



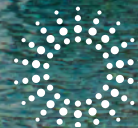
# PEOPLE-CENTERED CLIMATE ACTION IN THE ENERGY SECTOR

Investor Guidance

June 2026

**PCAP**

People-Centered  
Climate Action in  
Private Markets



**BSR**<sup>®</sup>

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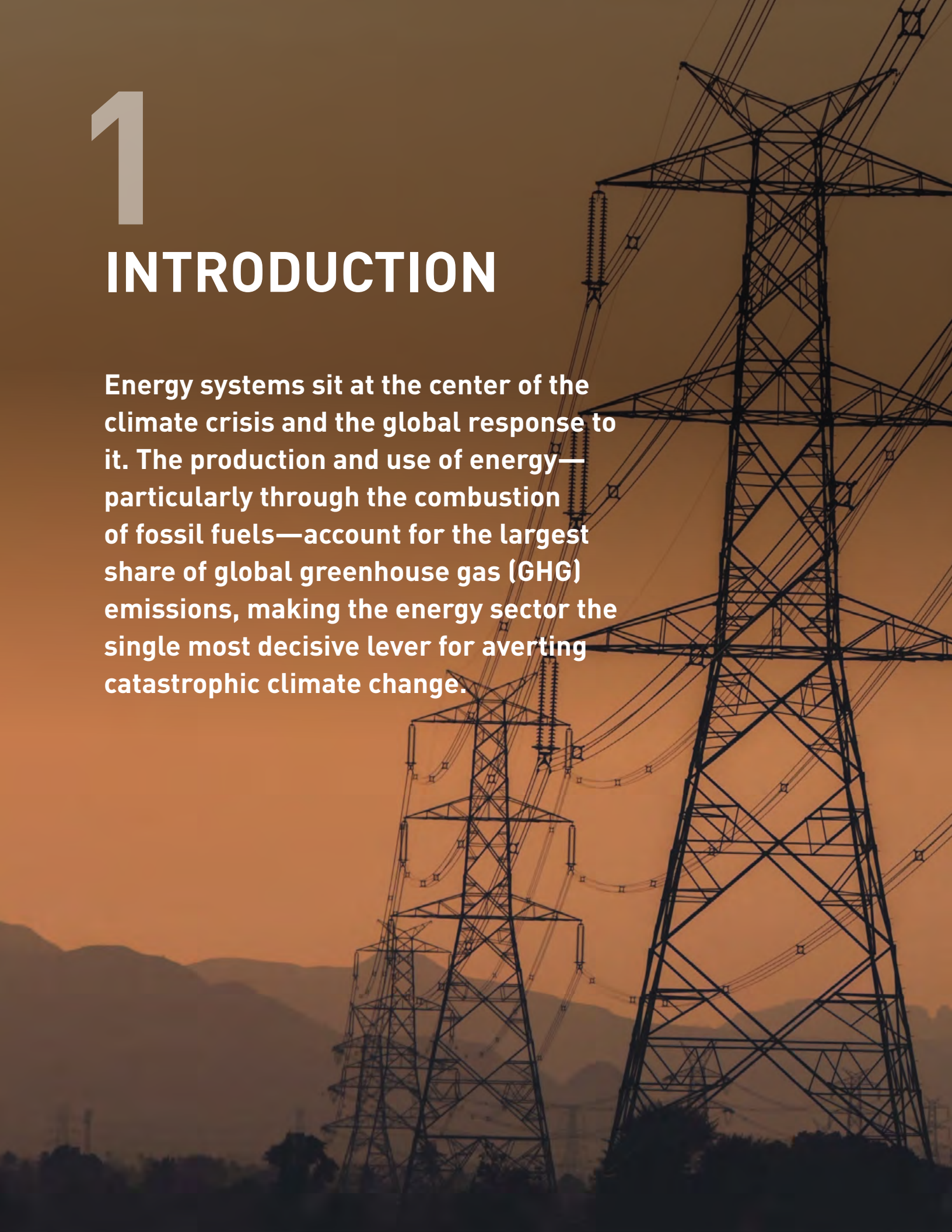
### Disclaimer

The case studies in this publication do not constitute an endorsement of any specific company, their approach to people-centered climate action, or their broader business model. Rather, they are included as illustrative examples of how private capital investors and their portfolio companies may consider human rights in the transition to a low-carbon, climate resilient economy. All case studies were developed using publicly available information.

# 1

## INTRODUCTION

**Energy systems sit at the center of the climate crisis and the global response to it. The production and use of energy—particularly through the combustion of fossil fuels—account for the largest share of global greenhouse gas (GHG) emissions, making the energy sector the single most decisive lever for averting catastrophic climate change.**



**The cost of this transition is substantial. Global energy transition investment reached a record US\$2.3 trillion in 2025, but this remains well below the estimated US\$4.8 trillion per year needed through 2030 for a 1.5°C-aligned pathway. Failure to decarbonize rapidly risks crossing climate tipping points, with severe ecological, social, and economic consequences, particularly for vulnerable populations and long-term investors.**

At the same time, the transition is unprecedented in scale and complexity: energy underpins economic development, access to essential services, public health, and livelihoods for more than 76 million workers globally. The shift away from fossil fuels toward low-carbon and renewable energy sources, alongside the electrification of end uses, will fundamentally reshape labor markets, regional economies, and community livelihoods worldwide.

In this context, private capital has a pivotal role to play. Private equity can influence the governance, emissions performance, asset stewardship, and human rights performance of mature energy assets, while venture capital can accelerate innovation and commercialization of climate technologies needed to decarbonize energy systems and build climate resilience.

Managed well, climate mitigation and adaptation can deliver significant benefits, including cleaner air, better public health, expanded energy access, stronger resilience, and new employment opportunities. Managed

poorly, it risks deepening inequalities, displacing workers and communities, and worsening existing human rights harms.

For private capital investors, advancing a people-centered energy transition that respects human rights and leaves no one behind is both a risk management imperative and a source of long-term value. It can strengthen portfolio performance, workforce resilience, supply-chain stability, regulatory readiness, and access to sustainable low-carbon markets and innovative just transition solutions.

**Failure to decarbonize rapidly risks crossing climate tipping points, with severe ecological, social, and economic consequences.**

## About this Guidance

This guidance aims to support private capital investors to advance a people-centered transition to a low-carbon, climate-resilient economy aligned with the [UN Guiding Principles on Business and Human Rights \(UNGPs\)](#), the [OECD Guidelines for Multinational Enterprises \(OECD Guidelines\)](#), and the International Labor Organization's (ILO) [Guidelines for a Just Transition Towards Environmentally Sustainable Economies and Societies for All \(ILO Just Transition guidelines\)](#). It provides insights on:

- Human rights impacts associated with the energy value chain's contribution to climate change, as well as climate mitigation and adaptation measures.
- Financial risks and opportunities for investors in a people-centered energy transition.
- How companies in the energy value chain can apply risk-based due diligence to identify, prevent, mitigate, and account for actual and potential climate-related human rights impacts to strengthen outcomes for people.
- Good practice examples, engagement questions, and key resources to support constructive investor engagement with portfolio companies.

This document complements the guidance and due diligence questions outlined in [People-Centered Climate Action: Guidance for Private Capital Investors](#) and the [Portfolio-Level Just Transition Tool](#), which helps investors pinpoint where just transition

impacts, risks, and opportunities are more likely to occur in their portfolio.

While the content primarily aims to support general partners (GPs) with direct investments in companies in the energy value chain, limited partners (LPs) and portfolio companies will also benefit from using it.

### What is a Just Transition?

The ILO and the UN Office of the High Commissioner for Human Rights define a [just transition](#) as the shift to a “human rights economy that is fair, equitable, inclusive and sustainable, creates decent work opportunities, reduces inequalities and poverty as well as upholds the human rights of workers and affected communities, in particular Indigenous Peoples and communities affected by environmental degradation and by the measures that are needed to address it.”

