ARTICLE 6.4 MECHANISM

A6.4-SB007-AA-A07

Concept note

Development of a sustainable development tool for Article 6.4 of the Paris Agreement

Version 02.0

United Nations
Framework Convention on
Climate Change

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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.

3. At its fourth meeting, the Supervisory Body considered the concept note "Workplan for developing a sustainable development tool for the mechanism established by Article 6, paragraph 4, of the Paris Agreement", as contained in annex 6 of the annotated agenda,[2] and requested the secretariat to develop a sustainable development tool for the Article 6.4 mechanism (A6.4 SD tool) and present a draft SD tool for the Article 6.4 mechanism at its seventh meeting for its consideration, taking into account to:

   (a) Make the use of the A6.4 SD tool mandatory, and include provisions on the use of the tool in the activity standards, validation and verification standards and/or cycle procedures, as appropriate;

   (b) Design the A6.4 SD tool to allow users to take into account specific sustainable development objectives of each host Party, which are national prerogatives;

   (c) Reflect both the positive and negative sustainable development impacts of activities using quantitative and/or qualitative indicators;

   (d) Conduct further review of other bilateral and multilateral market-based mechanisms that currently uses sustainable development tools; and

   (e) Connect to the Sustainable Development Goals (SDGs) by considering their timeframe.

4. The Supervisory Body requested the secretariat to present the outcomes of the activities mentioned in paragraphs 2 and 3 above and to present a draft A6.4 SD tool at its seventh meeting for consideration.

5. As per the Supervisory Body workplan, the secretariat was supposed to present the draft A6.4 SD tool at SB 007 and the final one at SB 008. However, during the review of other bilateral and multilateral market-based mechanisms that currently use sustainable

[1] See document FCCC/PA/CMA/2021/10/Add.1 available at: https://unfccc.int/documents/460950.

[2] See document A6.4-SB004-AA-A06 available at: https://unfccc.int/sites/default/files/resource/a64-sb004-aa-a06.pdf.

development tools and surveys with related stakeholders, the secretariat came across two aspects for which further guidance from Supervisory Body is required for the further development of the draft A6.4 SD tool, in particular whether the sustainable development contributions should be bottom-up or top-down and whether environmental and social safeguard requirements should be with or without a ~~grievance process~~ a safeguard communication channel maintained by activity participants with local stakeholders during the entire crediting period of an activity. Against this background, this concept note is prepared for Supervisory Body consideration.

2. Purpose

6. The purpose of this document is to present (i) the outcome of the review of bilateral and multilateral market-based mechanisms that currently use sustainable development tools and surveys of stakeholders; and (ii) options for the development of the A6.4 SD tool pursuant to the CMA decisions referenced in paragraphs 1 and 2 above.

3. Summary of the review of market-based mechanisms and surveys

7. Based on the workplan approved by the Supervisory Body at its fourth meeting, the secretariat conducted a review of the existing bilateral and multilateral market-based mechanisms, i.e., CDM SD tool, Verified Carbon Standard (VCS), Global Carbon Council (GCC), Joint Carbon Mechanism (JCM), Climate Action Reserve (CAR), Gold Standard (GS), American Carbon Registry (ACR) and Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), through desk reviews and/or follow-up interviews. The secretariat also conducted three surveys of relevant stakeholders, namely, Designated National Authorities for Article 6.4 (Article 6.4 DNAs), validation and verification organizations accredited under various mechanisms including the clean development mechanism (CDM), and the CDM project participants. The section below provides a summary of the outcomes of the review and the surveys.

3.1. Outcome of the review of bilateral and multilateral market-based mechanisms

8. All reviewed mechanisms have the assessment of the SD contribution in their project cycle and only VCS and GS have made mandatory the SD contribution assessment for all their registered projects. The assessment of the SD contribution for project activities to qualify under CORSIA, is mandatory, and therefore all the mechanisms have made it mandatory for projects interested in applying to CORSIA.

9. The SD tools/templates for some of the reviewed mechanisms (VCS, GCC, CAR, ACR, JCM, GS) have aligned the SD requirements with the 17 SDGs of the 2030 Agenda for Sustainable Development[3] adopted by 193 countries in 2015. Different approaches to assess SDG contributions have been observed, as shown below:

   (a) Allowing an activity participant under a mechanism to select the relevant SDGs:

[3] See “Global indicator framework for the Sustainable Development Goals and targets of the 2030 Agenda for Sustainable Development” available in all United Nations languages at: https://unstats.un.org/sdgs/indicators/indicators-list/.

(i) In application of the 17 SDGs, mechanisms provide relevant SDGs as per the project types to activity participants with the description on how the activity positively contributes a relevant SDG (CAR and ACR);

(ii) In application of the 17 SDGs and targets, the mechanism provides the minimum number of SDGs for demonstrating SD contribution and requires activity participants to define SDG indicators, which are reviewed by its accredited validation and verification organizations (VCS and GCC);

(iii) In application of the 17 SDG goals, the mechanism reviews how a proposed project contributes to that specific SDG based on a bilateral agreement (JCM);

(b) Providing a list of default sustainable development monitoring indicators under eligible SDGs for individual activity types eligible under a scheme:

(i) For specific types of projects, the mechanism applies specific SDGs with a minimum number of eligible SDGs. The mechanism provides specific project indicators and allows the project to add additional SD indicators through a dedicated procedure (GS).

10. Regarding the monitoring and reporting of SDGs and associated indicators, almost all mechanisms require the project participant to outline and document SDG assessment in the project form/template validated by a third party accredited by individual schemes or the mechanism secretariat. VCS, GCC and GS have a dedicated monitoring plan/template, which includes the impacted SDGs and targets as established by the United Nations, along with the application of SD indicators (quantitative indicators) provided by a mechanism or developed by activity participants. These indicators must be continuously monitored by activity participants throughout the activity's crediting period. Additionally, they should be verified by a third party that individual schemes have accredited for each monitoring period. Some mechanisms require information on how the activity is consistent with the SDG objectives of the host country.

11. In all the reviewed mechanisms, the term "safeguards" refers to their standards and operational procedures established to identify negative and unintended consequences of a proposed activity during its entire crediting period. These standards and procedures are then used to help avoid, mitigate and minimize adverse environmental, economic and social impacts that might arise during the implementation of development projects. The two approaches applied by the reviewed mechanisms can be summarized as follows:

(a) Approach 1: The environmental and social-economic impact evaluation is a technical-administrative procedure documented in the project form. It assists in identifying and preventing the environmental and social-economic impacts and risks that an activity may introduce when executed. Mechanisms do not provide relevant safeguard principles or criteria. It also requires the activity participant to follow relevant national/local social and environment regulations, which vary across countries due to differing regulations and may include the development of an environmental impact study and the issuance of the environmental license by the relevant environmental authority. However, the details of this assessment and any follow up actions are not usually provided in the activity form;

(b) Approach 2: In addition to Approach 1, some mechanisms require the activity participant to conduct the environmental and social-economic impact evaluation

based on the safeguard principles or criteria defined by their mechanisms. The outcome of the safeguard assessment is shared during the local stakeholder consultation for their inputs and requires the activity participant to establish safeguard measures in the PDD based on outcome of the safeguard assessment. The safeguard measures are monitored during the entire crediting period and verified by a third party which will include interview with the local communities who may be negatively affected by a proposed activity. Table 1 below shows the safeguard principles/criteria applied by the mechanisms under this approach.

Table 1. Safeguarding principles/criteria[4]

Safeguarding principles		
Environmental	Principle 1	Climate and energy:
	Principle 2	Air, land and water
	Principle 3	Ecology and natural resources
Social	Principle 1	Human rights
	Principle 2	Labour
	Principle 3	Health and safety
	Principle 4	Gender equality
	Principle 5	Land acquisition and involuntary resettlement
	Principle 6	Indigenous people
	Principle 7	Corruption
	Principle 8	Cultural heritage
Economic	Principle 1	Economic impacts

Source: GCC and GS

12. Based on the outcome of the safeguard assessment, some mechanisms require activity participants to develop a relevant action/monitoring plan for assessing the severity to which stakeholders are affected and whether any remedial measures are effective. Further, some mechanisms require an activity participant to establish (i) grievance mechanisms to enable local stakeholders to raise concerns related to implementation of an action/monitoring plan on safeguarding in a project design document; and (ii) a validation and verification organization to verify the on-going grievance process of each monitoring periods.

13. All mechanisms require activity participants to promote timely, effective, and transparent stakeholder participation. They must document in the activity form the methods used to identify stakeholders impacted by the project, ensure proper stakeholder engagement before project implementation, and provide the means to sustain this participation throughout the project's lifecycle.

14. Two approaches above are interlinked with steps in the project cycle procedure, such as global and local stakeholder consultations for the activity, and validation, monitoring and

[4] Safeguarding principles/criteria definitions are provided in appendix 3.

verification processes. It is important to integrate the results of the safeguarding assessment in the stakeholder consultation and empower stakeholders to file dissatisfaction in relation to the implementation of safeguard measures defined in the PDD via ~~a grievance process~~ a safeguard communication channel maintained by activity participants with the locally affected communities during the activity crediting period.

3.2. Survey results from relevant Article 6.4 stakeholders

15. The survey was sent to 41 Article 6.4 DNAs to (i) identify the specific sustainable development objectives of DNAs in assessing the sustainable development impacts of Article 6.4 activities; and (ii) understand how the DNAs plan to address the sustainable development impacts of Article 6.4 activities within their respective countries from 15 to 30 June 2023, and 23 DNAs responded to the survey within the deadline. The results from the Article 6.4 DNAs survey indicate that:

    (a) 70 per cent of the DNAs have not established procedures and processes for assessing sustainable development contributions for Article 6.4 activities, including negative impacts;

    (b) 40 per cent of the DNAs have developed regulations and procedures requiring activity participants to (i) carry out environmental impact assessments and local stakeholder consultations; and (ii) adhere to other environmental regulations typically applied to environmental licensing of any type of project or activity;

    (c) Over 50 per cent of the DNAs expressed interest in developing and applying country-specific sustainable development objectives. Others are considering the assessment of sustainable development impacts based on the 17 SDGs;

    (d) In addition to greenhouse gas (GHG) mitigation outcomes, DNAs are interested in sustainable development contributions related to technology transfer, educational opportunities, gender equality, local job creation, biodiversity enhancement, and health improvements.

16. The survey was sent to 40 validation and verification organizations from 14 June to 7 July 2023 to obtain insights into the challenges and experiences of the organizations during the validation and/or verification of SD impacts and safeguards in GHG mitigation activities in existing market-based mechanisms, and 23 organizations responded within the deadline. The results from the validation and verification organizations survey indicate that:

    (a) Less than 50 per cent of the respondents indicated that the clarity of the SDG targets and indicators is adequate for validating and/or verifying GHG mitigation activities. Each SDG is very generic and often comes with imprecise definitions provided by the project participants that are often neither precise nor measurable. The process of adapting SDG targets and indicators to a project-specific case presents the greatest challenge for both the project participants and validation and verification organizations;

    (b) Over 74 per cent of the respondents indicated that there is a need for capacity-building among auditors to effectively conduct validation and verification of the SDGs. Meanwhile, 22 per cent of the respondents have experience validating and verifying GHG mitigation activities based on “country-specific sustainable development criteria” and/or “country-specific SDG criteria”;

(c) More than 90 per cent of the respondents indicated that the development of guidelines would enhance competence in validating/verifying the SD impacts of Article 6.4 activities;

(d) Regarding the safeguards, 95 per cent of the respondents have conducted audits on various social safeguards, such as community health, safety, working conditions, identification of impacted stakeholders, gender equality, cultural heritage, and indigenous peoples. Moreover, 86 per cent of the respondents have experience in verifying that project proponents establish continuous communication with local stakeholders affected by the GHG mitigation activity.

17. The survey was sent to 5,974 CDM project participants from 10 to 31 July, 2023 in order to learn about the experiences of project participants implementing the existing SD tools to determine the sustainable development contribution of GHG mitigation activities, and 73 participants responded within the deadline. The results from the CDM project participants survey indicate that:

(a) Low use of the CDM SD tool is mainly due to lack of awareness and unclear procedures regarding the CDM SD tool;

(b) 70 per cent of the respondents have experience in demonstrating sustainable development co-benefits of GHG mitigation activities in different market-based mechanisms. In contrast, other respondents did not consider reporting sustainable development co-benefits of GHG mitigation activities because it was not a requirement of the GHG schemes/buyers, and they perceived no added advantage given the associated costs and/or the complexity of monitoring sustainable development co-benefits;

(c) 40 per cent of the respondents indicated that the main challenges faced during the monitoring of SD indicators were the costs associated with monitoring and monitoring instrument followed by a lack of relevant procedure and guidelines, the determination of relevant SD indicators, and the need for capacity building for effective SD monitoring;

(d) Based on the respondents' experiences with the challenges of monitoring indicators for environmental, social and economic co-benefits, they indicated that:

(i) Indicators for community-beneficial projects, though easy to collect, can be costly;

(ii) Skill and capacity development are vital for effective monitoring;

(iii) Tools should provide clear descriptions/sources for co-benefit verification and employ default values to simplify impact quantification;

(iv) Co-benefit calculations extend beyond just GHG reductions and use efficient methods;

(v) It is challenging to identify additional benefits when they coincide with government initiatives;

(vi) Project-level monitoring often overlooks broader economic impacts, highlighting a need for updated and reliable databases.

4. Key issues and proposed solutions

18. The operationalization of the Article 6.4 mechanism requires the application of robust social and environmental safeguards and the development of tools and approaches for assessing and reporting information on how each activity fosters sustainable development, while acknowledging that the consideration of sustainable development is a national prerogative. It is confirmed that the 17 SDGs are already applied by other market-based mechanisms, as the SDGs have been widely adopted by potential activity host countries since 2015. Based on the outcomes of the surveys, key stakeholders recommend that the tool contain a clear description/source for monitoring the SD contribution/co-benefits of proposed activities, drawing on the experiences from other market mechanisms.

4.1. Sustainable development contribution

19. Based on the review of the existing mechanisms, sustainable development contributions are considered through two approaches. The first approach allows an activity participant to select relevant SDGs and define the pertinent SDG indicators in its project design document based on the 17 SDGs (Option 1: Bottom-up approach), while making sure they are aligned with the published SD benefits assigned by the host party as a part of its participation requirements. The second approach involves the Supervisory Body providing potential SDGs and a list of default sustainable development monitoring indicators (both qualitative as well as quantitative) for individual activity types (Option 2: Top-down approach), while also allowing the host party to include its specific sustainable development objectives that are national prerogatives. Table 2 below shows the pros and cons of the two options.

Table 2. Sustainable development contribution approaches: Pros and cons of bottom-up and top-down Options

Option	Option 1 (Bottom-up approach): Activity participants to select relevant SDGs and define the relevant indicators	Option 2 (Top-down approach): SB to provide potential SDGs and a list of default qualitative/ quantitative SDG indicators for individual activity types/methodologies
Pros	- Easy implementation at the outset	- SDG targets are prioritized and reported based on project type/methodology - Facilitates easy comparison and identification - Eliminates potential for “SDG cherry-picking” - Reduces transaction costs for activity participants
Cons	- Inconsistent application of SDG monitoring across similar types of activities makes comparison difficult - SDG selection by activity participants introduces potential for “SDG cherry-picking” by activity participants - Increased transaction costs for activity participants due to the need to development of unique indicators	- Extensive work required by the secretariat to prepare SDG indicators tailored to specific project types/methodologies

20. If the Supervisory Board opts for Option 2, the secretariat recommends that the Supervisory Body request the secretariat to develop potential SDGs and a list of default sustainable development monitoring indicators. These would be based on the types of

CDM projects eligible for transitioning to the Article 6.4 mechanism per the transition standard, considering an analysis of environmental and social impacts, and sustainable development benefits from their operation. This recommendation arises because the Supervisory Board has not yet approved methodologies or defined types of activities eligible under the Article 6.4 mechanism. Approximately 3329 CDM project activities and 165 programmes of activities (PoAs) with 1,201 component project activities (CPAs), have been identified as potential candidates for transitioning to the Article 6.4 mechanism. Ninety per cent of these projects cover the energy industries, waste-to-energy, energy demand and cookstove and water purification distribution projects. The methodologies in table 3 below represent more than 85 per cent of potential CDM projects transitioning to the Article 6.4 mechanism.

Table 3. Methodologies representing over 85 per cent of potential CDM Projects transitioning to the article 6.4 mechanism

Methodology No.	Methodology title	Number of potential CDM project activity /PoA CPA projects
ACM0002	Grid-connected electricity generation from renewable sources --- Version 21.0	1487
AMS-I.D.	Grid connected renewable electricity generation --- Version 18.0	917
AMS-II.G.	Energy efficiency measures in thermal applications of non-renewable biomass --- Version 13.0	705
AMS-III.AV.	Low greenhouse gas emitting safe drinking water production systems --- Version 8.0	228
AMS-I.C.	Thermal energy production with or without electricity --- Version 22.0	146
ACM0001	Flaring or use of landfill gas --- Version 19.0	119
ACM0012	Waste energy recovery --- Version 6.0	116
AMS-I.A.	Electricity generation by the user --- Version 19.0	112
AMS-I.E.	Switch from non-renewable biomass for thermal applications by the user --- Version 13.0	89
ACM0006	Electricity and heat generation from biomass --- Version 16.0	32

Source: CDM website https://cdm.unfccc.int/

4.2. Safeguards

21. Regarding safeguards, most of the reviewed mechanisms have mandatory requirements for activity participants to demonstrate that their proposed activities comply with host country/state/province/city laws and regulations including stakeholder consultations. In addition, while some reviewed mechanisms request activity participants to document in a project design document that the proposed activity does not cause any environmental and/or social harm via safeguard assessment without providing clear safeguard principles/criteria, some reviewed mechanisms request activity participants to document

any negative impacts caused by the proposed activity by providing clear social, environment and economic safeguard principles/criteria that are referred in table 1 above. However, considering that the RMPs refer only to “negative environmental and social impacts”, the safeguard under the Article 6.4 mechanism do not consider economic safeguards as observed in some reviewed mechanisms. Therefore, the options proposed below are limited to environmental and social impacts.

