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# SUSTAINABLE DEVELOPMENT

In accordance with Article 6.1 of the Paris Agreement, alongside the objective of climate change mitigation, Sustainable Development (SD) is recognised as one of the key goals of voluntary carbon market cooperation. Furthermore, Article 6.2 mandates countries to report on the contribution of cooperative approaches to SD objectives. Under the PACM (Article 6.4), sustainable development is a key objective but also a national prerogative, as host countries are obligated to confirm and provide information on how an activity fosters sustainable development upon the approval of the activity. This underscores the integral role of SD within the comprehensive strategy of a host country<sup>1</sup> as well as NDCs.

The [Article 6.4 Sustainable Development Tool](#), initially adopted in 2024, provides host countries with stringent and structured guidance on how to promote and assess SD within Article 6 activities. Sustainable development is a crucial consideration for providing activity approval from the DNA.

The tool, developed consists of three main components:

## 1. Environmental and Social Safeguards

The SD Tool embeds 11 strict environmental and social protections. Projects must identify, assess, and address potential impacts on ecosystems and communities, ensuring no harm is done. A respective management plan has to be developed.

## 2. Sustainable Development Impact

Beyond positive contributions, project proponents must also identify and report potential negative impacts and demonstrate how they prevent or mitigate them. The structured framework for assessing SD impacts has to be implemented in a systematic and transparent way

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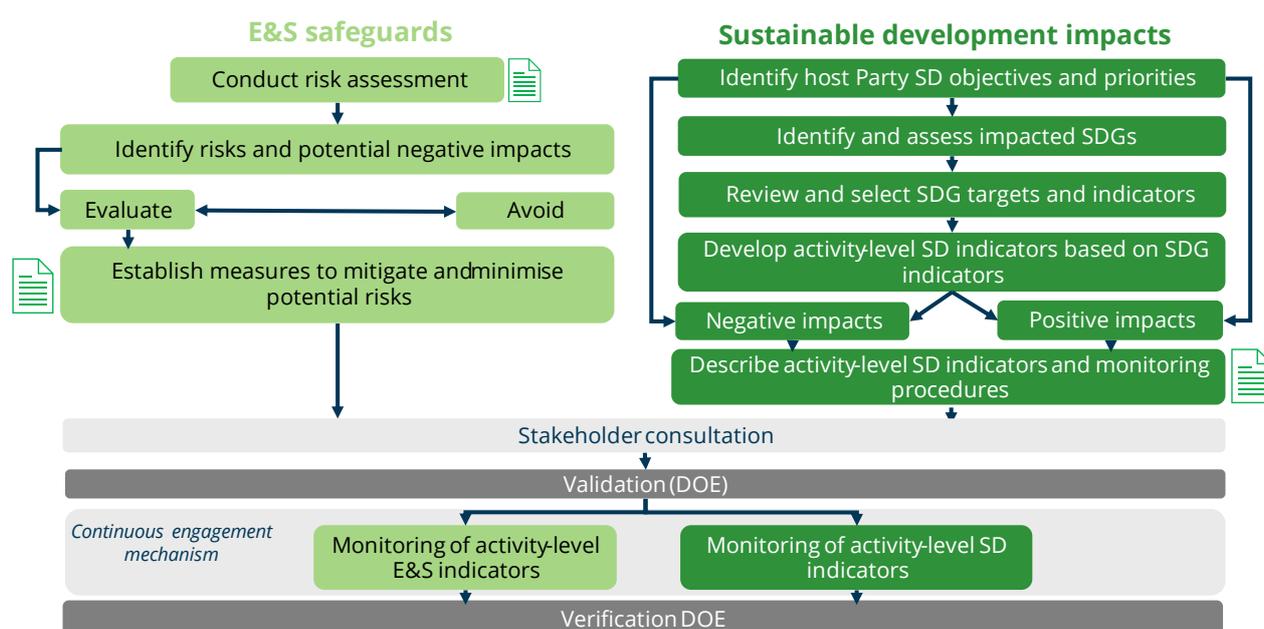
<sup>1</sup> Michaelowa, Axel; Samaniego, Ximena; Kessler, Juliana; Ahonen, Hanna-Mari; Spence, Chris (2022): Pocket Guide to Article 6 under the Paris Agreement; ECBI, Oxford.

### 3. Validation and Verification

The Tool applies a robust validation and verification system, supported by ongoing stakeholder engagement and monitoring, ensuring accountability throughout the project's lifecycle rather than only at the initial assessment.

Figure 1 presents a flowchart of the tool to provide a clearer visual understanding of its components.

