

A6.4-SB004-AA-A06

Concept note

Workplan for developing a sustainable development tool for the mechanism established by Article 6, paragraph 4, of the Paris Agreement

Version 01.1



United Nations
Framework Convention on
Climate Change

TABLE OF CONTENTS		Page
1.	PROCEDURAL BACKGROUND	3
2.	PURPOSE	3
3.	KEY ISSUES AND PROPOSED SOLUTIONS.....	3
3.1.	CDM SD tool.....	3
3.2.	Other tools and safeguard systems in use in existing market-based mechanisms to promote sustainable development	5
3.3.	Nature of SD tool for Article 6.4	6
4.	IMPACTS OF VOLUNTARY AND MANDATORY SD TOOL.....	7
5.	SUBSEQUENT WORK AND TIMELINES	7
6.	RECOMMENDATIONS TO THE SUPERVISORY BODY	8
7.	REFERENCES	8
APPENDIX.	EXAMPLE OF THE CLEAN DEVELOPMENT MECHANISM SUSTAINABLE DEVELOPMENT TOOL REPORT	9

1. Procedural background

1. Decision 3/CMA.3, paragraph 5(c), requests the Supervisory Body to review the sustainable development tool in use for the clean development mechanism (CDM SD tool) and other tools and safeguard systems in use in existing market-based mechanisms to promote sustainable development with a view to developing similar tools for the mechanism established by Article 6, paragraph 4, of the Paris Agreement (hereinafter referred to as the Article 6.4 mechanism) by the end of 2023.¹
2. Decision 3/CMA.3, annex, paragraph 24(a)(x) and 24(a)(xi), requests the Supervisory Body to establish the requirements and processes necessary to operate the Article 6.4 mechanism, relating to, inter alia, the application of robust, social and environmental safeguards and the development of tools and approaches for assessing and reporting information about how each activity is fostering sustainable development, while acknowledging that the consideration of sustainable development is a national prerogative.

2. Purpose

3. The purpose of this document is to (i) propose a workplan to review the CDM SD tool and similar tools under other relevant market-based mechanisms; and (ii) present issues that require guidance from the Supervisory Body on the development of the sustainable development tool for the Article 6.4 mechanism (SD tool for Article 6.4 mechanism).

3. Key issues and proposed solutions

3.1. CDM SD tool

4. Based on the article 12 of the Kyoto Protocol and the CDM Project Standard for Project Activities (PS-PA) and the CDM Project Standard for programme of activity (PS-PoA), the project participant of CDM project activities or coordinating/managing entities of PoA is required to describe how the CDM activity contributes to the sustainable development of the host country in the CDM design document and to obtain a letter of approval from the designated national authority which shall confirm that the proposed CDM activity assists the host Party in achieving sustainable development. The Executive Board of the CDM (hereinafter referred to as the Board) received a call for public inputs on sustainable development co-benefits and negative impacts of CDM projects activities and noted that there was room for improvement in both the declaration and the criteria for sustainable development or negative impacts of CDM projects at the sixty-fifth meeting of the Board in 2011 (EB 65).
5. The CDM SD tool,² as referred to in decision 3/CMA.3, is a **voluntary tool** to describe the sustainable development co-benefits of CDM project activities and programmes of

¹ For decision 3/CMA.3 see document FCCC/PA/CMA/2021/10/Add.1 available at: <https://unfccc.int/documents/460950>.

² CDM sustainable development co-benefits tool is available at: <https://www4.unfccc.int/sites/sdcmicrosite/Pages/SD-Tool.aspx>.

activities (PoAs). It was developed in response to paragraph 5 of decision 8/CMP.7³ and adopted at the seventieth meeting of the Board in 2012 (EB 70).

6. The CDM SD tool fulfils the request of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol as it is a voluntary measure intended to highlight the co-benefits brought about by CDM project activities and PoAs, whilst also maintaining the prerogative of Parties to define their sustainable development criteria with maximum effort placed on respecting Parties' prerogative to decide on national priorities.⁴
7. The CDM SD tool covers the three fundamental pillars of the sustainable development – environment, economic and social sustainability – and contains 98 questions covering 12 criteria and 70 indicators as a format for reporting expected positive/negative sustainable development impacts of CDM projects and PoAs. The CDM SD tool is designed to facilitate the gathering of information in a consistent and comparable manner.

