

# Sustainable Development and Governance in Context of the UNFCCC Process

Rationale and recommendations for sustainable development provisions compatible with the national prerogative in Article 6 of the Paris Agreement

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This policy brief is produced by the Sustainable Development Dialogue ('Dialogue') on the implementation of Article 6 of the Paris Agreement under the UNFCCC process. It provides a summary of Party and stakeholder views expressed during a series of six engagement events held between January - June 2018. Views stated in this document are those of the authors<sup>1</sup> and do not represent any consensus among the Parties involved. The Dialogue is currently supported by Belgium, Germany, Liechtenstein, Norway, Sweden and Switzerland and receives technical assistance from UNEP DTU Partnership and the Gold Standard Foundation.

## Part 1 - Unpacking the issue: Why strong sustainable development provisions in Article 6 of the Paris Agreement are a good thing

### Several misconceptions created challenges for sustainable development in the context of the UNFCCC process

There is growing research and policy available on the interconnected nature of sustainable development and climate change. This includes synergies (e.g. positive health impacts arising from mitigation activities) but also trade-offs (e.g. food and energy security). Lessons learnt from the field over the last decades show,

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however, that it is possible to mitigate negative impacts through activity specific risk mitigation measures, design principles inclusive of stakeholders, and eligibility criteria filtering out most risky interventions. In addition, research shows very clearly that significant benefits (e.g. streamlined national reporting) can be derived from linking more closely the two global policy Agendas: the Paris Agreement on Climate Change and the 2030 Agenda on Sustainable Development. Despite this important credible evidence base, political and institutional barriers<sup>2</sup> have hindered meaningful progress in UNFCCC negotiations on the issue.

Three key misperceptions about sustainable development have hindered meaningful progress on Article 6 negotiations, namely:

1. Sustainable development is broad and complex, it cannot be defined or measured (*see policy brief: Sustainable Development Impact Assessment of Climate Actions*)
2. International guidance on sustainable development would threaten national prerogative
3. Sustainable development is not compatible with market mechanisms

**193 countries adopted a global agenda for sustainable development, showing that international guidance is compatible with national level prerogative**

There is an important disconnect between the understanding of the term 'Sustainable Development' by UNFCCC negotiators rooted in the history of the climate negotiations; and how the world now understands it according to the Agenda 2030 and the Sustainable Development Goals.

The perception that a global framework for sustainable development would undermine Parties' ability to decide upon their own development pathways is rooted in the history of the Kyoto protocol. At the time, negotiators were concerned that climate action would hinder their development trajectories. The term

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<sup>2</sup> SD Dialogue Working Paper, 2018

'sustainable development' was understood to prevent international climate action from limiting national development ambitions. A shift in perception has occurred in the Paris Agreement: sustainable development is mentioned 23 times and there is a reference to 'the 2030 Agenda for Sustainable Development'. This shift echoes the growing consensus among practitioners and researchers on the interlinkages between climate and development. Despite this scientific consensus, some Parties continue to see sustainable development provisions as seeds that could later limit Parties' ownership of their national development priorities. The central element of this critique lies in the perceived incompatibility between a globally accepted definition and bottom-up approach to setting national priorities. Interestingly, this critique is absent from other international instruments such as the Green Climate Fund or the United Nations Programme on Reducing Emissions from Deforestation and Forest Degradation (UN-REDD).

There is an important misunderstanding because the Global Goals endorse the principle of national sovereignty whilst also providing a clear mandate for international level coordination. Indeed, while the Global Goals provide key elements of a common language for sustainable development matters, they do not set country level priorities. They serve as a framework within which countries develop their own priorities – the so-called "National Agenda 2030".

### **Leaving-out sustainable development is a market failure**

Some proponents of market mechanisms argue that markets are designed to deliver on one objective and would underperform if tasked to consider multiple aims. This argument has long been used to justify the need to keep sustainable development provisions of the Clean Development Mechanism (CDM) to a minimum. More recently, with the design and launch of the CDM Sustainable Development Tool, some lobbied strongly to see it remain optional arguing that it would otherwise create an unnecessary barrier.

