

Sustainable Development Initiative for Article 6 of the Paris Agreement

2022 summary of state and trends to promote sustainable development and high ambition in international carbon markets



For six years the [Sustainable Development Initiative](#) (SDI) has been working as a Party¹-driven dialogue with the aim to help overcome knowledge and political barriers for Parties and practitioners to promote sustainable development (SD) through voluntary cooperation under Article 6 of the Paris Agreement. The initiative is a collaboration between UNEP DTU Partnership and the Gold Standard Foundation launched in 2017 and supported by Germany, Norway, Sweden and Finland in 2021-23. This 2022 summary presents highlights of what the SDI has achieved to date and outlines Party and stakeholder efforts to promote SD and high ambition through Article 6.

Successful outcome in Glasgow for Article 6 to promote SD

With the Glasgow Climate Pact adopted at COP26, the Article 6 component of the Paris rulebook - a long-time outstanding hurdle - was finally finished. For the SDI, the SD provisions in the Article 6 decisions marked the successful conclusion of six years' focus on the negotiations. SDI [position papers](#) and [observer submissions](#) to promote SD found their way to the final rulebook, paving the way for implementation. The SDI continues to work together with its partners such as the European Roundtable on Climate Change and Sustainable Transition (ERCST), the Wuppertal Institute, the Asian Development Bank and the Institute for Global Environmental Strategies, to help ensure the SD provisions in Article 6 of the Paris Agreement can be translated into real and measurable impact in future carbon market activities while safeguarding them from environmental and social harm. With the Article 6 rulebook in place with strong SD provisions, the SDI is now turning the focus towards building a community of practitioners with capacity for implementation.

SDI at COP26 - side event to explore the interest of Parties to promote SD and high ambition in Article 6 activities

On the 9th of November 2021 in the Nordic Pavilion during COP26, UNEP DTU Partnership on behalf of the SDI co-hosted an event on carbon markets and Article 6 with the title "[Nordic approaches to support global carbon market cooperation](#)". The event was co-organized and attended by the Global Green Growth Institute (GGGI), Perspectives Climate Group, the Swedish Energy Agency (SEA), Norway Ministry of Climate and Environment, Nordic Initiative for Cooperative Approaches (NICA), Women Organizing for Change in Agriculture and Natural Resource Management (WOCAN) as well as Party representatives from Morocco, Vietnam, Costa Rica and the Eastern Africa Alliance.



¹ Views stated are those of the authors and do not represent any consensus among Parties involved.

The SDI component of the event focused on exploring Party views and interests among the [San José Principles](#) coalition of 32 countries to promote sustainable development and high ambition in Article 6 implementation.

Below is a short summary of the participating Parties' views and interest:

Morocco

Morocco has wide experience with the development of Clean Development Mechanism (CDM) projects and Nationally Appropriate Mitigation Actions (NAMAs) in several sectors. To promote sustainable development and climate action the government collaborates with international organizations and foreign government bodies such as GGGI, the Swedish Energy Agency and the Ministry of Environment of Norway. Alongside this, Morocco has both a national inventory and a monitoring reporting and verification system in place. Even if the Article 6 rulebook was not decided at COP26, Morocco would have continued working on the development of the carbon market, including sustainable development considerations. Morocco is currently working on a climate change law to establish how to register, verify and accredit carbon transactions.

Eastern Africa Alliance (EAA)

The [EAA](#) is a Party-based alliance with seven country members (Burundi, Ethiopia, Kenya, Rwanda, Sudan, Tanzania and Uganda) working together with the goal of locating gaps and enhancing readiness and capacity building for carbon markets and climate finance. Based on their experience, one of the most important gaps is monitoring, reporting and verification (MRV) systems, which are required for a government to take part in Article 6. However, EAA pointed out that these systems do not have to be very complex to enable participation in the carbon markets.

Vietnam

For Vietnam, Article 6 is a very important element to achieve its Nationally Determined Contribution (NDC). Vietnam would like to develop an internal, domestic market in addition to the international market. To do so, the country would like to follow a bottom-up rather than a top-down approach. The first step for Vietnam would be to know which companies represent the country's major emitters, and to ask them to do an inventory. Those inventories would be the base to set a target and put a cap on their emissions. In general, Vietnam does not consider the NDC to only represent a contribution by the government. Rather, it sees the NDC as a national contribution, for which the government's role is to facilitate its overall achievement. Thus, all ministries are required to contribute with experts and clearly state how they are going to contribute to this common effort. An implementation plan will then be developed and stakeholders from different sectors consulted.

Costa Rica

Costa Rica is leading the San Jose Principles Coalition, launched at COP26 in 2019 to promote high ambition and integrity in international carbon markets. The group consists of 32 Parties collaborating to influence Article 6 negotiations and to increase transparency and ambition in NDC implementation. The San Jose Principles Coalition was established on the basis of a list of principles, which signatory countries are committed to both before and after a finalized Article 6 rulebook. These principles focus on achieving the highest possible ambition and integrity and align well with the SDI's work and goals, though sustainable development provisions are not yet included.

In addition to the Party views expressed in the Nordic Pavilion side event during COP26, the [EU submission](#) to the June 2021 informal technical dialogues highlighted the need for Article 6 to contribute to transformational change and sustainable development. During roundtable discussions facilitated by [ERCST](#) in December 2021, informal reflections among Parties on the outcomes of COP26 indicate that the San José Principles view largely prevailed, where it mattered, to ensure the environmental and social integrity of internationally transferred mitigation outcomes (ITMOs).