Table 1. Overview of the CDM SD Tool

SD benefits	Criteria. (e.g Indicators)	Evaluation range
A. Environmental	<ul style="list-style-type: none"> • Air (e.g. reducing particulate matter, noise pollution, dust, etc.) • Land (e.g. preventing solid waste, soil erosion, using compost, etc.) • Water (e.g. improving control waste-water, saving water, water purification, etc.) • Natural resources (e.g. protecting mineral resources, plant life, diversity, forest, etc.) 	N/A No (benefit) Slightly Partly Highly
B. Social	<ul style="list-style-type: none"> • Jobs (e.g. new long/short-term jobs, sources of income generation, etc.) • Health and Safety (e.g. disease prevention, reducing accidents/crime, enhancing human health, etc.) • Education (e.g. job-related training, enhance educational services, etc.) • Welfare (e.g. improving working conditions, alleviating poverty, empowering women, etc.) 	
C. Economic	<ul style="list-style-type: none"> • Growth (e.g. new investment, commercial, and infrastructure activities, etc.) • Energy (e.g. access to energy, energy affordability/reliability, etc.) • Technology (e.g. introducing imported/local technology, know-how activities, etc.) • Balance of payments (e.g. reduction of foreign dependency and macro-economic benefits) 	

³ See document FCCC/KP/CMP/2011/10/Add.2 available at: https://unfccc.int/files/meetings/durban_nov_2011/decisions/application/pdf/cmp7_cdmguidance.pdf.

⁴ See document CDM-EB-CMP9-INFO01 entitled, "Information note: Evaluation of the use of the voluntary online sustainable development co-benefits tool" available at: https://cdm.unfccc.int/sunsetcms/storage/contents/stored-file-20141111084506544/SDTool_note01.pdf.

8. The CDM SD tool has been made available to the project participants of project activities and coordinating/managing entities of PoAs since 2013. The user-friendliness of the tool has been continuously improved based upon paragraph 22 of decision 6/CMP.11⁵ and decisions taken at EB 95 and EB 101.
9. As the tool is voluntary, only 77 out of 7,844 registered CDM project activities and 363 PoAs have applied the tool as of 1 February 2023. An example of the CDM SD tool report is attached as an Appendix to this note.
10. Research and analysis will be done as shown in section 5 below to identify reasons for the low use of the CDM SD tool despite the continuous improvement of the user-friendliness of the tool via surveys and interviews with relevant stakeholders such as project participants, national designated authorities, practitioners and accredited designated operational entities.

3.2. Other tools and safeguard systems in use in existing market-based mechanisms to promote sustainable development

11. The size of the voluntary carbon market was estimated at over USD 2 billion in 2022 along with increasing interest by many companies and organizations in pursuing global climate and sustainability goals (Ecosystem Marketplace 2022). Further, voluntary carbon credit buyers have shown more interest in buying quality carbon credits that demonstrate strong linkages between sustainable development and climate change mitigation rather than considering only the price of the carbon credits.
12. Out of the numerous voluntary market-based mechanisms,⁶ the most prominent mechanisms are the Gold Standard and Verra⁷ and the assessment of sustainable development under these two mechanisms are as shown below:
 - (a) The Gold Standard considered the assessment of the sustainable development co-benefits since the adoption of its first validation and verification manual in 2006⁸ based on 12 indicators under its “Sustainable Development Assessment Matrix”. Between 2008 and 2012, the revised version of its validation and verification manual included 37 indicators as part of the sustainability assessment⁹ applicable to all projects.

⁵ See document FCCC/KP/CMP/2015/8/Add.2 available at: <https://unfccc.int/documents/9102>.

⁶ For example: Verra, Gold Standard, Climate Action Reserve, American Carbon Registry, Global Carbon Council, Cercarbono, Plan-Vivo, Forest Carbon Partnership Facility (FCPF), Joint Crediting Mechanism, and other national ETS such as Korea, Mexico, China, etc.

⁷ The Voluntary Carbon Market Dashboard (May, 2022) - <https://climatefocus.com/initiatives/voluntary-carbon-market-dashboard/>.

