

UN CLIMATE CHANGE CONFERENCE – UNITED ARAB EMIRATES

30 NOVEMBER – 12 DECEMBER 2023

THE SOLAR HUB



JUST TRANSITION: ESG IN THE SOLAR LIFE CYCLE

In Collaboration with



Thematic Arena 3, TA3-190, Opportunity District, Expo City, Dubai

11 DECEMBER, 2023 | 15:00 PM – 16:30 PM

Background & Rationale

The concept of Environmental, Social and Governance can be traced to a report titled “Who Cares Wins: Connecting Financial Markets to a Changing World”. The report was a joint product with contributions from varied financial institutions, published in 2004 under the UN Global Compact¹², a corporate responsibility initiative launched by Secretary-General Kofi Annan in 2000. Nearly two decades later, environmental, social, and governance (“ESG”) investing (synonymous with sustainable investing, impact investing, responsible investing, and ethical investing) has taken deep roots. As per a Bloomberg report, global ESG assets are on track to exceed \$53 trillion by 2025, representing more than a third of the projected total assets under management. While, at even half the pace of the past five years, the ESG debt market could swell by 5 times, to reach \$11 trillion by 2025³. Today, voluntary reporting on E, S and G is no longer a fringe practice/has become commonplace.

As a low emission, cost-competitive alternative for power generation, solar energy has benefitted from this ESG driven trend of ‘divesting’ from fossil fuel to combat climate change. However, in the words of a former BlackRock employee, the fear is that the trend is “craftily greenwashing the economic system and delaying overdue systemic solutions, including those intended to combat rising inequality and the insidious political risks it creates”.⁴

Projections for growth indicate that solar energy will grow to reach a total 2,840 GW by 2030, and 8,519 GW by 2050⁵. At the cusp of exponential growth, the solar energy sector is beginning to recognize the social and environmental consequences at the various stages of its life cycle. There are reports on (i) human rights violations in the mining of precious critical and rare earth materials, (ii) emission-intensive manufacturing and supply chains, (iii) displacement of communities, encroachment of indigenous land, loss of biodiversity and habitat due to utility-scale installations, and (iv) unsustainable end of life (EOL) management of decommissioned systems leading to land and water pollution. There are scattered examples of measures to address specific issues, for e.g. India’s anti-dumping fines to protect the domestic market against low-prices foreign goods, US bill on labour rights, to ban goods made with forced labour in the Xinjiang Uyghur; and EU’s Waste Electrical and Electronic Equipment Directive (WEEE Directive) which mandates that 65% of solar panels installed in the 3 preceding years, to be retrieved; and India’s anti-dumping duties, to prevent low-quality solar energy.

¹ https://www.unepfi.org/fileadmin/events/2004/stocks/who_cares_wins_global_compact_2004.pdf

² U.N. Global Compact Principles Human Rights Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence; and Principle 2: make sure that they are not complicit in human rights abuses. Labour Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4: the elimination of all forms of forced and compulsory labour; Principle 5: the effective abolition of child labour; and Principle 6: eliminate discrimination in respect of employment and occupation. Environment Principle 7: Businesses should support a precautionary approach to environmental challenges; Principle 8: undertake initiatives to promote greater environmental responsibility; and Principle 9: encourage the development and diffusion of environmentally friendly technologies. Anti-Corruption Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

³ <https://www.bloomberg.com/professional/blog/esg-assets-may-hit-53-trillion-by-2025-a-third-of-global-aum/>

⁴ <https://medium.com/@sosofancy/the-secret-diary-of-a-sustainable-investor-part-1-70b6987fa139>

⁵ https://irena.org/-/media/Files/IRENA/Agency/Publication/2019/Nov/IRENA_Future_of_Solar_PV_2019.pdf

Globally, there are several international standard development organizations (SDOs) that publish technical codes and standards for solar applications and components⁶. Just as standards for module and performance parameters are necessary to ensure the technical quality, efficiency, and safety of products, it will be crucial to have standards, guidelines, and directives to minimize the impact on the environment (the “E”), counteract socio-economic impact on people and communities (“S”) and encourage sound business practices (the “G”).

To this end, ISA and UNDP aim to define a universal ESG matrix, a standardized monitoring mechanism and reporting framework for a solar PV system. It’ll be the first of its kind attempt at defining ESG as a measure of a good business, instead of as a degree of exposure to material risk and perceived sustainability.



ENVIRONMENT

- Emission Inventory
- Soil and water pollution
- Natural resource (minerals) management
- Recycling and EOL
- Biodiversity and habitat loss



SOCIAL

- DEI
- Health and safety
- Employee social protection (contractual labour)
- Labour rights
- Privacy and data security



GOVERNANCE

- Corporate behaviour
- Board configuration
- Accounting practices
- Complaint Redressal
- Community engagement

In consultation with diverse stakeholders from across the globe, the panel aims to address the following bottlenecks:

- (i) the definitions are ambiguous and the constitution of ESG are not analogous.
- (ii) the reporting framework is voluntary, and the guiding parameters are not standardized.
- (iii) the scoring often diverges significantly and hence, the ratings are not comparable.
- (iv) and third-party monitoring and evaluation mechanism are not mandated.

Agenda

15.00 – 15.10 PM	Introduction ISA
15.10 – 15.30 PM	Presentation UNDP
15.30 – 16.00 PM	Triple Bottom Line (People, Planet, Profits) Panel Discussion
16.00 – 16.30 PM	Suggestive ESG Checklist for Disclosures Panel Discussion

⁶ The International Electrotechnical Commission (IEC) System for Certification to Standards Relating to Equipment for Use in Renewable Energy Applications, is the most significant effort. However, only 10 countries are subscribed to adoption of the solar PV segment of the IEC System.