

Transformative Design of Article 6 Programs

15 December 2020, 15.30 - 17.00 PM (CET), Google Meet

Setting the scene - Explaining the conceptual framework and providing a working definition of 'transformational change' for Article 6

Karen Holm Olsen, UNEP DTU Partnership

Outline

- Setting the scene - transformational change (TC) and Article 6
- The ICAT conceptual framework for understanding TC
- Working definition of transformation characteristics for Article 6

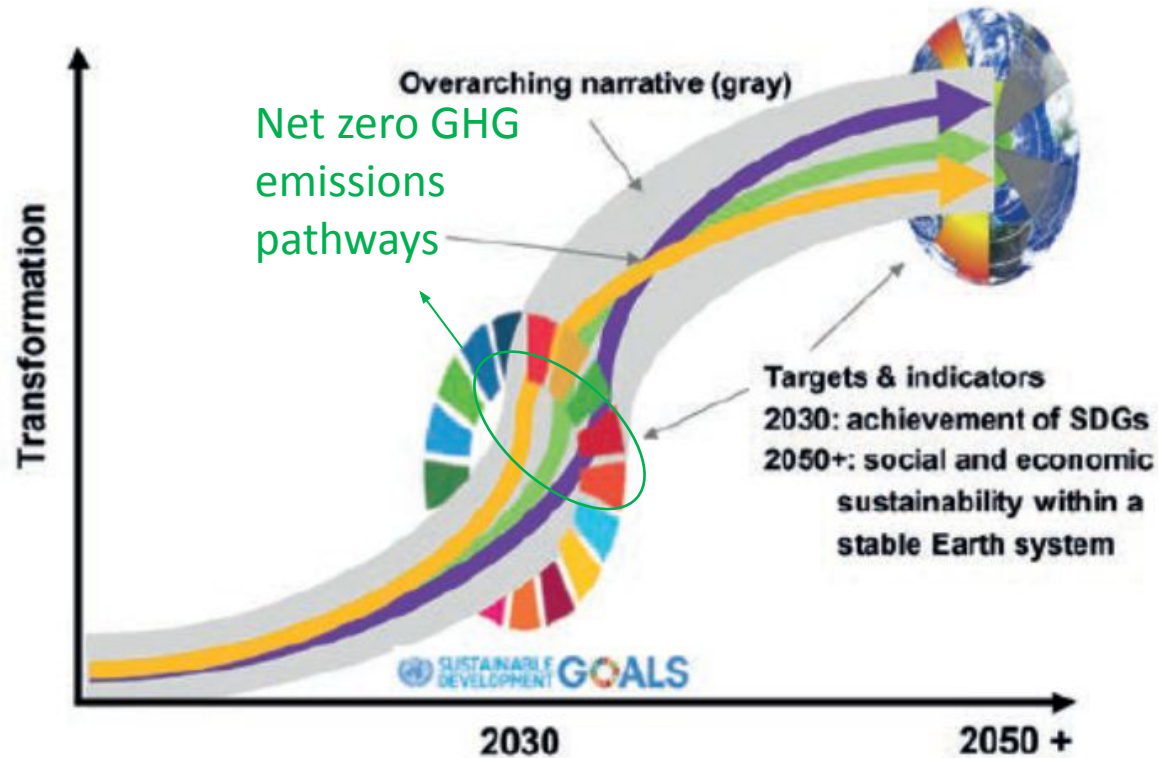
Setting the scene

Transformational change envisioned in the Paris Agreement and 2030 Agenda for sustainable development

- The Paris Agreement **long-term temperature goal** to hold the increase in the global average temperature below 2°C above pre-industrial level and pursue efforts to limit the temperature increase to 1.5°C
- IPCC SR1.5 (2018) and scientific literature on sustainability transition explain the **systemic, deep, rapid and society-wide transitions** necessary to achieve the global goals
- 'Transforming our world: 2030 Agenda for Sustainable Development' refers explicitly to the SDGs as universal, integrated and indivisible, an goal- and action oriented agenda that will transform the world for the better
- The **technology framework** provides overarching guidance to the two bodies of the Technology Mechanisms (TM, TEC & CTCN). The guidance recalls that the TM shall improve its effectiveness and efficiency by addressing *the transformational changes envisioned in the Paris Agreement* and the long-term vision for technology development and transfer.