22. Since the outcome of the surveys from validation and verification organizations and CDM project participants indicate that clear guideline/requirements are helpful for activity implementation and its validation/verification, the secretariat recommends that the Supervisory Body provide clear social and environmental safeguarding principles and criteria to activity participants.

23. Therefore, one approach is to request the activity participants to carry out the environmental and social safeguard assessment based on the eleven principles elaborated in table 1 (option 1). The second approach is to request the activity participants to: (i) conduct the environmental and social safeguard assessment based on the eleven principles elaborated in the table 1; and (ii) establish a safeguard communication channel/process for locally affected communities to receive, process, and record concerns on the application of the safeguard principle/criteria and the implementation of the safeguard measures defined in the PDD during the activity crediting period[5] (option 2). Both options require the activity participants to share the safeguard assessment during the local stakeholder consultation and have it validated and verified by a DOE . If the Supervisory Bod opts for Option 2 in Table 4, it may wish to consider removing “continuous engagement of stakeholders” in the draft Article 6.4 activity cycle procedure for projects considered at its sixth meeting, as the purposes would largely overlap. Table 4 below provides the pros and cons of the two options.

[5] The designated operational entity (DOE) is required to validate/verify records generated by the safeguard communication channel/process by interviewing locally affected communities during its validation/verification activity. If the DOE considers that there is a negative impact or a concern on implementation of safeguards measures, it may require to raise a nonconformity.

Table 4. Pros and cons of safeguard assessment approaches for proposed activities

Option	Option 1 (all three environmental and eight social safeguard principles without safeguard communication channel maintained by activity participants)	Option 2 (all three environmental and eight social safeguard principle with safeguard communication channel maintained by activity participants)
Pros	- No cost to activity participants to maintain the safeguard communication channel	- Locally affected communities can directly communicate their concerns on safeguards to the activity participants during the entire crediting period - Time required to resolve concerns by locally affected communities may be shorter through the use of the dedicated communication channel - This option provides an opportunity to solve issues at the activity level prior to escalating it to the appeal and grievance processes under the Art 6.4 mechanism
Cons	- No activity level communication channel where-by locally affected communities to raise their concerns on the safeguard issues	- Additional cost to activity participants to maintain the safeguard communication process

24. Once the Supervisory Body takes a decision on the option for designing and developing sustainable development contributions and principles for environmental and social safeguards regulatory for the mechanism established by Article 6.4, this would enable the secretariat to finalize the procedure and the A6.4 SD tool.

5. Subsequent work and timelines

25. If the Supervisory Body opts for Option 1 in Table 2 above, the secretariat will develop the A6.4 SD tool for consideration at the Supervisory Body's eighth meeting.

26. If the Supervisory Body opts for Option 2 in Table 2 above, the secretariat will develop the A6.4 SD tool based on the types of CDM projects eligible for transition to the Article 6.4 mechanism, in accordance with the transition standard, set to be considered by the Supervisory Body at a future meeting.

6. Recommendations to the Supervisory Body

27. The secretariat recommends the Supervisory Body to consider the information and options presented in section 4 above and request the secretariat to:

    (a) Develop the A6.4 SD tool based on Option 1 in Table 2 above for consideration and approval by the Supervisory Body at its eighth meeting (SB 008)

    (b) Further revise the A6.4 SD tool in the future, based on Option 2 in Table 2 above and taking into account the experience gained from the application of the A6.4 SD tool developed based on Option 1 in Table 2 above.

28. The rationale underpinning the secretariat's recommendation is to ensure early availability of the A6.4 SD tool. The intention is that the A6.4 SD tool based on Option 2 in Table 2 and Table 4 above will be developed later as the Supervisory Body advances its work on the Article 6.4 mechanism project types/methodologies and related guidelines.

Appendix 1. Review of bilateral and multilateral market based mechanisms

1. Introduction

1. In response to decision 3/CMA.3[1], the secretariat has selected Verified Carbon Standard (VCS), Gold Standard (GS) and Climate Action Reserve (CAR) based on registered projects and the CDM SD Tool of the Clean Development Mechanism (CDM) for the review of relevant sustainable development tools and safeguard systems in use in existing market-based mechanisms. In addition, other carbon market mechanisms such as CORSIA (International Civil Aviation Organization (ICAO)), American Carbon Registry (ACR) and the Joint Crediting Mechanism have also been considered under this assessment. After the review, a follow-up interview with representatives of some mechanisms was conducted to learn the practices and experiences related to SD contribution and safeguards of greenhouse gas (GHG) mitigation established by market-based mechanisms during 17-31 May 2023. The secretariat conducted interviews with representatives of VCS, GS, CAR, Global Carbon Council (GCC), CORSIA (ICAO) and JCM to learn about the practices and experiences related to SD contribution and safeguards of GHG mitigation with the aim of incorporating these into the SD tool for the Article 6.4 mechanism (A6.4 SD tool).

2. The Clean Development Mechanism (CDM)

2. Based on the article 12 of the Kyoto Protocol, the “CDM project standard for project activities” and the "CDM project standard for programme of activity”, project participants of CDM project activities and coordinating/managing entities of PoAs must indicate how the CDM activity(ies) contribute to the sustainable development of the host country in the CDM documentation submitted for registration. A letter of approval from the designated national authority must also be submitted to confirm that the proposed CDM activity assists the host Party in achieving sustainable development.

3. The CDM SD tool[2] also known as the CDM SD tool, was adopted at the seventieth meeting of the CDM Executive Board (EB 70) in 2012 to fulfil the request of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (see paragraph 5 of decision 8/CMP.7)[3]. The CDM SD tool was adopted as a voluntary measure intended to highlight the co-benefits brought 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 the Parties' prerogative to decide on national priorities. As the tool is voluntary, only 77 out of 7,844 registered CDM project activities and 363 PoAs have applied the tool as of 30 July 2023. The survey conducted among the CDM project participant conducted from 11 to 31 July 2023 indicated that the low usage

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

[2] CDM SD tool is available at: https://www4.unfccc.int/sites/sdcmicrosite/Pages/SD-Tool.aspx.

[3] As contained in document FCCC/KP/CMP/2011/10/Add.2) available at: https://unfccc.int/resource/docs/2011/cmp7/eng/10a02.pdf.

of the tool was due to the lack of awareness and unclear procedures regarding the CDM SD tool.

2.1. Sustainable development contribution of the CDM SD tool

4. The CDM SD tool assesses the three fundamental pillars of sustainable development - environment, economic and social. It contains 98 questions covering 12 criteria and 70 indicators as a format for reporting the expected positive/negative sustainable development impacts of CDM projects and PoAs, as shown below:

   (a) Environmental: air (e.g. reducing particulate matter, noise pollution, dust, etc.); land (e.g. preventing solid waste, soil erosion, and using compost, etc.); water (e.g. improving waste-water control, water conservation, water purification, etc.); natural resources (e.g. protecting mineral resources, plant life, diversity, forests, etc.)

   (b) Social: jobs (e.g., creating 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, enhancing educational services, etc.); and welfare (e.g. improving working conditions, alleviating poverty, empowering women, etc.)

   (c) Economic: growth (e.g., promoting new investments, commercial activities, and infrastructure development, etc.); energy (e.g., access to energy, enhancing energy affordability/reliability, etc.); technology (e.g., introducing imported/local technology, know-how activities, etc.); and balance of payments (e.g., reducing foreign dependency and realizing macro-economic benefits)

5. Each of the 70 indicators is evaluated either as non-applicable, no (impact), slightly, partly or highly. The assessment of sustainable development benefits is neither validated nor monitored.

2.2. Safeguards of the CDM SD tool

6. The CDM SD tool does not include safeguarding principles to evaluate CDM activities. However, the CDM rules such as the project standards, require the project participant to carry out an analysis of the environmental impacts of the proposed CDM project activity, including transboundary impacts, and an environmental impact assessment in accordance with the relevant procedures of the host Party.

7. Further, the CDM rules requires the project participant to conduct local stakeholder consultations. This involves providing Information on the projected scope, lifetime, and both direct positive and negative impacts of the proposed CDM project activity. Participants are expected to consider the comments provided by local stakeholders and report on how they have taken them into account in the project design document (PDD) or the revised PDD.

8. The CDM validation and verification standard requires the CDM designated operational entities (DOEs) to validate the analysis of environmental impacts or the analysis of socioeconomic impacts for afforestation/reforestation projects in the PDD using local official sources and expertise, and local stakeholder consultation through document reviews and interviews with local stakeholders and/or the DNA.

3. Gold Standard

9. The Gold Standard was established in 2003 by the Worldwide Fund for Nature (WWF) and other international non-governmental organizations (NGOs) as a best practice standard to ensure that projects reducing carbon emissions upheld the highest levels of environmental integrity and contributed to sustainable development.

10. Since July 2017, the Gold Standard has applied the “Gold Standard for the Global Goals” (GS4GG) to quantify, certify, and maximize impacts toward sustainable development consideration. It requires projects to demonstrate their positive impacts against the Sustainable Development Goal (SDGs), ensuring at least an impact on SDG 13, in addition to two other Goals.

11. The Gold Standard has also published its safeguarding principles and requirement since July 2017, which includes social, economic and environmental and ecological safeguarding principles. It requires all projects to affirm these principles and requirements by answering relevant questions and providing appropriate justifications.

12. The Gold Standard also requires that a project developer seek expert stakeholder opinions and recommendations concerning certain SDG impacts and on several safeguarding principles.

3.1. Sustainable development contribution

13. As of 31 March 2023, the Gold Standard Foundation (GSF) registry contained 668 projects for the Gold Standard Certified Design and 1,393 projects for the Gold Standard Certified Project. According to the GS personnel, approximately 70 per cent of projects in the registry have considered or reported "SDG Impacts" in their respective PDDs and/or monitoring reports.

14. Its “Principles & Requirements Version 1.2" and its "Guidance for the identification of impacts and indicators for activity level SDG impact reporting Version 1.0" (SDG Tools Guidance 2019) require that:

    (a) the project activity demonstrates its contribution to at least three SDGs including SDG 13;

    (b) SDG Impacts be a primary/direct effect (and not one-off);

    (c) Identification of potential SDG Impacts should be based on a comparison of the project & baseline scenario;

    (d) the PDD outline the relevant SDG monitoring indicators/parameters and describe the monitoring approach in PDD.

15. Further, SDG Tools Guidance 2019 details five (5) SDG impact reporting principles and eleven (11) principles for monitoring indicator selection and justification and other considerations as shown below:

    (a) SDG impact reporting principles include:

        (i) Credibility: by applying an independent, robust and standardized method to quantify, monitor and report the SDG impacts at the project level;

(ii) Efficiency: by selecting relevant indicators and targets based on project type, methodology, and sector;

(iii) Comparability: to facilitate consistency and aggregation of SDG impacts within sectors;

(iv) Flexibility: to allow innovation;

(v) Compelling: by having a transparent, consistent and clear methodology to report on and visualize the impacts for each intervention.

(b) Principles for SDG monitoring indicator selection and justification include:

(i) Relevance;

(ii) Limited in number and consistency;

(iii) Simplicity, favouring single-variable indicators;

(iv) Capability for high-frequency monitoring (at least annually);

(v) Consensus-based;

(vi) Derived from well-established data sources;

(vii) Disaggregated;

(viii) Universally applicable;

(ix) Locally relevant;

(x) Primarily outcome-focused;

(xi) Science-based and forward-looking;

(xii) Serving as a proxy for broader issues or conditions.

16. The SDG Tools Guidance 2019 indicates the need for localized indicators by highlighting where a contribution relates to the host country's priority. An example would be, "the project contributes to SDG target 6.3, which has been identified as a national priority by the host government".

17. Released on 14 December 2021, the SDG impact tool[4] is a stepwise approach. This Excel-based tool facilitates identification, quantification, and reporting sustainable development monitoring indicators based on the five guiding principles (see paragraph 17(a)). This tool is mandatory for all new projects submitted for certification under GS4GG for preliminary review after 14 March 2022. It is also mandatory for projects submitted for design certification review and renewal post this date. When reporting either ex-ante or ex-post sustainable development impact assessments, a PDD and a monitoring report (MR) are required to provide:

(e) detailed calculations of sustainable development impact as per the relevant methodological requirements for SDG 13 and

[4] https://globalgoals.goldstandard.org/430-iq-sdg-impact-tool/.

(f) outcome/detailed calculations of sustainable development impacts in the SDG impact tool for all other SDGs.

18. The SDG impact tool requires the project developer to select an impact area/category or SDGs and a relevant monitoring indicator from a dropdown list. Therefore, it provides a list of default monitoring indicators for eligible activity types corresponding to 17 SDGs and 169 associated targets to monitor the progress towards the 2030 Agenda for Sustainable Development from "Report of the Inter-Agency and Expert Group on Sustainable Development Goal (Indicators E/CN.3/2016/2/Rev.1), Annex IV". The GS allows the project developer to propose new monitoring indicator to the SDG Impact Tool as per its respective procedure.

19. Once a project developer prepares a PDD and a monitoring report based on the standards and SDG impact tool referred to above, Validation and Verification Body (VVB) accredited by the Gold Standard is required to validate whether a proposed project demonstrates clear and direct contribution and positive impacts on at least three SDGs and to verify the implementation of SDG impacts claimed in the registered PDD during the monitoring period.

3.2. Safeguards

20. Since its safeguarding principles and requirement version 1 in July 2017, the latest principles and requirement version is 2.0. dated on 19 June 2023. The GS requires a project developer to demonstrate full compliance with its safeguarding principles and requirements for any activity to identify any potential negative impact and mitigate it at the right moment.

21. The safeguards include social, economic and environmental criteria as shown below:

(a) Social criteria: human rights; gender equality and women's empowerment; community health and safety; cultural heritage, indigenous peoples, displacement, and resettlement (including sites of cultural and historical heritage; forced eviction and displacement; land tenure and other rights; and Indigenous Peoples); corruption.

(b) Economic criteria: economic impacts (labour rights and working conditions; and negative economic consequences).

(c) Environmental and ecological criteria: climate and energy (including GHG emissions & energy supply); water (covering impact on natural water patterns/flows; and erosion and/or water body instability); environment, ecology and land use (encompassing landscape modification and soil; vulnerability to natural disaster; genetic resources; release of pollutants; hazardous and non-hazardous waste; pesticides & fertilizers; harvesting of forests; food security; animal husbandry; high conservation value areas and critical habitats; endangered species; and invasive alien species).

22. The safeguarding principles assessment procedure includes principles and assessment questions. All GS project activities are required to conduct the assessment as per GS safeguarding principles and requirements against baseline scenario(s) and include measures to minimize and address identified risk and negative impacts in validated design documents. They are also required to report measures implemented to address the identified risks, the status of risk, and any grievances related to compliance and

safeguarding principles during the project cycle. If host country requirements differ from Gold Standard's safeguard requirements, projects shall comply with the more stringent of the two requirements.

23. The draft safeguarding principles assessment shall be available during stakeholder consultation to obtain feedback and a complete safeguarding principles assessment is required to be validated by its Validation and Verification Body (GS-VVB) based on supporting documents such as an environmental impact assessment. Each monitoring report shall contain an update on the implementation of proposed mitigation measures, update on any assessment questions answered 'Potentially'[5], or where requirements call for regular re-assessment, monitored information on indicators identified at registration and any grievances related to compliance and safeguarding principles that are registered during a monitoring period with details of how they have been resolved. The GS-VVB is required to verify the information provided in the monitoring report and report its opinion in its verification report.

24. Apart from the other mechanisms, the safeguarding principle requires inputs from "Expert Stakeholder" [6] on some requirements thorough a review and provision of recommendations.

25. Should a proposed project activity exceed its safeguarding requirements and is not remediated by consultation or mitigation, a deviation request shall be submitted to the GS for review by its panel. The panel will make recommendations to minimise the adverse outcomes and provide its recommendation as to whether the request should be accepted or not.

4. Verified Carbon Standard (VCS)

26. VCS is a voluntary carbon market standard that issues credits known as Verified Carbon Units (VCUs). It has been developed and managed by Verra which is a non-profit organization founded in 2007 and headquartered in the United States of America. Verra also manages environmental compliance standards such as the Climate, Community & Biodiversity (CCB) Standards from the Climate, Community & Biodiversity Alliance and the Sustainable Development Verified Impact.

27. The assessment presented in this document has been focused on the VCS (version v.4.4, dated 17 January 2023)[7], which is the standard in which projects can achieve emission reductions in terms of tonnes of carbon dioxide equivalent.

[5] The project developer shall provide its answer to demonstrate compliance with all safeguarding principles and requirements with four possible responses: (a) Yes: the risk or expected issue is relevant to the project and requirements apply and adherence shall be demonstrated. Further, all information shall be in the monitoring plan and monitoring report; (b) Potentially: the risk or expected issue may exist in the Project's cycle but is not necessarily present now and/or may never arise. The project shall update information on any assessment questions answered 'Potentially' for each monitoring report; (c) No: the risk or expected issue is not present in the Project and justification with evidence required; or (d) NA: no action is required.

[6] Expert stakeholder refers to a stakeholder who holds over 10 years of relevant, contextually specific professional, academic or practical experience in each topic.

[7] Verra (2023). Verified Carbon Standard (VCS). https://verra.org/programs/verified-carbon-standard/.