⁸ The Gold Standard Validation & Verification Manual for CDM Projects (December 2006) - <https://www.goldstandard.org/sites/default/files/documents/gv-validation-verification-manual-cer-v.1.pdf>.

⁹ The Gold Standard Requirements version 2.2 (2012) - https://www.goldstandard.org/sites/default/files/gsv2.2_requirements.pdf.

- (b) The Gold Standard for Global Goals is currently equipped with a Sustainable Development Goal (SDG) impact tool¹⁰ for five different project categories,¹¹ a standardized and Excel-based template to monitor and report SDG impacts, and also safeguarding principles and requirements¹² to avoid/mitigate negative impacts.
 - (c) The Verified Carbon Standard (VCS) is a standard for certifying voluntary greenhouse gas offsets administered by Verra. Its VCS dated 2007¹³ initially encouraged project developers to use other standards to demonstrate the monitoring of SD co-benefits. (e.g. ISO 14064-2:2006).
 - (d) Currently Verra develops and operates two standards to address sustainable development co-benefits: the Sustainable Development Verified Impact Standard¹⁴ and the Climate, Community & Biodiversity Standard. These two standards are applied to the Verified Carbon Standard and/or other voluntary carbon crediting programmes.
13. The Gold Standard for Global Goals and the Verra standards require a **mandatory assessment of sustainable development impacts**. This mandatory assessment is carried out by a third party based on indicator sets and provisions for the avoidance of negative impacts through dedicated safeguards. Further, both standards have aligned their respective sustainable development assessment tools to the sustainable development goals (SDGs) that have been adopted by 193 countries in 2015¹⁵.
14. Research and analysis on how the existing market-based mechanisms have applied sustainable development considerations and safeguard systems together, with a comparative analysis of the current status of the CDM SD tool, is proposed to be carried out as shown in section 5 below.

3.3. Nature of SD tool for Article 6.4

15. Although its decision 3/CMA.3, paragraph 5(c), the CMA has requested the Supervisory Body to develop a SD tool for the Article 6.4 mechanism, the decision 3/CMA.3, annex, paragraph 24(a)(x) and 24(a)(xi) also acknowledges that the consideration of sustainable development is a national prerogative. With these decisions, it is not clear whether the Supervisory Body wishes to develop a SD tool for the Article 6.4 mechanism as a

¹⁰ The SDG Impact Tool is available at: <https://globalgoals.goldstandard.org/ru-2021-the-sdg-impact-tool/>.

¹¹ Renewable energy, community service actions (for example, a cook stove distribution project), forestry, agriculture and waste management.

¹² Safeguarding Principles & Requirements is available at: <https://globalgoals.goldstandard.org/103-par-safeguarding-principles-requirements/>.

¹³ Voluntary Carbon Standard (2007) is available at: https://verra.org/wp-content/uploads/2018/03/Voluntary-Carbon-Standard-2007_1.pdf.

¹⁴ Sustainable Development Verified Impact Standard is available at: <https://verra.org/programs/sd-verified-impact-standard/>.

¹⁵ Historic New Sustainable Development Agenda Unanimously Adopted by 193 UN Members (2015) is available at: <https://www.un.org/sustainabledevelopment/blog/2015/09/historic-new-sustainable-development-agenda-unanimously-adopted-by-193-un-members/>.

mandatory tool in the context of the activity cycle or as a voluntary tool, as is the case for the CDM SD tool.

4. Impacts of voluntary and mandatory SD tool

16. As shown in the table below, the implementation of a voluntary SD tool for the Article 6.4 mechanism (similar to the voluntary CDM SD tool) will not affect the Article 6.4 mechanism procedures and standards.
17. As shown in the table below, if the Supervisory Body decides to instead develop the SD tool for the Article 6.4 mechanism as a mandatory requirement, it will have significant impacts on the relevant procedures and standards. In order to reflect the relevant requirements of the SD tool for the Article 6.4 mechanism, the procedures and standards will need to be aligned with the tool.





