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*Equity Considerations Related to the Paris Agreement's Sustainable Development Mechanism*

The promotion of sustainable development is one of the key objectives that signatories of the UNFCCC have signed up to. One of the means in support of this objective is the Clean Development Mechanism (CDM) under Article 12 of the Kyoto Protocol. The CDM was not only intended to help developed countries meet part of their emission reduction obligations by using the cheaper mitigation potential in the Global South but resulting offsets also ought to contribute to sustainable development. Ideally, a strong sustainable development component in all offsetting projects would improve local living conditions in the Global South and therefore be one avenue through which climate change mitigation measures could foster equity.

In practice, however, measures undertaken under the CDM have paid little attention to sustainable development and the main focus has been on maximizing mitigation outcomes. The sustainable development objective has merely been treated as a co-benefit that has rarely been included in decision-making frameworks on offsetting measures and has even less frequently been measured. In response to this, parties adopted the new Sustainable Development Mechanism (SDM) in Article 6.4 of the Paris Agreement. It also allows for the establishment of a market for carbon offsets but links this – at least rhetorically – much more clearly than the CDM to the simultaneous fostering of sustainable development.

While many have presented strong arguments against carbon offsetting and emission trading per se, with the SDM it looks like they are there to stay for years to come. I therefore suggest that one crucial task for climate equity research will be to critically monitor the shape and effectiveness of the SDM as it will be developed over the coming years. The central question in this regard is whether the SDM will be more than a re-labelling of the CDM and actually strengthen social and equity concerns in carbon offsetting. Addressing this question raises two sets of interrelated subordinate questions.

First, how will sustainable development benefits be defined under the new mechanism? Which social benefits will count as eligible for internationally transferred mitigation outcomes? How will sustainable development benefits be measured under the SDM? And what does this reveal about politically dominant understandings of sustainable development and – eventually – equity?

Second, under which conditions could the SDM actually be successful? Is a more consistent inclusion of sustainable development criteria likely to make the system much more complicated and increase transaction costs to a degree that there will be substantially less buyers on the (voluntary) carbon market? As all countries have now adopted mitigation obligations, will developing countries increasingly try and use their cheap emission reduction potentials themselves and be much more hesitant to host carbon offsetting projects in the first place?