28. The VCS lays out the rules and requirements that projects must follow to be certified. VCS projects are subject to independent auditing by both Verra staff and qualified third parties, and they follow a project cycles like that of the CDM. According to the VCS registry, there are, approximately 2,000 projects registered under the 15 CDM sectorial scopes, including renewable energy, forest and wetland conservation and restoration, transport efficiency improvements, etc. However, the VCS standard also provides a list of excluded projects that are not eligible for registration (e.g. activities that reduce hydrofluorocarbon-23 emissions).

29. Currently Verra is updating its standards related to sustainable development assessment, taking into account the Integrity Council for the Voluntary Carbon Market.

4.1. Sustainable development contribution

30. According to the VCS standard (version v.4.4, dated 17 January 2023), the project proponents are required to demonstrate how the proposed project activities, or additional activities contribute to at least three SDGs by the end of the first monitoring period, and in each subsequent monitoring period sustainable development, as defined by, and tracked against the SDGs since 2023. However, prior to the 2023, the sustainable development contribution was identified and validated at the registration with contribution occurring during the entire crediting period. It is expected that all previously registered projects will assess SD contribution in accordance with SDGs by 2025.

31. Optionally, Projects that complete a verification to the Climate, Community & Biodiversity (CCB) Program or the Sustainable Development Verified Impact Standard (SD VISta) Program at the same time as a VCS Program verification shall report contributions to at least three SDGs in the CCB or SD VISta project documentation.

32. The project participants are required to document in a SD monitoring plan table of the project form how the proposed project contributes to at least three SDGs by listing the goals, and targets in accordance with the 17 SDGs and defining the project specific quantitative indicators, since VERRA does not provide project specific SD indicators. These indicators must be monitored during the entire project crediting period, and by including the SD monitoring table in the monitoring report, it is verified by validation/verification bodies (VVBs) accredited by Verra.

4.2. Safeguards

33. In terms of environmental, social and economic impacts, the VCS standard (ver. 4.4, dated 17 January 2023) requires that the project activities must not negatively impact the natural environment or local communities. Project proponents are required to identify and address any negative environmental and socio-economic impacts of project activities and must engage with local stakeholders during the project development and implementation processes and report these impacts in the PDD.

34. Safeguards include the following concepts:

    (a) No Net Harm: The project proponent shall identify potential negative environmental and socio-economic impacts and shall mitigate them and may apply additional certification standards (e.g., as per VCS paragraph 3.23, VCUs used in the context of the Paris Agreement Article 6 mechanisms and international Paris related programs such as CORSIA, shall meet any and all relevant requirements

established under such mechanisms and programs) to demonstrate social and environmental benefits beyond GHG emission reductions or removals;

(b) Stakeholder engagement: The VCS standard requires the project proponents to engage with stakeholders who will be impacted by the project. The engagement process includes requirements for the validation stage such as: identification of local stakeholders, local stakeholder consultation and a 30-day public comment period. Projects shall be designed respecting local stakeholder resources;

(c) During the project lifetime, the project proponents are also required to consider risks to local stakeholders and outline measures needed to mitigate these risks and to establish a continuous communication and consultation process with local stakeholders. For agriculture, forestry, and other land use (AFOLU) Projects, the VCS paragraph 13.18.11 states that project proponents are not required to consider the requirements related to local stakeholder engagement. However, project proponents shall provide evidence that project activities do not impact local stakeholders at validation and each verification.

35. According to the VCS standard, the communication and consultation with local stakeholder is a process maintained throughout the entire life of the project activity and is verified by DOEs during each monitoring period and request for issuance, while the rest of the requirements are demonstrated during the validation stage.

5. Climate Action Reserve

36. CAR is a United States based voluntary offsets programme founded in 2008 whose projects are mainly implemented within North America, mainly in the United States and Mexico. CAR establishes standards for quantifying and verifying GHG emissions reduction projects, provides oversight to its verification bodies, and issues and tracks carbon credits, which are called Climate Reserve Tonnes (CRTs). CAR has approximately 350 active registered projects[8] and has issued more than 150 million emission reductions.[9]

37. Following the CDM standardized baseline approach, CAR has developed "Protocols" which are project frameworks that define among others baseline, monitoring parameters and applicable regulatory requirements.

5.1. Sustainable development contribution

38. According to the Reserve Offset Program Manual (dated March 12, 2021), only projects seeking eligibility under CORSIA are required to demonstrate sustainable development contribution in accordance with the SDGs using the Reserve's SDG Reporting Tool[10]. CAR encourages users to perform their own research to understand SDGs and impact reporting best practices prior to completing the template. CAR retains sole and final discretion in making determinations on the appropriateness of a project's SDG and/or co-benefit

[8] CAR Public registry (August 2023): https://thereserve2.apx.com/myModule/rpt/myrpt.asp.

[9] CAR (2020) https://www.climateactionreserve.org/blog/2020/05/01/thank-you-for-helping-us-achieve-over-150-million-metric-tons-of-greenhouse-gas-emissions-reductions/.

[10] CAR (2020) SDG Reporting Tool https://www.climateactionreserve.org/wp-content/uploads/2020/10/SDG-Reporting-Tool-v1.0_beta_EXTERNAL_10.28.2020.xlsx.

claims. Projects must use the most current version of the SDG Reporting Tool and must report impacts according to the guidance in the tool.

39. CAR has developed an Excel tool titled "SDG Reporting Tool " for project participants to demonstrate the SD contribution of the projects. This SD Tool provides suggestions for the possible SDGs to be applied depending on the project type. However, neither the Reserve Offset Program Manual nor the SD Excel tool, provide indicators at project level; these must be defined by the project participants. SD contributions of the projects are not verified by CAR or its verification body.

5.2. Safeguards

40. While its SDG template is voluntary and only mandatory for projects seeking CORSIA eligible emissions units, the application of its safeguard/ “do no harm” is compulsory for all CAR projects. Its safeguard/ “do no harm” includes the application of regional and national regulations related to child labour, women’s right and other concern within the project boundary. The verification body is required to verify the application of its safeguard/“do no harm”. CAR may include additional criteria in protocols in cases where it considers that existing legal requirements are insufficient to guarantee protection against significant environmental and social harms.

41. The project developer is also required to disclose all instances of non-compliance of the project with any law to CAR and the verification body. If project activities have caused a material violation, then CRTs will not be issued for GHG reductions that occurred during the period(s) when the violation of any applicable law occurred. Individual violations due to "acts of nature" or those related to administrative or reporting issues (such as an expired permit without any other associated violations or tardiness in filing documentation) are not considered material and will not affect CRT crediting. If it is determined that a project was out of compliance after CRTs have been issued, CRTs may be cancelled for the time period of non-compliance.

6. American Carbon Registry

42. ACR is the first private voluntary offset program in the world founded by a non-profit enterprise of Winrock International in 1996. It is a leading carbon offset program recognized for its strong standards for environmental integrity and its quest to innovate. It operates in both global voluntary and regulated carbon markets. It enhances confidence in carbon markets and catalyses transformational emissions reduction opportunities. ACR has been operating since 2012 and has approximately 350 active registered projects and has issued 33,949,784 emission reductions and has cancelled 20,756,408 [11] credits.

43. ACR oversees the registration and verification of carbon offset projects following approved carbon accounting methodologies or protocols and issues offsets on a transparent registry system. The offsets products are specific to ACR's distinct operations in the California compliance market, ICAO and the global voluntary carbon market.

6.1. Sustainable development contribution

44. The ACR standard on requirements and specifications for the quantification, monitoring, reporting, verification and registration of project-based GHG emission reductions and

[11] ACR data available at: https://acr2.apx.com/myModule/rpt/myrpt.asp?r=209.

removals[12] requires the project proponent to report positive contributions of its project activity to the SDGs using the most recently published ACR SDG Contributions Report template. This includes providing information on how the project activity is consistent with the SDG objectives of the host country, where the SDG objectives are relevant and, where feasible. Its SDG Contributions Report includes a qualitative assessment of the positive impacts the GHG Project is delivering to SDGs in addition to SDG 13 (Climate Action), based on the tools and methods approved by ACR.

45. Project proponents must identify the environmental and social impacts of their project(s) in the project plan. Project proponents shall also disclose and describe positive contributions as aligned with applicable SDGs.

6.2. Safeguards

46. ACR requires that projects adhere to environmental and community safeguards best practices to ensure that projects “do no harm”. This involves maintaining compliance with local, national, and international laws and regulations, identifying environmental and community risks and impacts as well as contributions to sustainable development, detailing how negative environmental and community impacts will be avoided, reduced, mitigated, or compensated for, and how these mechanisms will be monitored, managed, and enforced, Projects also need to ensure that the rights of affected communities and other stakeholders are recognized, and that they have been fully and effectively engaged and consulted. Additionally, projects must ensure that ongoing communications and grievance redress mechanisms are in place, and that affected communities will share in the project benefits.

47. Project proponents must identify community and environmental impacts of their project(s) in the project plan. Projects must describe the safeguard measures in place to avoid, mitigate, or compensate for potential negative impacts, and how such measures will be monitored, managed, and enforced.

7. Global Carbon Council (GCC)

48. GCC is a voluntary carbon offsetting programme which started operations in 2016. The GCC is the Middle East and North African region's first voluntary carbon offsetting programme and an initiative of the Gulf Organization for Research and Development.

49. As of July 2023, there are more than 1,500 registered projects registered under the GCC which are mainly implemented in the Middle East, Asia, and Eastern Europe. The majority of projects under GCC are directed towards CORSIA eligible emissions units.

50. GCC establishes standards for quantifying and verifying GHG emissions reduction projects and accredits independent third-party entities to act as GCC verifiers, responsible for validating and verifying GCC projects. GCC issues and tracks carbon credits, known as Approved Carbon Credits.

[12] ACR Standard v8.0 available at: https://americancarbonregistry.org/carbon-accounting/standards-methodologies/american-carbon-registry-standard/acr-standard-v8-0.pdf.

7.1. Sustainable development contribution

51. According to the GCC Project Sustainability Standard (ver. 3.1, 2023),[13] the sustainable development assessment based on the 17 SDG goals, is carried out voluntarily, unless credits are used under CORSIA.

52. Relevant SDG project-based indicators are proposed by the project owners using GCC SDG matrix (GCC Project Sustainability Standard ver. 3.1 page 16, Appendix 1), and the GCC Project Sustainability Standard encourages to focus on the national priorities of the host country.

53. The GCC provides a rating or outcomes of the sustainable development assessment based on five labels as shown below:

    (a) Diamond, project demonstrates supporting more than five SDGs;

    (b) Platinum, project demonstrates supporting five SDGs;

    (c) Gold, project demonstrates supporting four SDGs;

    (d) Silver, project demonstrates supporting three SDGs;

    (e) Bronze, project demonstrates supporting a minimum two SDGs to qualify for CORSIA.

54. Targets and indicators related to selected SDGs are set by the project owner at the time of registration. These targets/indicators are monitored and verified at the issuance stage. Projects owners carry out the SDG assessment by using the GCC SDG matrix. SD contribution is documented by project owners in the project's forms for monitoring, validation, and verification.

7.2. Safeguards

55. In 2022, the GCC published the third version of its environmental and social safeguards standard.[14] Under this standard, project owners can, in addition to reducing GHG emissions, voluntarily commit to ensuring that their project does not cause any net-harm to the environment or to society. The standard provides a way to obtain two (2) additional certification labels, i.e.: the Environmental No-net-harm Label (E+) and the Social No-net-harm Label (S+). For CORSIA projects, the standard is mandatory.

56. E+ includes land, air, water, and natural resources. S+ includes jobs, health and safety, education, welfare, human rights and local communities and indigenous people. If national regulations are absent, then best practices should be followed.

57. Once project owners decide to apply this standard, it becomes mandatory for the whole project cycle. In this regard, the standard indicates that the project owner shall conduct a

[13] GCC Project Sustainability Standard version 3.1 is available at: https://www.globalcarboncouncil.com/wp-content/uploads/2023/01/Project-Sustainability-Standard_V3.1_.pdf.

[14] Available at : https://www.globalcarboncouncil.com/wp-content/uploads/2022/09/Environment-and-Social-Safeguards-Standard.V3.0-1_.pdf.

net-harm assessment and complete the project submission form by identifying all significant environmental/social impact(s) as shown below:

(a) If the environmental/social impact is positive and assessed as "harmless" against the baseline scenario, and the impact can be measured/monitored to demonstrate that it is deemed "harmless", a score of "+1" will be given. If the environmental/social impact is positive based on the baseline scenario, and while the impact cannot be measured or monitored, or if it not demonstrated satisfactorily, a score of zero "0" shall be assigned.

(b) If the environmental/social impact is negative and in compliance with legal requirements or industry best practices, it can be classified as "harmless" but the impact cannot be measured or monitored, a score of "-1" shall be assigned to the parameter as it would be treated as "harmful". In case the parameter(s) are monitored or measured and demonstrate that it is adequate a score of +1 shall be assigned.

(c) If the environmental/social impact is negative and assessed as "harmful", but can in some way demonstrate compliance with legal requirements or industry best practices (e.g.: equipment installed to detect and mitigate its environmental impact), then it can be given score of "+1". If the impact cannot be or has not been measured and monitored, it would result in the denial of the label.

58. If the environmental/social impact cannot be described, quantified, measured and monitored or demonstrated during the entire monitoring period in comparison to the baseline scenario, the aspect and the impacts may be reported and should be marked as 'not applicable'. The project owner is required to describe how they have concluded that the project has not or will not cause any net-harm to the environment during the crediting period.

59. There are more than 1500 projects registered under GCC. Only 20 projects (by May 2023) have applied the E+/S+ safeguards, which have been verified by their corresponding verifiers.

8. Joint Crediting Mechanism

60. JCM was introduced in 2013 by the Government of Japan with the aim of facilitating the diffusion of leading decarbonizing technologies, products, systems, services, and infrastructure, as well as the implementation of mitigation actions, and it contributes to the sustainable development of partner countries. JCM is a bilateral market-based mechanism and operated by its joint committee, its secretariat and third party (CDM DOE and ISO certified bodies) for the validation and the verification of JCM activity based upon the applied methodology. As of 13 March 2023, there are 99 approved methodologies, 76 registered projects, 40 projects that have issued credits, and 247 financed projects.

61. Indonesia and Mongolia, among the 25 countries collaborating with Japan under the JCM bilateral framework, have been deploying sustainable development tools to showcase the impact of JCM projects on the SDGs. Indonesia has been using the JCM Guidelines for Sustainable Development Implementation Plan (SDIP) and the Sustainable Development Implementation Report (SDIR) since 2015. Meanwhile, Mongolia initiated the implementation of the JCM Guidelines for Developing Sustainable Development

Contribution Plan (SDCP) and Sustainable Development Contribution Report (SDCR) from 2018 onwards.

62. Regarding safeguards, the JCM scheme generally requires project participants to include an environmental impact assessment as per the prevailing national or local regulations in the PDD and conduct local stakeholder consultation with the purpose of informing local stakeholders of the proposed JCM project, to solicit comments from them, and to address any concerns they may have regarding the project. Third party entities are required to validate and verify the implementation of the environmental impact assessment as per relevant legal requirements and a local stakeholder consultation process in accordance with the JCM guidelines. AR projects in Cambodia are required to develop a REDD-plus safeguard activity implementation plan (SGIP) and a REDD-plus and safeguard activity progress report (SGPR).

63. In February 2023, the JCM invited all the partner countries to inform future modification of JCM rules on sustainable development consideration of all JCM activities based on the outcome of the Supervisory Body meeting.

8.1. Sustainable development contribution.

64. In both Indonesia and Mongolia, it is mandatory for project participants to prepare a Sustainable Development Implementation or Contribution Plan, as well as a Sustainable Development Implementation or Contribution Report, by filling in the relevant forms following the JCM guidelines on sustainable development.

65. The JCM Guidelines for SDIP and SDCP consist of a form (checklist) that project participants must complete to demonstrate their plan for preventing negative impacts and their potential contribution to sustainable development. The criteria and quantitative indicators indicated in the forms cover a wide range of issues, including the environmental impact assessment, Pollution Control, Safety and Health, Natural Environment and Biodiversity, Economy, Social Environment and Community Participation, and Technology. Additionally, the project participants should indicate which of the 17 SDGs their projects would contribute to.

66. The JCM secretariat conducts a completeness check, and the Joint Committee evaluates the SDIR, including an on-site visit where necessary without a third-party verification being conducted.

67. The JCM secretariat on behalf of the Joint Committee will notify project participants if any negative impacts of the project on sustainable development are identified without an appropriate description of corrective action.

68. Projects are deemed as positively reviewed if no potential negative impacts are found or if an appropriate action plan is outlined during the review period. In cases where negative impacts on sustainable development are detected without a proper description of corrective action, project participants can revise and re-submit their plan or report for re-evaluation.

8.2. Safeguards

69. Under the JCM guidelines for Mongolia and Indonesia, the safeguard comprises various elements that aimed at prevention of negative impacts of proposed projects. These key elements are highlighted below:

(a) Projects need to demonstrate that adequate measures are in place to manage and control potential emission of air pollutants and discharge of water pollutants affecting parameters like Biochemical oxygen demand (BOD), chemical oxygen demand (COD), or pH as part of safeguarding the environment and public health and to demonstrate a comprehensive waste management plan to ensure proper waste handling, disposal, and recycling, which minimizes the project's environmental impact;

(b) Proposed projects should ensure safeguards to (i) mitigate odours and prevent hazardous conditions, thus prioritizing the safety and well-being of local communities and project personnel, and should also not be located in protected areas designated by national laws or international treaties, preserving habitats for endangered species and preventing foreign species introduction; (ii) avoid negative impacts on the local workforce's capacity and the welfare of the community, thus promoting local employment and well-being; as well as (iii) adhere to labour laws and working condition ordinances to safeguard workers' rights.