Table 2. Comparison between voluntary and mandatory SD tool

Aspects to consider	Voluntary SD tool	Mandatory SD tool
Identification of SD co-benefits	Criteria and indicators to be developed.	Criteria and indicators to be developed
Validation/Verification	No relevant requirement to be developed since the tool is voluntary	Validation requirements for quantitative and qualitative indicators to be developed at the activity design stage; and verification requirements against the monitoring outcome of quantitative and qualitative indicators to be developed at the activity implementation stage.
Monitoring Reporting and Verification (MRV)	MRV could be required to be carried out in voluntarily basis	MRV will provide robustness and credibility to the Article 6.4 activity
Examples	CDM SD tool	Gold Standard for Global Goals Sustainable Development Verified Impact Standard or Climate Community & Biodiversity Standard

5. Subsequent work and timelines

18. The table below shows the workplan for the development of the SD tool for Article 6.4.

Table 3. Workplan for SD tool development for Article 6.4

Phase	2023 Q1	2023 Q2	2023 Q3	2023 Q4
1. Phase I: Comparative analysis of the current status of the CDM SD tool and similar tools and safeguard systems in use in existing market-based mechanisms				
2. Phase II: Survey and interviewing of relevant stakeholders				
3. Phase III: Draft SD tool for Article 6.4				
4. Phase IV: Final SD tool for Article 6.4				

6. Recommendations to the Supervisory Body

19. The secretariat recommends that the Supervisory Body:
- (a) Consider the proposed workplan as contained in section 5 above; and
 - (b) Provide guidance to the secretariat on whether the Supervisory Body wishes to develop an SD tool in the context of the activity cycle (as a mandatory tool) or in an independent process, similar to what was done for the CDM SD tool (as a voluntary tool).

7. References

- (a) “Indicators for sustainable development under Article 6 of the Paris Agreement” published by German Environment Agency, 2020.
- (b) “Study: Ensuring safeguards and assessing sustainable development impacts in the voluntary carbon market”, Nora Wissner and Dr. Lambert Schneider of Oeko-Institut e.V., February 2022.
- (c) “Ecosystem Marketplace Insights Brief: The Art of Integrity State of the Voluntary Carbon Markets 2022 Q3”, Ecosystem Marketplace, August 2022.
- (d) Information note: Evaluation of the use of the voluntary online sustainable development co-benefits tool, https://cdm.unfccc.int/sunsetcms/storage/contents/stored-file-20141111084506544/SDTool_note01.pdf

Appendix. Example of the Clean Development Mechanism Sustainable Development tool report

Sustainable Development co-benefits description report

CDM project activity or programme of activities (PoA) information	
Title	
Pre-registration reference no.	
Reference no.	
Type	Project Activity
Sectoral Scope	
Host Party	
Report information	
Submission date	
Publication no.	
Original language	
Third party verifier (willing)	
Name of third party verifier and/or comments	Some environmental indicators have been verified by the Host Party related ministry. Some social indicators have been verified by the Host Party related ministry.
Contact information	
Title	
Name (first name, surname)	
Organisation	

Overview of sustainable development co-Benefits

A. The extent of environmental co-Benefits

		N/A	No	Slightly	Partly	Highly
Air	Reducing Sox					•
	Reducing Nox					•
	Reducing fly ash	•				•
	Reducing suspended particulate matter (SPM)	•				
	Reducing Non Methane Volatile Organic Compounds (NMVOCs)	•				
	Reducing Noise Pollution	•				
	Reducing Odors	•				
	Reducing Dust	•				
	Other air quality improvements	•				
Land	Preventing end of life products/equipment (solid waste)	•				
	Producing/using compost	•				

		N/A	No	Slightly	Partly	Highly
	Producing/using manure, mineral fertilizer or other soil nutrients	•				
	Irrigation	•				
	Preventing soil erosion					•
	Minimum tillage	•				
	Other means to improve land quality					•
Water	Improving management control of wastewater	•				
	Saving/conserving of water					•
	Improving reliability/accessibility of water supply			•		
	Purification/cleaner water supply			•		
	Improving ecological state of water bodies	•				
	Other means to improve water	•				
Natural resources	Protecting mineral resources	•				
	Protecting/enhancing plant life					•
	Protecting/enhancing species diversity					•
	Protecting/enhancing forests					•
	Protecting/enhancing other depletable natural resources	•				

