INVESTOR BRIEFING:

RENEWABLE ENERGY IMPACTS ON COMMUNITIES

The Paris climate agreement and the Sustainable Development Goals have signalled clearly that the future of energy is renewables - not only to curb the devastating effects of climate change but to provide clean and affordable energy to all. Investment in renewable energy projects has increased close to fivefold over the past 12 years, from $62 billion in 2004 to $287 billion in 2016. As technology costs continue to drop, investments in renewable energy are increasingly recognised as providing a competitive advantage.

"Perhaps the biggest impact of the Paris Agreement is that the shift to a low-carbon economy is now seen as inevitable over some extended timeframe, not pie in the sky."
Michael Liebreich, founder of Bloomberg New Energy Finance (The Times, Future of Energy)

However, the way in which these projects are developed and implemented matters – both for local communities and for investors. There has been a rise in reports of renewable energy projects negatively affecting the communities where they operate including impacts on land, indigenous peoples, threats, intimidation, and even killings. This causes operational delays, legal costs and reputational risks, which are likely to translate in diminished financial returns for investors, as well as increased operational and capital expenditure. Fifty companies involved in renewable energy projects were approached with 10 questions on their approach to human rights in November 2016; their responses revealed weaknesses in commitments and practices to prevent negative impacts on communities. Only 10% of companies referred to the international standard of free, prior and informed consent in their responses and three out of these five companies faced allegations from communities on implementing this commitment on the ground.

Examples from the extractives sector show that company-community conflicts incur significant costs, with companies `writing off up to $379 million in assets and $1.33 billion in projected reserves. Renewable energy investors have an opportunity to learn from this and implement their responsibility to respect human rights in line with the UN Guiding Principles on Business and Human Rights.

"It is not acceptable for any business to ignore their impacts on peoples' land rights, security or livelihoods - the renewable energy sector is no different"
Mary Robinson, President, Mary Robinson Foundation – Climate Justice

Investors can engage companies to mitigate risks and improve human rights practices. By doing so they reduce risk to their investments and to local communities, while contributing to a just transition to a low-carbon economy that benefits everyone.

Investors should drive conversations with companies, particularly on achieving high standard of human rights due diligence and community engagement. Specific actions investors can take include:

- Prior to investment: Ensure human rights due diligence is undertaken as per UN Guiding Principles on Business and Human Rights (UNGPs) as a condition for investing and structure investments so as to maximise the ability to influence respect of human rights.
- During investment: Monitor human rights performance of investments and engage with companies to encourage respecting communities' rights as per the UNGPs. If the company is not receptive, increase pressure e.g. through collaboration with peers or divest.
- Both prior to and during investment: Engage with companies or asset managers with specific questions on human rights and take steps to verify information; engage with governments, civil society, trade unions, communities, and others to encourage community-led best practices and renewable energy that respects human rights.

Download the full briefing:

Business & Human Rights Resource Centre
https://business-humanrights.org/en/climate-justice

transform finance
http://transformfinance.org/

sonen capital
http://www.sonencapital.com/