Figure 1. A6.4SD tool flow chart



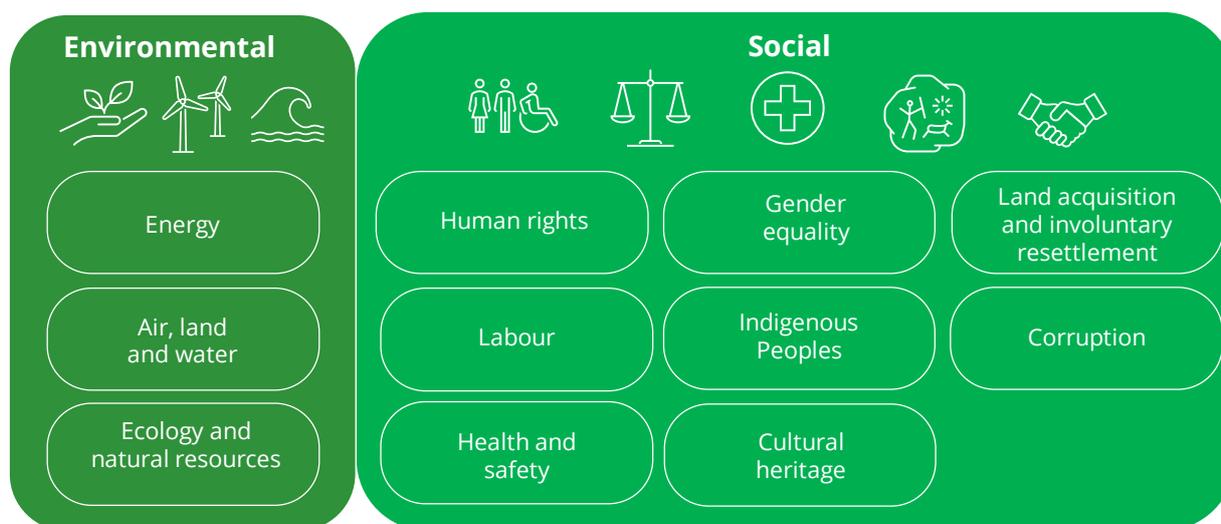
Source: Authors, adapted from [Article 6.4 Sustainable Development Tool](#)

### Environmental and Social (E&S) safeguards

The Article 6.4 SD Tool includes Environmental and Social (E&S) safeguard areas to ensure that mitigation activities do not cause harm and contribute positively to sustainable development. As shown on Figure 2, these safeguards cover aspects such as biodiversity, water and soil protection, community well-being, labor rights, and gender equality, guiding host countries in evaluating potential impacts and promoting responsible project implementation.

- Participants must identify, evaluate, avoid where possible, minimize, and mitigate any potential negative impacts. These assessments are documented in dedicated forms (e.g., environmental and social risk assessment and management plans).
- Monitoring procedures for defined activity-level E&S indicators must be established and reported over the crediting period, and validated/verified by a designated operational entity.

Figure 2. E&S safeguard areas



Source: Perspectives Climate Group (2025)

## Approach and Indicators

For addressing sustainable development, the A6.4SB requires a “**bottom-up approach**”.<sup>2</sup> This approach initially places the responsibility of demonstrating consistency and contribution to sustainable development with the activity developers. This absolves the host country of immediate responsibility at the outset. However, it poses more challenges in terms of monitoring, potentially increases transaction costs and entails the risk of participants selectively favouring advantageous information. Although this approach requires developers to invest more effort, it produces indicators—and consequently better transparency on SD impacts—that are clearly defined, quantifiable, and tailored to the project, which in turn facilitates the integration of SD assessments into monitoring and reporting processes. Moreover, higher SD benefits can help to monetise resulting carbon credits.

For the activity-level assessment, project proponents must demonstrate alignment with national priorities and show how the activity contributes to the host country’s NDCs or long-term strategies. Each criterion is evaluated to identify potential risks and benefits. Proponents and host countries should align on the chosen indicators to ensure that assessments are accurate and comparable across projects and programmes.

Further, while the SD Tool does include a grievance mechanism, it is part of the PACM and must be robust to ensure accountability and the effective resolution of concerns related to environmental and social safeguards.

<sup>2</sup> UNFCCC (2025): [A6.4-TOOL-AC-001](#)

## Stakeholder Consultation and Validation

The SD Tool also embeds multi-stage stakeholder engagement into the validation and approval process:

- **Local stakeholder consultation:** Activity participants must share the completed SD Tool forms with local stakeholders before registration so they can raise issues or comments related to compliance with safeguard requirements.
- **Global stakeholder consultation:** Once the SD Tool forms are completed, a global consultation is opened where Parties, stakeholders, and UNFCCC-accredited observer organisations can submit comments.
- Inputs received from both consultation processes must be considered by activity participants, and any relevant revisions to risk assessments and plans should be reflected in the SD Tool forms submitted for validation.
- After activity registration, continuous engagement mechanisms must be maintained so that stakeholders can comment on compliance with the SD Tool throughout the crediting period.

All assessments, mitigation measures, and stakeholder feedback are documented and made publicly accessible to enhance transparency.

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