B. The extent of social co-Benefits

		N/A	No	Slightly	Partly	Highly
Jobs	New long-term jobs					•
	New short-term jobs					•
	New sources of income generation	•				
	Other employment opportunities	•				
Health and safety	Disease prevention	•				
	Reducing accidents	•				
	Reducing crime	•				
	Irrigation	•				
	Preventing soil erosion					•
	Minimum tillage	•				
	Other means to improve land quality					•

		N/A	No	Slightly	Partly	Highly
Education	Improving management control of wastewater	•				
	Saving/conserving of water					•
	Improving reliability/accessibility of water supply			•		
	Purification/cleaner water supply			•		
	Improving ecological state of water bodies	•				
	Other means to improve water	•				
Welfare	Protecting mineral resources	•				
	Protecting/enhancing plant life					•
	Protecting/enhancing species diversity					•
	Protecting/enhancing forests					•
	Protecting/enhancing other depletable natural resources	•				

C. The extent of economic co-Benefits:

		N/A	No	Slightly	Partly	Highly
Growth	New investments	•				
	New industrial/commercial activities					•
	New infrastructure	•				•
	Enhance of productivity	•				
	Reduction of production costs (services)	•				
	New business opportunities					•
	Other economic benefits	•				
Energy	Improvement in supply of energy					•
	Access to energy					•
	Affordability and/or reliability of energy	•				
	Other energy improvements	•				
Technology	Introducing/developing/diffusing imported technology				•	
	Introducing/developing/diffusing local technology	•				
	Adaptation of new technologies to local circumstances	•				
	Know-how activities for a new technology	•				

		N/A	No	Slightly	Partly	Highly
Balance of payments	Other technological benefits	•				
	Reduction of foreign dependency				•	
	Other macro-economic benefits	•				

Detailed description of sustainable development co-Benefits

A. Environmental co-benefits

	Indicator	Specification	Extent
Air	The CDM improves air quality by reducing air pollutants as follows:		
	SOx	The hydroelectric plant generates a yearly estimate of xxx GWh of renewable energy, which is delivered to the national grid. This energy replaces the same amount of energy that would otherwise be provided by fossil fuel power plants. Consequently, the project activity mitigates SOx emissions associated with fossil-fuel consumption.	Highly
	NOx	Besides SOx emissions, the plant also lowers NOx emissions by reducing the need for energy generated by fossil fuel power plants connected to the grid.	Highly
	Fly ash emissions	The station reduces national emissions of fly ash and other particles often associated with power generation by preventing increased fossil-fuel consumption.	Highly
	SPM		N/A
	NMVOcs		N/A
	Noise		N/A
	Odors		N/A
	Dust		N/A
	Other air quality improvements		N/A
Land	The CDM improves the soil quality and/or avoid soil pollution, waste disposal as follows:		
	Pollution prevention		N/A
	Compost		N/A
	Manure, mineral fertilizer or other soil nutrients		N/A
	Irrigation		N/A
	Soil erosion	The area around the project is prone to landslides of considerable proportion, which is exacerbated by the fact that Host Party is one of the most vulnerable countries in the world when it comes to the effects of climate change. To prevent soil erosion, our maintenance crew has focused on storm-water management by fortifying roadsides and building rainwater drainage channels, among other activities. To ensure (and reinforce) slope stability, we have also been building retaining walls and combining them with gabions. Finally, we are also establishing living barriers of certain plants that have strong root systems (e.g., bamboo and vetiver).	Highly

	Indicator	Specification	Extent
	Tillage		N/A
	Other means to improve land quality	Our reforestation efforts, as well as our efforts to protect natural forest cover in the area, ensure soil permeability and the conservation of nutrient-rich soils, which are	Highly
Water	The CDM improves the quality of water and access to water as follows:		
	Waste water		N/A
	Conservation of water	Our reforestation efforts, as well as our efforts to protect the area's natural forest cover, preserve and enlarge water recharge areas.	Highly
	Distribution	The establishment of a potable water grid for neighboring indigenous communities is being studied and evaluated by the Candelaria developers, who would work on the project together with the Host Party Municipal Development Institute.	Slightly
	Purification or a cleaner supply	As part of the project's social responsibility program, we supply clean cook stoves and water filters to families and schools in nearby communities.	Slightly
	Water bodies		N/A
	Other means		N/A
Natural Resources	The CDM protects or enhance depletable natural resources as follows:		
	Mineral resources		N/A
	Plant life	By protecting the natural rainforest around the project site, ecosystems and plant habitats are preserved.	Highly
	Species diversity	Biotic monitoring results reflect significant biodiversity in the area. The protection of the areas that surround the project, which consist of natural rainforest and reforested land, provides safe habitats for a variety of flora and fauna that are under severe threat because of human activities.	Highly
	Forests	We have reforested more than xxx hectares in the areas surrounding the station. Additionally, xxx hectares of natural rainforest around the project have been registered (so far) as a protected area.	Highly
	Other depletable natural resources		N/A

