

Experience with Development of the CDM SD Tool

Lessons Learned for Article 6 of the Paris Agreement



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Outline

- Background and objective of the SDI
- Article 6 outcome from COP26 regarding SD text provisions
- Experience with development and use of the CDM SD Tool
- Lessons learned for Article 6 of the Paris Agreement
- Capacity building to promote a community of good practice for SD assessment and reporting

Background and objective of the SDI



SDI website available [here](#)

“A Party driven dialogue with the aim to help overcome knowledge and political barriers for Parties and practitioners to promote sustainable development through voluntary cooperation under Article 6 of the Paris Agreement”

The Sustainable Development Initiative (SDI) for Art. 6 aims at promoting strong provisions on sustainable development in the rulebook of Art. 6. The initiative is a collaboration between UNEP DTU Partnership and the Gold Standard Foundation launched in 2017 and supported by Germany, Norway and Sweden in 2021-22. Views stated are those of the presenters and do not represent any consensus among the Parties involved.

Article 6 outcome from Glasgow to promote SD

Art. 6.2 cooperation

- guidance

- Information about SD in Initial Report and in subsequent BTRs.
- SD reporting is mandatory. Developer to report how each cooperative approach is consistent with SD objectives of the host Party, avoids negative impacts and respects HRs and other rights.

Art. 6.4 mechanism

- rules, modalities and procedures

- Supervisory Body (SB) is requested to provide the operational means for developers to report how each cooperative is consistent with the SD objectives of the host Party, avoids negative impacts and respects HRs and other rights
- Information about SD shall be made publicly available
- Activity design requirements specify stakeholder consultations and public participation.
- A grievance mechanism to appeal SB decisions is established.
- Validation, registration, monitoring/certification and issuance of credits also apply to SD impacts (TBC).

Art. 6.8 framework

- work programme

- The cover decision for the framework recognizes the importance of a holistic approach to enable cooperation for NDC implementation in the context of SD.
- A focus area for the work programme on non-market approaches is mitigation measures to address climate change and contribute to SD.

Source: 'Promoting Sustainable Development in Article 6 pilot activities', Policy Paper by SDI and Wuppertal Institute (to be published in Dec. 2021), available [here](#)

The CDM SD tool – evaluation of experience

- The CMP in 2011 mandated the CDM EB to highlight SD co-benefits of CDM projects
- CDM EB launched the CDM SD tool in 2012, it went online in April 2014
- In 2015 the German Emissions Trading Authority tasked the Wuppertal Institute and UNEP DTU Partnership to conduct the research project '***Evaluation and development of recommendations on the CDM EB's SD tool including the sustainability requirements of other flexible mechanisms'***



Reports are available [here](#)

Comparing the CDM SD tool with other mechanisms & stakeholder needs

	CDM SD tool	Social Carbon	CCB Standards	CDM Gold Standard	Crown Standard	UN REDD Programme	UNDP NAMA SD tool	ADB	IFC
Indicators for SD co-benefits	✓	✓	✓	✓	✓	Criteria but no indicators	✓	Safeguards	Safeguards
Quantification	✗	✗	Partly quantitative	✗	✗	✗	✓	✗	✗
Assessment of negative SD impacts	✗	✓	✓	✓	✗	✓	✓	✓	✓
Monitoring and reporting	(✓)	✓	✓	✓	✗	✓	✓	✓	✓
Independent 3 rd party validation and verification	(✓)	✓	✓	✓	✗	n/a	n/a	✗	✗
Certification	✗	✓	✓	✓	✓	n/a	n/a	n/a	n/a
Guidelines Stakeholder consultation	✗	✓	✓	✓	✓	✓	✗	✓	✓

Comparison with other mechanisms - summary

- Highly differentiated requirements for SD assessment
- SD Tool in its current form quite limited
- Shortcomings:
 - no coverage of negative impacts, missing safeguards
 - no monitoring & evaluation
 - no stakeholder requirements, grievance mechanism
- Inclusion of these elements could strengthen CDM as a whole
- Report „Mapping the indicators“

Comparison with stakeholder needs - a synthesis

- The SD tool is not directly useful to DNAs, as it is meant for PPs to use
- The UNFCCC evaluation (2014) found that most DNAs plan to refer to the tool for approval of CDM projects at national level (92%)
- The tool is similar to the checklist approach of most host countries. It facilitates a structured comparison that respects Parties' prerogative to decide national priorities
- There is an emerging interest to follow-up that SD claims are met
- From the perspective of users, all interviewees find the tool very useful and simple
- Weaknesses are identified, particularly avoiding negative impacts and attracting a premium price for carbon credits with high sustainable development benefits
- National standards fall short of meeting expectations in the premium market

