

Article 6.4 Supervisory Body
United Nations Framework Convention on Climate Change

April 22, 2024

Re: SBo11 annotated agenda and related annexes

Comment on the draft Sustainable Development Tool, Version 04.0¹

Transmitted electronically to A6.4mechanism-info@unfccc.int

The Institute for Agriculture and Trade Policy (“IATP”),² an accredited observer organization, appreciates this opportunity to comment briefly on the draft Sustainable Development Tool (“SDT”). IATP thanks the Secretariat for its summary of inputs received to the draft SDT and for its responses to those inputs. We are grateful for the many improvements to the draft SDT, particularly the guiding questions for activity participants to answer and for Designated Operating Entities (DOEs) to review and validate in the Environmental and Social Safeguards Risk Assessment and the Environmental and Social Safeguards Management Plan.

The Secretariat has recommended that the SB adopt the draft SDT (paragraph 12a, p. 11), subject to future revisions once the SB has agreed on rules pertaining to removals, including revisions to Appendix 10n LULUCF (Land, Land Use Change and Forestry) (paragraph 13, p. 11). We expect these revisions to be substantial and that they will merit comments both by Parties and observers. Before the SB adopts the draft SDT and considering the different views of SB members about the removals (and methodologies) recommendation, IATP requests that the SB consider the following comments among others.

Status of the application of social and environmental safeguards in the SDT

The evolution of the SDT drafts has raised for IATP a question about the status of the application of social and environmental safeguards in the Article 6.4 mechanism. Briefly put, the question is whether the application of “robust social and environmental safeguards” is mandatory for Parties, DOEs and emissions removal and reduction activity participants or whether the safeguards are subject to this proviso: “The A6.4 SD tool has been developed based on Decision 3/CMA.3 para 24(a), “the consideration of sustainable development is a national prerogative.” (Table 1, Summary of analysis and submissions, p. 4, in response to input concerning the status of human rights in the application of environmental and social safeguards.) However, Decision 3/CMA.3 paragraph 24 also states, “The Supervisory Body shall, in

¹ <https://unfccc.int/sites/default/files/resource/A6.4-SBo11-AA-06.pdf>

² To learn more about IATP’s climate change work, including our participation in COP27, please consult <https://www.iatp.org/climate-change>. Our most recent contributions to Article 6.4 related matters are a November 1, 2023 letter to the Supervisory Body (<https://www.iatp.org/documents/iatp-comment-unfccc-supervisory-body-draft-recommendations-article-64-mechanism>) and November 30 and December 1, 2023 inputs to the SDT, version 02.0 template. We also submitted a March 12, 2024 letter to the International Organization of Securities Commissions concerning its discussion paper on Voluntary Carbon Markets: <https://www.iatp.org/iatp-comment-voluntary-carbon-markets-consultation-report>

accordance with relevant decisions of the CMA: (a) Establish the requirements and processes necessary to operate the mechanism, relating to, inter alia: . . . (x) The application of robust, social and environmental safeguards.”

In the Secretariat’s “Cover Note” to the draft SDT, the SB’s intended status of the application environmental and social safeguards would seem to comport with a reading that the application is mandatory: “At its fourth meeting, the Supervisory Body . . . requested the secretariat to develop a sustainable development tool for the Article 6.4 mechanism (A6.4 SD tool), 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;” (paragraph 3A, p. 2). IATP would like the SB to clarify in the draft SDT that the mandatory use of the SDT by Parties, their DOEs and activity participants requires the application of social and environmental safeguards, including the A6.4 Environmental and Social Safeguards Risk Assessment Form, and the A6.4 Environmental and Social Management Plan Form, as well as the use of the A6.4 Sustainable Development Tool Form.