9. Carbon Offsetting and Reduction Scheme for International Aviation

70. Since its adoption of CORSIA at its 39th ICAO assembly in 2016, ICAO hosts the CORSIA platform. CORSIA is a global market-based measure designed to reduce and offset international aviation carbon dioxide emissions to stabilize the levels of such emissions. The scheme is being implemented in three phases: pilot phase: 2021-2023; first phase: 2024-2026; and second phase: 2027-2035.

71. Reductions are achieved through CORSIA eligible fuels, aircraft technologies, and operational improvements. Offsetting of carbon dioxide emissions are achieved through the acquisition and cancelation of emissions units (CORSIA eligible emissions units). The ICAO Council approves/accredits the Emissions Unit Programmes which supply the CORSIA Eligible Emissions Units. Recommendations for approval are facilitated by the "Technical Advisory Body (TAB)" which conducts a desk review to ensure eligible programmes have procedures and measures in place that meet "CORSIA emissions unit eligibility criteria" [15] (EUE criteria) for program design elements.

72. The ICAO council also determines the eligible emissions units, upon recommendation by the TAB. The EUE criteria referred above have two elements: programme design elements assessment criteria and the carbon offset credit integrity assessment criteria.

73. The accredited emissions unit programmes develop procedures and measures to meet the stated safeguards and the SD criteria and the ICAO Council has accredited nine programmes[16] that can supply CORSIA eligible emissions units during the pilot phase. The reviews/assessments conducted by the TAB for approval are programme-specific and provides a summary of the evidence of the proposed safeguards and the SD criteria. Approved programmes remain eligible over the compliance period, which runs for three consecutive years; monitoring is conducted to ensure the programmes remain eligible.

[15] Available at: https://www.icao.int/environmental-protection/CORSIA/Documents/ICAO_Document_09.

[16] ACR, Architecture for REDD+ Transactions, China GHG Voluntary Emission Reduction Program, CDM, CAR, Forest Carbon Partnership Facility, GCC, GS, and VCS.

74. Based on EUE criteria, individual programmes have to demonstrate how to meet the stated safeguards and the SD criteria. The reviews/assessments conducted by the TAB for approval are programme-specific and provides summary on the evidence of the proposed safeguards and the SD criteria. Based on this, the secretariat notes that implementation of safeguards and the SD requirements by eligible programmes are not always same.

9.1. Sustainable development contribution.

75. "Sustainable Development Criteria" are classified under the "programme design elements assessment criteria" of the EUE criteria and require eligible offset credit programme to publicly disclose how each programme promotes to achieving a hosting country's stated sustainable development priorities as well as the provisions put in place to facilitate monitoring, reporting and verification.

76. The TAB has further published the "Clarifications of TAB's criteria interpretations contained in TAB Reports" dated January 2023, which requires the schemes to make mandatory assessment of SD contribution and recognize the use of the SDGs.

9.2. Safeguards

77. Both programme design elements assessment criteria and carbon offset credit integrity assessment criteria of the EUE criteria contain the requirements for safeguards. Under the programme design elements assessment criteria, eligible offset credit programme should publicly disclose the safeguards to address environmental and social risks. Further, the carbon offset credit integrity assessment criteria contain eight different principles including the "do no net harm" principle, which requires offset projects not to violate local, national or/and international regulations and demonstrate how offset projects meet social and environmental safeguards and should disclose which institutions, processes, and procedures are applied to implement and monitor safeguards to identify, assess and manage environmental and social risks.

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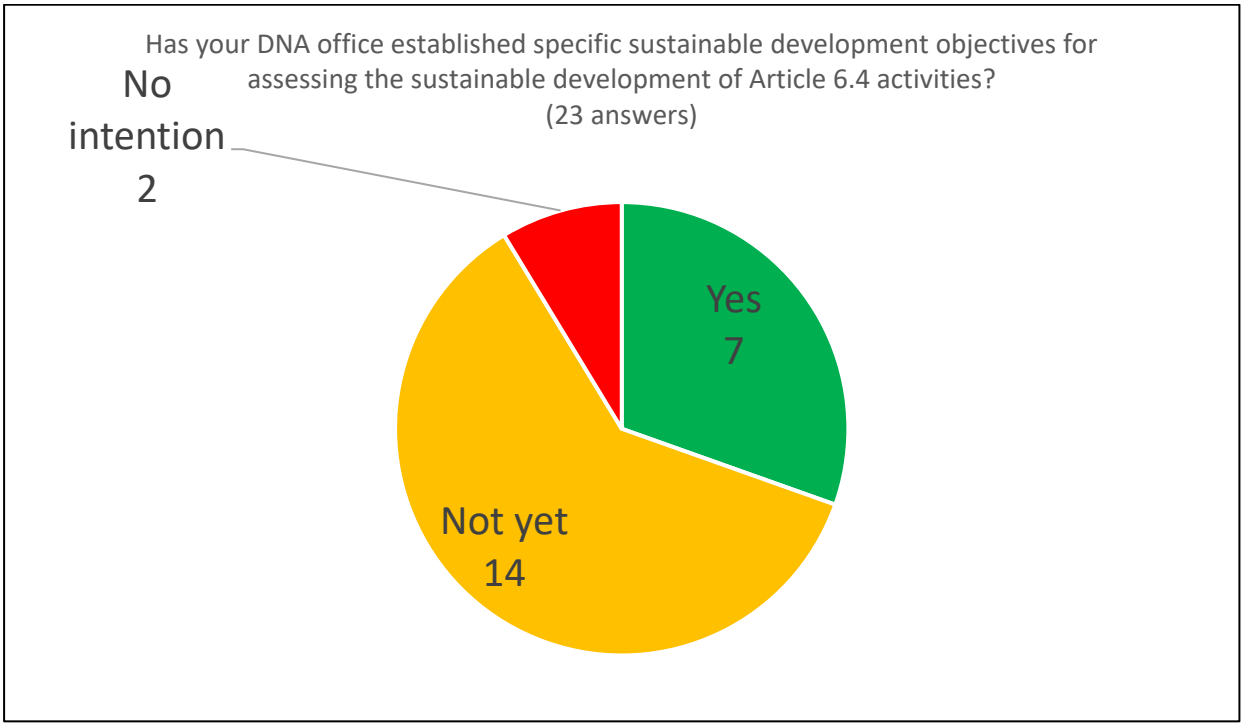
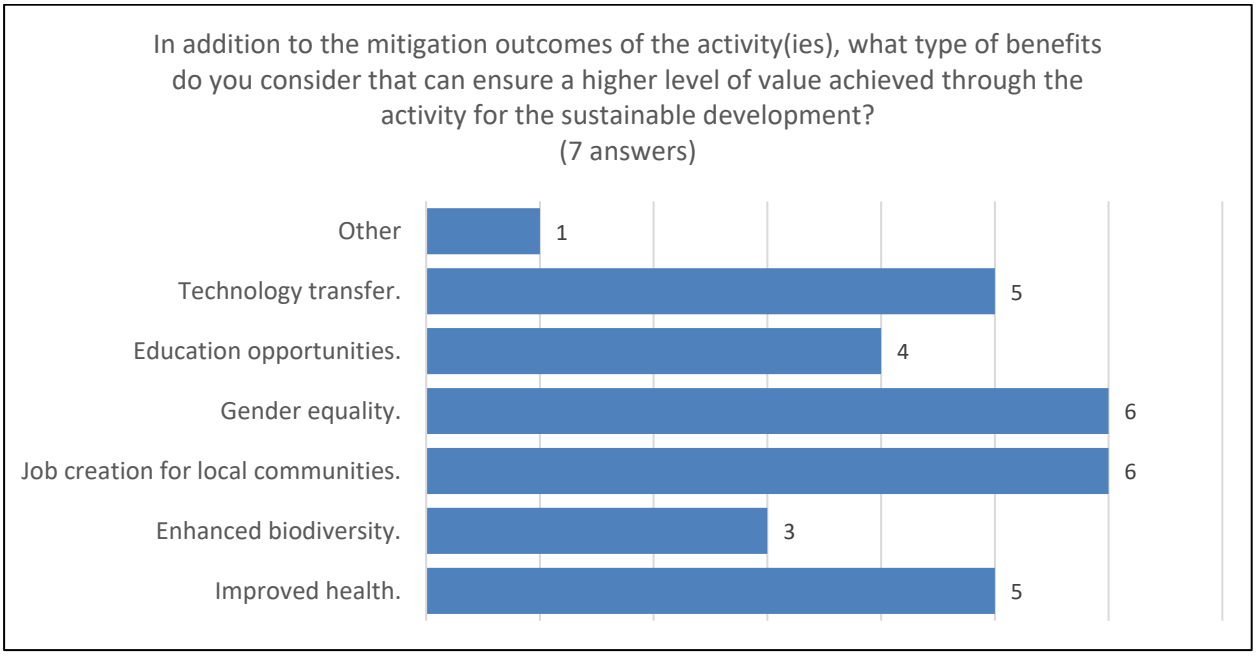
Appendix 2. Outcome of surveys with relevant stakeholders

1. Outcome of National designated authorities survey

Question 1.



Question 2.



Question 3.

Please provide further details on the specific sustainable development objectives and/or indicators that your DNA office already applies (Open-Ended Response).

Answer 3:

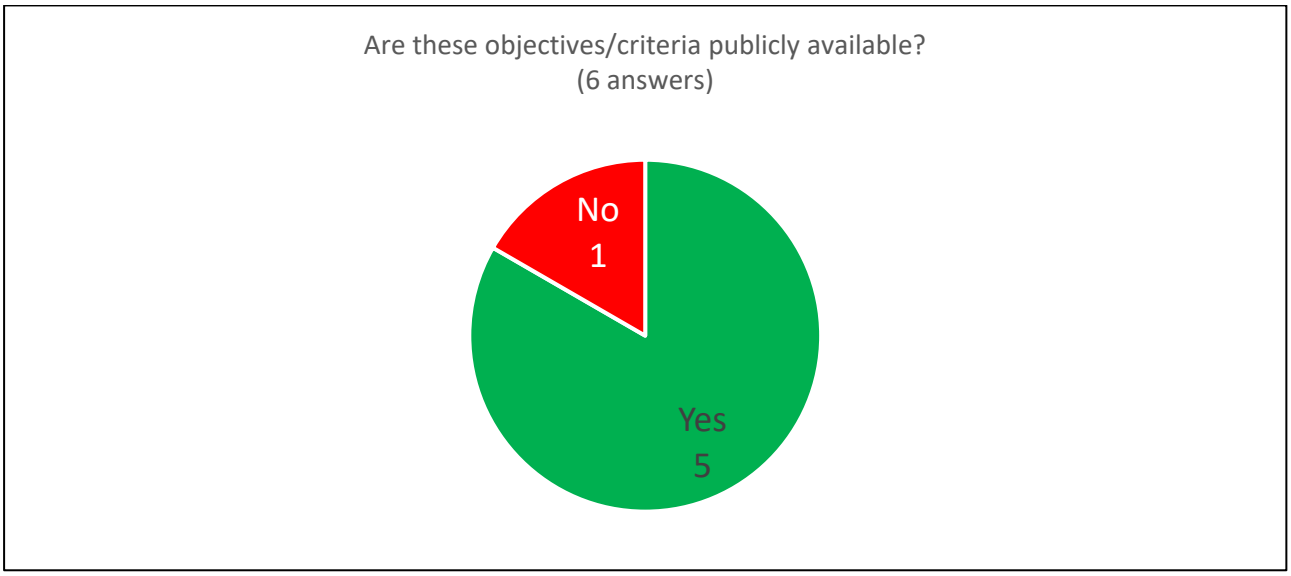
5 DNAs provided responses to this question and summary of responses are:

In evaluating the approach to assess SDGs under 6.4, goals include Creating inclusive, safe, resilient, and sustainable cities and human settlements; Ensuring sustainable consumption and production patterns; Taking urgent actions against climate change and its impacts; Conserving and using oceans, seas, and marine resources sustainably; Protecting terrestrial ecosystems, managing forests sustainably, combating desertification, reversing land degradation, and halting biodiversity loss; Strengthening implementation means and revitalizing the Global Partnership for Sustainable Development. Introduction of "Joint Crediting Mechanism Guidelines for Developing Sustainable Development Contribution Plan and Report" to aid project participants.

Developed Interim Approval Guidelines that encompass sustainable development objectives and criteria for reviewing concept notes and proposals.

JCM Mongolia uses a Sustainable Contribution plan/report to gauge project contributions to SDGs and gender equality.

Question 4.

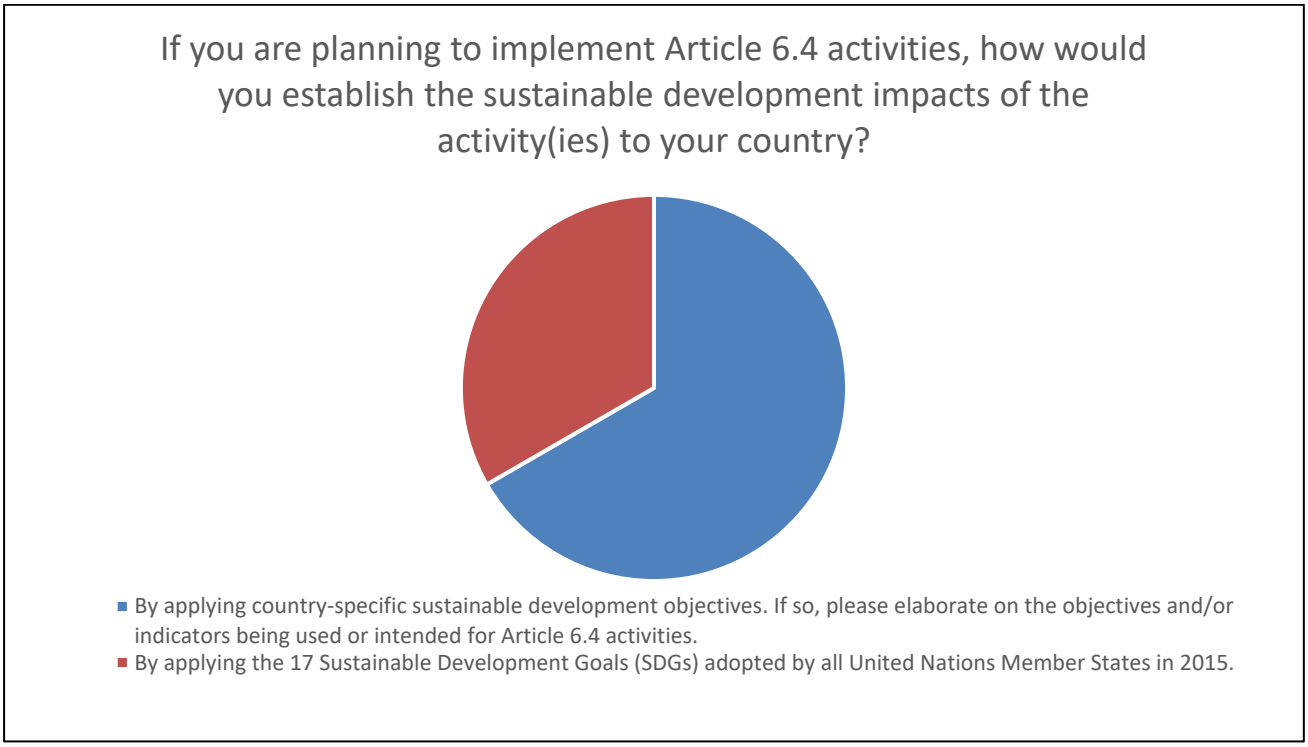


Question 5.

Please provide the source of information (including electronic links, if applicable) for the sustainable development assessment of Article 6.4.

Answer 5: NDC

Question 6-1.



Question 6-2.

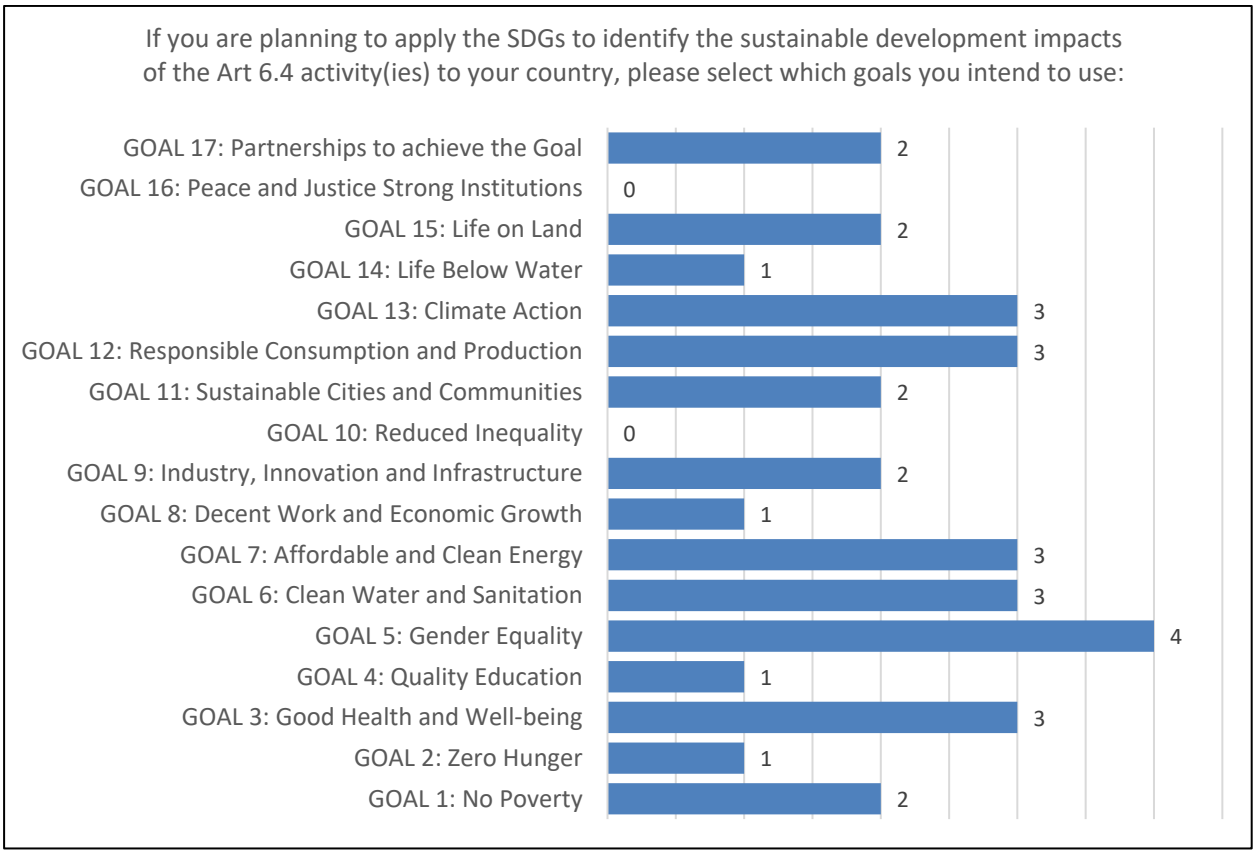
By applying country-specific sustainable development objectives. If so, please elaborate on the objectives and/or indicators being used or intended for Article 6.4 activities.