We now know, however, that the lack of consideration given to sustainable development can undermine the very existence of markets. Indeed, history has proven that the absence of strong sustainable development provisions was a major

source of criticisms against market mechanisms and led to distrust by public opinion and major civil society organisations. Testimony to this is the broad support from private sector organisations<sup>3</sup> for stronger sustainable development provisions in Article 6 to enhance the credibility of market mechanisms. Voluntary carbon markets have led the way in demonstrating that market mechanisms can deliver sustainable development outcomes. Indeed, today very few carbon buyers disregard the sustainable development profile of climate mitigation projects. This trend is not limited to carbon markets. It is far reaching as most commodities are de-commoditised with quality labels, guarantees of origins and environmental and social attributes.

### **Why strong sustainable development provisions in Article 6 of the Paris Agreement are a good thing**

There are four important reasons why strong sustainable development provisions in post- 2020 mechanisms are a good thing:

1. First, history has shown that public acceptance of market mechanisms depends on strong safeguards and real sustainable development benefits. Moreover, public acceptance of project activities and programmes could potentially increase their market value and can lead to higher unit prices.
2. Second, sustainable development is a primary lever for raising climate ambition. The assessment and the recognition of sustainable development benefits of mitigation actions is very often a prerequisite to unlock host country ownership and ensure these actions receive long-term support.
3. Third, quantifying and valuing sustainable development contributions can unlock much needed private sector funding.
4. Finally, international guidance on sustainable development is already available (Agenda 2030) and endorsed by 193 countries. Synergies can be

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<sup>3</sup> IETA (2017): Operationalising Article 6 of the Paris Agreement. Perspectives of developers and investors on scaling-up private sector investment. London. URL: [http://www.ieta.org/resources/International\\_WG/Article6/Portal/operationalising-article-6-of-the-paris-agreement.pdf](http://www.ieta.org/resources/International_WG/Article6/Portal/operationalising-article-6-of-the-paris-agreement.pdf)

derived from aligning sustainable development approaches in Article 6 of the Paris Agreement with global and national level Agendas 2030.

## **Part 2 - Considerations relevant to the Article 6 work programme to be decided at COP24**

### **Party submissions**

In advance of COP23, Parties were invited to submit their views on the Article 6 approaches to the UNFCCC Secretariat by October/November 2017 (SBSTA 47). The Secretariat received a total of 22 submissions. An analysis of these 22 submissions shows clear convergence on the view that setting SD priorities is a national prerogative.

There are however diverging views on the need for international guidance. Early reflections by some Parties stated that sustainable development can only be defined nationally and reject any international framework for sustainable development ('no distinct formulation can capture its diversity across Parties' and 'its nationally determined character defies efforts to define or standardise it'). This position could be interpreted as a demonstration of the first misperception identified earlier in this document that assumes a global framework cannot define sustainable development. On the other hand, submissions by the European Union, Independent Association of Latin America and the Caribbean (AILAC), Korea and the Environmental Integrity Group (EIG) make specific references to the Sustainable Development Goals (SDGs), acknowledging the existence of an international framework to define sustainable development. These submissions offer insights into the possibility to make use of an international sustainable development framework whilst empowering host countries to determine priorities and to monitor and report on progress.

The submission by the African Group of Negotiators (AGN) highlights the need to ensure no 'undue burden on developing country Parties' arising from reporting guidelines. It is interesting to note here that sustainable development reporting

could be streamlined with existing national level reporting systems developed as a consequence of Parties adopting the SDGs. This is an important synergy that can be derived from close alignment with the SDGs.