Transformational change for the global goals

- how Article 6 can contribute to 'transformational impact', i.e. net zero by 2050 & SDGs



Source: TWI2050 - The World in 2050 (2018). Transformations to Achieve the Sustainable Development Goals. Report prepared by The World in 2050 initiative. International Institute for Applied Systems Analysis (IIASA), Laxenburg, Austria.

- The urgency of a transition towards sustainable development and net zero global greenhouse gas (GHG) emissions was underlined in the special report Global Warming of 1.5°C by the Intergovernmental Panel on Climate Change (IPCC, 2018).

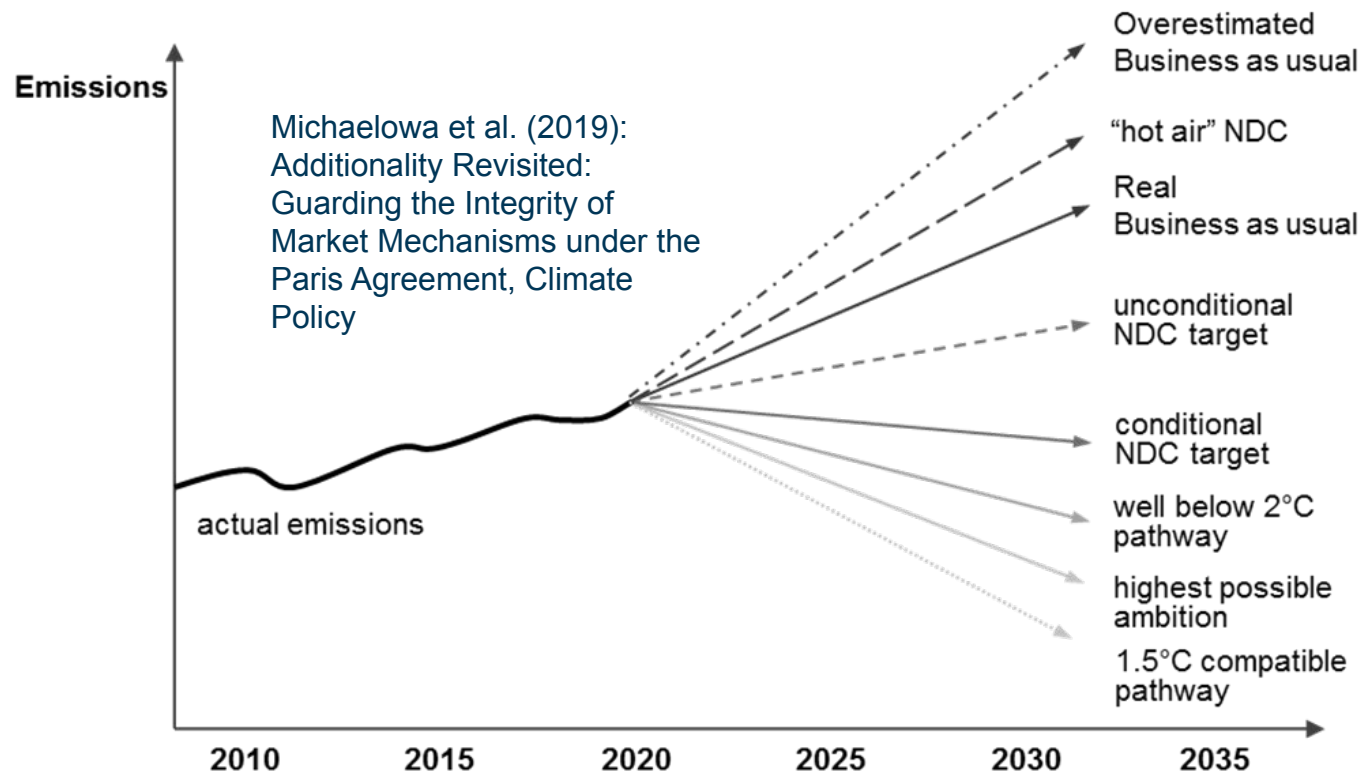
Transformational change concept:



