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Defining criteria for sustainable development nationally and using the global SDG framework for implementation of Article 6 of the Paris Agreement

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Criteria for Sustainable Development and how to use the Sustainable Development Goal (SDG) Framework

Defining criteria for sustainable development nationally and using the global SDG framework for implementation of 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 authors¹ 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: Defining sustainable development criteria and use of the global SDG framework

Defining sustainable development criteria

Sustainable development has been criticised over the years for being a broad concept that means anything to anyone and cannot be clearly defined (Verles, 2016). In context of the Kyoto Protocol's Clean Development Mechanism (CDM), the sovereign right to define sustainable development at the national level has led

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to the absence of an internationally agreed framework (Olsen, Arens, & Mersmann, 2017). Implications of the national prerogative have led to criticism that the CDM has not succeeded in fulfilling its sustainable development objective. Reasons for the critique include: a trade-off between the two objectives leading to a 'race to the bottom' for sustainable development, the lack of clear and transparent sustainable development criteria and decision-making procedures by participating countries, cases of registered CDM projects violating human rights and the absence of requirements and procedures to monitor, report and verify that claims about sustainable development benefits are actually achieved. Furthermore, different national definitions for sustainable development have led to different, and at times arbitrary and conflicting views on the social integrity and credibility of emission reductions transacted, thus representing a reputational risk to the CDM as a whole.

In 2012, the CDM Executive Board (EB) approved the voluntary CDM SD tool which focused on the voluntary declaration of sustainable development co-benefits. The tool uses the three pillars of sustainable development, i.e. the environmental, social, and economic dimensions to provide a taxonomy of 12 SD criteria and 70 indicators, which is similar to the checklist approach of sustainable development criteria used by most host countries (Tewari, 2012). In an evaluation conducted in 2014, the tool was found to meet its objectives by facilitating a harmonisation of information in a structured, consistent, and comparable manner that respects Parties' prerogatives to decide on national priorities, and in a way that assists investors to factor in the sustainable development co-benefits in decision-making (UNFCCC, 2014). Furthermore, 92% of Designated National Authorities (DNAs) indicated that they plan to use the tool when approving CDM projects nationally. As such the CDM SD Tool represents a flexible international framework that supports Parties national priorities for sustainable development.

The global SDG framework

The SDG framework with 17 goals and 169 targets is set by Member States agreed in the 2030 Agenda for transforming our world to sustainable development (UN, 2015). The UN Statistical Commission is tasked with the development of a monitoring framework and the Inter-Agency Expert Group for

the SDGs has developed 232 indicators adopted by the UN General Assembly in 2017.

Figure 1: The Sustainable Development Goals (SDG) goals



The 2030 Agenda endorses the principle of national sovereignty (countries develop their own national SDG plans also called 'Voluntary National Reviews') and provides a clear mandate for international level coordination through the annual High Level Political Forum on sustainable development to review progress towards the goals and targets at national and global levels.

The Paris Agreement and Agenda 2030 processes are mutually supportive in several ways. Both processes draw their principles from the Rio Principles, including the principles of Common but Differentiated Responsibilities (CBDR) and equity, and refer to the right to sustainable development. Both stress the role of human rights and promote gender equality. Their timelines overlap directly, and they have mutually reinforcing objectives. The SDGs refer to existing financial commitments under the UNFCCC, thereby recognising that countries will need to live up to their climate finance commitments to avoid slowing down development progress.

At country level, there is significant alignment between Nationally Determined Contributions (NDC) under the Paris Agreement and SDG priorities as stated in countries' Voluntary National Reviews (VNRs). Indeed, two-thirds of the 2017

VNRs make the link between climate change and the broader SDGs as part of the 2030 Agenda. Around half explicitly refer to climate plans (including NDCs) as integral elements of their strategies for achieving the SDGs. This shows that well-designed sustainable development policies and actions deliver on both reduction of Greenhouse Gas (GHG) emissions and enhanced resilience to climate impacts, while climate policies and measures for both mitigation and adaptation can advance development objectives. The extent of alignment between the climate and sustainable development agendas at country level highlights the significant opportunities for national and subnational governments as well as other key stakeholders to approach implementation in an integrated and synergistic manner (Fuso Nerini et al., 2018; Iyer et al., 2018).