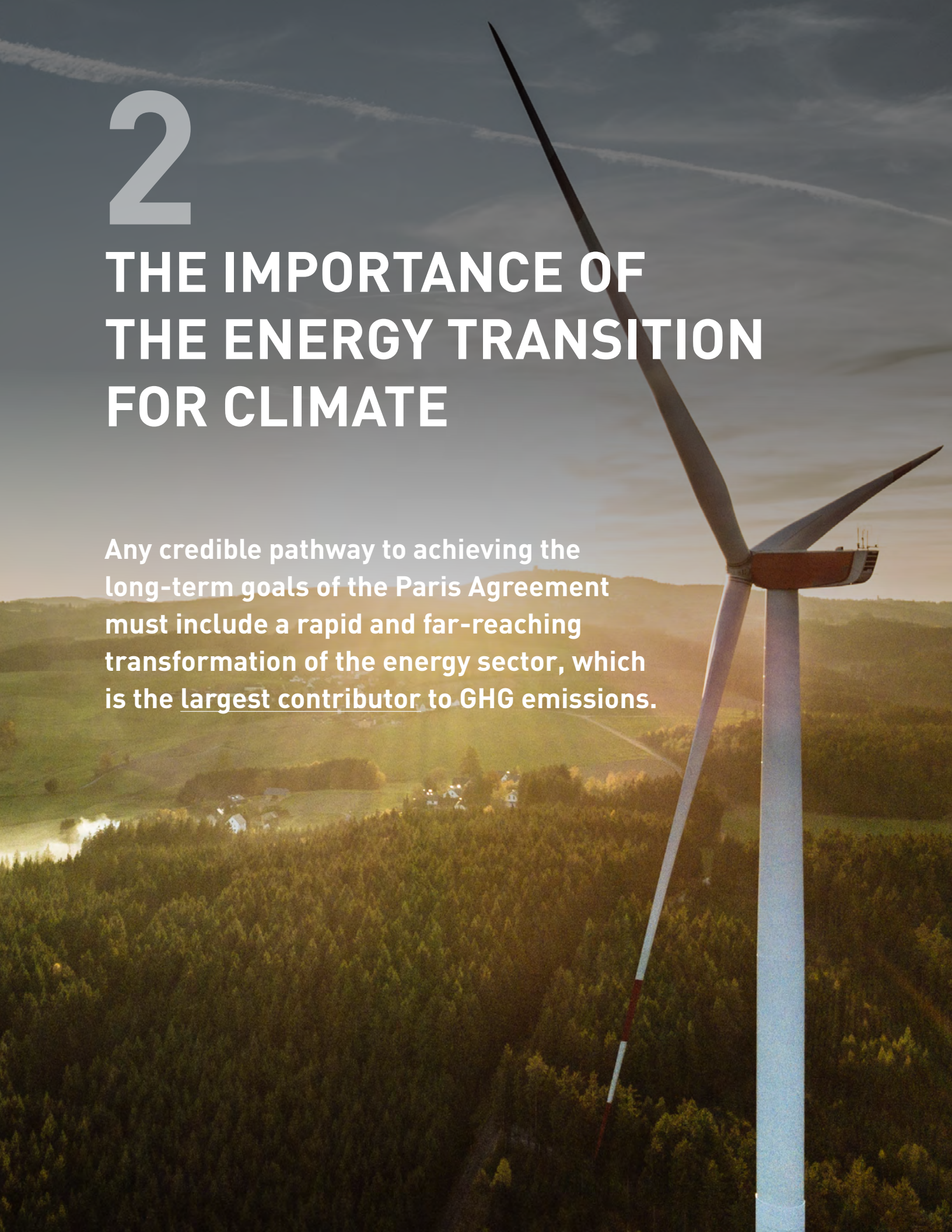
### What are Human Rights?

[Human rights](#) are universal standards ensuring dignity for all, with states obligated to protect, respect, and fulfill them. [Labor rights are human rights](#), and businesses share a responsibility to respect human rights by avoiding harm and addressing negative impacts in their operations and value chains.

# 2

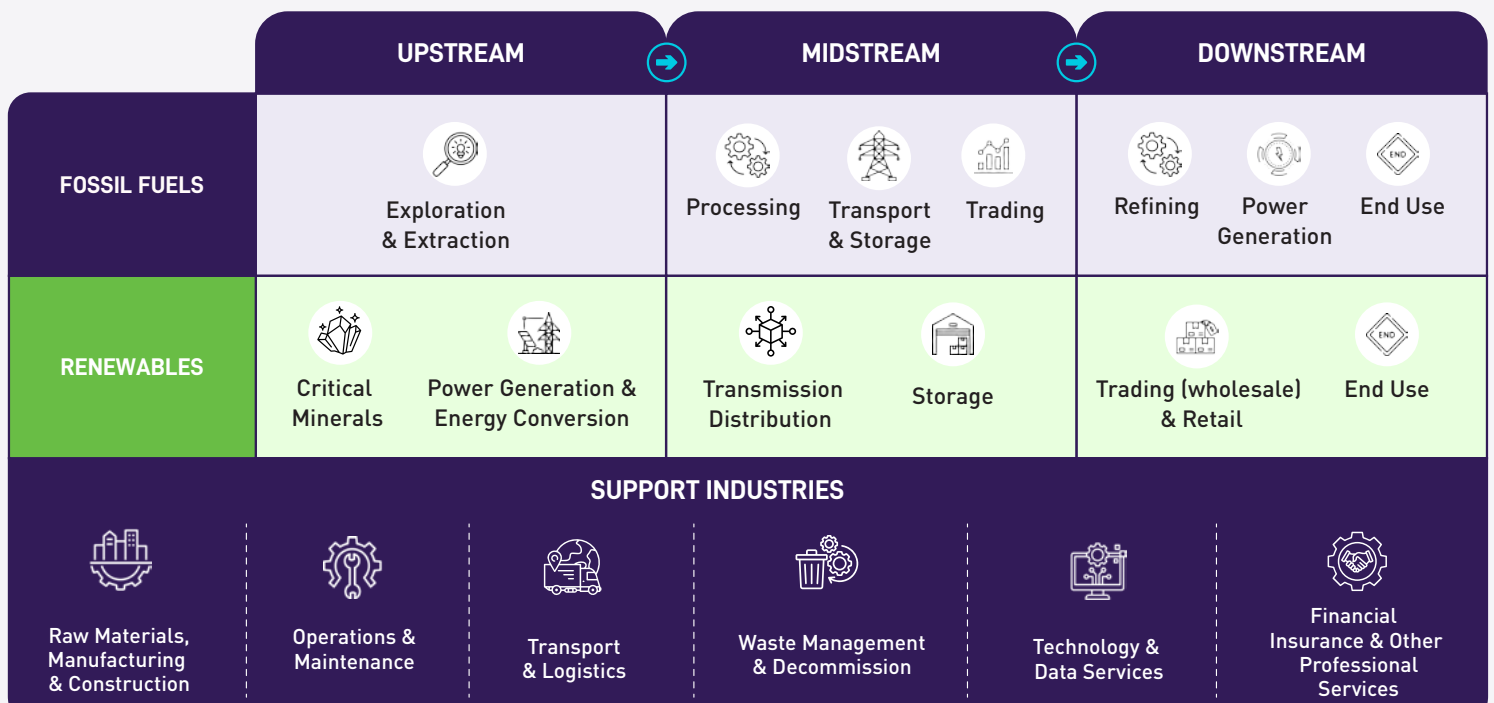
## THE IMPORTANCE OF THE ENERGY TRANSITION FOR CLIMATE

Any credible pathway to achieving the long-term goals of the Paris Agreement must include a rapid and far-reaching transformation of the energy sector, which is the largest contributor to GHG emissions.