Source: Costa Rica

The A6 objective to allow NDC ambition raising

- '*Additionality*' and/or '*transformational impact*' assessment: Based on '*dynamic baselines*' for net zero pathways (long-term ambition aligned with Paris Agreement and 2030 Agenda global goals):



Questions:

- **Where to situate a "Paris Agreement"-compatible baseline?**
- **How to "downscale" national level baselines to activity level baselines?**

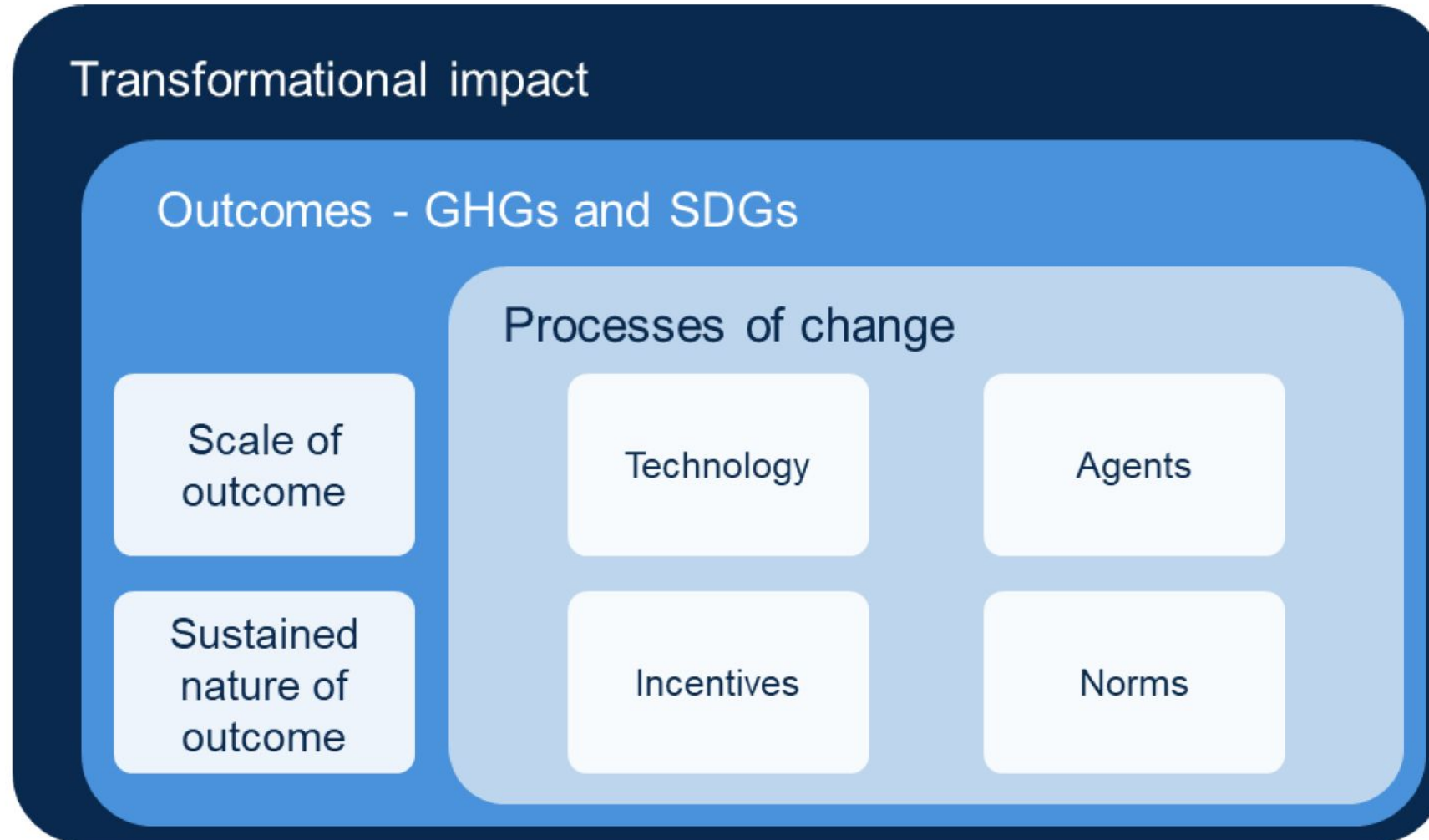
Transformational change conceptual framework