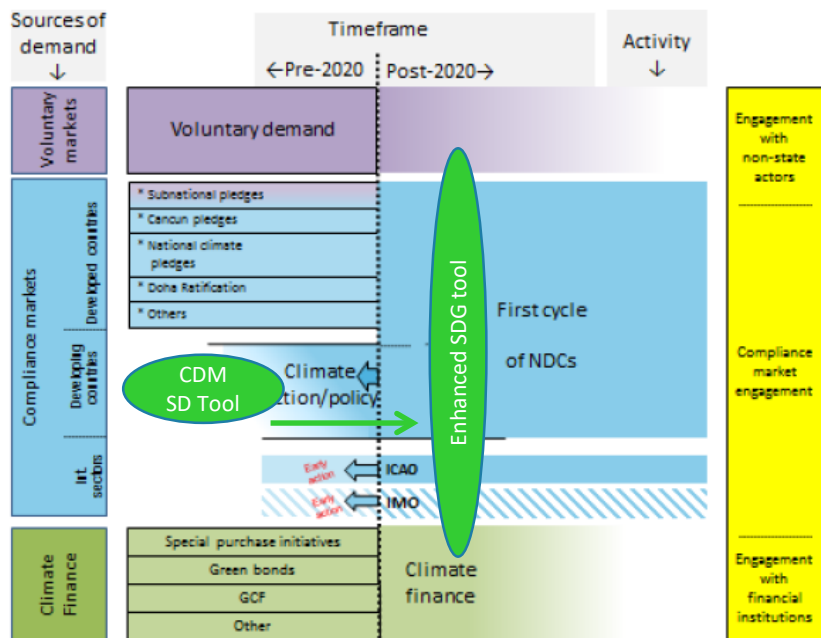
Lessons learned for Article 6 of the Paris Agreement

- recommendations for improvements of the CDM SD Tool

- Recommendations at two consecutive levels:
 - Level 1: Improvements to the SD tool
 - Level 2: Enhancement of the SD tool
- Level 1: Improvements
 - Introduce no-harm safeguards ★
 - Develop monitoring and reporting guidelines ?
 - Introduce 3rd Party validation and verification of SD claims ?
 - Link enhanced stakeholder requirements to the CDM SD tool ★
- Level 2: Enhancements
 - Introduce UNFCCC certification of SD co-benefits ★
 - Meet interest in national certification (see Thailand);
 - Develop UNFCCC certification framework for DNAs with low capacity
 - Create a global standard for quantification of SD co-benefits ★
 - Develop a global approval standard for quantification methodologies

Outlook from the CDM SD tool to develop a 'SDG Tool' for Article 6

Figure 1. Evolving operating environment of the clean development mechanism



Source: Adapted from CDM EB88 Annex 1

- Enhanced CDM SD tool can set robust standards beyond CDM
- Linking and harmonization with the Article 6.4 mechanism can set good practice for the Article 6.2 bilateral cooperation
- Integration with GHG activity cycle, also development relevance (SDGs)
- Globally harmonized SD assessment has multiple benefits:
 - Comparable across mechanisms
 - Mainstreamed into national development planning
 - Integrated into national performance measurement

Capacity building to support good practice SD assessment and reporting - next steps

- The Glasgow decision for Article 6 represents a **major step forward** compared to the CDM SD Tool, primarily due to the mandate for international level harmonization and support to SD assessment and reporting integrated with GHG assessment and reporting
- The mandate for the Art. 6.4 Supervisory Body to evaluate existing SD tools and safeguard systems opens the door to learn from CDM SD Tool experience and enable **development on an Article 6 'SDG Tool'**, linked to host Parties and companies existing SDG reporting efforts
- Putting SD assessment into practice, without undue burdening and raising costs for host Parties, while enabling benefit-sharing with communities requires **capacity building support for sharing of good practices, enabling a community of practice to co-develop common but nationally appropriate SD tools and approaches** for learning and using SD as a leverage for climate action ambition raising.



Source: 'Promoting Sustainable Development in Article 6 pilot activities', Policy Paper by SDI and Wuppertal Institute (to be published in Dec. 2021), available [here](#)

Thanks!

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