Answer 6-2:

- In line with the NDC, Long Term Strategy and the 17 Sustainable Development Goals (SDGs) adopted by all United Nations Member States in 2015.
- We are currently discussing the topic.
- We will follow Cambodia's SDGs
- The indicators we have developed address the three aspects of sustainability; economic, social and environmental, but also relate to the SDGs as well our NDC
- The Sustainable development impacts are in part referenced in the country NDP 3 vision 2040 and the country's NDC. Any activities that lead us to a low carbon development path and improvement of individual livelihood and wellbeing are a central thesis. However, whatever we see is mostly activities on reforestation - to curb this we are planning for regulations to encourage other activities across technology, renewables among others- which have not seen much interest in registering such activities. From here I clearly understand it could be due to the low emission factors but we plan to encourage this through regulation
- Specific SD objectives for the Art.6.4 should be discussed at a national level at a later stage.

- We should put in place institutional arrangement for authorisation and tracking ITMOS and ensure environmental integrity.
- We should establish institutional arrangements for authorisation and tracking ITMOs, and ensure environmental integrity.
- We can choose SDG criteria, but I think, as we did in CDM, we can also have 3 global criteria that are more focus on:
    - social aspects (reduction of poverty, consideration of vulnerable communities etc)
    - environmental criteria (GHG reduction, negative impact of the project)
    - economical criteria (investment, job creation etc
- Cambodia has set 18 goals to meet country' circumstances and development objectives
- SDG3 (3.9): Good health and well-being SDG6: clean water and sanitation SDG5: Gender equality SDG7: Affordable and clean energy SDG8: Decent work and economic growth SDG11: sustainable cities and communities SDG13: climate action SDG15: Life on land
- Togo is among the countries that stand out in the implementation of the Sustainable Development Goals (SDGs). Of the 17 Goals, 06 received a real boost between 2015 and 2017. The SDGs cover the full range of development challenges linked to climate, biodiversity, energy, water, poverty and more. Togo has made inroads in implementing goals 7, 9, 12; 13, 15. Thus, sustainable development criteria for carbon credit projects will be defined on the basis of development indicators at national level.

Question 7.

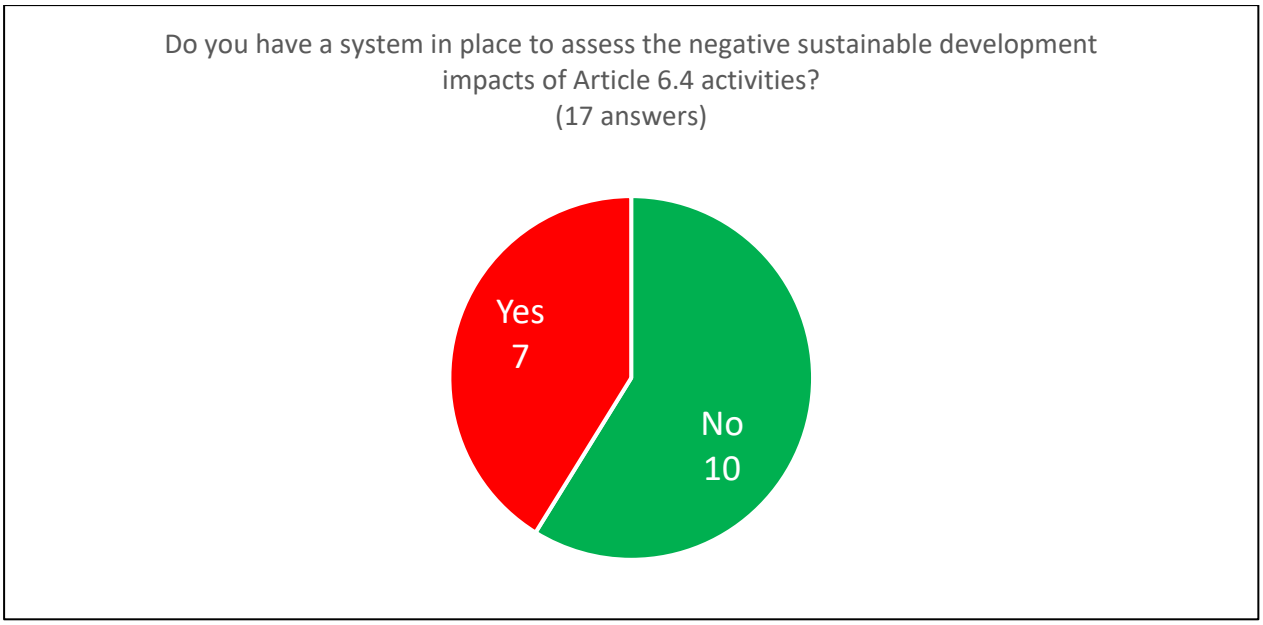


Question 8.

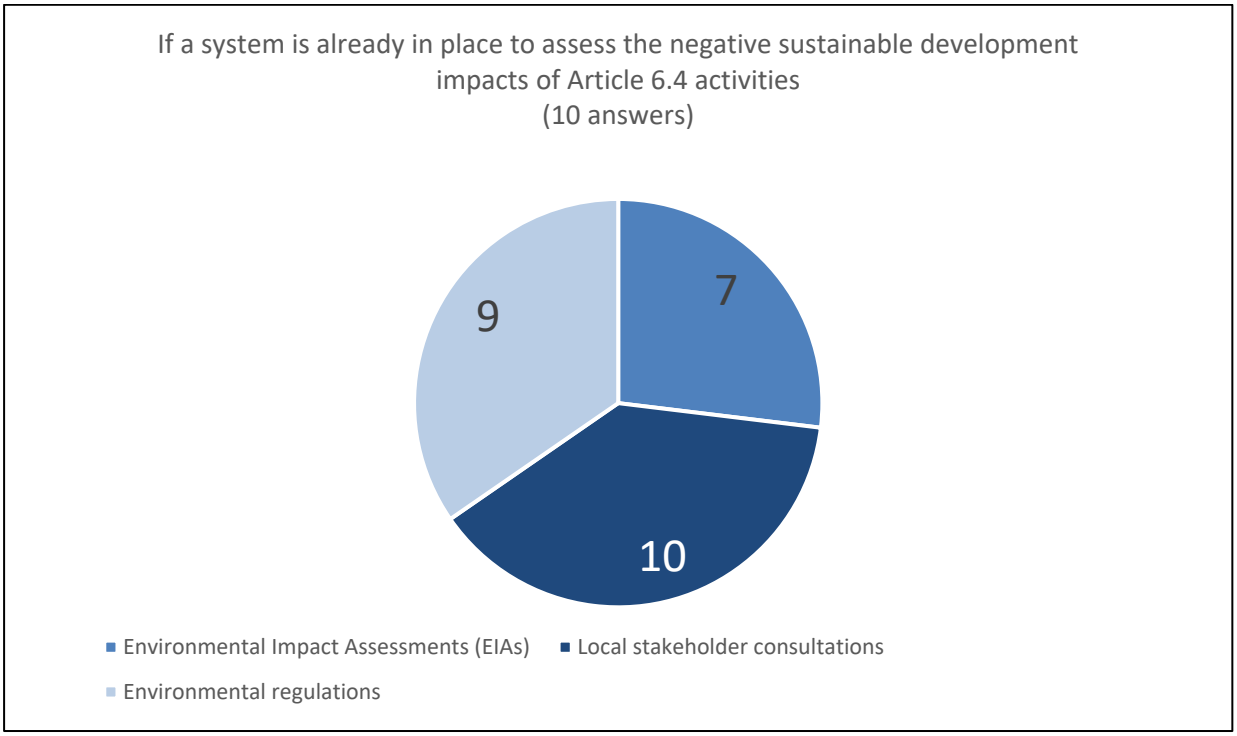
For application of SDGs to identify SD contribution for Art 6.4 activities, can you please provide any available project SDG indicators?

GOAL 1: No Poverty	GOAL 2: Zero Hunger	GOAL 3: Good Health and Well-being	GOAL 4: Quality Education	GOAL 5: Gender Equality	GOAL 6: Clean Water and Sanitation	GOAL 7: Affordable and Clean Energy	GOAL 8: Decent Work and Economic Growth	GOAL 9: Industry, Innovation and Infrastructure	GOAL 10: Reduced Inequality	GOAL 11: Sustainable Cities and Communities	GOAL 12: Responsible Consumption and Production	GOAL 13: Climate Action	GOAL 14: Life Below Water	GOAL 15: Life on Land	GOAL 16: Peace and Justice Strong Institutions	GOAL 17: Partnerships to achieve the Goal	Other (please specify).
0	1	2	1	0	0	1	0	1	0	1	1	1	0	0	0	1	0

Question 9.

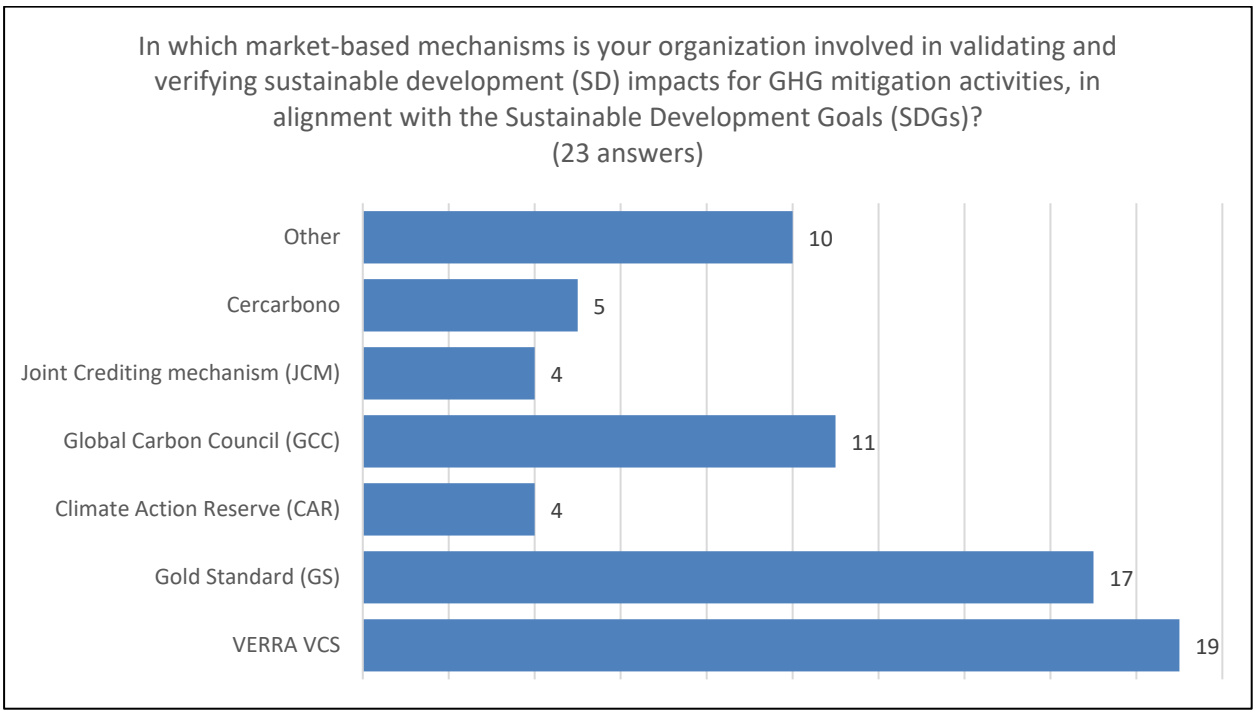


Question 10.

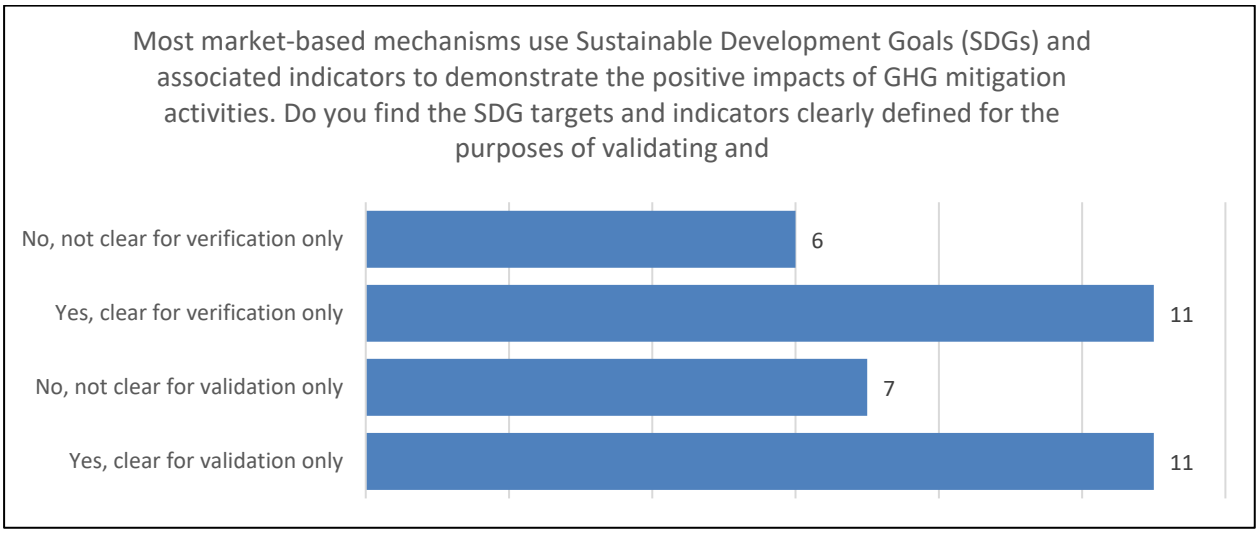

If a system is already in place to assess the negative sustainable development impacts of Article 6.4 activities
(10 answers)
7
10
9
Environmental Impact Assessments (EIAs)
Local stakeholder consultations
Environmental regulations

2. Outcome of Validation and verification organization survey

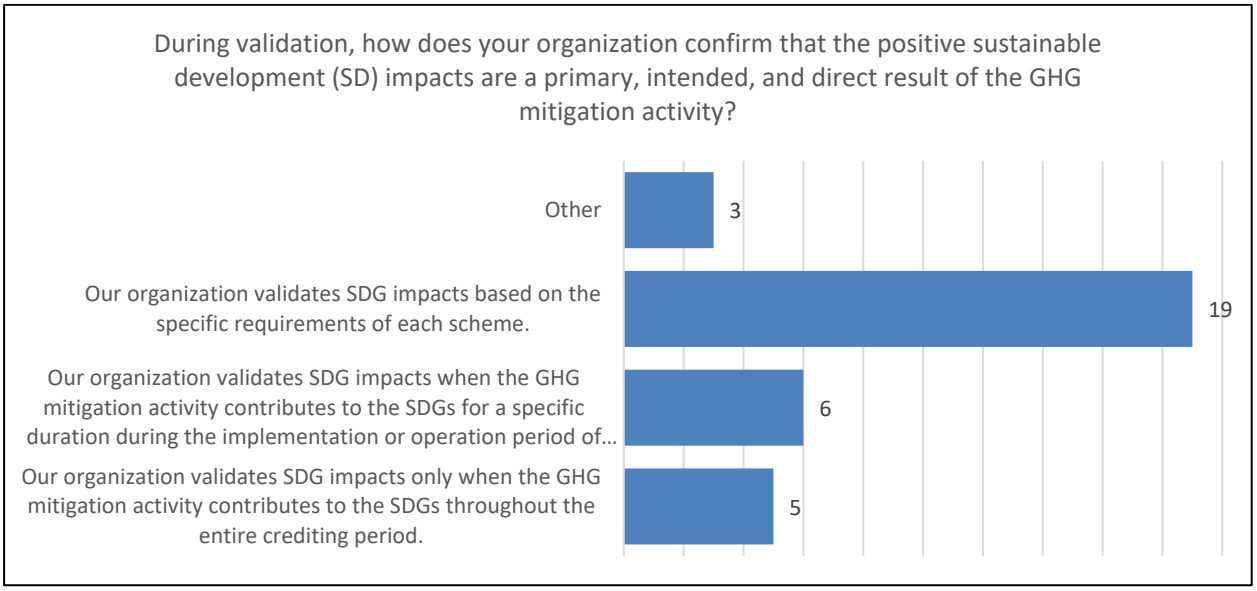
Question 1.



