

Hydropower Sustainability Assessment Council

Protocol Governance Committee meeting #7

24th September at 09.00 (BST)

Holiday Inn Sutton, London

PGC Members:

Name	Organization	Chamber
Ken Adams	President, IHA	Hydropower operators or developers
Mattia Celio	SECO	Advanced economy country governments
James Dalton	IUCN	Environment or Conservation Organisations
Roger Gill (Deputy Chair)	Hydro Focus	Hydropower consultants, contractors or equipment suppliers
David Harrison (Chair)	The Nature Conservancy	Environment or Conservation Organisations
Cameron Ironside	IHA	Management Entity
Ricardo Krauskopf-Neto	Itaipu	Hydropower operators or developers
Rikard Liden	World Bank	Development, public or commercial banks
Jian-hua Meng	WWF	Environment or Conservation Organisations
Christine van Oldeneel	Hydro Equipment Association	Hydropower consultants, contractors or equipment suppliers
Jamie Skinner	International Institute for Environment and Development	Social impacts, project affected communities
Michelle Tompson	IHA	Management Entity

Apologies

Name	Organization	Chamber
Oivind Johansen	Ministry of Petroleum and Energy	Advanced economy country governments
Emmanuel Boulet	Inter-American Development Bank	Development, public or commercial banks
Olubunmi Martins	Research Intelligence Magazine	Social impacts, project affected communities

Observers:

Name	Organization	Chamber
Aaron Salzberg	US Department of State	Advanced economy country governments
Douglas Smith	IHA	Management Entity
Simon Howard	IHA	Management Entity

Agenda:

TIME	AGENDA ITEM	PAPER	ACTION
09.00 09.10	1 Welcome, apologies, additions <ul style="list-style-type: none"> Resignations 2 Report back and update: ME 2(a) Updated strategy; 2 years Discussion: critical pathways and role of PGC	<ul style="list-style-type: none"> Annex 1: ME report Annex 2: Strategy PP 	<ul style="list-style-type: none"> Presentation Discussion
10.30	3 Protocol communications discussion: <ul style="list-style-type: none"> Action schedule 	<ul style="list-style-type: none"> Annex 3: Communications strategy and action plan 	<ul style="list-style-type: none"> Presentation Discussion
11.15	Tea		
11.30	4 Early Stage tool: <ul style="list-style-type: none"> ES Scoping Group recommendations SECO second country: application of recommendations 	<ul style="list-style-type: none"> Annex 4: ME note for discussion 	<ul style="list-style-type: none"> Discussion Action items
12.30	Lunch		
13.30	Climate change as Protocol topic		<ul style="list-style-type: none"> Presentation Discussion pathways
14.30	'How to' guides: Indigenous People		<ul style="list-style-type: none"> Presentation
15.15	Tea		
15.30	5 Any other business <ul style="list-style-type: none"> Using the Protocol in the EU ETS Protocol as a standard AA note 	<ul style="list-style-type: none"> Annex 5: Paper from AA, with comments 	<ul style="list-style-type: none"> Discussion
16.30	6 Close (and next meeting date)		

Minutes:

1. Welcome, apologies, and additions to the agenda

- The chair opened the meeting, welcomed those participating and noted the apologies received. A committee member was welcomed as an observer, having just formally joined the HSA Council, Advanced Economy Country Government Chamber.
- **There were two additions to the agenda:** A committee member would present to the meeting an update on the Protocol vs standards work and another committee member would present on EU ETS research results.
- **PGC resignations:** The Management Entity (ME) advised that a committee member had submitted his resignation from the role of Chair from the Developed Economy Chamber due to personal reasons and time constraints, which was regretfully accepted by the PGC. The meeting welcomed the fact that a committee member had agreed to step into the role as chamber Chair as per the Charter. It was noted that an election would need to be held to nominate and elect an alternate Chair.