B. Social co-benefits

	Indicator	Specification	Extent
Jobs	The CDM creates new job opportunities including income generation as follows:		
	New long-term jobs	The project generates direct and indirect long-term jobs. New long-term jobs > 1 year - 15	Partly

	Indicator	Specification	Extent
	New short-term jobs	More than 100 short-term jobs were created during the development and construction of the power plant. New short-term jobs < 1 year - 100	Partly
	Income generation		N/A
	Other employment opportunities	Secondary projects that have been necessary throughout the implementation of the main project itself have generated even more job opportunities. These include security services, food services, the implementation of social investment projects, and the conservation and reforestation of water recharge areas, among others.	Partly
Health and safety	The CDM results in health and safety improvements as follows:		
	Reduction of diseases, disease prevention	Several projects aimed at improving the standard of living of the indigenous communities that surround the power station are currently being designed and implemented by the Foundation as part of our social responsibility program. One of the four main objectives of our Social Development program focuses on ensuring the food and nutritional safety of the surrounding communities, as well as implementing preventive health campaigns and medical missions. With this in mind, we've established a partnership with the Health Authority in order to work on health and hygiene campaigns in said communities.	Partly
	Reduction of accidents	We enforce occupational safety and health standards to make sure our employees are safe in their working environments.	Partly
	Reduction of crime		N/A
	Preservation of food		N/A
	Reducing health damaging indoor air pollution	A program consisting of the introduction of clean cookstoves and water filters has been in place since 2020 as part of our Social Development program's focus on health; several families and schools have benefited from the program, and many others will continue to do so. The adequate use of clean cook stoves can dramatically reduce smoke emission and the resulting exposure to harmful particles, reducing the rate of diseases associated with household air pollution, such as pneumonia, lung cancer, chronic obstructive pulmonary disease, heart disease, and eye infections, among others.	Partly

	Indicator	Specification	Extent
	Enhancement of health services	As part of our social responsibility projects, we built a Health Center that benefits more than xx communities (about xxxx people). The center has a general clinic, a birthing room, a sterilization area, a housing area for personnel, and a training center. Two nurses and two ambulance drivers/operators work at the clinic. Moreover, the Hydroelectric Project, through the Foundation, coordinates and supports the execution of medical missions, providing medical, surgical, and humanitarian services to the surrounding communities in partnership with national and international medical organizations.	Highly
	Improved sanitation and waste management	As part of our social responsibility projects, we built a Health Center that benefits more than xx communities (about xxxx people). The center has a general clinic, a birthing room, a sterilization area, a housing area for personnel, and a training center. Two nurses and two ambulance drivers/operators work at the clinic. Moreover, the Hydroelectric Project, through the Foundation, coordinates and supports the execution of medical missions, providing medical, surgical, and humanitarian	N/A
	Other health and safety improvements		N/A
Education	The CDM facilitates education, dissemination of information, research or increases awareness as follows:		
	Job related training	We carried out a formal education program in an effort to contribute to the professional and personal development of our staff, and to ensure the quality and growth of our operations. During this time every single one of our employees who didn't have it reached an upper secondary school level. Additionally, our HR Department runs a staff training program. One of our Social Development program's four main objectives, Economic Development, focuses on fostering the development of skills and abilities through diverse training programs. So far, we have provided our staff with training in motorcycle mechanics, baking, electricity, growing and harvesting corn, and beekeeping, among others.	Highly
	Enhanced educational services	Together with the educational authorities and a group of teachers and parents, we are currently implementing an educational project to enhance the reading, writing, and mathematics skills of school teachers and students in the surrounding communities. Through the program, teachers and coordinators hold workshops and establish partnerships with educational entities and organizations.	Partly
	Project related knowledge dissemination	Regional students, teachers, and community representatives are invited periodically to visit our facilities and learn about hydroelectric power plants.	Highly