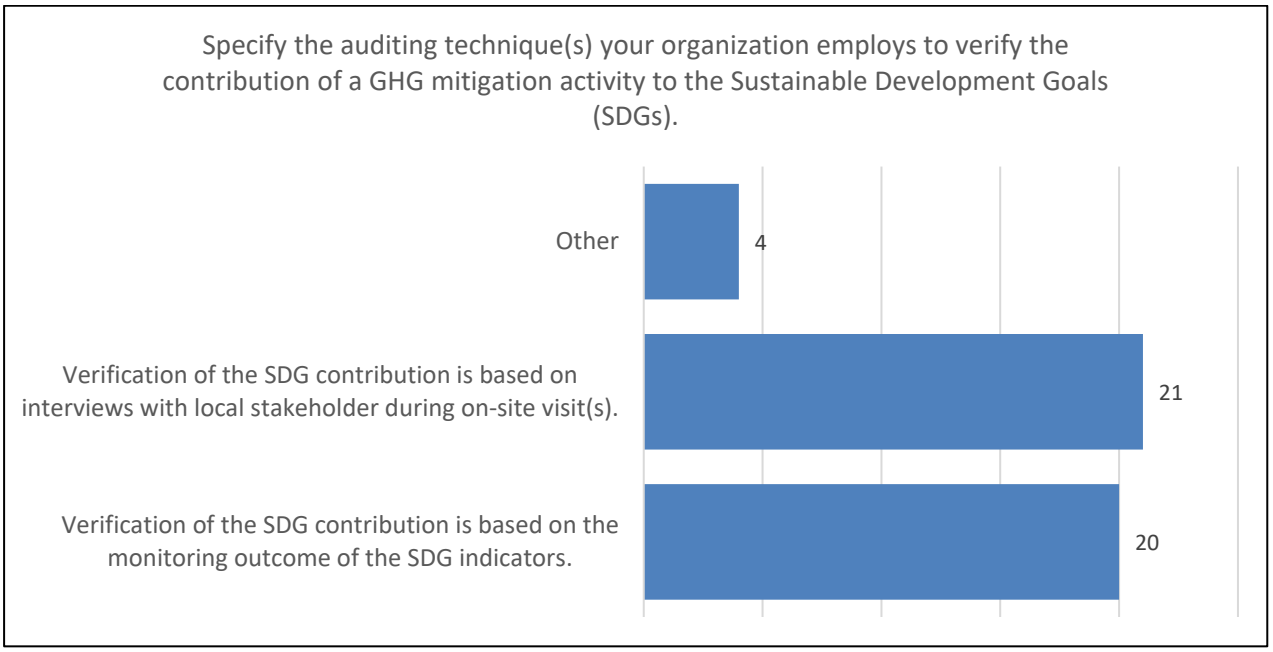
Question 2.



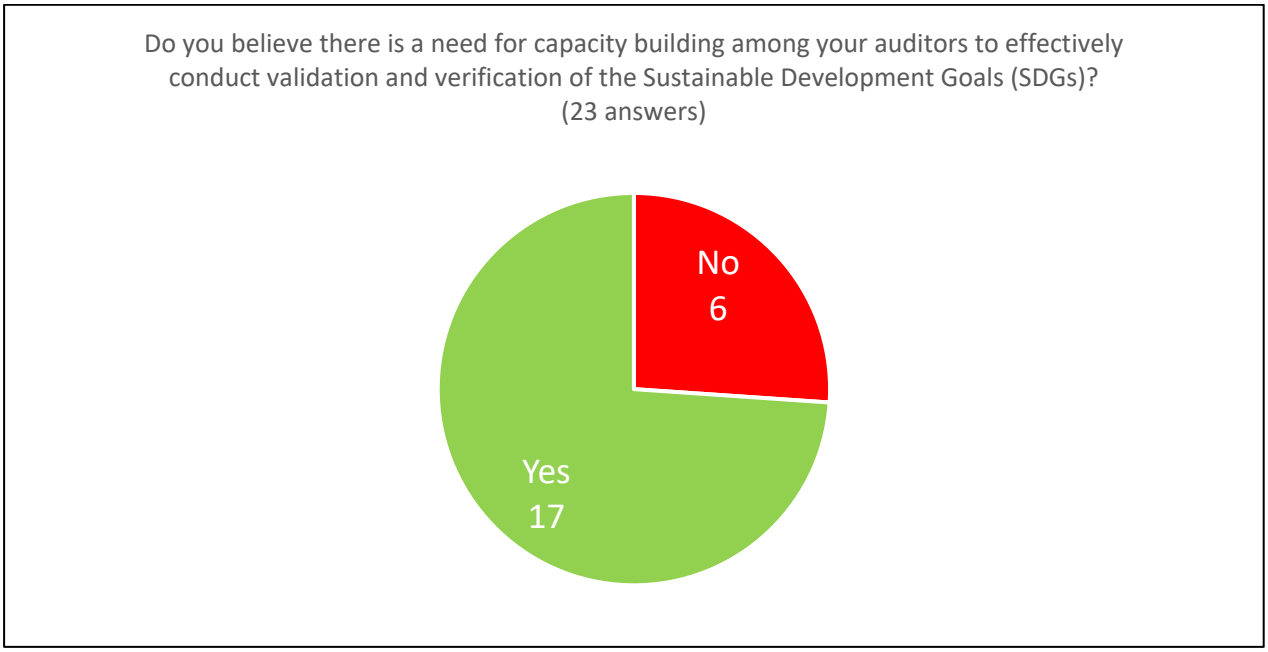
Question 3.



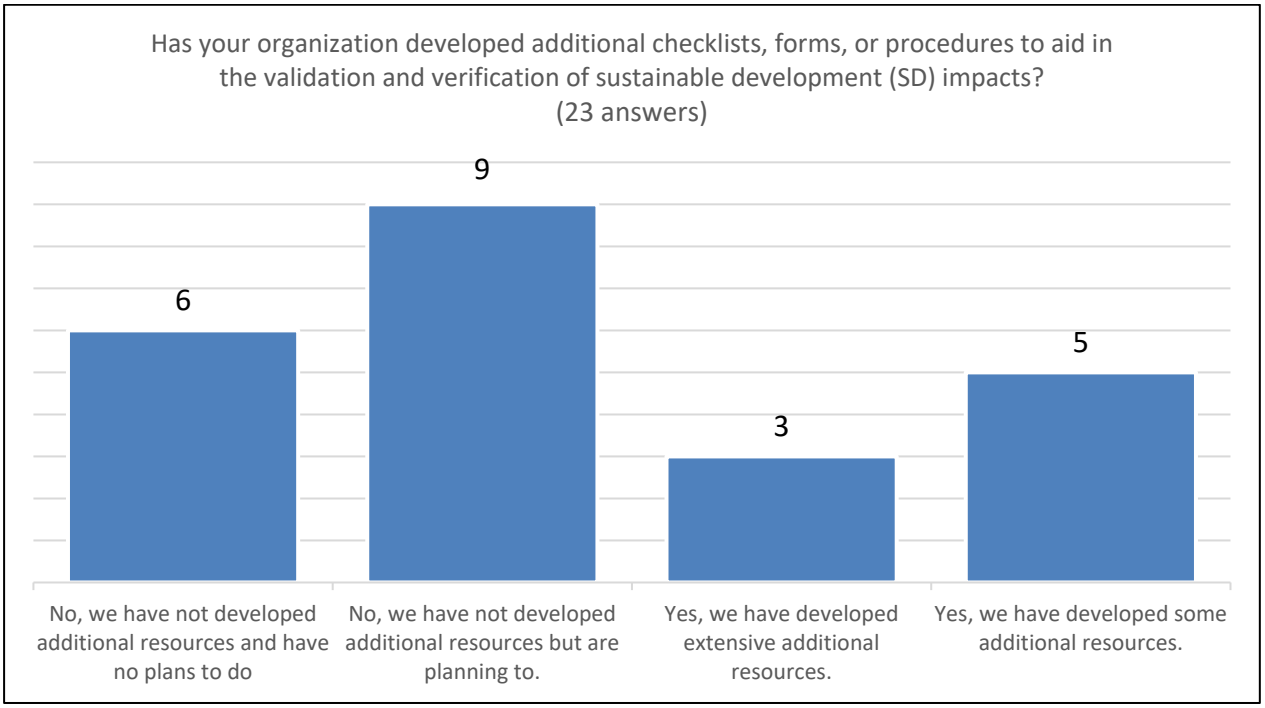
Question 4.



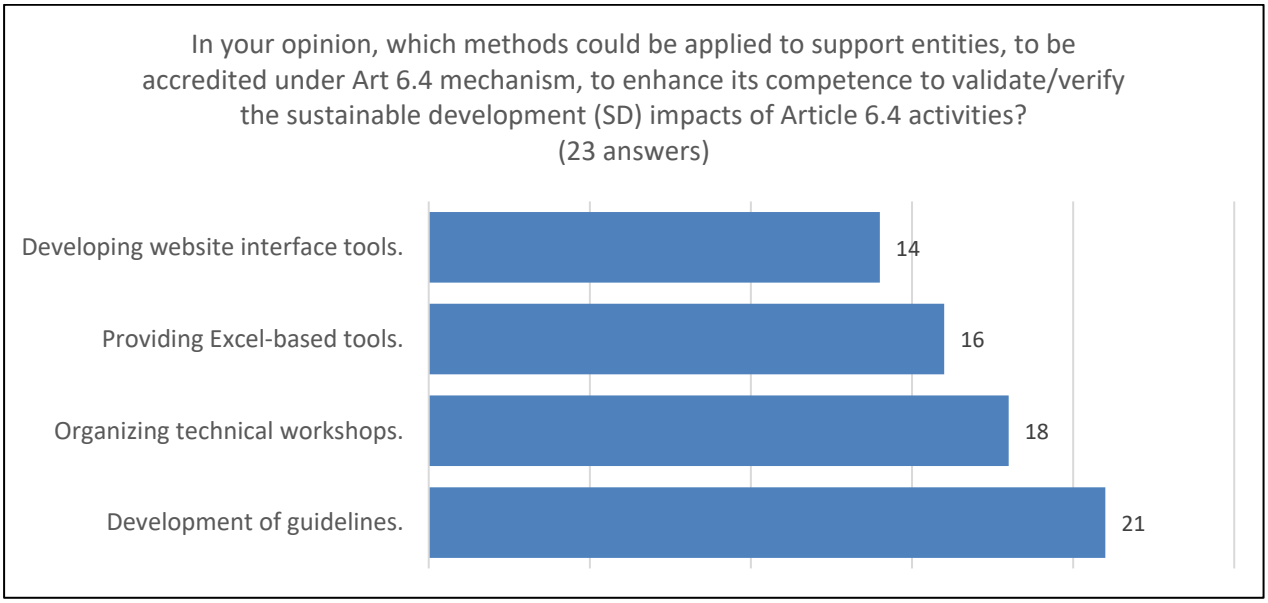
Question 5.



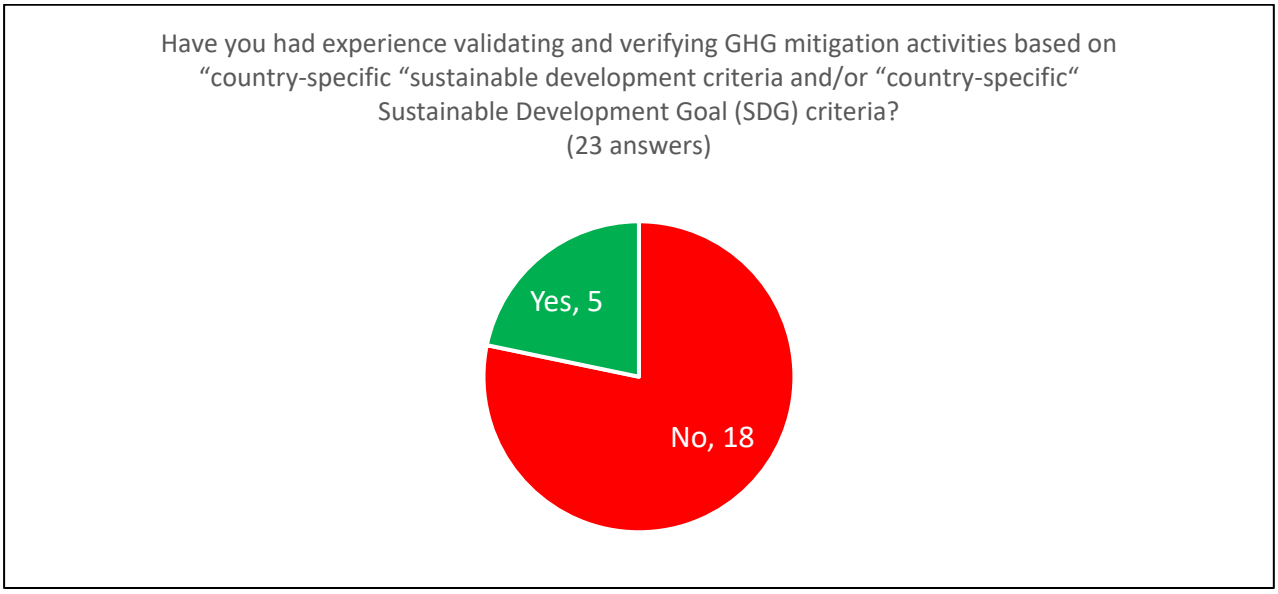
Question 6.



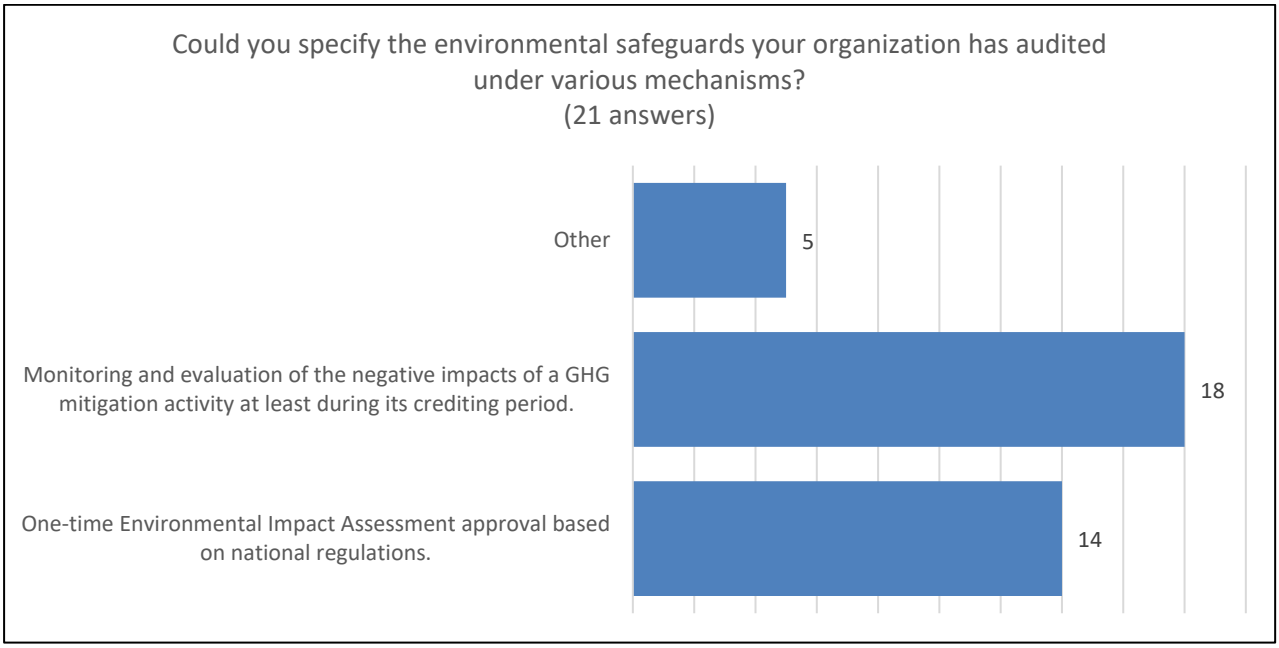
Question 7.



Question 8.

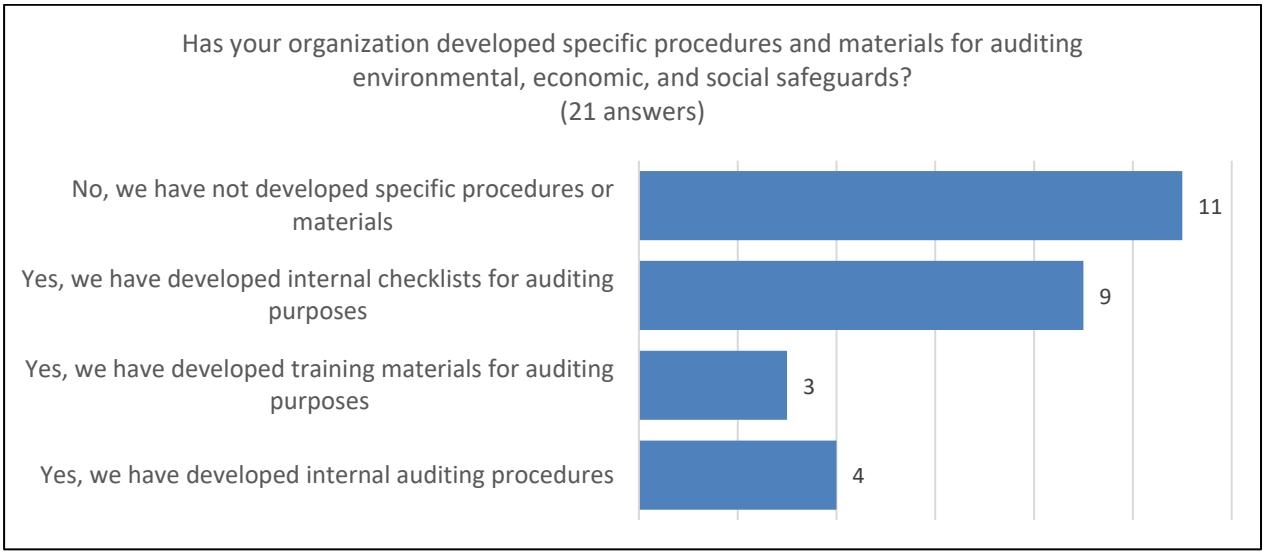


Question 9.