The ICAT definition

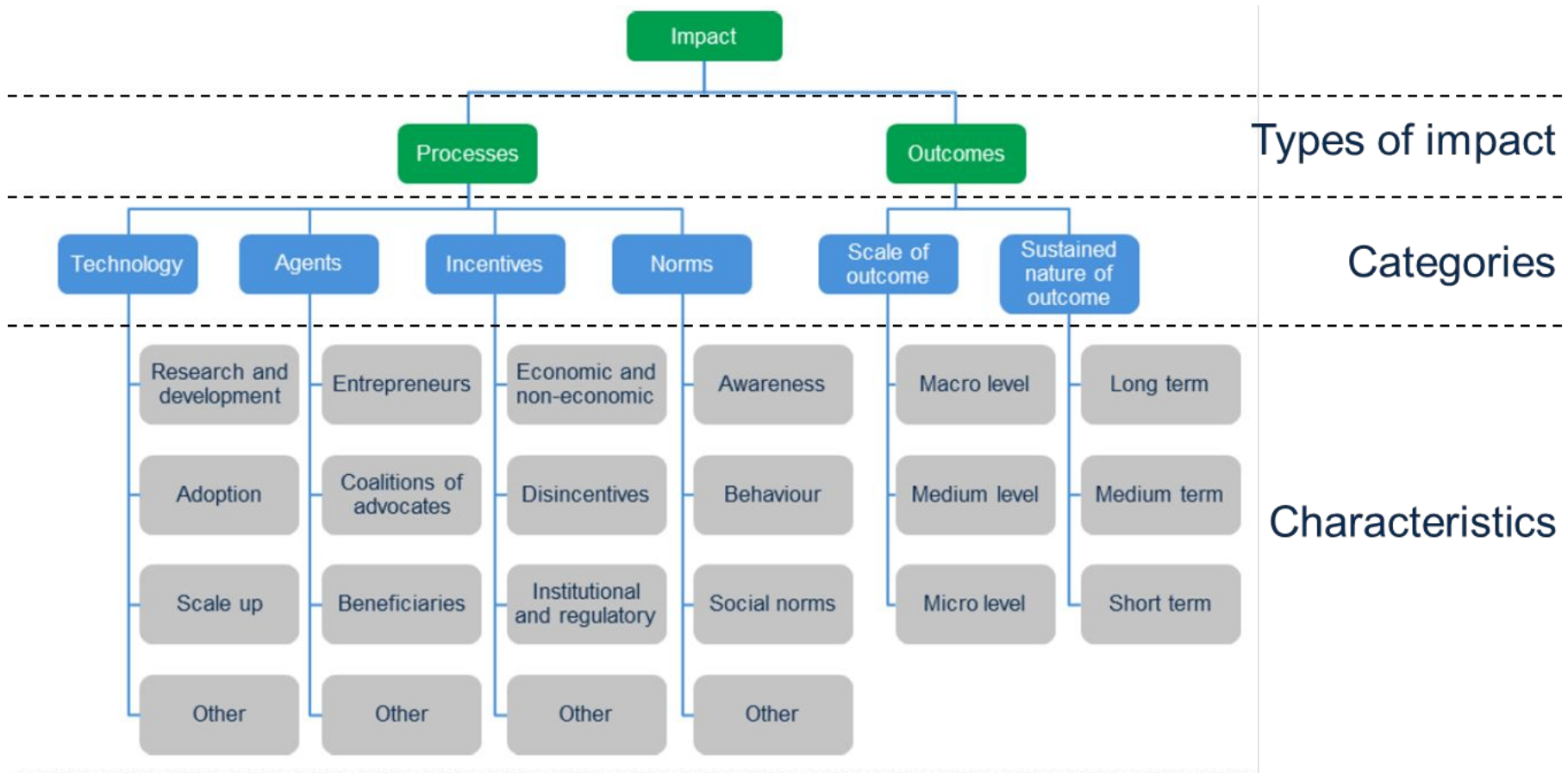
- Transformational change is defined in this methodology as:

