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ALIGN

Advancing Land-based Investment Governance

iied International Institute for Environment and Development

Columbia Center on Sustainable Investment
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Governance Flash

Improving impact assessments to meet your climate goals

Environmental and social impact assessments (ESIAs) are one tool to help governments identify and address environmental risks associated with investment projects. But the potential for ESIAs to address climate change-related risks is not being realised. ESIAs can be restructured to promote more effective consideration of climate impacts. Governments should issue guidance and advance legislation to that effect.

What is the problem?

ESIAs are a mechanism to scrutinise the environmental impacts of proposed investment projects and establish a strategy to mitigate harms or halt projects from going ahead. However, ESIAs tend to focus on more local impacts, and pay more limited attention to the potential climate impacts of projects or to greenhouse gas (GHG) emissions of associated up or downstream activities.

For several reasons (see box 1), ESIAs often offer a very limited tool for mitigating environmental impacts, with climate change a particularly glaring gap. This is in part because many ESIA regulations fail to include explicit climate provisions to begin with.

A systematic rethink is needed to meet national and global climate change targets. Climate data and methodologies are increasingly reliable, and this enhances opportunities to consider direct and indirect climate impacts in investment approval.

Box 1. Common limitations of ESIAs

ESIAs face many non-climate-related issues limiting their ability to meaningfully address social and environmental impacts in investment processes. Amongst others, this includes:

- Assessors may fail to conduct proper consultation with local communities due to a lack of resources or perverse incentives to avoid doing so.
- Regulatory authorities responsible for reviewing impact studies and management plans that emerge from ESIAs may lack the capacity or incentives to review them properly.
- Those responsible for financing ESIAs are often the ones investing in the project, creating conflicts of interest that could lead to the severity of predicted impacts being downplayed.
- Governments may be keen to push investments to promote economic development and may regard ESIAs as a time-consuming 'roadblock' to be avoided. In the worst cases, this has led to a weakening of laws relevant to ESIAs and, in turn, of what ESIAs need to include.

Whilst the focus of this note is on integrating climate impacts into ESIAs, these limitations urgently need addressing as part of a climate-related rethink and restructuring.

Why is this important to governments?

General international law requires states to conduct an ESIA for activities that can cause significant environmental harm to other states. Several treaties also regulate ESIAs within national jurisdictions and in transboundary contexts. Human rights law also requires impact assessments to be conducted. To comply, states should be supporting and strengthening the use of ESIAs to minimise the negative environmental and social impacts of investments.

States also have climate-related obligations under the Paris Agreement – and some recent laws on ESIAs explicitly refer to climate change and the Paris Agreement. National courts in several jurisdictions have emphasised the need for ESIAs to consider climate impacts.

What should governments do?

To make ESIAs a more powerful tool in the fight against climate change, governments need a more integrated approach to assessing cumulative, indirect and interconnected climate impacts of projects in investment approval processes, and more effective accountability, support and independent review systems. This will enable governments to make stronger progress towards their climate goals.

Policymakers, national legal instruments and courts have an important role to play in spearheading these major shifts to comprehensively addressing climate change issues in ESIAs.

Governments can take immediate steps to:

- **ensure that effective accountability mechanisms are in place through strong legal support and independent review systems**, including effective public participation and scrutiny. These can help to safeguard ESIAs in the face of conflicts of interest, or intense commercial pressures to fast-track investments;
- **advance laws that more explicitly require that ESIAs assess climate change as an environmental impact**;
- **issue guidance now on how the climate should be considered under existing regulations**, while more explicit laws are being developed and passed;
- **invest in strengthening the institutional capacity of environmental agencies in climate change** to ensure that their review processes fully consider climate change issues.

Want to know more?

Cotula, L (2023) Climate change in impact assessments: towards an integrated approach. IIED, London. www.iied.org/21636iied

Further reading

Akwii, E, Brennan, G, Hannay, L, Dietrich Brauch, M and Mardirossian, N (2024) Incorporating Climate Considerations into Investment Assessment Processes: Guidance for National and Local Governments. CCSI, New York. https://ccsi.columbia.edu/content/incorporating-climate-considerations-investment-assessment-processes-guidance-national-0

Get in touch!

ALIGN supports governments, civil society, communities and peoples, and other relevant actors in strengthening the governance of land-based investments. The project is implemented by a consortium led by the International Institute for Environment and Development (IIED), the Columbia Center on Sustainable Investment (CCSI) and Namati, and is funded with UK aid from the UK government.

Get in touch to find out more about ALIGN's responsive technical support to governments, civil society, local communities, and other actors in a wide range of countries, and our knowledge generation and sharing on innovative approaches for improving practices among key actors, globally and in specific targeted contexts.

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ALIGN Governance Flash: a series of short guidance notes designed to alert government officials of critical land-based investment governance considerations and possible responses to issues that might be falling through the cracks, leading to conflicts and poor outcomes.

This Governance Flash has been produced as part of ALIGN by IIED, however the views expressed do not necessarily reflect the official views or policies of ALIGN partners or the UK Government.

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