2. Substantive issues for discussion

a) Strategy

IHA Legal status/reporting

ME noted that, effective 1 October 2015, IHA's work will be undertaken within two subsidiary legal entities, wholly owned by IHA, to be known as IHA Ltd and IHA Sustainability Ltd. IHA Sustainability Ltd, an incorporated not-for-profit company, will house the Protocol Management Entity (ME) and will exclusively undertake sustainability activities. It was noted that the restructuring had no material impact on the Protocol or its structures, and that the changes were the result of a need to limit risk to IHA members that may arise from the increased ambit of activities. The meeting noted that the restructuring presented an opportunity for greater clarity around the financial relationship between IHA and the ME and could provide reassurance to third parties that any external funding was spent solely on Protocol-related activities.

Discussion on the point included:

- Agreement that financial reporting for IHA Sustainability Ltd would be provided to the PGC at future meetings: on quarterly financial performance and that the annual audited results would be shared.
- Agreement that it would be useful to formally notify the PGC of the legal separation of the entities and their funding and management structures.

Strategic pathways

The strategy to 2017 (annex 1 to the agenda) was presented for review and discussion, highlighting the need to focus on the key pathways as outlined in the document. It was suggested that lack of incentive for developers and operators was inhibiting take-up and that use of the Protocol by financial institutions and regulatory bodies providing appropriate incentives would encourage engagement; and that this should be a key focus area for the work over the next two years.

The issue was opened for discussion, which included:

- General concern at the flat outlook for Protocol assessments and that we need to have a better understanding of the reasons for the relatively low demand.
- A proposal that diversification and more informal use of the Protocol within companies, for example, management systems training by Accredited Assessors, would encourage sustainability in the sector: the primary purpose behind tools such as the Protocol.
- Agreement that alternative, earlier pathways to Protocol uptake, such as through training and 'how to' guides, would add to uptake and achieve this outcome.
- Recognition that the strategy included actions to develop 'how-to' guides and a management systems tool, which would be useful for diversifying the Protocol consultancy services on offer.
- Suggestion that there is a need for tools or suite of products and materials that would help 'sell' the Protocol to the finance sector with guidance to assist application, and the need to better understand the financing of the sector.
- Agreement that especially within developing economy regulatory frameworks, firms providing consulting services were deeply influential in influencing tools used by governments and regulators, and that work should be done to engage with these consultancies around the Protocol.
- It was noted that as all 'commercial services' were chargeable and accrued a 10% royalty fee, the additional suite of tools would add to services on offer for revenue generation.
- To more comprehensively understand the issues behind the flat demand and the opportunities for broader use of the Protocol, it was agreed that an extensive market research program should be undertaken at the earliest opportunity.
- Ensuring that the Protocol was used by low scoring projects remained a concern, and work on the spider diagram has begun to address the perception of a 3-score. It was also recognised that civil society representatives on the PGC were ideally placed to drive messaging around the need for lower scoring projects to be using the Protocol, and agreed that these members would consider providing proactive commentary in this regard.
- The PGC Members adopted the strategy as presented to the meeting, pending revision after results of the market research study had been considered. The meeting agreed that:
 - The market research would be used to consider future work and direction for the Protocol and should thus be broad in both content and in the stakeholders it surveyed.
 - That the research would be undertaken by a professional consultancy firm that could conduct the survey to levels required to achieve appropriate results.
 - Accordingly, that an initial proposal paper was required that would provide the scope of the content of the survey and that would consider the options and costs around procurement of such a firm.
 - The PGC would meet to consider the results of the research and the future strategy, in Q1, 2016.
 - The 2013 business model/pathways document, setting out an evolved role for the ME once revenue models were in place, would be updated and submitted to the PGC for consideration at its next meeting. This was to address concerns and provide assurance that the work of the ME was focussed towards Protocol governance and marketing whereas as it is currently perceived as providing both management functions and consultancy services.

Governance structure

Prompted by a note submitted to the PGC by a committee member, as part of the discussion on strategy, the meeting considered the current governance structures of the Protocol Council, and in particular the location of the ME within IHA, with concerns around perception and the ability to direct funding into the current structure.

