

**Protocol Governance Committee
Meeting #16– 28/11/2017
Minutes**

In attendance

Name	Organization	Chamber
PGC Members		
Rikard Liden (Chair)	World Bank	Development, Public or Commercial banks
Ken Adams	IHA	Hydropower Operators and Developers
Roger Gill (Vice-Chair)	Hydro Focus	Hydropower Consultants, Contractors or Equipment Suppliers.
Daniel Menebhi	SECO	Advanced Economy Countries
Jian hua Meng	WWF	Environment or Conservation Organizations.
Professor Shi Guoqing	Hohai University, China	Emerging Economy
Lesha Witmer	Women for Water Partnership	Social Impacts, Project Affected Communities
Alternates		
Gabriel Todt de Azevedo	Inter-American Investment Corporation	Development, Public or Commercial banks
James Dalton	IUCD	Environment or Conservation Organizations.
Dan Marlone	Ugandan Hydropower Association Ltd	Hydropower Operators and Developers
Jürgen Schuol	Voith	Hydropower Consultants, Contractors or Equipment Suppliers.
Management Entity (IHA)		
Frank Faraday		
Richard Taylor		
Joao Costa		

Apologies

Name	Organization	Chamber
Geir Yngve Hermansen	Norad	Advanced Economy Countries

**HYDROPOWER SUSTAINABILITY ASSESSMENT PROTOCOL
GOVERNANCE COMMITTEE MEETING #16
November 28th 2017 – 12h00-14h00 (UTC)**

Audio Call

AGENDA

Chair: Rikard Liden

No	AGENDA ITEM	PAPER
1	Introductions and Welcome from the Chair	PGC 16.1: Minutes (approved)
2	Adoption of Agenda	PGC 16.2: Draft Agenda
3	<p>Report from Chamber Chairs on Council Consultation on:</p> <ul style="list-style-type: none"> • Revised draft ESG Gap Analysis tool in the preparation stage • Draft new Climate Change Mitigation and Resilience Protocol topic also for the preparation stage. <p>Decision and agreement on amendments to final version.</p>	<p>Report from Chamber Chairs</p> <p>For Reference:</p> <p>PGC 16.3a. Revised draft ESG Gap Analysis tool in the preparation stage PGC 16.3b. Draft new Climate Change Mitigation and Resilience Protocol topic also for the preparation stage.</p>
4	Any Other Business	
5	Next Meeting	

Minutes

1. Opening Remarks and adoption of the agenda

The Chair opened the meeting and reminded participants that the purpose for this meeting was specifically to address the outcome of the Council consultation on the draft Environmental, Social and Governance Gap Analysis Tool and draft Climate Change Mitigation and Resilience topic. Regular PGC business would be postponed until scrutiny of both documents was finalised. With regards to the agenda and on the suggestion of the Chair, the meeting agreed to change the order of proceedings to deal with the climate change topic first before going on to the ESG Tool.

2. Climate Change

The Chair opened a discussion from the chamber chairs and alternates and asked them to resume the comments received by their respective chambers. Topics addressed concerned primarily:

- The use of threshold values in the Protocol
- Consideration of adaptation services under good practice as well as in proven best practice.
- The possibility to admit assets for bond financing that have a higher emissions value than 100g but which bring broader mitigation benefits.
- The use of independent verifiers to verify G-Res tool calculations.

The following is a list of major areas of discussion within the above points that culminated in an action being noted.

A. Adaptation services considered under good practice for climate resilience:

A discussion took place as to whether adaptation services should be considered in any plans as part of good practice with the distinguishing feature being that for best practice these plans should actually be implemented. Opportunities for adaptation should be identified as part of the assessment and should include such benefits to other systems.

B. The use of threshold values in the Protocol

This point was raised by a member who mentioned that it was originally thought that the CBI would establish these threshold values rather than the PGC making these decisions. The PGC was not accustomed to making such decisions in his view. Another member added that there needed to be justification for the use of thresholds in the climate change topic and some substantiation as to why they have been chosen. He continued to reiterate the need for consistency in the methodology adopted and the timeframe for the assessment of emissions. A member raised the issue of the basis on which the 100g emissions was chosen and questioned how reliable it was. Moving on to the topic of the potential of projects to lead to

broader emissions reductions of the energy matrix, another member mentioned that there are cases – especially in island countries such as Haiti or the Dominican Republic – where projects will exceed the emissions threshold in isolation but, in the context of their countries' energy matrices, will lead to substantial avoided emissions. There was broad agreement that the mitigation potential of such assets should be taken into account in the language of the Climate Change topic. The Chair added to the debate by saying that a threshold can be replaced by a counterfactual analysis to demonstrate a project is a mitigation project. ME reiterated his view that the decision tree process together with a threshold should be kept for the assessment statement but deleted under the outcome statement so as to allow projects that have higher emissions but that present wider mitigation opportunities to be eligible. After some further discussion, it was agreed that the threshold should be retained as part of the assessment but not as part of the outcome.