	Indicator	Specification	Extent
	Other educational benefits	Through the Foundation, regional schools are being repaired and refurbished with the support of developers. Additionally, adjacent communities receive periodic donations of school supplies, desks, and other furniture, as well as materials for school and extracurricular activities.	Partly
Welfare	The CDM improves local living and working conditions as follows:		
	Improvement of working conditions	Employees at the power station, both from within and beyond the adjacent communities, work under above- average conditions that exceed those required by law. We believe that our most valuable asset is our people; with this in mind, we also run programs to train and educate our employees, and to protect their occupational safety and health.	Partly
	Community or rural upliftment	Our Rural Electrification Project has provided over xxxx people with access to electricity.	Highly
	Poverty alleviation		N/A
	Changes in distribution and/or generation of income and assets		N/A
	Increased municipal revenues	The local municipal authority receives the station's property taxes.	Highly
	Empowerment of women		N/A
	Reduced traffic congestion		N/A
	Other welfare benefits		N/A

C. Economic co-benefits

	Indicator	Specification	Extent
Growth	The CDM supports economic development and/or stability as follows:		
	New investments		N/A
	New industrial/commercial activities	As mentioned above, our Rural Electrification Project has provided over xxxx people with access to electricity. This has made possible the establishment of new commercial activities that depend on electricity – blacksmith's workshops, improved carpenter's workshops, and shops that sell beverages and dairy-based products, etc. These in turn have resulted in an increased demand for the services provided by local businesses, such as food and hardware stores, among others.	Highly
	New infrastructure		N/A

	Indicator	Specification	Extent
	Enhancement of productivity		N/A
	Reduction of production costs (services)		N/A
	New business opportunities	As part of the station's social responsibility program, which was established by the Foundation, projects aimed at improving the living standards and economic development of the surrounding indigenous communities are being designed and implemented. In order to generate new business opportunities, one of our Social Development program's four main objectives (Economic Development) focuses on fostering the development of skills and abilities through diverse training programs. So far, we have provided our staff with training in motorcycle mechanics, baking, electricity, growing and harvesting corn, and beekeeping, among others.	Highly
	Other economic benefits		N/A
Energy	The CDM supports economic development and/or stability as follows:		
	Supply of energy	The plant delivers electricity to the National System. The project has delivered an average of xx GWh of net electricity per year since it began operations.	Highly
	Access to energy	Revenues from the sale of CERs partly financed the development of a Rural Electrification Project, which was carried out in 2018 as a public-private partnership between the National Electricity Utility and Foundation. This project provided nine communities (over xxx families, plus schools, churches, community centers, and small businesses) with electricity for the first time.	Highly
	Affordability and/or reliability of energy		N/A
	Other improvements to energy		N/A
Technology transfer	The CDM results in a change in technology as follows:		
	New imported technology	The project involves technology and know-how transfer to the host party.	Partly
	New local technology		N/A
	Adaptation of new viable technologies		N/A
	Know-how activities for a technology		N/A
	Other technological benefits		N/A

	Indicator	Specification	Extent
Balance of payments	The CDM results in improving the country's balance of payments as follows:		
	Reduction of the dependency on foreign sources of energy	The development and operation of the Hydroelectric Project, which runs according to Host Party's Energy Policy and National Power Generation Expansion Plan, has been contributing to a more diversified national power grid, reducing the dependence on imported petroleum-based fuel and consequently reducing the cost of electricity.	Partly
	Other macroeconomic benefits		N/A

Document information

<i>Version</i>	<i>Date</i>	<i>Description</i>
01.1	24 February 2023	Editorial revision to table 2, row 3.
01.0	21 February 2023	Published as an annex to the annotated agenda of SB 004.

Decision Class: Regulatory

Document Type: Information note

Business Function: Registration

Keywords: benefits and incentives, data collection and analysis, evaluation research, sustainable development, work programme