- It was agreed that this was one element of the larger issue around a lack of understanding of the strategic landscape within which the Protocol was operating.
- It was thus agreed that the market research program would include an assessment of the strategic environment within which the Protocol and its stakeholders operated including consideration of perceptions of the governance structures of the Protocol.
- **Action (7)2.1** The PGC requested that IHA formally notifies the PGC of the legal separation of the subsidiary legal entities and their funding and management structures in relation to the sustainability work, including the Protocol's Management Entity, being conducted within the not-for-profit: IHA Sustainability Ltd. .
- **Action(7)2.2** IHA Sustainability Ltd requested to provide quarterly financial management reports to the PGC at each meeting, along with the annual audited accounts when available.
- **Action(7)2.3:** The Strategy for the next two years (annex 2 to the agenda) was adopted pending revision once the results of the Protocol market research had been considered. This included agreement on the need to develop a 'climate change' topic within the Protocol.
- **Action (7)2.4:** The civil society members of the PGC would work together to provide a written endorsement for use of the Protocol, encouraging uptake from low-scoring projects.
- **Action(7)2.5:** The Management Entity would draft a *proposal paper* for a 'Protocol market research program for submission to the PGC by end October 2015, to include scoping of costs and possible consultants available to conduct the study.
- **Action (7)2.6:** The Management Entity would update the 2013 'pathways and business model' document and submit it to the PGC at its next meeting.

3. Communications

ME presented the external and internal communications strategic plan, highlighting the objectives and action plan. The external communications plan was centred around the website, and driving communications with the broader hydropower sector, while the internal communications focussed on the online communication platform as the key access point for and to the HSA Council. The discussions were broad and included:

- the evolving social media strategy,
- use of linked-in and twitter
- improving website traffic though appropriate search engine 'tags'
- issues and challenges in using the online platform.

As the PGC had previously endorsed the communications strategy, no formal decisions were required. The PGC noted that a number of members had agreed to continue discussions and contributions around various aspects of the communications with the ME.

4. Early Stage tool (ES)

The meeting considered two items related to the ES tool: **the outcomes of the work of the scoping group, and the next phase of the SECO project, application in a second country.**

- The first item resulted in broad agreement in the next phase of development of the ES, which included not using the 'advanced expectations' section of the tool in its next

application, and improving the Accredited Assessors' manual in order to better guide the Assessors in conducting assessments using the tool.

- Discussions on the second element were based on the outcomes of the work undertaken in Ghana and feedback from the final stakeholder workshop conducted in that country. It was agreed that there should be no explicit recommendations as to whether or not projects should proceed; and that work should be done to attempt to ensure that within the projects selected there would be increased consideration of project viability (from a perception point of view, negative impressions of the Protocol result when all projects are assessed as being unviable). It was noted that it is crucial to manage expectations and messaging both ahead of the work and during its application.
- It was also noted that further consideration should be given to managing different levels of data availability when results are presented.
- **Action (7)4.1** In applying the ES tool in the second country of application:
 - The 'advanced expectations' criteria would not be assessed in the next country of application to enable comparable analyses.
 - More care would be used in project selection.
- **Action (7)4.2** ME would work to improve the Accredited Assessor support manual with the intention that the Assessors' had further guidance available ahead of the next application of the ES tool.

5. Any other business

a) Using the Protocol in the EU ETS

A committee member provided an overview to the PGC of current work that the member and another member were undertaking in relation to the Protocol.

- The work is based on the lack of credibility of the *so-called harmonised template* in assessing sustainability of projects seeking admission to the ETS, with the proposition being that the Protocol could provide a far better means of assessing compliance with the WCD guidelines at a project level.
- The paper, still in draft form, considered the impact of increased cost resulting not just from use of the Protocol, but also the cost of addressing highlighted shortfalls in the project.
- Preliminary conclusions appear to indicate that even at relatively modest unit credit prices, the impact would not be significant.
- The member indicated that the presentation was for information purposes and advised that a full report would be made available once completed.