Actions

Action 1: The ME will review the language in the assessment statement for good practice around eligibility where a project's emissions are in excess of 100g with a view to incorporating language around the broader mitigation benefits to an energy system.

Action 2: Under climate resilience, the assessment scoring statement will be changed to add the consideration of adaptation services for good practice.

Action 3: The mention of the threshold of 100g will be removed from the 'outcome' scoring statement.

3. Environmental, Social and Governance Tool

Taking the same format, the Chair opened the floor for discussion around the ESG Tool and asked chamber chairs to present the comments received from their respective members. A variety of issues surrounding the tool were discussed, of which many of the points raised went beyond the mere text of the draft. The conversation included:

- The role of self-assessment in the ESG Tool
- Handling of legacy projects in the ESG Tool to avoid the most egregious existing projects being eligible for green bond financing;
- Project siting in protected areas
- How the tool is communicated and expectations around the robustness of the assessment;
- Perceived emphasis on cost and the focus on social groups other than indigenous peoples.

A. Traffic light system for identified gaps

A discussion started around the binary nature of the tool and how gaps are described. Speaking on behalf of the advanced economy chamber, a member stated that it might send

the wrong signal to have a sea of red and green rather than colours that differentiate the severity of the gaps. Another member had a different view, stating that the ESG Tool must remain binary as you either have a gap or no gap. The discussion continued with an exchange of views about the role of the assessor in the identification of gaps and their judgment on the severity of the gaps. In the view of a member, as this would be a decision making tool, the ESG Tool should not have more than a binary outcome. ME supported that argument, mentioning that there would be a two-step process in the accreditation process: one where significant gaps are identified in a binary exercise and a second step where the assessor's judgment is called on to judge how quickly gaps can be closed. The consensus that emerged was that the ESG Tool should remain a binary one and that the chart on page 6 showing a timeframe for closing the gaps is a significant improvement. The ME was requested to present a proposal for a better colour scheme.

B. Discussion around handling of Social and Environmental issues in the Protocol

A number of points were raised about social and environmental considerations in the ESG Tool. A member raised the specific issue of handling disaggregated data in the ESG Tool to better reflect the views of stakeholders other than indigenous groups such as gender. The member wondered whether the assessor guidance could be modified to better take into account disaggregated data. Two members from the environmental perspective, raised the issue of legacy projects being eligible for green bond financing and especially dam construction in protected areas. A member requested the introduction of language around the preclusion from green bond financing of projects in protected areas. In dealing with these important points, the Chair wondered whether this was an issue that would require re-examining the Protocol. Agreeing with the Chair's sentiment, in the opinion of a member, these important topics should be dealt with in the work programme for the Protocol over the next few months. A member added that any change to the Protocol would lead to a change of language in the ESG Tool and that there needed to be a mechanism to ensure that the ESG Tool was updated with any future changes to the Protocol.

Action 4: The ME will provide a detailed review of all written comments received and a judgment as to whether these can be incorporated.

4. Discussion around Governance of ESG Tool

A brief conversation took place around the accreditation of assessors and whether the regime should be the same as for the full Protocol. The PGC members considered that the rules for the ESG Tool should be the same as for the full Protocol. However, in the view of a member, the regime should be different in order to boost the numbers of assessors. A member agreed that the pool of assessors should be broadened in numbers, language and in skillset. A member added that the need for the quality control was paramount but that he was undecided on whether there should be a separate system for the ESG Tool. Two members had difficulty with separate levels of accreditation due to a possible divergence of outcomes when assessing scoring statements. In a member's view, it would be too long to adopt a

different track for ESG tool in any case and would be preferable to prioritise building the pool of assessors and training. The discussion then continued around the training process for accreditation. The general view was that the current system is too cumbersome and that more efficient processes should be found such as on-site training. The meeting requested the ME to produce options around a new accreditation system. ME mentioned the possibility of a parallel Protocol and ESG Tool assessments and the analysis of back data from assessments from which an ESG tool can be developed. ME also put forward a tiered accreditation system with training and accreditation for the ESG Tool coming before accreditation for the full Protocol.

Action 5: The ME will prepare a draft proposal on a reformed accreditation regime and terms and conditions for the next PGC meeting.

Any Other Business

ME gave a brief update on the Good International Industry Practice Guidelines currently under development. These are currently being developed by a consultant who is working on an example guideline based on an agreed format from the discussions in the PGC workshop back in September. This example guideline will be presented to the next PGC meeting for approval on the format. Following that meeting and final agreement on the format, the consultant will be asked to produce all guidelines in that agreed format. The guidelines will be delivered separately from the work on the ESG Tool and the Climate Change topic. A member mentioned that he would also be contacting PGC members, separately, with a survey on the impact of the Protocol.

8. Time and Date of next meeting

It was agreed that the next PGC meeting would review the modified drafts once the ME had updated both documents. It was agreed that the updated drafts, together with a proposal for an accreditation regime with terms and conditions would be circulated by 11th December at the latest with a new **audio meeting held on 18th December to finalise both texts.**