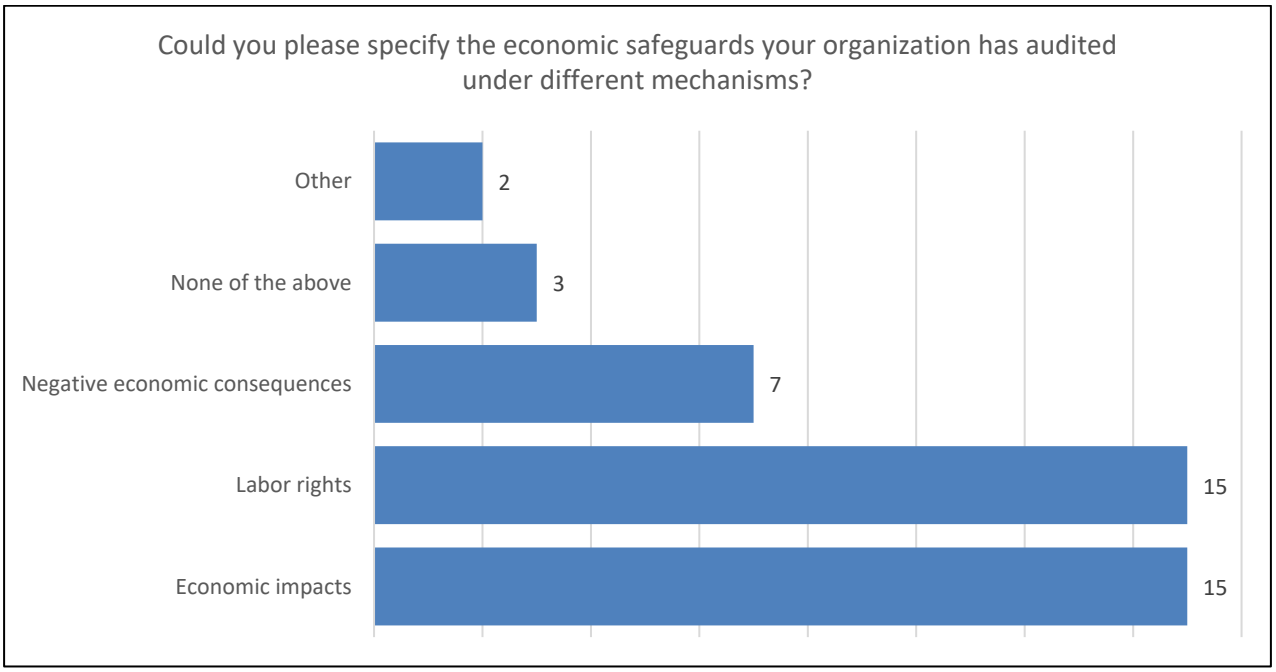


Question 10.

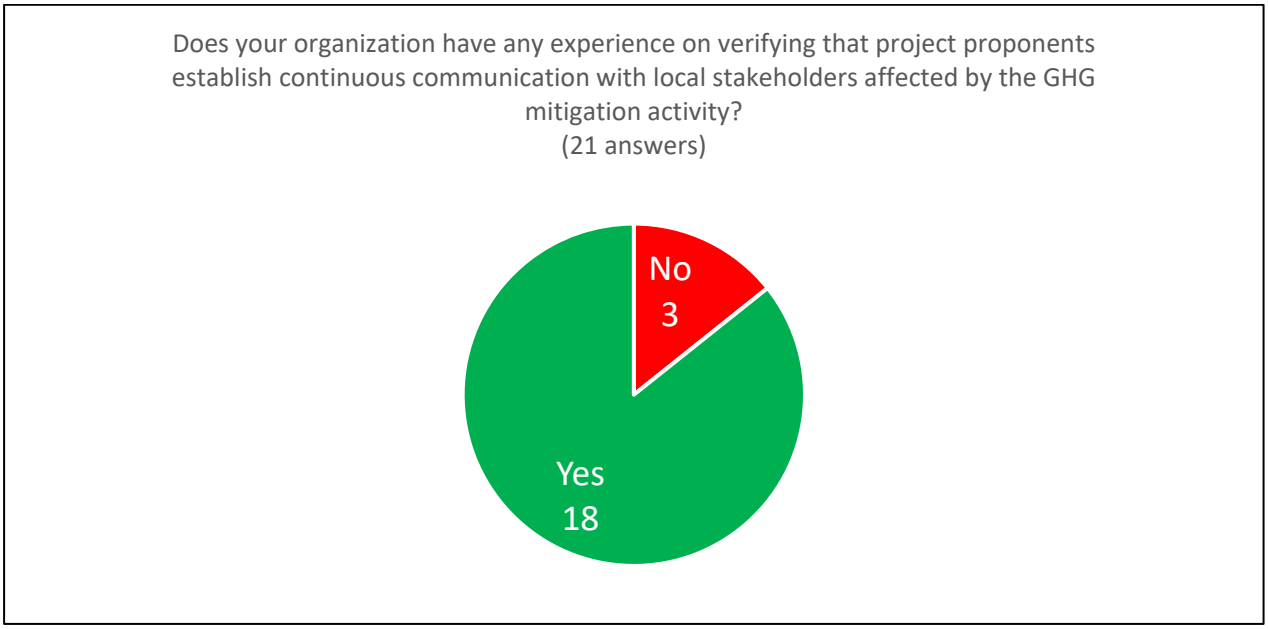
Question 11.



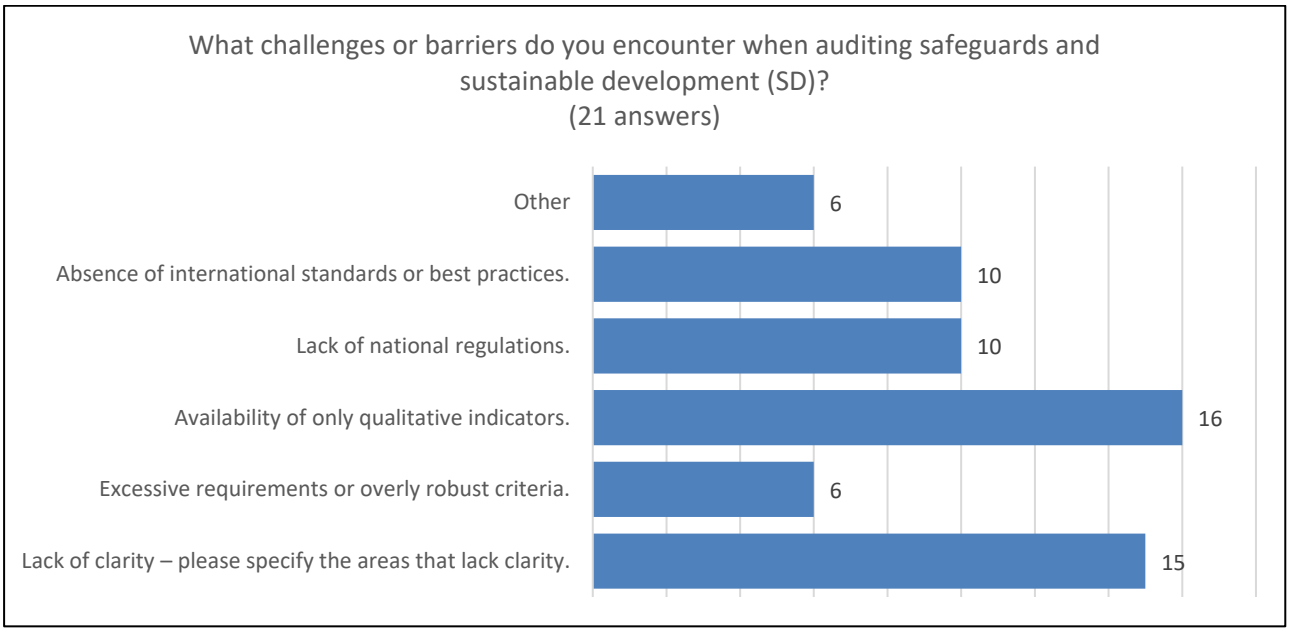
Question 12.



Question 13.

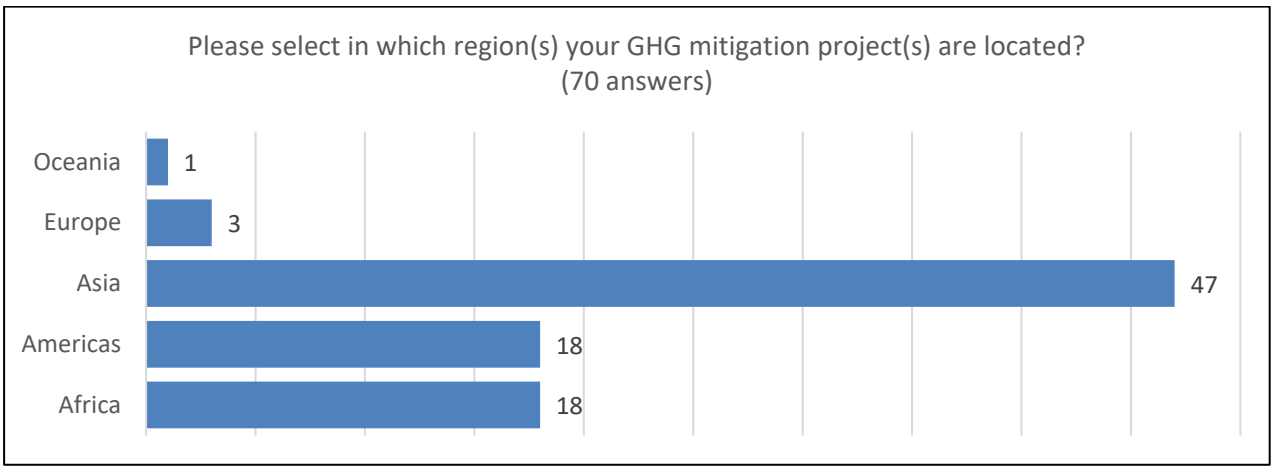


Question 14.

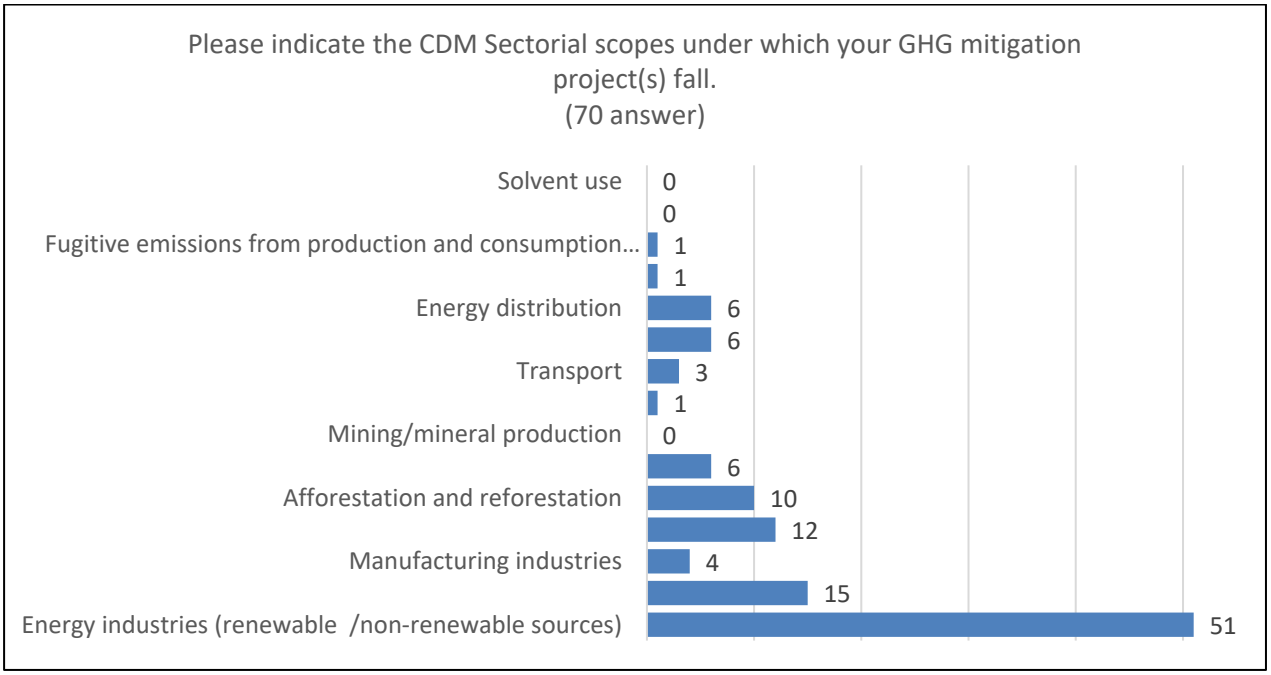


3. Outcome of CDM Project Participants survey

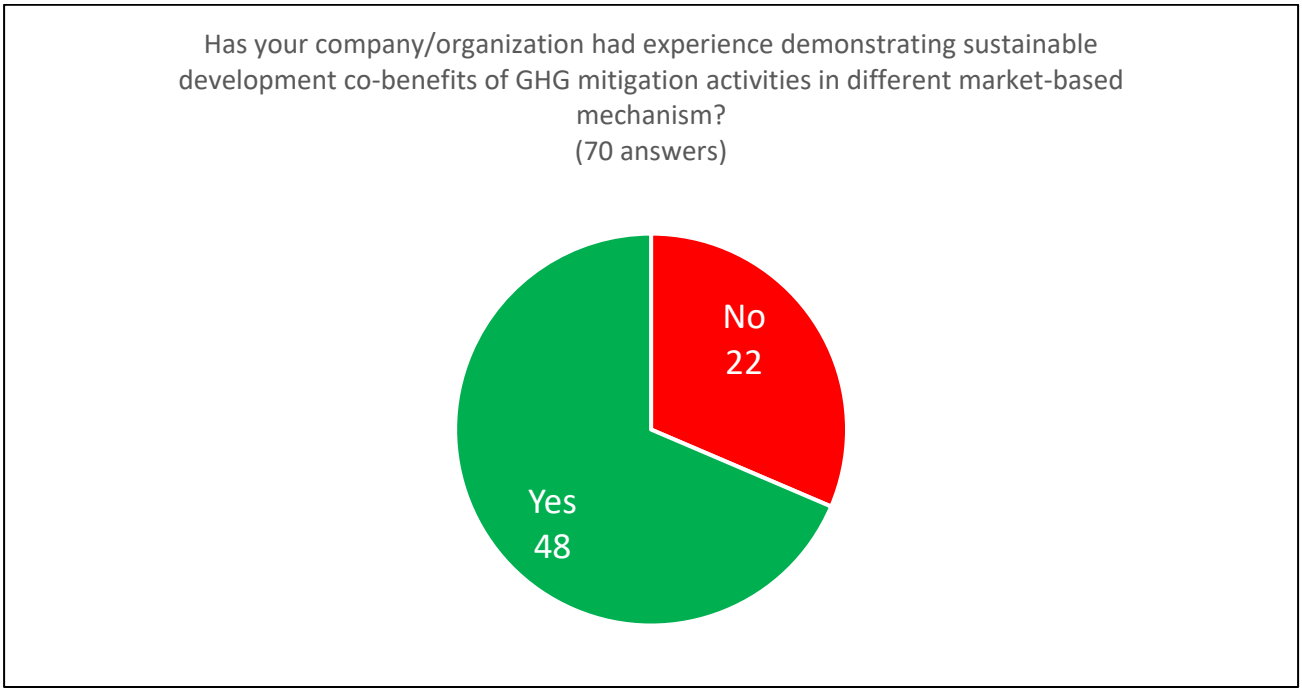
Question 1.



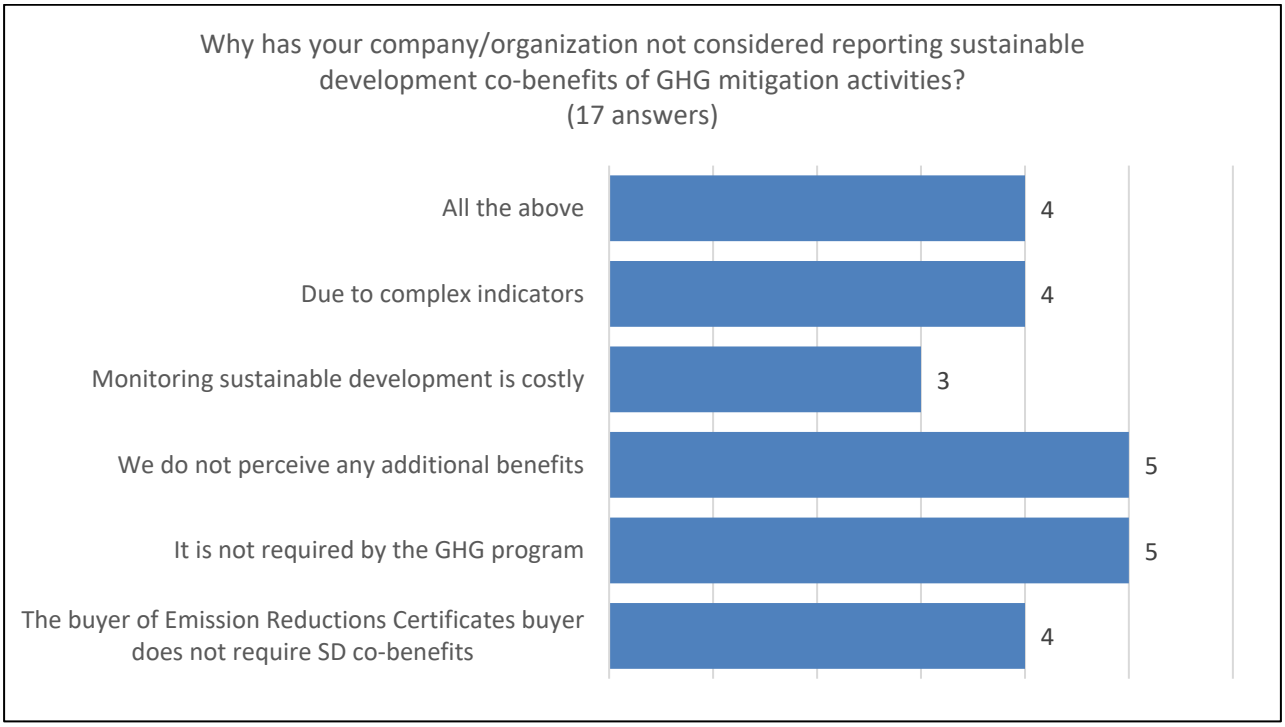
Question 2.