Best practices, tools and approaches to define sustainable development criteria and use of the SDG framework

Since the adoption of the SDG framework, resources and tools available to assess the sustainable development contributions of activities, investments or policies is growing. Examples of existing guidance and tools include:

- The SDG Index and Dashboards Report: a report card for country performance on the historic Agenda 2030 and the SDGs
- Gold Standard for the Global Goals: a unifying framework to quantify, maximise and certify sustainable development impacts of climate mitigation activities
- SDG Selector for Business: a solution to identify which SDGs are relevant for businesses and the private sector
- Initiative for Climate Action Transparency (ICAT) Sustainable Development Guidance: a modular guidance for assessing the environmental, social and economic impacts of policies and actions

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. The Secretariat received a total of 22 submissions. A summary of the views is shown in Table 1 below.

Table 1: High-level options and issues differentiated across the three Article 6 approaches

High-level option	Art. 6.2	Art. 6.4	Art. 6.8
SD criteria, SDG framework	<ul style="list-style-type: none"> • Host Parties decide on criteria/standards/priorities for SD, which are dependent upon national circumstances • SD criteria applied by Parties shall be publicly available • Agenda 2030 and the Global Sustainable Development Goals (SDGs) can serve as guidance 	<ul style="list-style-type: none"> • Parties set sustainable development criteria suitable for their national circumstances • SD criteria applied by Parties shall be publicly available • All Parties should undertake activities and approaches that are in conformity with the Sustainable Development Goals (SDGs) 	<ul style="list-style-type: none"> • Develop SD tools at international level

Among the 11 submissions which mentioned sustainable development assessment, all of them agreed that determination of sustainable development priorities/criteria is a national prerogative. Several Parties stated that a Designated National Authority (DNA) should assess and decide on the contribution to sustainable development. In three submissions by South Africa, the Environmental Integrity Group (EIG) and the EU, reference was made to the Agenda 2030 and SDGs to serve as guidance for host Parties and/or as a tool with comparable indicators and standards. In submissions by the Like Minded Developing Countries (LMDC) and the Arab group, sustainable development and NDCs are seen as two primary goals of Article 6 approaches. The nationally determined character of sustainable development implies that it cannot be defined or standardised. Yet, the development of sustainable development assessment tools is proposed under Article 6.8. In submissions by the African Group of Negotiators, Thailand, the Least Developed Countries and Norway, tools, guidance and best practice approaches are proposed to be developed at international level, similar to the voluntary CDM SD Tool. The idea to certify existing tools and standards outside the UNFCCC is proposed by the Independent Association of Latin America and the Caribbean (AILAC).

Analysis of Party and stakeholder views – convergence and divergence

This section presents analysis of feedback from Parties and stakeholders during the six 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.

Two key issues were explored in the roundtables and 'deep dive' discussions:

1. Do Parties have to develop sustainable development criteria when following activities under Article 6.2 and Article 6.4?
2. Is there a role to play for SDGs as a common framework for supporting national SD priorities through Article 6.2 and Article 6.4?

Regarding the first issue, Parties agree that defining criteria for sustainable development is a national prerogative. However, Parties see the need for sustainable development criteria differently. Some Parties state that this is a

'must have' a 'shall requirement' of Article 6, while others see no need for it, as long-term strategic planning for national sustainable development provide the context for Article 6 climate actions. The possibility that buyers in a future market can influence host country policies for sustainable development was considered, for example buyers can announce their sustainable development criteria through a negative list such as no units of emission reductions from nuclear power. In this way market forces would urge host countries to consider such sustainability requirements from the demand side, provided they want to attract investments and finance.

Regarding the second issue, no Parties objected to the global SDG framework playing a role to support national sustainable development priorities in the context of Article 6. Duplication of work should be avoided, especially since most Parties have already adopted the SDG indicator framework through Agenda 2030. Views expressed included that use of the global SDG framework should be voluntary, not mandatory. Integration at a global scale would be desirable but requires better links between the UNFCCC and the High Level Political Forum for the SDGs. Such links could clarify how Article 6 activities overall serve the SDGs. Using a common framework of global goals, targets and indicators enables comparability in the assessment of sustainable development impacts. It can help buyers and investors to choose units of mitigation outcome with the most benefits for sustainable development and the least negative impacts. Comparison across projects and actions is difficult. However, the SDG framework can be used as guidance. For domestic implementation it is important to establish institutional arrangements that clarify 'How/Where/When' assessments and reports are created based on nationally determined sustainable development criteria using the SDG framework.