Energy systems must decarbonize, protect carbon sinks, and adapt to a changing climate, while continuing to provide reliable, affordable, and accessible energy to households, businesses, and public services worldwide. This transformation cannot be understood—or managed—at the level of individual assets alone. It requires a value chain perspective that captures the range of activities and people involved from energy source through processing, distribution, and final use, and supporting industries:

## Energy Value Chain



While emissions arise across both fossil fuel and renewable energy value chains, fossil fuel systems drive the majority of global emissions and therefore require profound business model transformation. In contrast, renewable energy systems are structurally lower-emitting but still generate value chain emissions and can interact with ecosystems in ways that reduce carbon storage, including in forests, peatlands, and soil.

## Fossil Fuel Systems

Fossil fuel systems rely on activities, products, or services that drive significant cumulative GHG emissions across the value chain, with the majority occurring downstream.

- **Extraction and production:** Oil and gas drilling, coal mining, and associated processing release significant emissions, including methane from leaks, venting, and flaring, while also driving deforestation, soil removal, and ecosystem disruption that degrade natural carbon sinks.
- **Processing and transport:** Refining crude oil, processing gas, liquefying LNG, and transporting fuels via pipelines, shipping, rail, and trucking requires large amounts of energy—often generated from fossil fuels—adding substantial direct and indirect emissions, while infrastructure development can fragment ecosystems and reduce carbon storage capacity.
- **Combustion:** The largest share of emissions arises from the combustion

of fossil fuels for power, heat, industry, and transport ([GHG Protocol Scope 3, Category 11](#), “Use of Sold Products”), and represent the dominant emissions source for fossil fuel producers and the single biggest driver of climate change, which in turn intensifies wildfires, droughts, and other disturbances that further weaken or destroy carbon sinks.

## Renewable Energy Systems

For renewables, the largest emissions occur upstream:

- **Materials and capital goods:** The sourcing and processing of critical minerals, and the production of steel, cement, aluminum, turbines, solar panels, batteries, and grid infrastructure account for the largest share of life cycle emissions (primarily GHG Protocol Scope 3, Categories 1 and 2), while driving deforestation, soil degradation, and water stress that can reduce natural carbon sinks.
- **Construction and installation:** Building renewable facilities and expanding grids requires materials and energy that generate additional, largely one-time emissions, while large-scale infrastructure deployment can reduce vegetation cover and soil carbon storage.
- **Operation and transport:** Transport, logistics, maintenance, and end-of-life treatment contribute to lifecycle emissions but are significantly less material than upstream manufacturing impact.

An aerial photograph of a rural settlement. The houses have roofs made of corrugated metal and traditional tiles. The area is surrounded by lush green vegetation, including trees and bushes. The ground is a mix of dirt and gravel. A blue semi-transparent box is overlaid on the right side of the image, containing text and a quote symbol.

“

**The viable speed and scope of a low-carbon energy system transition will depend on how well it can support sustainable development goals (SDGs) and other societal objectives. Energy systems are linked to a range of societal objectives, including energy access, air and water pollution, health, energy security, water security, food security, economic prosperity, international competitiveness, employment.**

IPCC AR6 Working Group III Report, Chapter 6: Energy Systems  
(Section 6.4/6.7 summary) [IPCC](#)

# Priority Areas for Climate Action

Reducing the energy sector's contribution to climate change requires coordinated action across the full value chain—from energy sources and production to transmission, distribution, and final use. Private capital can shape the transition on both sides of the energy system: responsibly transitioning fossil fuel assets while scaling low-carbon solutions. While pathways will differ by business model, geography, and technology, the following priority areas represent critical levers for accelerating emissions reductions while protecting carbon sinks.

## Phase out fossil fuels



Rapidly **phase down unabated fossil fuel production and use** by avoiding new high-emitting projects, accelerating the retirement of existing coal, oil, and gas assets, and reducing emissions from ongoing operations. This includes eliminating routine flaring, reducing methane leakage, and improving operational efficiency across fossil fuel value chains, which together represent some of the most immediate and cost-effective opportunities for emissions reduction.



**Address residual emissions**, where appropriate, through the use of high-quality carbon capture, utilization, and storage (CCUS) for hard-to-abate sources and credible carbon removal approaches to take responsibility for ongoing emissions in line with climate goals, while ensuring this does not delay overall decarbonization efforts.

## Scale alternative energy sources



**Scale renewable and low-carbon power generation** to replace fossil-based electricity and meet rising demand. Expanding wind, solar, geothermal, and sustainable hydropower—alongside repowering existing assets and deploying firm low-carbon power where needed—is essential to decarbonizing power systems and enabling emissions reductions across the wider economy.





**Protect carbon sinks** by avoiding operations in high-carbon ecosystems, prioritizing responsible sourcing and low-impact siting, and restoring affected areas.



**Develop and deploy low-carbon fuels** to address emissions in sectors that are difficult or costly to electrify. Green and blue hydrogen, hydrogen-derived fuels, sustainable bioenergy (e.g., feedstocks and waste), and synthetic fuels can help decarbonize heavy industry, shipping, and aviation, particularly where direct electrification is not yet feasible.



**Electrify end uses across the economy** by shifting transport, buildings, and industrial processes away from direct fossil fuel use. Expanding electric mobility, electric heating and cooling, and electrified industrial equipment can significantly reduce emissions, provided that electricity supply is increasingly low-carbon and sufficient to meet growing demand.

## Support new energy systems



**Modernize and expand electricity grid infrastructure** to support the integration of renewable energy and electrified end uses. Investments in transmission and distribution networks, grid digitalization, and smart systems are critical to managing variability, reducing losses, improving reliability, and preventing grid constraints from slowing the energy transition.



**Deploy energy storage and system flexibility at scale** to balance supply and demand in systems with high shares of variable renewable energy. Battery storage systems, pumped hydro, and other storage and demand-response technologies help stabilize power systems, reduce reliance on fossil-based peaking capacity, and enable higher renewable penetration.



**Improve energy efficiency across operations and value chains** by reducing demand for energy, as well as energy losses. Improvements in extraction, processing, transmission, buildings, transport, and industry can lower emissions, reduce costs, and ease pressure on generation and grid expansion. Efficiency gains are particularly important in managing rising energy demand alongside decarbonization goals.



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## Natural Gas and Nuclear in the Transition Context

Natural gas and nuclear power occupy complex positions in the climate transition.

**Natural gas** is a fossil fuel made mostly of methane, a potent greenhouse gas. Reducing methane by 45% is crucial to reducing warming by 0.3°C by 2040. While gas is sometimes framed as a “transition fuel,” particularly where it replaces coal or provides backup power in high-renewables systems, it still carries significant emissions, lock-in risks, and local environmental and human rights impacts. Although natural gas is not specifically addressed in this guidance, considerations related to fossil fuel phase-out remain applicable.

**Nuclear power** is not a fossil fuel and is low-carbon at the point of generation. As countries approach critical climate thresholds and seek greater energy security amid geopolitical instability, nuclear energy is re-emerging as a strategic priority, including through a surge of investment in small modular reactors. Nuclear energy remains controversial due to potential environmental and human rights impacts, including from radioactive waste, long-term contamination risks, accident and safety concerns, water use, and human rights implications of uranium mining and project siting.



# 3

## WHY A PEOPLE-CENTERED TRANSITION IN ENERGY VALUE CHAINS MATTERS FOR INVESTORS

For investors, a people-centered energy transition is a strategic imperative, not just a social concern.



## Failure to transition away from high-emissions business models, or to embed human rights and environmental due diligence in transition planning or in climate solutions can create material risks.