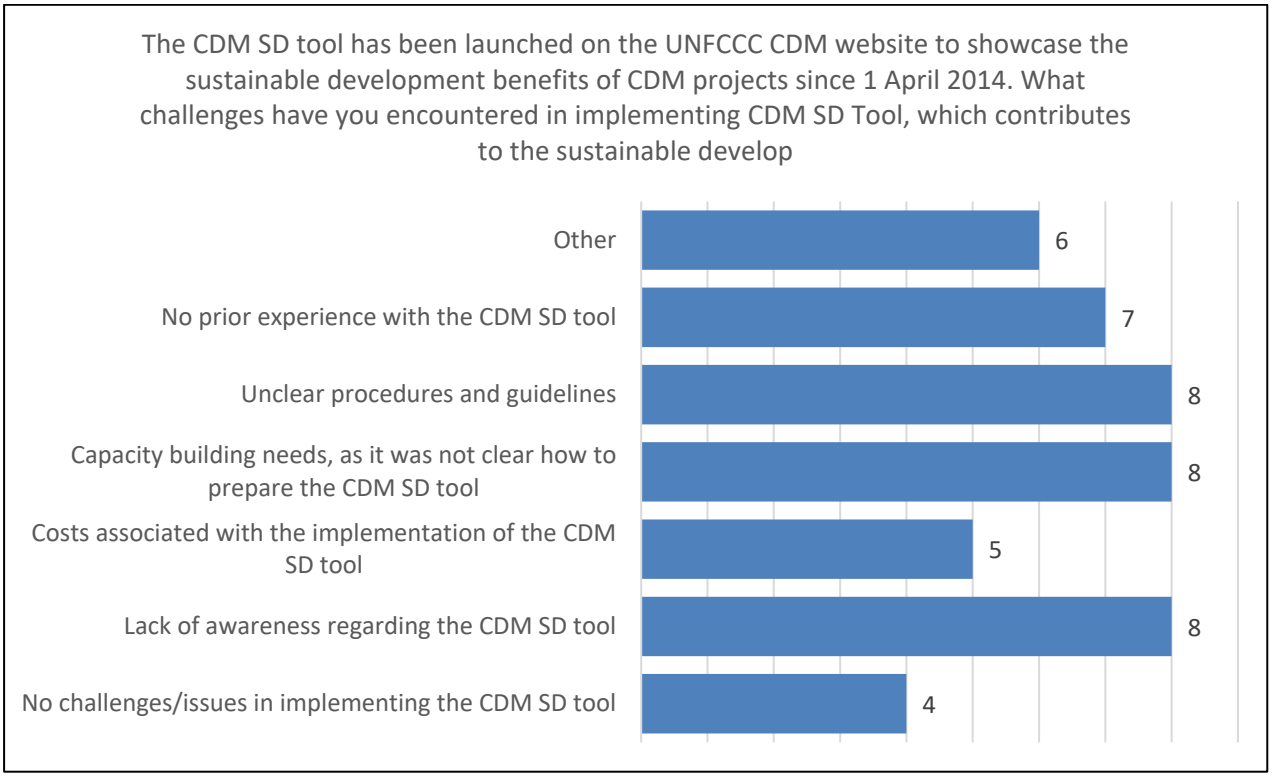
Question 3.



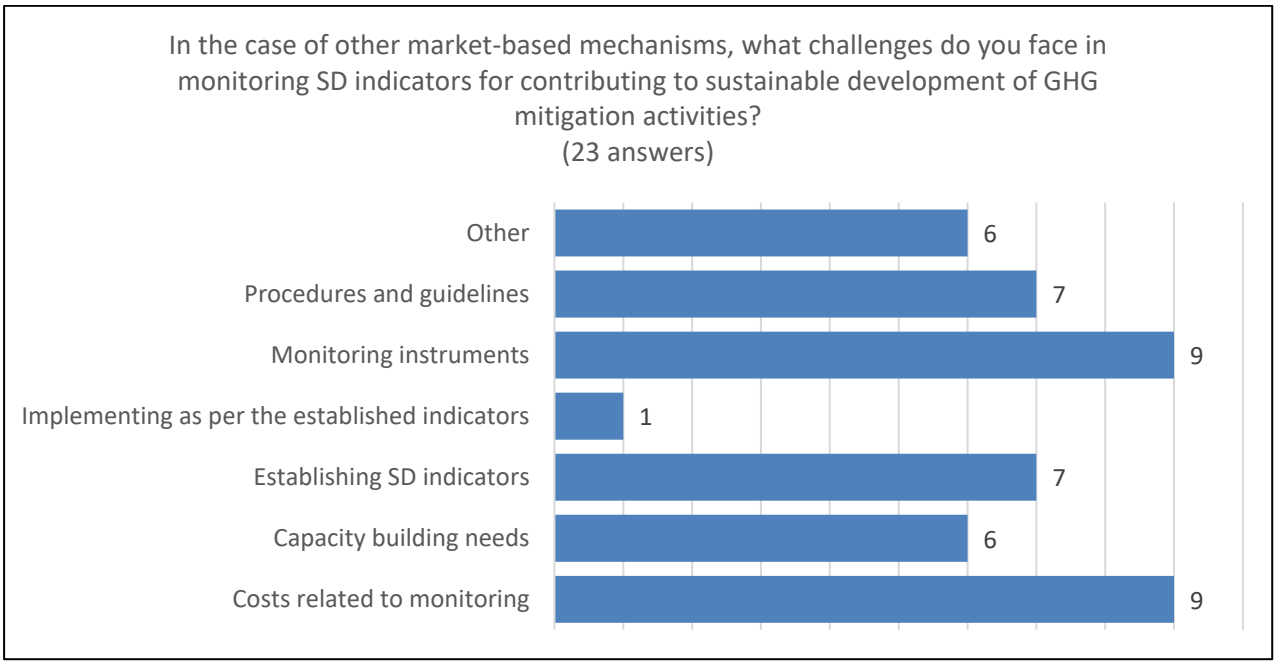
Question 4.



Question 5.



Question 6.



Question 7.

Based on your experience, could you share the challenges faced in monitoring indicators for Social and economic co-benefits (such as the total number of jobs created/maintained by the

project, gender wage equity, etc.) that contribute to the sustainable development co-benefits of GHG mitigation activities?

Answer 7:

14 participants provided their responses to the question and the summary of the answer are as shown below:

- No challenges faced in monitoring indicators for Social and economic co-benefits related to sustainable development co-benefits of GHG mitigation.
- Easy to collect, monitor, and report indicators if projects benefit local communities, especially with Gold Standard certification. However, it's expensive, affecting carbon credit prices.
- Need for skills development and capacity building for monitoring indicators during project implementation.
- Tools should clearly describe sources to verify project co-benefits. Uncertainty exists regarding certain project impacts, like temporary jobs or partial-time employees.
- Co-benefits should be calculated without values solely for GHG emission reductions. Methodologies developed for quantifying various benefits, which are cost-efficient and reduce risks of arbitrary challenges and corruption.
- Lack of well-prepared methodologies makes SDGs reporting less influential in decision-making. GS SDG Impact Tool is superior to CDM SD Tool. Emphasis on real data, user awareness, and data management.
- Challenging to determine additional benefits over standard benefits, especially when government initiatives are involved, like in health or poverty reduction.
- Project-level monitoring is inadequate for assessing macro-economic impacts such as job creation or wage equity.
- Absence of updated and authentic databases.
- Development of a biodiversity park led to enhanced biodiversity, carbon sink creation, and local employment. Training provided to unskilled workers in biodiversity.
- Importance of establishing a clear connection between activity and indicator. Need for robust, easily measurable, and cost-effective indicators.

Question 8.

Based on your experience, could you share the challenges faced in monitoring indicators for Environmental co-benefits (such as the number of households that observed a reduction in PM 2.5 and carbon monoxide concentration, area under sustainable agriculture, etc.) that contribute to the sustainable development co-benefits of GHG mitigation activities (Open-Ended Response)?

Answer 8:

12 participants provided their responses to the question and the summary of the answer are as shown below:

- No challenges faced in monitoring indicators for Environmental co-benefits related to sustainable development co-benefits of GHG mitigation.

- Qualitative assessment used to gather data, with questions posed to users. No challenges encountered.
- Challenge in attributing Environmental Indicators directly to GHG Mitigation activities.
- Tools should clearly describe sources to verify project co-benefits. Uncertainty exists regarding certain project impacts.
- Default values, including for PM 2.5, are used to simplify impact quantification.
- Indicators are poorly designed with minimal guidance on measurement.
- Shortage of monitoring data, instruments, and trained personnel.
- Parameters are tracked broadly, not specific to each locality. Monitoring in rural project areas is challenging and often unreliable.
- Limited access to or genuine interest in the broader economic impacts.
- Absence of scientifically proven, area-based studies.
- Similar concerns as point 6, but to a lesser degree.

Question 9.

Based on your experience in implementing, monitoring and reporting the sustainable development contribution of GHG mitigation activities, please provide your recommendations and/or expectations that should be considered in the development of the Article 6.4 SD tool (Open-Ended Response).

Answer 9:

13 participants provided their responses to the question and the summary of the answer are as shown below:

- Assessment is straightforward using web-based software.
- Emphasis on Article 6.4 Mechanism aligning with Sustainable Development Mechanism: Must support Agenda 2030, especially after setbacks from COVID-19, the Ukraine war, and climate disasters; Mandatory reporting on at least 5 SDGs beyond Goal 7 and 13; Mandatory reporting on all Targets and Indicators specific to the project's context; Rigorous monitoring by Host Parties for SDG contributions; Host Parties should provide annual reports aligned with their Nationally Determined Contributions to UNFCCC; UNFCCC should release a yearly compendium of Good Practices; UNFCCC should accredit the Sustainability Features of projects under Article 6.4 for better Emission Reduction Unit pricing.
- Projects claiming SDG achievements should have clear indicators in the PDD, verified annually by third parties.
- Recommendations for the Article 6.4 SD tool: Align with SDGs; Adopt a comprehensive and holistic approach; Engage stakeholders; Contextualize; Ensure robust measurement and verification; Maintain transparency and accountability; Offer training and knowledge sharing; Adopt a long-term perspective.
- Enhance the tool for both quantitative and qualitative analysis of Co-Benefits at various project stages.

- The SD tool should be interactive, allowing inclusion of relevant SDGs and indicators based on project type.
- Opposition to Article 6.4's involvement with the UN due to perceived corruption and past issues with CDM.
- Article 6.4 SD Tool should include Risk Safeguards and Impact Benefits: Ensure projects with low integrity are ineligible; UN Team and Auditors need proper training; A separate committee of experts should provide feedback to the RIT team; Emphasize a flexible and user-friendly mechanism for measurement.
- Comprehensive description of monitoring tools/equipment should be included, with verifiers validating these during project validation.
- The calculation methodology and assurance process require a review.
- The tool should be easier to understand, with a focus on capacity building and awareness.
- Advocate for SD with activity descriptions but avoid mandatory quantitative evaluations of indicators; relate to SDG.

Appendix 3. Safeguards Principles definitions[1]

1. Environmental

Principle 1: Climate and Energy: any proposed activity shall not increase gas emissions (GHG) over the baseline scenarios (unless this is specifically allowed by the Art 6.4 applied/approved methodology). Activities shall also not affect the availability and reliability of energy supply to other users.

Principle 2: Air, land & water: refers to hazardous and/or non-hazardous pollutants in the solid, liquid or gaseous phases, and includes other components such as thermal discharge to water, emissions of shorthand long-lived climate pollutants, plastics, biomedical waste, nuisance odours, noise, vibration, radiation, electromagnetic energy, water consumption, water water discharge and the creation of potential visual impacts, including light.

Principle 3: Ecology & natural resources: consider direct, indirect, and cumulative activity-related impacts on habitats and the biodiversity they support. It consider threats to biodiversity, for example, habitat loss, degradation and fragmentation, invasive alien species, overexploitation, hydrological changes, nutrient loading, pollution and incidental take, as well as projected climate change impacts.

2. Social

Principle 1: Human rights: The activity developer shall respect international human right

Principle 2: Labour: refers to the importance of employment creation and income generation in the pursuit of poverty reduction and inclusive economic growth. To promote social labour and working conditions the following has to be considered:

i. To promote education programs for local communities to access to labour opportunities created by the proposed activity
ii. To promote the fair treatment, non-discrimination, and equal opportunity of project workers.
iii. To protect project workers, including vulnerable workers such as women, persons with disabilities and migrant workers, contracted workers, community workers, and primary supply workers, as appropriate.
iv. To prevent the use of all forms of forced labour and child labour.
v. To support the principles of freedom of association and collective bargaining of project workers in a manner consistent with national law.
vi. To provide project workers with accessible means to raise workplace concerns.

[1] GCC (2022). Environment and Social Safeguards Standard. https://www.globalcarboncouncil.com/wp-content/uploads/2022/09/Environment-and-Social-Safeguards-Standard.V3.0-1_.pdf.
GoldStandard (2023) Safeguarding Principles & Requirements.
IADB (2020). Environmental And Social Policy Framework. https://blogs.iadb.org/sostenibilidad/en/espf-environmental-and-social-policy-framework-in-a-nutshell/.

Principle 3: health and safety: Project activities, equipment, and infrastructure can increase community exposure to risks and impacts, this principle refers to evaluate the risks and impacts of the project on the health and safety of the affected communities during the project life cycle, including those who, because of their circumstances, may be vulnerable.

Principle 4: gender equality: refers to identifying potential gender-based risks and impacts and introducing effective measures to avoid, prevent, or mitigate such risks and impacts, thereby eliminating the possibility of reinforcement of pre-existing inequalities or creating new ones.

Principle 5: Land acquisition and involuntary resettlement[2]: activity-related land acquisition and restrictions on land use can have adverse impacts on communities and persons. Project-related land acquisition or restrictions on land use may cause physical displacement (relocation, loss of residential land, or loss of shelter), economic displacement (loss of land, assets, or access to assets leading to loss of income sources or other means of livelihood) or both. Involuntary resettlement should be avoided.4 Where involuntary resettlement is unavoidable; it will be minimized and appropriate measures to mitigate adverse impacts on displaced persons (and on host communities receiving displaced persons) will be carefully planned and implemented.

Principle 6: Indigenous peoples: refers to respect and take into account the rights of Indigenous Peoples and individuals as contained in applicable legal obligations and commitments, which include pertinent national legislation, applicable international law, or in indigenous legal systems. Indigenous legal systems are those that are recognized under national laws. In the absence of such laws, indigenous systems will be recognized if they are not inconsistent with applicable national legislation and international laws. Projects can also create opportunities for Indigenous Peoples to participate in and benefit from project-related activities that may help them achieve their aspirations for economic and social development with identity. Furthermore, Indigenous Peoples may play a role in sustainable development by often promoting, owning, and managing activities and enterprises as partners in development.

Principle 7: Corruption: Corruption undermines national security and the rule of law, stunts development and equitable economic growth, exacerbates the impacts of climate change and other shocks, and saps governments of legitimacy, eroding faith in democracy itself. It diverts resources that are needed to lift people out of poverty, improve health outcomes, and ensure that children have access to a quality education. Activity participant and any involved stakeholder shall detect and respond to corruption while designing, commissioning and operating the proposed activity.

Principle 8: Cultural heritage: cultural heritage provides continuity in tangible and intangible forms between the past, present, and future. People identify with cultural heritage as a reflection and expression of their constantly evolving values, beliefs, knowledge, and traditions. Cultural heritage, in its many manifestations, is important as a source of valuable scientific and historical information, as an economic and social asset for development, and as an integral part of people's cultural identity and practice Activity participant shall avoid impacts on cultural heritage. When avoidance of impacts is not possible, it will identify and implement measures to address impacts on cultural heritage by develop a Cultural Heritage Management Plan.

[2] Resettlement is considered involuntary when affected persons or communities do not have the right to refuse land acquisition or restrictions on land use that result in displacement.

3. Economic

Principle 1: Economic impacts: Refers to promote equitable, sustainable economic growth and stability and ensure that projects respect and promote fundamental principles and rights at work, promote the right to decent work, fair treatment, nondiscrimination, and equal opportunity for workers, and prevent the use of forced labour and child labour. Activities shall comply with national employment and labour laws and international commitments and prioritises appropriate and properly considered local employment and procurement wherever possible. Recognises the principle leave no one behind by protecting and supporting workers at heightened risk, with a special focus, as appropriate, on women workers, young workers, migrant workers, workers in the informal economy and workers with disabilities. Finally, ensures safe and healthy working conditions, and the health of workers.

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Document information

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02.0	30 August 2023	Revisions to text in paragraphs 5 and 14.
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Document Type: Information note
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Related documents:

24 February 2023	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 1.1)