Part 3 – The Subsidiary Body for Scientific and Technological (SBTSA) 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. According to the revised informal notes issued 8 May 2018 national sustainable development criteria and the SDG framework are mentioned several times, but clarity on how and by whom they will be used is missing. Draft elements of text relevant to sustainable development criteria and use of the SDG framework are found in each of the three informal notes as follows:

Article 6.2 guidance on cooperative approaches: The co-chairs note is not explicit on what are the criteria for sustainable development, how and by whom they are developed. The reporting and transparency provisions for Article 6.2, require the provision of information/explanation/confirmation on promoting sustainable development within the national prerogative and conformity with the UN SDGs. This might be understood as meaning that the host Party may provide information such as:

- Its nationally determined criteria for sustainable development
- Impacts assessed using the UN SDG framework with goals, targets and indicators

However, it is to be reiterated that this is one possible interpretation for one of the text options. Another interpretation may be in line with the interpretation widely used for the CDM, where a majority of host parties have not defined sustainable development criteria for the mitigation activities.

Article 6.4 rules, modalities and procedures for the mechanism: The text include roles and responsibilities of the host Party and the using Parties and states that those parties are to provide confirmation and explanation that the activity fosters sustainable development and conforms to SDGs. This might mean that both the national sustainable development criteria and the SDGs can be

used for the purpose of Article 6.4. In the eligibility section, one of the options requires the Article 6.4 activity to be consistent with the SDGs and to not pose a threat to human rights. This could mean that SDGs in addition to human rights safeguards are to be considered as criteria for sustainable development in Article 6.4. This however remains as speculation in the absence of a clear mention of what the SD criteria are, how to use them and by whom. Confusion about the use of criteria/SDG framework would be very risky at the implementation stage. The absence of clear provisions on the use of sustainable development criteria/SDG framework in Article 6 approaches may hinder the support of sustainable development for no reason. Furthermore, a lack of clarity is likely to lead to disparity in conformity among countries. With market forces favouring the lowest standards for sustainable development, this could lead to a 'race to the bottom'.

Article 6.8 draft decision on the work programme under the framework for non-market approaches (NMAs): No mentioning of any criteria for sustainable development or use of the SDGs is made in the text. However, the text sets the following principles:

- (vi) In accordance with Article 6, paragraph 8, NMAs promote sustainable development and poverty eradication,
- (xii) NMAs should maintain harmony among environmental, social and economic dimensions of sustainable development, taking into consideration Article 4, paragraphs 7 and 15.

It is furthermore stated that NMAs should ensure manageable sustainable development transition for all Parties and that they address the concerns of Parties with economies most affected by the negative social and economic impacts of response measures.

To avoid 'a race to the bottom' as observed to some extent under the CDM and to promote a 'race to the top' for fostering sustainable development through Article 6 approaches, the Dialogue experts recommends the following text elements to ensure that SD criteria and use of the SDG framework is mandated in the Article 6 work programme to be decided at COP24.

Text recommendations

The following recommendations have been produced by the Dialogue experts. Please note, proposed text does not reflect consensus and will be further developed prior to COP24.

Article 6.2:

- Include in the participation requirements for the host party to have SD criteria, make them publically available and in their absence endorsement of the UN SDG goals
- Include a provision encouraging host-countries to use SD criteria and processes developed under 6.4. Those criteria and processes could be voluntary endorsed by host/using parties and used to ensure achievement of the second objective of 6.2

Article 6.4:

- Include a provision in the mechanisms participation requirements that in the context of mitigation activities the host Party defines SD criteria which can be assessed and monitored and make them publically available
- Include a provision giving the possibility to the supervisory body to develop or endorse SD criteria and processes for assessment and monitoring over time. Those criteria and processes could be voluntary endorsed by host/using parties and used to ensure that a 6.4 activity fosters SD

Article 6.8:

- The work programme to include the development of a common framework defining the SD criteria of non-market approaches or to endorse existing frameworks such as the SDGs
- Develop common approaches to ensure that negative impacts and trade-offs between NDCs and SDGs are avoided

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