While [IFRS S2 on climate-related disclosures](#) can help investors assess some climate-related risks and opportunities, traditional financial materiality approaches often miss transition and physical risks linked to impacts on people, and should be complemented by a [human rights and risk-based due diligence lens](#).

### Climate-Related Transition and Physical Risks

- **Policy and legal risks:** Climate- and human rights-related litigation is increasing globally, in particular [claims](#) linked to the human rights impacts of climate change and of energy transition activities. Regulatory risk is also increasing, with [human rights and environmental due diligence laws](#) (and [implications for private capital](#)), targeted rules, for example, on [forced labor](#), [mineral sourcing](#), and [batteries](#), as well as an EU resolution calling for a [just transition directive](#). Private equity-owned [utilities](#) that put pressure on electricity costs also face regulatory risks.
- **Stranded assets:** Poorly planned transitions away from fossil fuels can lead to investments that become socially, politically, or economically non-viable before the end of their expected life, increasing the risk of asset write-downs and capital loss. The [economic impact](#) of stranded assets could amount to trillions of dollars.
- **Geopolitical risks:** Geopolitical conflict over oil and energy infrastructure is [reportedly](#) creating new risks for long-term investors, including pension funds and retirees invested in private equity-backed energy infrastructure, LNG tankers, and storage terminals.
- **Labor shortages:** The energy transition is constrained by a [shortage of skilled technical workers](#), including electricians, pipefitters, electrical power-line workers, and engineers, delaying projects, raising costs, and risking system reliability.
- **Lower productivity:** Climate hazards and transition pressures can worsen working conditions, exacerbate [health and safety risks](#), and contribute to labor shortages or disengagement if workforce impacts are not proactively managed.
- **Operational risks:** Failure to meaningfully engage workers and communities, particularly around [large infrastructure projects](#) such as wind, solar, or hydropower, can result in conflict, permitting [delays](#), project [suspensions](#), [infrastructure damage](#), and regulatory challenges. These risks can drive [cost overruns](#), weaken cash-flow predictability, and [undermine public acceptance](#), making it harder for companies to operate, expand, or secure approvals.

- **Reputational and market risk:** Private equity-backed companies and portfolios perceived as greenwashing or disregarding impacts on workers may face NGO scrutiny, consumer backlash, higher cost of capital, and reduced access to finance as stakeholder expectations rise.
- **Systemic risks:** Climate change and unjust transitions pose systemic risks to universal owners and pensioners by disproportionately harming those already facing poverty, deepening inequality and eroding trust in public institutions, threatening long-term value creation.

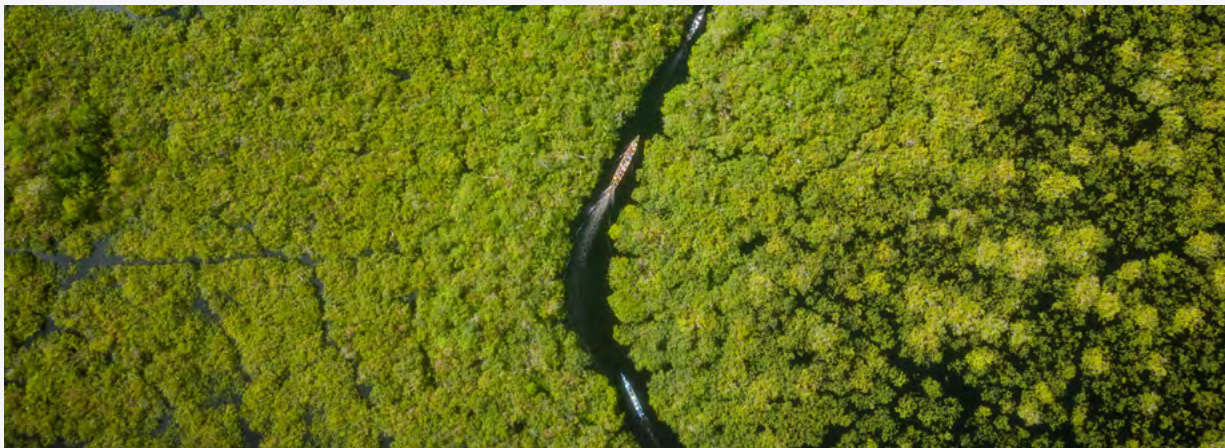
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## Human Rights Liability for Climate Change and Climate Action

Climate litigation increasingly recognizes climate change and climate action as human rights issues with legal consequences. Recent international and regional court decisions, alongside the UN General Assembly's recognition of the human right to a clean, healthy, and sustainable environment, reinforce that climate impacts and inaction can give rise to rights-based legal claims.

Since the Paris Agreement, about 230 strategic climate lawsuits have been initiated against companies, including more than 30 cases alleging harm associated with GHG emissions. Companies also face claims related to climate mitigation and adaptation measures, such as mining for transition minerals, renewable energy infrastructure development, and carbon offset projects.

As courts increasingly accept these claims, legal exposure for companies and investors is expanding, particularly in the energy and infrastructure sectors.



## Climate-Related Opportunities

The Taskforce on Inequality and Social-related Financial Disclosures (TISFD) recognizes that the integration of outward impacts on people into financial decisions and disclosures is key for long-term value, resilience, and macroeconomic stability. Portfolio companies and investors that consider climate-related impacts on people are better equipped to sustain their labor force, unlock growth opportunities and innovation, maintain strong relationships with communities and consumers, and safeguard the resilience of businesses and long-term value in a rapidly transforming energy system.

- **Capturing growing clean energy demand:** Demand for clean, reliable, and affordable energy is accelerating due to regulatory requirements, corporate commitments, and consumer preferences. Demand for electricity is expected to rise by 40% by 2035. Companies that integrate inclusive, people-centered strategies are better positioned to scale projects and capture growth in human rights-aligned renewables, electrification, and grid infrastructure companies.
- **Access to capital and stronger exit outcomes:** Portfolio companies with credible, inclusive transition strategies are more attractive to institutional investors, lenders, and buyers. Strong governance and management of people-related risks can lower financing costs, protect valuation, and support exit in markets pricing transition and social risk.
- **Human capital stability:** Investing in reskilling and upskilling supports employee engagement, productivity, and retention, while helping to avoid conflict

and addressing labor shortages in fast-growing clean energy sectors. Preserving institutional knowledge and proactively managing workforce transitions enhances operational continuity and provides a competitive advantage in scaling new technologies.

- **Social license:** Early and meaningful engagement with trade unions, workers, and communities can strengthen business model transitions, unlock business opportunities, improve project timelines, and support overall returns on assets. Renewable energy expansion grounded in rights-respecting partnerships, benefit-sharing, and co-ownership models with Indigenous Peoples can support social license and project legitimacy.
- **Supply chain resilience:** Respecting rights in high-risk supply chains reduces the risk of disruptions linked to labor disputes, community conflict, or regulatory intervention. Companies that proactively manage social and workforce dimensions of the transition are better equipped to adapt to regulatory change, market shifts, and physical climate risks, while engaging workers and communities can support innovation.



**Portfolios don't produce emissions, companies do. Dumping company shares from your portfolio doesn't address the problem one bit.**

Mark Campanale, founder of research group the [Carbon Tracker Initiative](#)

**Divesting from entire sectors—or simply passing carbon-intensive assets from public markets to private markets—will not get the world to net zero. [...] Foresighted companies across a wide range of carbon intensive sectors are transforming their businesses, and their actions are a critical part of decarbonization. We believe the companies leading the transition present a vital investment opportunity for our clients and driving capital towards these phoenixes will be essential to achieving a net zero world.**

Larry Fink, [2022 annual letter to CEOs](#)

Reference: [BSR, Exit Strategies for Dirty Assets, 2022](#)

## Investments to support a just transition

Investing in people-centred climate action that supports a just transition is not just necessary for people, it is [compatible with fiduciary duties](#). Integrating material just transition factors into investment decision-making and investment strategies is expected of all investors. Investors can also seek to generate positive just transition outcomes alongside a financial return. There are growing examples of private equity and infrastructure investors seeking to integrate just transition considerations into energy and climate investing. Some funds combine renewable energy deployment with social objectives such as [worker upskilling](#), [local hiring](#), [local community benefits](#), or [expanding energy access](#), and may reference frameworks such as the [IFC Performance Standards](#) or [OECD Guidelines](#).

