretariat to develop the voluntary, international CDM SD Tool and is currently active in the Initiative for Climate Action Transparency (ICAT) to co-lead development of the Sustainable Development Methodology jointly with WRI, coordinated by Verra. To lead by example, UNEP DTU provides capacity building and technical support to developing country governments in more than 35 countries, who have expressed interest to apply ICAT methodologies. Non-state actors interested to apply and pilot test ICAT methodologies are also supported.

The pilot approach proposed by the SD Initiative aims at demonstrating the technical feasibility and cost-effectiveness of implementing a range of SD tools and approaches in Article 6 pilots. In doing so, we aim to create additional evidence that credible SD provisions are not only feasible but also desirable.

Each pilot will follow a similar approach intended to collect evidence on the issues that currently hold back progress in the negotiations, namely:

- technical feasibility of monitoring SD on the ground
- cost-effectiveness of monitoring SD on the ground
- anchoring SD approaches in national prerogative

In addition, pilots will seek to showcase the benefits associated with SD approaches:

- SD approaches can be used to fulfill requirements under the ETF
- SD approaches drive higher interest from carbon buyer and higher prices
- SD approaches can unlock support for market mechanisms domestically

The next sections in this Chapter present a brief overview of 3 pilots identified to date. Our timeline is to finalise scope of work and funding arrangement for each pilot by the end of 2019 and start implementation in 2020.

Costa Rica

Table 1 – Costa Rica Pilot Overview

Partner	Ministry of Environment, Felipe De Leon
Intervention level	NAMA or Domestic Offset Mechanism
SD Approach	ICAT Transformational Change and / or Gold Standard
Scope of pilot	<p>Application of the ICAT transformation change methodology either in a crediting NAMA or in the domestic offset mechanism (large scale tier)</p> <p>Application of Gold Standard for the Global Goals either in a crediting NAMA or in the domestic offset mechanism (large scale tier)</p> <p>Development of a methodology to define additionality in the national context and in a broader sense (accelerating progress towards national climate and development goals)</p>

A number of relevant initiatives in Costa Rica could be leveraged by the pilot. These include sectoral crediting NAMAs and the domestic offset mechanism. At this early stage, the scope of the pilot is not fully defined, however several opportunities are identified.

- Sectoral NAMAs
 - Sectors: livestock, coffee, banana
 - NAMA design typically include creditable components and activities
 - a potential scope of work for the pilot could be
 - the implementation of the ICAT transformational change methodology
 - definition of additionality in the national context and in a broader sense – additionality being intended to demonstrate an intervention’s potential to accelerate progress towards national climate and development goals
 - approaches to monitoring and verify SD (Gold Standard for the Global Goals)
- Domestic offset mechanism hosted under the national carbon neutrality programme
 - *3 tiers of activities*
 - micro-scale tier activities
 - simplified eligibility rules
 - typically activities need to demonstrate alignment with national decarbonisation plan
 - conventional tier activities

- activities need to demonstrate alignment with decarbonisation plan and additionality
- a potential scope of work for the pilot could be to define additionality rules with a focus on how the activity allows to achieve national climate and development goals faster
- large-scale tier activities
 - as above
 - plus activities need to demonstrate transformational impact potential
 - a potential scope of work for the pilot could be to apply the ICAT transformational change methodology

Senegal, Rural Electrification

Table 2 – Senegal Pilot Overview

Partner	Senegalese Rural Electrification Agency, Ousmane Fall Sarr World Bank, Kirtan Sahoo
Intervention level	Rural Electrification Programme of Activities (CDM)
SD Approach	Gold Standard for the Global Goals, SDG tool
Scope of pilot	Application of Gold Standard SDG tool to collect evidence on: technical feasibility of monitoring SD on the ground cost-effectiveness of monitoring SD on the ground feasibility to anchor SD approaches in national governance potential to use SD tool outputs to fulfill requirements under the ETF potential of SD approach to drive higher interest from carbon buyer and higher prices potential of SD approach to unlock support for market mechanisms domestically

The objective of the programme is to increase access to electricity and reduce global GHG emissions through introducing a range of clean technology solutions including grid extension, solar/diesel mini-grids, solar home systems and solar lanterns in rural areas in Senegal. The programme will use carbon-linked results based payment scheme to support the implementation of the Government of Senegal's plan to scale up and accelerate the pace of rural electrification by private concessionaires and other project operators. The programme is supported by the World Bank through an Emissions Reduction Purchase Agreement. Carbon revenues are primarily used to expand rural electrification to villages with low penetration rates through discounted connection fees.

The application of the Gold Standard SDG tool will help quantify the programme's contribution to Senegal's SDG agenda whilst providing data on the technical feasibility and costs associated with

SD monitoring. In addition, the pilot can serve to showcase how SD monitoring can add-value to relevant ministries (e.g Finance) by providing credible data points for reporting on impacts of climate interventions. Further discussions with programme partners are required to refine the scope of the pilot.

ADB Article 6 Facility

Table 3 – ADB Article Facility Pilot Overview Table

Partner	ADB Article 6 Facility, VK Duggal
Intervention level	Mitigation Activity in ADB Developing Member Country
SD Approach	UNDP SD tool
Scope of pilot	<p>Application of UNDP SD tool to collect evidence on:</p> <ul style="list-style-type: none"> technical feasibility of monitoring SD on the ground cost-effectiveness of monitoring SD on the ground feasibility to anchor SD approaches in national governance potential to use SD tool outputs to fulfill requirements under the ETF potential of SD approach to drive higher interest from carbon buyer and higher prices potential of SD approach to unlock support for market mechanisms domestically

The Asian Development Bank (ADB) has established the Article 6 Support Facility to provide capacity building and technical support to developing member countries (DMCs) to help them to identify, develop and test mitigation actions under the framework of Article 6 of the Paris Agreement. The ultimate goal of the Article 6 Support Facility is for DMCs to achieve critical expertise on Article 6, draw lessons from pilot activities, and enhance their preparedness for participation in carbon markets beyond 2020, while contributing to international negotiations.

Preliminary discussions with the ADB have confirmed the appetite to collaborate on SD piloting. A potential pilot project is yet to be identified.