The SDI plan of work and knowledge products

SDI work is organized into three work-streams that cover: A Party-driven policy dialogue (WS1); Piloting of SD tools and approaches (WS2); Outreach and strategic partnerships to form a community of practice for like-minded Parties and stakeholders to enable implementation (WS3). All activities are carried out in an interlinked manner with an emphasis on ensuring that knowledge and experience is shared with Parties to inform decision-making, and with relevant stakeholders through webinars and events for the dissemination of analysis, tools and guides to enable implementation. Since 2017, the SDI has organised multiple policy dialogues, public events and produced knowledge products and tools to assist in the assessment and reporting of the sustainable development impacts of climate action. A summary of the most important and recent knowledge products ordered by work-stream are as follows:

Party-driven policy dialogue (WS1)

- **Position papers:** This document was prepared in advance of COP26, to support Parties' efforts to secure strong provisions related to sustainable development in the Article 6 rulebook. It was based on Article 6 drafts prepared at COP25, the most recent Parties' NDC communications, expert advice on transparency and the lessons learned from pilots.
- **Observer submissions:** This document contains the SDI's views on how to increase Parties' ambition in their NDC through Article 6, and was submitted to the UNFCCC in its June 2021 call.
- **A series of six Policy Briefs for Article 6:** These documents provide a summary of a series of moderated roundtables discussions on key issues and existing options to operationalise sustainable development provisions in Article 6 implementation, according to the stakeholders.
 - Sustainable development and Governance in the context of the UNFCCC process
 - Safeguarding principles and Do-No-Harm Approaches for Climate Action
 - Sustainable development impact assessment of climate actions
 - Criteria for sustainable development and how to use the Sustainable Development Goal (SDG) Framework
 - Sustainable development stakeholder consultation
 - Transparency and reporting for Sustainable Development

Piloting of SD tools and approaches (WS2)

- Recommendations for the inclusion of SD provisions in bilateral agreements under Article 6.2: This document provides recommendations to Parties on the inclusion of SD provisions within bilateral agreements, which are expected to underpin cooperative approaches between Parties under Article 6.
- [Good practice guidance for the preliminary assessment of sustainable development in Article 6 actions](#): This document presents a short step-by-step guide to be applied during the early phases of the development of an Article 6 activity in order to assess its potential to deliver sustainable development impacts. It draws on existing guidance, tools and templates.
- [Assessment of Sustainable Development Approaches for Use in Article 6](#): This document is meant to inform Article 6 negotiators and experts involved in carbon markets on sustainable development assessment tools and approaches, and their advantages when it comes to assess Article 6 activities to sustainable development.

Outreach and strategic partnerships (WS3)

- [Promoting Sustainable Development in Article 6 pilot activities](#) Policy Brief: Written jointly with the Wuppertal Institute (WI), this document reflects Parties and experts views on good practice sustainable development assessment and reporting to implement the Glasgow COP26 decisions. It presents the sustainable development provisions in the Article 6 guidance, rules, modalities and procedures. It also presents insights gained from interviews and workshops conducted by the SDI and WI and draws on available literature. Based on this, recommendations are developed for the next steps to promote sustainable development through Article 6 early actions structured according to the different actors operating to implement Article 6 of the Paris Agreement.
- Review of publication by Ökoinstitut titled '[Ensuring safeguards and assessing sustainable development impacts in the voluntary carbon market](#)'.
- Contribution to develop a code of best practices on voluntary compensation in carbon markets: This draft was developed by the [Nordic Dialogue on Voluntary Compensation](#) and is based on inputs from Nordic stakeholders and the content of a future report under the Nordic Dialogue.
- Sharing experience on Article 6 readiness: Within the framework of the COP26, the SDI took part in an event organized by GGGI and the Perspectives Climate Group on capacity building to guarantee Article 6 readiness for all carbon market stakeholders.
- Series of knowledge-sharing webinars: With the purpose of enhancing knowledge exchange, the SDI has jointly organized webinars with like-minded strategic partners such as the Wuppertal Institute and Perspectives (Germany), Asian Development Bank (Philippines) and the Institute for Global Environmental Strategies (Japan):
 - *Assessing the climate and sustainable development impacts of projects and policies* [8 Dec. 2021]
 - *Transformative Design of Article 6 Programs for Net Zero emissions by 2050* [15 Dec. 2020]
 - *Guidance for the Interim* [18 Nov. 2020]
 - *Mainstreaming Sustainable Development in Carbon markets* [12 Nov. 2020]
 - *Progressing Sustainable Development Provisions in Article 6 of Paris Agreement* [22 Sept. 2020]

Looking ahead

The agreement reached at COP26 on an Article 6 rulebook marks the successful conclusion for the original goal of the SDI since its launch in 2017, namely the promotion of sustainable development in carbon markets enabled by text provisions in the Article 6 rulebook. At the same time, the agreement opens new opportunities for action by the SDI, which will from now on focus on the implementation of the SD provisions agreed in Glasgow. The SDI will still follow the UNFCCC negotiations and support Parties, the Secretariat and other stakeholders with the development of tools and guides for Article 6 implementation to promote SD in practice.

The capacity building that Parties need after Glasgow can be enhanced by fostering a community of practitioners and stakeholders, where Parties and other actors can share their knowledge and experiences on the implementation of sustainable development provisions. At the same time, such a community supported by the SDI could become a place to share and use existing and new knowledge products and be a platform to promote sustainable development and ambition raising beyond UNFCCC negotiations in the future.

The Sustainable Development Initiative (SDI) for Art. 6 aims at promoting strong provisions on sustainable development for the rulebook of Art. 6 and its implementation. The initiative is a collaboration between the UNEP Copenhagen Climate Centre and the Gold Standard Foundation supported by Germany, Norway, Sweden and Finland 2021-23. Views stated are those of the authors and do not represent any consensus among the Parties involved.

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For more information, visit the website [here](#)