However, investment approaches and fund design vary significantly in depth and rigor. Few funds define “just transition” in line with international human rights and labor standards or apply an OECD-aligned due diligence approach across fund design, investment decision-making, stewardship, and exit. As a result, essential drivers of inclusion, such as freedom of association, meaningful stakeholder engagement, and access to remedy, are often underdeveloped.

Nonetheless, the trend signals a growing recognition that decarbonization and adaption strategies can and should be aligned with labor rights, economic inclusion, shared prosperity, and long-term regional resilience.

### Investing in Just Transition Solutions for the Energy Transition

[Working Capital Fund](#) invests in responsible supply chain and worker-focused solutions that enable companies across sectors to respect human rights and advance a just transition. Portfolio company solutions help improve [traceability](#), elevate [worker voice](#), and surface [forced labor risks](#), including in renewables supply chains. Through fund design, WCF has shown that [responsible business solutions that support a just transition](#) can attract major corporate investors, scale globally, and generate [successful exits](#).



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## Taxonomies and Just Transition

Sustainable and green finance taxonomies play an important role in supporting the energy transition. Taxonomies are classification systems that help investors identify economic activities aligned with sustainability objectives and integrate ESG factors into investment decisions.

The [EU Taxonomy](#) identifies activities that contribute to climate mitigation and adaptation, such as renewable energy. To qualify, investments must meet “Minimum Safeguards” aligned with the UNGPs and OECD Guidelines, including human rights due diligence and grievance mechanisms. A robust interpretation of these requirements would provide a strong foundation for a meaningful just transition approach; however, they are often interpreted—perhaps influenced by the framing of minimum safeguards—as a simplistic form of harm prevention.

The World Bank developed a [Just Coal Transition Taxonomy](#) to guide investments supporting coal transition efforts. Based on its “Coal Regions in Transition” Framework, the taxonomy focuses on governance, support for people and communities, and repurposing land and assets. It currently identifies 57 eligible activities aligned with just transition goals.



# The Role of Business Models in People-Centered Value Creation

While [business model transformation](#) is essential for the energy sector's transition, business model features, namely, a company's value proposition, value chain, and cost structure and revenue model, can also raise [red flags for a people-centered transition](#).

Private capital investors are encouraged to consider the following common high-risk business model features present in energy sector companies, which investors can use to identify and minimize risks in their portfolios and engage with companies.

## Tool

[Shift's Business Model Red Flags](#) (referenced in the table below) is a set of indicators that may be found in dominant or emerging business models across a range of sectors. It includes 13 [climate-linked red flags](#), each illustrated with real-world examples of corporate action and material consequences that have arisen where a business has failed to mitigate the risks inherent in its business model.

PCAP's [Portfolio-Level Just Transition Tool](#) helps investors, particularly GPs, identify potential climate-related human rights impacts across their portfolios. Using a business model lens, it highlights where just transition risks to both people and businesses are most likely to arise.

## Business Model Red Flag

[Activities, products, and/or services that significantly contribute to cumulative greenhouse gas emissions and the resulting physical climate change impacts that negatively affect people's rights](#)

## Impacts on People

The extraction, processing, and combustion of fossil fuels significantly contributes to climate change, which the [IPCC estimates](#) that between 2030 and 2050 will cause approximately 250,000 additional deaths per year, from undernutrition, malaria, diarrhea, and heat stress alone.

## Financial Risks

Climate-related litigation is accelerating and increasingly grounded in human rights claims. As of July 2025, [2,967 climate change cases have been filed globally](#), with around 20% of cases filed in 2024 targeting companies or their directors and officers. The [Climate Law Accelerator \(CLX\) Toolkit](#) tracks this rise in rights-based cases, signaling growing legal exposure for energy companies and their financiers.

## Business Model Red Flag

## Impacts on People

## Financial Risks

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Construction or commencement of projects with timelines that do not allow sufficient time for consultation with groups affected by the projects.

The construction of a dam without prior consultation of local communities undermines the human right to participation and results in flooding of farmland (and loss of livelihood) and disruption of road links to essential services and other communities.

Extractive companies that fail to adequately consult local communities can face operational disruptions (project delays or shutdowns from protests) and high costs of managing conflict (e.g., material damage, security and personnel costs, lost productivity) as well as legal action. A study on extractive companies found that a major world-class mining project can suffer costs of US\$20 million per week due to lost sales as a result of temporary shutdowns or delay stemming from community conflicts.

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Privatized access to public goods with risks to quality of services

Climate-driven increases in energy costs are placing growing financial strain on households, forcing many—especially low-income and climate-vulnerable populations—to choose between essential needs like heating, cooling, and food. Heightening energy insecurity also poses severe health risks and exacerbates inequality as climate change accelerates.

Rising energy costs driven by climate shocks are increasingly translating into material risk for utilities, as affordability pressures on households trigger public backlash, regulatory scrutiny, and political intervention. In New York, Con Edison faced reputational damage after disconnecting tens of thousands of customers during a heatwave. More broadly, growing consumer anger and activism over escalating utility bills signal heightened risks to utilities' social license to operate, rate recovery models, and long-term customer trust.

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Speed in developing products or services, or delivering projects, such that excessive pressures are placed on workers or consumer safety is compromised

Accelerated targets for renewable energy projects increase risks related to workers' conditions. In Gulf Cooperation Council countries, rapid project expansion to meet 2030 goals has exposed migrant workers to exploitative recruitment, poor living and working conditions, and indications of forced labor, document confiscation, and restricted job mobility.

Failure to ensure proper health and safety in energy infrastructure construction can lead to significant legal and operational impacts—risks that may be heightened by the pressure to rapidly scale renewable energy. For example, wrongful death lawsuits were filed following a scaffolding collapse at the Port Arthur LNG site in 2025, alleging gross safety negligence, and major renewable energy projects have faced delays and work stoppages amid worker safety concerns, demonstrating how weak safety management can disrupt timelines and increase costs.

## Business Model Red Flag

Land use in geographic locations where ownership is contested or records are unreliable or land users such as indigenous groups are unrecognized.

## Impacts on People

The energy transition is driving growing demand for land, both for renewable energy projects and for land-based inputs such as transition minerals and biomass. With Indigenous Peoples stewarding around 20% of global land and over 50% of transition minerals located on or near Indigenous territories, rising demand is intensifying pressure on Indigenous rights and other vulnerable communities.

## Financial Risks

In 2024, following a multi-year dispute and Supreme Court ruling in Norway over Europe's largest onshore wind farm and the right of Indigenous Peoples to raise reindeer on the land, Statkraft finally settled with the local Sami people for a share of energy produced, new land for reindeer grazing and a NOK 5 million grant.

Depleting or polluting natural resources or public goods such that it undermines access or health

Mining for the critical minerals needed for renewable energy technologies, such as copper, cobalt, and lithium, is depleting and contaminating water supplies in several locations globally and risks making already water-stressed areas more vulnerable. Air pollutants from coal and oil power generation can impact environments and people downwind from the pollution source.

In 2024, Serbian protesters took to the streets and mounted road blockades in opposition to Rio Tinto's planned lithium project, citing concerns about water and land pollution. The project's proponents argue that the US\$2.4 billion project could meet up to 90% of Europe's current lithium needs for electric vehicles and mobile devices.

