Risk Alert: Sempra Energy

The Yaqui Tribe in Sonora, Mexico is denouncing Sempra Energy for violating their territorial sovereignty while building the Agua Prieta Pipeline through their land. According to a statement from the tribe, the company obtained signatures from community members through fraudulent acts, circumvented their traditional decision making process, and is failing to guarantee protection of the environment. The tribe is pursuing legal action and physical blockades to stop construction.

This is not the only area where Sempra is running into trouble. In October 2015, one of the company's natural gas storage facilities near Los Angeles sprung a leak which was not plugged until February 2016. Thousands of people had to be evacuated, and the company is facing criminal charges and as much as $900 million in legal and regulatory expenses. Additionally, a class action lawsuit has been filed on behalf of the company's shareholders over its alleged failure to disclose that it "lacked the capability to expeditiously repair gas leaks, causing a public hazard."

Poor performance at one site indicates high probability of poor performance at other sites. The consequences of Sempra's negligence in Los Angeles should not be scrutinized in isolation; they call for attention to the company's broader strategy (or lack thereof) for managing ESG risks throughout its operations.

Sources: Bloomberg, Nasdaq
Changing Legal Landscape in Canada

In April 2016, the New York Times ran a front page story on the poor reputation of Canadian oil, gas and mining companies overseas, focusing on a lawsuit against Hudbay Minerals for the alleged rape of eleven Mayan women near the El Estor Mine in Guatemala. The case was authorized to move forward in Canada, rather than Guatemala, and "is being watched carefully because it appears to offer a new legal pathway for those who say they have suffered at the hands of Canadian subsidiaries." The company did not own the mine at the time of the incident, and denies any wrongdoing.

The article also discusses a bill that would establish an ombudsman to investigate such complaints, and bar companies with bad behavior from accessing government loans and consular services. The bill failed by a narrow margin in 2010, but is expected to be reintroduced soon with Canada’s new government.
Sources: New York Times

World Bank Evictions Continue in Ethiopia

In September 2015, the World Bank renewed funding for what appears to be a renamed version of an earlier project that violated the rights of the Anuak Tribe in Ethiopia. The original initiative, Promoting Basic Services (PBS), was accused of being linked to the Ethiopian government's villagization program, which evicted the tribe to make way for foreign land grabs. The Bank’s Inspection Panel investigated these accusations, and confirmed that there was an "operational interface" between PBS and the villagization program. Instead of implementing effective redress, the Bank awarded $600 million to a new initiative, Enhancing Shared Prosperity through Equitable Services (ESPES), which is essentially the same project with a different name.

Both PBS and ESPES were funded through a block grant system with very limited provisions as to how the money is spent. Such a system makes it easy for dollars to be diverted towards
projects that breach the Bank's Safeguards, while shielding the Bank from direct association with them.

Sources: Oakland Institute

Hydro Industry Needs Social Performance Standards

Residents of San Mateo Ixtatán, Guatemala are reporting "continuous aggressions, arbitrary detentions and threats" in retaliation for opposing a dam owned by Solel Boneh. The company issued a response claiming that "human rights is a fundamental value" while justifying its use of private security forces because "the area suffers from constant hostile and violent activities carried out by local felons. These elements have massive influence on the local community...several violent attacks have been made towards the site and employees."

The hydro industry as a whole is in dire need of better social performance. Governments around the world are aggressively promoting dams as a "climate friendly" way to meet their energy needs, but their treatment of communities is no better and in some cases worse-than that of fossil fuels. One glaring gap is the absence of industry led social performance standards, such as those developed by the International Council on Mining and Metals (ICMM) and the Roundtable on Sustainable Palm Oil (RSPO). The ICMM and RSPO standards are not without flaws, but they at least demonstrate some coordinated effort by their industries to hold themselves accountable. The International Hydropower Association has a human rights protocol, but it takes the form of guidance rather than a binding standard. Additionally, Equitable Origin, an NGO developing an independent certification system for energy projects, recently expanded its scope to include dams and other forms of renewable energy.

Sources: Business and Human Rights Resource Centre

Risk Alert: Tullow Oil

Tullow Oil is encountering tensions with communities in its search for oil in Turkana, one of Kenya's poorest regions. In 2013, these tensions boiled over when thousands of people, accusing the company of slow job creation and collusion with politicians, stormed the drilling
site and halted operations. Since then, the company has "changed tracks" by promising more local investment and creating a grievance mechanism, but a recent article in Al Jazeera reports that many residents remain unsatisfied. The article also claims that the company's presence is enhancing resource scarcity and inflaming longstanding conflicts between various tribes in the area.

This is another example of social risk management by headlines. Remediation becomes much more difficult when companies are not seen as responsive until after local concerns become local grievances, and resentment and distrust has been fostered.

Sources: Al Jazeera

**Ruggie Expresses Concern with SDG Discourse**

In February 2016, John Ruggie, author of the UN Guiding Principles on Business and Human Rights, wrote a letter to the Global Commission on Business and Sustainable Development calling attention to a particular risk he sees in the current business discourse around the Sustainable Development Goals: "companies' social development initiatives cannot substitute for measures to address the negative human rights impacts their operations and relationships may have...where people's human rights are not fully respected, their ability to enjoy the fruits of development are much reduced, and the disparities between the poor and most vulnerable and the rest of society only grow."

Ruggie's concern can be evidenced by looking at most companies' sustainability reports. They often provide extensive information about contributions to social and economic development, but few disclose details on negative human rights impacts or other social and environmental costs.

Sources: Business and Human Rights Resource Centre