Because “The Supervisory Body requested the secretariat to prepare a draft A6.4 SD tool, taking into account to [inter alia] . . . Reflect balance between host Party priorities and safeguards principles,” we are moved to ask, what is the status of the safeguards, if there is a conflict between the Host party priorities and the application of the safeguards? (paragraph 5h, p. 3)

Underlying this semantic ambiguity is the more concrete tension between compliance of activity participants with host country legal and regulatory requirements and activity participant compliance with responding to the A6.4 Environmental and Social Safeguards Risk Assessment Form, and the A6.4 Environmental and Social Management Plan Form and DOE validation and verification of those documents. The draft SDT states, “While an activity is expected to comply with host country regulations applicable to the proposed activity, the outcome of the assessment of environmental and social safeguards (A6.4 Environmental and Social Safeguards Risk Assessment and A6.4 Environmental and Social Management Plan) shall be shared at the local stakeholder consultation.” (paragraph 17, p. 19)

Precisely because the SB has neither the means nor the authority to verify compliance of activity participants with host country legal and regulatory requirements, the draft SDT should clearly state in a chapeau at the beginning of “Section 5: Environmental and social safeguards” that validation, verification and sharing of the safeguard outcomes is mandatory. Furthermore, we contend that reporting of those electronically tagged outcomes to the Article 6.4 registry should be mandatory. (This electronic tagging of environmental and social safeguard outcomes per the principles taxonomy would be like the electronic tagging of financial statements to make them both human and computer readable.³) Prospective buyers of Article 6.4 credits authorized by host country governments for sale by Parties to non-Parties likely will wish to conduct due diligence concerning the outcomes of the application of environmental and social safeguards for those activities that a credit represents. Failure to make those outcomes electronically searchable on the Article 6.4 registry could impede purchase of authorized credits.

³ E.g., Jia Wu and Miklos Vasarhelyi, Rutgers Accounting Web, “sXBRL: A New Tool for Financial Electronic Reporting,”

<https://raw.rutgers.edu/MiklosVasarhelyi/Resume%20Articles/CHAPTERS%20IN%20BOOKS/C15.%20XBRL%20new%20tool.pdf>

Recommendations on sharing the outcomes of the assessment of environmental and social safeguards with local stakeholders

The current terms for sharing the outcomes of the environmental and social safeguards assessments are not specified to make the sharing useful for local stakeholders. In IATP's November 30 and December 1, 2023, comments to the template for input to the draft SDT, version 02.0, we made a few recommendations that are adapted for this comment.

First, the presentation of outcomes should be published in the native languages of those living within and immediately adjacent to the removals and reduction activities and made available well in advance of the local stakeholder consultation. A presentation, e.g., on PowerPoint, of the outcomes only in the official language of the host country does not provide meaningful sharing. Nor will local stakeholders be well prepared to ask questions of DOEs about the outcomes documents unless they are printed in their native languages and made available at least two weeks prior to the local consultation.

Second, the draft SDT should be amended to state that DOEs will inform local stakeholders that the SB is negotiating the terms of an Appeals and Grievance Mechanism and that the text of that Mechanism will be printed and distributed in both the official and indigenous languages of the host country. In the best of all possible worlds, the draft Appeals and Grievance Mechanism text and the draft SDT would be finished and recommended simultaneously to the CMA for their adoption and entry into force.

A recommendation on consulting with local stakeholders regarding measures and actions taken to remediate negative impacts of removal and reduction activities

IATP recommended regarding Section 5, paragraph 13d of version 02.0 of the draft SDT that activity participants publish their proposed measures and actions to remediate negative impacts of emissions reduction and removal activities. We add now to that recommendation that the proposed measures and actions be the subject of a local stakeholder consultation facilitated by the DOE in the languages of activities project. The DOE should report to the host country government the results of the local stakeholder consultation. The DOE should validate the likely efficacy of activity participant proposed measures and actions and verify to the host country government how the measures and actions have remediated the identified negative impacts of removals and reduction activities.

Conclusion

IATP thanks the Secretariat for its preparation of the draft SDT and thanks the SB for its consideration of our recommendations. Unfortunately, conflicts with other work commitments prevent us from commenting on other items of the SB's complex and extensive annotated agenda. IATP hopes that these comments assist the SB to finalize the draft SDT for recommendation to the CMA at COP29.

Respectfully submitted,

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