## Business Model Red Flag

[Commodities with unclear provenance and visibility to impacts on workers or communities](#)

## Impacts on People

The extraction, processing and, in some cases, transportation of key minerals used in clean energy and information technology applications have been linked to issues such as child labor, forced labor, land grabbing, deforestation, and environmental pollution. Reports indicate that [companies accounting for 75% of the global battery market](#) have connections to one or more supply chain company facing allegations of severe human rights abuses.

## Financial Risks

Solar panels account for the vast majority of [shipments detained at the U.S. border](#) under the Uyghur Forced Labor Prevention Act (2021), which prohibits the import of goods linked to forced labor in China. These detentions have disrupted supply chains, delayed renewable energy projects, and increased compliance and procurement costs for developers and manufacturers.

[Structuring business partnerships in ways that limit the company's ability to influence decisions or actions that affect the rights of stakeholders](#)

Joint-venture structures (common in the energy sector) can create heightened human rights risks when partners include state-owned or state-linked entities with weak track records on community or worker protections. For example, Cambodia's Southern Cardamom REDD+ project, implemented under government authority, [faced allegations](#) of inadequate consultation with Indigenous communities. Such arrangements can blur responsibility and limit private actors' leverage, creating gaps in impact prevention and access to remedy.

Risks can arise where companies rely on a JV partner's due diligence without independently assessing human rights impacts. In the case of the Dakota Access Pipeline, banks financing the project faced widespread criticism after Indigenous Peoples' rights were violated, and were targeted by the #DefundDAPL divestment campaign, which BankTrack [estimates](#) resulted in US\$8-\$20 billion in deposit withdrawals, demonstrating how due diligence failures can translate into material financial losses.

## Business Model Red Flag

Operating in, lobbying for, or expanding into markets where laws or regulations fall below international human rights and environmental standards

## Risks to People

Renewable energy, biofuel, and nature-based projects may require land acquisition in contexts where land tenure is contested, increasing risks to Indigenous Peoples, local communities, and human rights defenders. Similarly, sourcing critical minerals and other key inputs for clean energy and digital technologies from such markets has been linked to child and forced labor, unsafe working conditions, and environmental degradation, while heavy reliance on carbon offset or nature-based solutions in weak-governance contexts can further expose workers and communities to harm.

## Financial Risks

Drax Group has faced complaints from civil society organizations following its transition from coal to biomass energy, with critics alleging that wood pellet mills supplying the company are disproportionately located in low-income, predominantly Black communities in the U.S. and linked to local air pollution and health impacts. These concerns have resulted in sustained advocacy campaigns, regulatory action (including a USD 2.5 million air-pollution fine in 2021), and removal from sustainable investment indices.

### CASE STUDY

Standard Life, a UK-based retirement-specialist asset owner, partnered with BSR to identify climate-related human rights impacts, risks, and opportunities across its portfolio and embed human rights more systematically into its climate strategy and stewardship across asset classes. The analysis focused on the value chains of key sectors, including energy and mining, and considered business model risks and cumulative impacts arising from poorly managed transitions. Commitments include expanding just transition due diligence across high-risk strategies, sectors, and asset classes (including private equity) and working with external asset managers to integrate just transition considerations, grounded in human rights standards, into investment activities.

# 4

## MAPPING CLIMATE-RELATED IMPACTS OF ENERGY VALUE CHAINS ON PEOPLE

Climate change is a human rights crisis,  
making climate action urgent and  
essential.



**With benefits that extend well beyond emissions reduction, well-designed mitigation and adaptation measures can improve public health by reducing air pollution, strengthen energy security, lower long-term costs for households and communities, and expand access to clean, reliable energy.**

They can also create broader societal value by accelerating the shift away from unsustainable business models, supporting decent and inclusive work, strengthening community resilience, and restoring the natural systems on which economies depend.

These outcomes, however, are not guaranteed. The human rights and social impacts of climate action depend on how companies design and implement these actions. Without deliberate planning, meaningful engagement, and safeguards, climate measures can reinforce inequalities or create new harms for workers, communities, and consumers. This is especially critical in the transition of energy value chains, where decarbonization and adaptation decisions have far-reaching human rights implications and will determine whether low-carbon systems reduce or deepen existing inequalities.



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**A just transition works in tandem with climate change mitigation policies, contributes to economic growth, livelihoods and decent work opportunities, improvement in human welfare and health, and improved standards of living for people living in poverty through increased access and affordability of renewable energy sources.**

Renewable Energy and the Right to Development: Realizing Human Rights for Sustainable Development, UN Office of the High Commission for Human Rights



For GPs evaluating and engaging existing or potential portfolio companies, this means assessing how business models, practices, and climate strategies create climate-related human rights impacts, risks, and opportunities.

In practice, business activities shape climate-related outcomes for people through four key pathways, shown below.

While the significance of any specific impact will depend on the company's activities, value chain, and geographic footprint, the following human rights issues stand out.

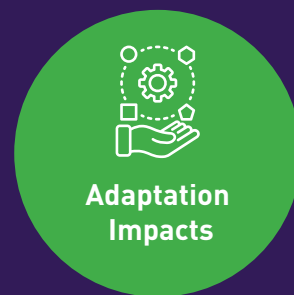
## Climate and Human Rights Impact Pathways



Climate change from GHG emissions and ecosystem damage, with resulting impacts on workers' and communities' human rights



Impacts from the phase-out of fossil fuels, the scale-up of clean energy and other actions to reduce climate impacts



Impacts arising from efforts to respond and adapt to physical impacts of climate change



### Vulnerability Drivers

Business practices that shape people and society's resilience to climate change impacts and climate action

## Climate Impacts

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At an average warming of 1.3°C, changes in the atmosphere, ocean, and biosphere caused by anthropogenic emissions already pose an unprecedented threat to human rights worldwide:

- **Life, security, and safety:** Heat waves, floods, storms, wildfires, and droughts are causing death, injury, and heightened risks for older persons, children, persons with disabilities, and people with pre-existing health conditions.
- **Health:** Climate change is worsening heat stress, disease, malnutrition, mental health harms, and occupational health and safety risks.
- **Adequate standard of living:** Sea-level rise, flooding, storms, permafrost thaw, and desertification are making some communities unsafe, while climate impacts undermine food, water, housing, and livelihoods.
- **Land, natural resources, and self-determination:** Climate change threatens communities' control over land, resources, cultures, and development pathways, especially for Indigenous Peoples and small island states.

## Climate Mitigation and Adaption Impacts

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A well-managed transition can improve health, livelihoods, clean energy access, and equitable development, but poorly designed measures can undermine human rights:

- **Work, social security, and livelihoods:** Decarbonization, automation, industrial decline, relocation, and business model shifts can lead to job losses, insecure work, and loss of social security without reskilling, inclusive planning, and meaningful engagement.
- **Labor rights and working conditions:** Demand for transition minerals, low-carbon technologies, and renewable infrastructure can increase risks of child labor, forced labor, unsafe work, and exploitation where protections are weak.
- **Access to health, food, and water:** Mining, large-scale renewables, bioenergy, and some nature-based solutions can pressure land, water, and ecosystems, affecting health, food security, and livelihoods.
- **Adequate standard of living and scientific progress:** Clean energy can improve living conditions, but high costs, weak grids, unequal access, and uneven benefits can deepen energy poverty and inequality.
- **Land and natural resources:** Renewables, mining, biofuels, carbon removals, and conservation projects can affect housing, livelihoods, cultural rights, and access to resources without consultation; Free, Prior and Informed Consent (FPIC), where relevant; fair compensation; and benefit sharing.
- **Life, security, and civic freedoms:** Resource pressures and weak governance can fuel conflict, threaten safety, and expose environmental and land defenders to intimidation, violence, or retaliation.