*Table 1 below provides a summary of Parties' views on the issue of national prerogative based on SB TSA 47 submissions.*

	<b>Art. 6.2</b>	<b>Art. 6.4</b>	<b>Art. 6.8</b>
National Prerogative	<p>SD is determined nationally</p> <p>Parties set sustainable development criteria suitable for their national circumstances</p> <p>SD cannot be defined</p> <p>Parties should ensure activities are consistent with the SDGs</p>	<p>Agenda 2030 and the Global Sustainable Development Goals can serve as guidance</p> <p>A Designated National Authority (DNA) consider and determine whether mitigation actions under cooperative approaches contribute to the sustainable development of the host country.</p> <p>Parties designate an entity as their DNA, and the same entity may serve as DNA under Article 6.2 and 6.4</p>	Develop SD tools

## **Analysis of Party and stakeholder views – convergence and divergence**

This section presents analysis of feedback from Parties and stakeholders during the six Sustainable Development Dialogue events with an aim to identify key areas of convergence and divergence of views. All events followed Chatham House Rules, which mean that views can be documented but not ascribed to a particular Party or stakeholder.

The discussions focused on two broad questions:

- Is international level guidance helpful to national governments with respect to SD being operationalised for Art. 6.2 and Art. 6.4?
- Should the DNA play the same role for Art. 6.2 and Art. 6.4?

On the usefulness of international guidance, participants stated it could be a useful source of information for Parties and could help ensure comparability and consistency but that it should only be 'guidance' as ultimately the decision will be in the hands of the host country. Participants discussed synergies and potential risks arising from linking national sustainable development processes with an international sustainable development framework. Synergies identified mainly focused on having access to relevant tools for sustainable development assessments (e.g. targets and indicators) and enabling consistency and comparability. Some participants however were opposed to international guidance and tools, stating that an unintended consequence would be that the tool becomes a barrier for those not using it (e.g. the quality of the project may be questioned).

A key risk noted by participants related to the potential interference by non-state actors providing contradicting or conflicting sustainable development assessments. Also, some participants questioned whether Parties should actively deliver on sustainable development and report on progress at all.

On the role of DNAs, there was convergence on the view that the nature of Article 6.2 and Article 6.4 is very different, and that hence the role of the DNA

should also be different. Participants noted that the centralised nature of Article 6.4 would imply a common sustainable development approach with centralised reporting, implemented nationally under the authority of the DNA. Under Article 6.2, participants noted the increased responsibility of the host country.

## Part 3 – The Subsidiary Body for Scientific and Technological (SBSTA) Chair informal notes and Dialogue text recommendations

### The SBSTA Chair informal notes

Draft elements of text are presented in the SBSTA Chair informal notes issued prior to the SB48 and were revised in the negotiations. Elements relevant to the issue of governance are summarised below.

**Article 6.2 guidance on cooperative approaches:** with regards to national prerogative, the informal note implies that requirements for cooperative approaches, including those related to sustainable development, will be developed bottom-up by participating Parties, in compliance with the principles laid out in "the elements of guidance on cooperative approaches". It is therefore of utmost importance that these elements contain all the necessary requirements to ensure that cooperative approaches achieve their aim of promoting sustainable development. This is also required to avoid a race to the bottom as experienced in the CDM. The informal note also emphasises the avoidance of extraneous influences and does not contain any provision for grievances, complaints and appeals.

**Article 6.4 rules, modalities and procedures for the mechanism:** the informal note contains various design options for the Article 6.4 mechanism including: a centralised system supervised by a Supervisory Body (Option A), a host-party led system (Option B) and a dual system (Option C). While the centralised system, and to a certain extent the dual system, are relatively well detailed, the party led system contains no elements on how it would be

governed. Participation requirements state that a Participating Party has to comply with the objectives of Article 6.4 and Article 6.2, which implicitly means compliance with their objectives of fostering/promoting sustainable development. Responsibilities of the host Party under Option A require the host Party to provide confirmation that the activity fosters sustainable development, to provide explanation on how the activity conforms with the UN SDGs and to the Party's obligation on human rights, and how it avoids negative social and economic impacts. Options B and C are less explicit and simply state that they are to meet the requirements of Article 6.2 and Article 6.4 respectively. Under Option A, the same responsibilities for the host Party are stated for the using Party.

Overall, the informal note contains several hooks (except for the host party led system where no details were provided) that could ensure, at the governance level, that the sustainable development requirements are complied with. What those requirements will be is still unknown.

### **Thanks:**

The Sustainable Development Dialogue acknowledge and give thanks to the reviewers of the Sustainable Development and Governance policy brief.

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