A fundamental, sustained change of a system that disrupts established high-carbon practices and contributes to a zero-carbon society, in line with the Paris Agreement goal to limit global warming to 1.5–2°C and the United Nations SDGs.

The concept of transformational impact



Characteristics of transformational impact



Working definition for Article 6

Objective and methodology

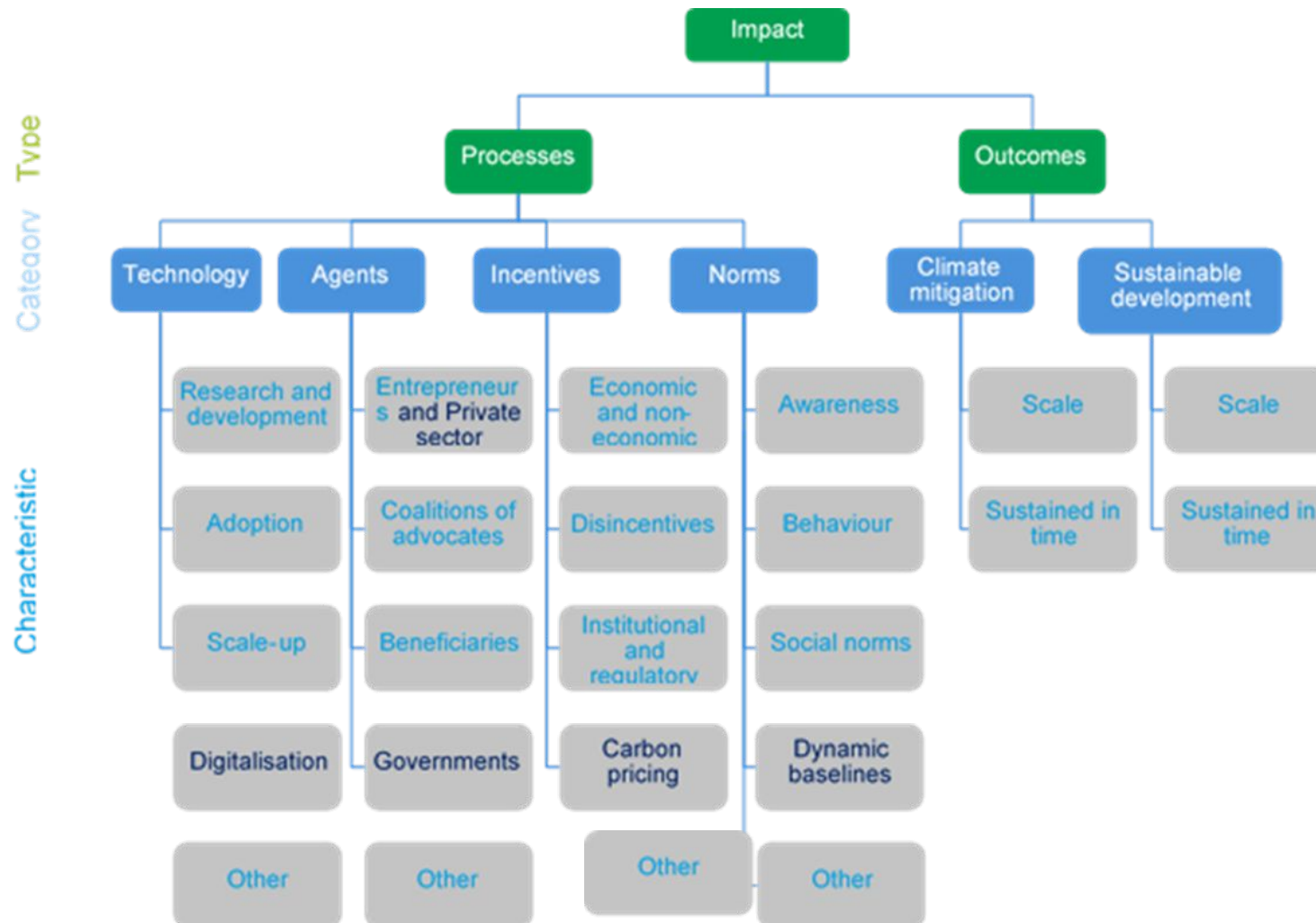
- **The project** '*Transformation & Article 6: Strengthening the transformative effect of market approaches under the Paris Convention*' funded by the Federal Environment Agency (UBA), Germany, jointly implemented by UNEP DTU Partnership, Perspectives and First Climate, 2020-21 has the **objective**:
 - *To understand and strengthen how carbon market approaches under the Paris Agreement can have a transformative impact for net zero emissions and SDGs*
- **Methodology** (WP1) to identify transformative characteristics relevant to A6 - two steps:
 1. **Conceptual understanding:** A literature review on the concept of transformation: 131 sources assessed in 5 categories (1) Finance and mechanisms, 2) Grey, 3) Peer-reviewed, 4) Corona & 5) Historical) reviewed and analysed in an Excel sheet based on questions, main findings summarised in the report. Semi-structured interviews with four funds and mechanisms: 1) KliK, 2) TCAF, 3) FMO, 4) EBRD based on a questionnaire and notes (no transcriptions and quotes)
 2. **Applied transformation characteristics:** Analysis of the characteristics of transformation in three countries and sectors: 1) Morocco (North Africa) - waste sector, 2) Costa Rica (Central America) - transport sector and 3) Pakistan (South Asia) - energy sector. Ideas and Options for Promoting Transformation through Article 6 Approaches (synthesis of insights as basis for WP2)