## Vulnerability Drivers

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Business practices can exacerbate people's vulnerability to the impacts of climate change and climate action through, for example:

- low wages or precarious employment that undermine people's resilience to physical and financial losses of climate shocks
- inadequate health and safety measures to protect workers from extreme weather conditions
- anti-union practices that weaken social dialogue and workers' ability to benefit from the transition
- aggressive taxation practices that undermine governments' ability to finance critical social security programs



# Vulnerable and Marginalized Groups in the Energy Transition

Both climate change and poorly designed or implemented mitigation and adaptation efforts can perpetuate and exacerbate structural inequalities, disproportionately impacting people who have been made vulnerable through historic marginalization and who face heightened risks of exclusion and harm across the energy value chain.

Group	Climate Change	Climate Mitigation and Adaptation
Children	<p><b>Growth and development:</b> Extreme weather, food insecurity, and disruptions to health and education services threaten their rights to survival and development. <a href="#">One billion children</a> are already at extremely high risk from climate impacts.</p>	<p><b>Child labor:</b> Present in transition-mineral supply chains, further undermining children's health, education, and well-being.</p> <p><b>Health risks:</b> Rare earth mining creates toxic waste. Exposure to heavy metals raises a range of <a href="#">health risks</a>, including <a href="#">developmental harm</a>, disproportionately harming children and pregnant women.</p>
Future generations	<p><b>Disproportionate harms:</b> <a href="#">Future generations</a>—despite contributing least to historical emissions—will bear disproportionate harms from climate change, including escalating heat, food insecurity, displacement, and economic instability. The <a href="#">IPCC</a> warns that climate risks will intensify and, in some cases, become irreversible without rapid emissions reductions and adaptation.</p>	<p><b>Future livelihoods:</b> Lasting impacts of irresponsibly managed renewable energy projects (e.g. land development, minerals extraction) could undermine access to natural resources and other sources of livelihood for future generations.</p>

## Group

## Climate Change

## Climate Mitigation and Adaptation

### Ethnic and religious minorities

**Conflict:** Climate-related disasters, such as droughts and heat waves, can act as “threat multipliers,” increasing the risk of armed [conflict](#) in countries with [deep ethnic divides](#) and weak governance.

**Forced labor:** [Exploitation](#) in renewable energy supply chains, such as Uyghurs and other Turkic and Muslim minorities at heightened risk of forced labor in China.

### Indigenous Peoples

**Self-determination:** Indigenous Peoples’ lands cover [at least 28% of the global land surface](#) and contain vital ecosystems and biodiversity. They are also disproportionately affected by climate change, which threatens their cultures, languages, and traditional ways of life, while barriers to adaptation funding and disaster relief persist.

**Self-determination:** Renewable energy projects, transmission infrastructure, [transition mineral extraction](#), and nature-based solutions frequently intersect with Indigenous lands, often without adequate Free, Prior and Informed Consent (FPIC) or equitable benefit sharing, undermining cultural rights, livelihoods, and self-determination. Indigenous knowledge is vital for climate adaptation yet may be used without recognition or consent.

### Fossil fuel-dependent workers and communities

**Health and safety:** [Methane emissions](#) and flaring from oil and gas production can expose workers and nearby communities to air pollutants, toxic substances, heat, noise, and accident risks, contributing to respiratory and cardiovascular harms, occupational health and safety hazards, [premature death](#), among other community health impacts.

**Job insecurity:** In 2024, the oil and gas fuel production and distribution employed [12.4 million people globally](#), while coal supply employed about [6.1 million](#). The energy transition is disrupting jobs and if poorly managed—combined with increasing automation and subcontracting—can lead to job losses, displacement, more insecure work, and loss of [social security](#).

**Stranded communities:** Without adequate just transition measures, closures and restructuring can lead to job losses, income insecurity, and reduced access to social protection.

**Mental health:** Where these industries are central to local culture and identity, phase-outs can contribute to stress, loss of purpose, and increased risks of depression and suicide.

## Group

## Climate Change

## Climate Mitigation and Adaptation

### Vulnerable consumers

(Older persons, people with poor health or on life support, low-income or energy-poor households, persons with disabilities)

### Energy poverty and insecurity:

Geopolitical conflicts and climate-related disruptions increase energy insecurity and price volatility, disproportionately limiting access to heating, cooling, and essential medical equipment for vulnerable groups, particularly for persons with disabilities who rely on continuous, affordable energy for independent living.

**Physical climate hazards:** Rising temperatures and extreme weather increase exposure to heat stress and health risks. Climate-related disasters can disrupt health care, social protection systems, and accessible communication, placing their rights to health and life at heightened risk.

**Unequal access to clean energy:** The energy transition can improve affordability and access to reliable, low-cost energy, but if costs, infrastructure, and access to clean technologies are unevenly distributed, it risks increasing energy poverty and undermining vulnerable households' ability to meet basic needs such as heating, housing, and food.

### Migrant and informal workers

### Displacement and migration:

Populations in fragile and conflict-affected settings are especially vulnerable to climate-related risks. Forced displacement is forecast to increase internally and across borders as more frequent extreme weather events intensify the root causes of fragility and conflict.

**Precarious work:** Informal and migrant workers are overrepresented in construction, mining, and bioenergy supply chains, and are often exposed to unsafe working conditions exacerbated by climate change (e.g., extreme heat) while also experiencing precarious employment, wage theft, and limited access to social protection.

### Human rights and environmental defenders

**Repression:** In 2025, obstruction, repression and criminalization of climate activists was reported across regions, particularly in high-emitting states and in areas of fossil fuel infrastructure expansion. Efforts are reportedly aimed at safeguarding private interests and the status quo.

**Attacks and intimidation:** Indigenous leaders and community representatives face heightened risks in the energy transition, as opposition to or scrutiny of energy and transition-related projects can expose them to threats, criminalization, harassment, or violence, particularly in contexts with weak governance or limited rule of law.

## Group

## Climate Change

## Climate Mitigation and Adaptation

### Rural communities in resource-rich areas

**Ecosystem degradation:** For Indigenous Peoples and local communities who depend on natural resources, climate change threatens access to food and water, health, housing and land, and disrupts cultural practices tied to ecosystems, increasing vulnerability to displacement and inequality.

**Loss of livelihoods:** Livelihoods depend on land, water, forests, and fisheries are exposed to energy transition projects and infrastructure that can result in displacement, environmental harm, and loss of access to natural resources, particularly where land tenure is insecure and community participation is limited.

### Women

**Health and safety:** Women—especially those who are pregnant, postpartum, or older—face heightened physical risks from climate change, including food insecurity and extreme heat. These risks are compounded in workplaces such as construction, mining, grid maintenance, and renewable energy installation, where heat stress and physically demanding conditions can lead to serious health impacts, including increased maternal complications during pregnancy and recovery.

**Unequal access to green jobs:** Women are significantly underrepresented in the energy workforce globally. Gender bias, limited access to training, and unequal opportunities, coupled with unequal care responsibilities, restrict women's entry and advancement in renewable energy jobs.



5

**STEPS FOR  
A PEOPLE-CENTERED  
CLIMATE TRANSITION IN  
ENERGY VALUE CHAINS**

## **As outlined in PCAP’s People-Centered Climate Action: Guidance for Private Capital Investors, GPs (and LPs) can set expectations for and support portfolio companies to take action on climate by conducting human rights and environmental due diligence in line with the UNGPs and the OECD Guidelines.**

The UNGPs and OECD Guidelines clarify the expectation that all business enterprises have a responsibility to respect human rights by having in place robust policies and governance structures, conducting human rights and environmental due diligence systems and processes, and establishing effective grievance mechanisms.