Decision (7) 5.1 No decision was required in this regard, however the PGC noted the importance of the paper as well as the opportunities it provided, particularly in targeting key EU countries who were providing funding for hydropower projects through the EU ETS as highlighted. Initial discussions within the PGC agreed that it was important to continue to build capacity around the Protocol in those countries.

b) 'Protocol as standard'

A committee member presented an update surrounding the draft paper prepared by OneWorldStandards, considering the risks and opportunities around the Protocol becoming a standard (noting that this matter had been the subject of an earlier decision of the PGC):

- The member noted that the report had provided much interesting analysis, and in part highlighted the possibility that the Protocol might be able to be regarded as a standard (and so qualify for ISEAL accreditation) without having to impose specific score levels in assessments.
- The member agreed to circulate the draft report and survey to the PGC and noted that the survey would be completed by hydro stakeholders to provide indications of perceptions of the use as a standard for inclusion in the final report.

Action (7) 5.2 : A committee member would circulate the draft report and survey to the PGC for review. Following which, the Management Entity would circulate the survey to the sustainability network on behalf of WWF/GIZ.

c) Accredited Assessors' Note

The meeting noted the submission of a discussion paper by a group of Accredited Assessors (AA's), and the draft response to the group. The meeting discussed key issues within the paper and agreed that a committee member, as Chair of the consultants' chamber and recipient of the document, could respond to the majority of the issues raised directly and include the conclusions of the PGC's considerations. Key points considered in the meeting included:

- **The requirement for differing levels of accreditation.** The need for greater numbers of accredited assessors was noted, as was the need to ensure that the correct skills were targeted, and that consultancy firms influential in the hydropower sector were represented amongst the assessor body. It was however agreed that differing levels of accreditation would add complication to licensing and raise quality control/governance issues. It was agreed that the Management Entity would re-visit the business model prepared during 2013 to prepare an analysis of the numbers of assessors required against several anticipated demand scenarios.
- **AA participation in the PGC.** It was agreed that it would be appropriate to reconsider the earlier decision of the PGC in this regard, and allow one representative elected by the AAs, to act as a non-voting observer to future meetings, noting that potential conflicts of interest would be managed within the meetings. It was agreed that a trial period for such participation should run until the next HSA Council Meeting in May 2017 after which it would be reviewed.
- **Publication of the PGC meeting minutes.** The meeting noted that it was appropriate that minutes of PGC Meetings should be made available on the online platform. It was agreed that any issues that required special confidentiality would be managed as needed.
- **AA contribution to discussions on the business model.** It was agreed that in light of the discussions during this meeting, this was not directly necessary, as the AAs would be included in those stakeholder groups participating in the market research work.
- **Action (7) 5.3** A committee member would respond directly to the AA discussion paper on behalf of the PGC.
- **Decision (7) 5.4** The substantive response to the AA would be as per the contents of Annex 5 to the agenda, save for the points relating to AA attendance at PGC meetings, levels of accreditation and publication of PGC minutes, which are noted separately.
- **Decision (7) 5.5** Diversifying levels of accreditation was not endorsed at this stage, but increased focus on expanding the number of AA was a priority.

- **Action (7) 5.6** ME would prepare an analysis on the number of AAs required to meet anticipated future Protocol growth rates, and report back to the PGC at its next meeting in this regard.
- **Decision (7) 5.7** For a trial period up to the next HSA Council meeting in May 2017, the AA body would be entitled to nominate one representative to attend future PGC meetings as an observer, without voting rights.
- **Decision (7)5.8** Future minutes of PGC meetings would be published on the online platform.

d) Membership applications

ME noted the recent application to join the HSA Council from a representative of the French Development Agency: Deputy Head of Sustainable Energy and transport division. There was some discussion within the PGC as to the most appropriate chamber for the representative, and a committee member agreed to take up the discussion with them.

- **Action (7)5.9** A member's membership was approved; A member would confirm which chamber they will join.

6. Date of Next Meeting:

The chair requested that the next physical meeting be held within the next 4- 6 months ideally in March 2016 in conjunction with an appropriate project or event.

- **Action (7) 6.1** Management Entity will circulate doodle-polls with various dates.