Insights from interviews on how funds and mechanisms define and operationalise transformation

| Topics | Klik | TCAF | FMO | EBRD |
|---|---|---|--|---|
| Engagement in Article 6 activities | Facilitates Article 6 activities and transactions | Aim for Article 6 transactions, yet no active pipeline of projects | No, climate and development finance | No, climate and development finance |
| Definition of transformation | <p>Promotion of the concept of transformation based on 3 pillars:</p> <ol style="list-style-type: none"> 1) Sustained nature of activities, that generates a sustainable income for local communities 2) Paris compatible, incl. for sustainable development and technology 3) Policy congruence with Host countries to support and supplement the achievements of NDCs | <p>Promotion of the concept of transformational change approached from economic theory:</p> <ul style="list-style-type: none"> An activity is transformational if it has an impact beyond the project boundaries. TC is defined separately from SD, the latter is defined by Host countries | <ul style="list-style-type: none"> Use of the SDGs (promotion of SDGs 8, 10 and 13) and ambition to align with the 1.5 degree target of the PA. Definition of two labels for individual investments: <ol style="list-style-type: none"> Green Label Reducing inequalities | <ul style="list-style-type: none"> Promotion of the concept of 'transition impact' through the Green Economy Transition (GET). EBRD thinks of 'transition' and 'transformation' as synonymous: means to create the right regulatory system for carbon markets and to bring in capacity building along with the investments Adherence to the transition concept was fostered by the increasing demand by donors Focus on climate resilience and SDGs |

Preliminary working definition for Article 6

- identifying transformative characteristics most relevant to A6



Expected results

- Research report on Art.6 incentive structure for transformative change
- 3 NDC briefings highlighting the concept of transformation and potential increases in ambition.
- Key messages and recommendations to maintain environmental integrity while increasing NDC ambitions through Article 6 measures



Thanks!

Karen Holm Olsen, UNEP DTU Partnership, kaol@dtu.dk

More information about the SDI available: [here](#)

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 Belgium, Finland, Germany, Norway and Sweden in 2020. Views stated are those of the presenters and do not represent any consensus among the Parties involved.