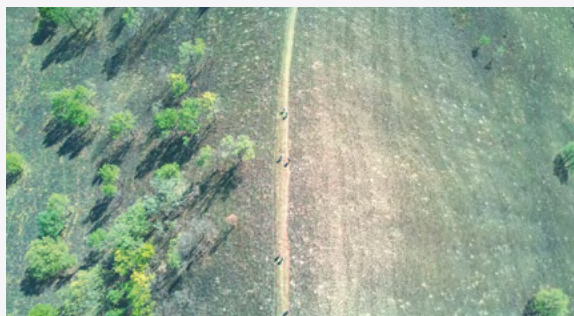
An impact-oriented approach to climate and people prioritizes, above all, preventing and addressing harm to people and designing solutions that work for workers, communities, consumers, and nature. This means identifying, assessing, and addressing actual and potential adverse human rights impacts linked to a company’s operations and value chains, including Scope 3 emissions, ecosystem degradation, and climate strategies.

For energy value chain companies, a people-centered, human rights-aligned just transition approach helps guide business model transformation, climate innovation, renewable energy deployment, and inclusive clean energy access in ways that support the people and societies they depend on. It complements financial materiality by addressing impacts on workers, communities, consumers, Indigenous

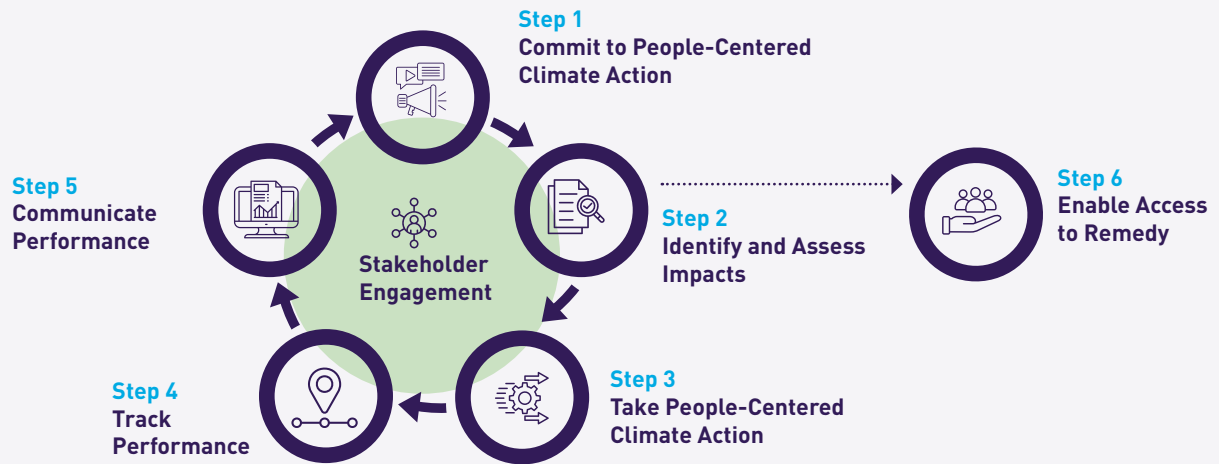
Peoples, and others, while recognizing that just transition expectations increasingly shape laws, benchmarks, litigation, reporting frameworks, and financial materiality itself.

### **Responsible Business Conduct for a Just Transition: Protecting Workers, Communities and Consumers in the Low-Carbon Transition**

In May 2026, the OECD published a report outlining how the shift to a low-carbon economy creates opportunities for innovation and jobs but can also pose social risks if poorly managed. It guides companies on addressing these impacts using OECD responsible business conduct standards and practical case studies.



## Steps of People-Centered Climate Action



The following section outlines the key steps portfolio companies should follow to advance people-centered climate action with practical examples, tools, and resources. Company actions to address their impacts on people through their impacts on the climate are largely beyond the scope of this guidance, except for Step 6, which addresses their responsibility to remedy such impacts.

Investors can support these efforts by embedding clear expectations into governance structures and investment decisions, and by helping portfolio companies implement due diligence through capacity building and connections to industry and multi-stakeholder initiatives. The steps below include example questions to support investor engagement and dialogue with portfolio companies.



# Stakeholder Engagement

Affected stakeholder engagement sits at the core of human rights due diligence and a just transition. In the energy transition, it is essential to engage workers, Indigenous Peoples, local communities, consumers, and their legitimate representatives.

While climate transition timelines are urgent, engagement should not become a tick-box exercise. Meaningful engagement is not a one-size-fits-all consultation designed to validate predetermined plans. It requires early and continuous involvement, deliberate efforts to address power imbalances, and approaches tailored to the specific stakeholder groups involved. For workers, this includes robust social dialogue with legitimate trade unions and workers' representatives, while for Indigenous Peoples, it entails securing Free, Prior, and Informed Consent (FPIC). Particular attention must also be given to vulnerable and marginalized groups, such as children and informal workers, with engagement approaches adapted to their rights and lived realities.

To be meaningful, stakeholder perspectives and experiences must inform decision-making and guide solutions that align decarbonization and adaptation strategies with the human rights and well-being of the people they affect. Because stakeholder priorities may differ, companies should apply a risk-based approach that prioritizes action on the most severe harms, helping to navigate expectations credibly, fairly, and transparently. Done well, meaningful engagement enables co-design, strengthens legitimacy, and supports more just and sustainable transition outcomes that deliver [shared prosperity](#).

For further guidance on assessing portfolio companies' stakeholder engagement practices, see the [Stakeholder Engagement Guide](#) for investors pictured below. For portfolio companies in the energy and utilities sectors, the practitioners guidance developed by BSR on [Stakeholder Engagement in the Transition Context](#) and Ipieca on [Meaningful Engagement](#) offer useful guidance.

## EMBED IN MANAGEMENT SYSTEMS

### 1. Embedded Commitment

The company has a policy commitment to ongoing stakeholder engagement, and embeds it in its governance, culture, and management strategy.

## CREATE A TAILORED ENGAGEMENT PLAN

### 2. Inclusiveness

The company listens to a full range of rights holders across the value chain and has a process to identify legitimate representatives.

### 3. A Focus on Those Most at Risk

The company prioritizes engagement with the rights holders who are most likely to be harmed by its operations, and therefore where early engagement is critical.

## CONDUCT APPROPRIATE ACTIVITIES

### 4. Informed Participation

The company establishes ongoing, two-way communication with affected rights holders that provides relevant critical information well in advance of key decision points.

### 5. Trust and Accountability

The company establishes a grievance mechanism and other procedures, tailored to the context, to build rights holder trust and accountability for its actions.

## ENSURE FOLLOW THROUGH

### 6. Stakeholder-informed Action Plan

The company analyzes information obtained through dialogue with rightsholders and collaborates with rights holders to formulate an action plan.

### 7. Monitoring, Transparency, and Continuous Improvement

The company establishes and maintains a transparent and stakeholder-informed monitoring and evaluation (M&E) system.

## STEP 1

# COMMIT TO PEOPLE-CENTERED CLIMATE ACTION

**Objective:** Portfolio companies establishes and embeds a foundation for shared prosperity in the transition to a low-carbon, climate-resilient economy grounded in respect for human rights.

## Portfolio Company Key Actions

Companies commit to mitigate and adapt to climate change through science-based policies, strategies, and transition plans and to respect human rights and just transition by adopting public and board-approved policy commitments.

Policies:

1. Commit to embed respect for internationally recognized human rights in core business and climate strategies in line with the UNGPs, OECD Guidelines, and ILO Guidelines for a just transition toward environmentally sustainable economies and societies for all
2. Apply across the entire energy value chain
3. Are developed with input from relevant experts and affected stakeholders, including workers, trade unions, and [human rights defenders](#)
4. Commit to ongoing human rights and environmental due diligence and access

to remedy—particularly regarding climate change, biodiversity, and transition planning—with a focus on those most affected

5. Communicate clear expectations of workers across business functions and business relationships across value chains to support a fair, inclusive, and rights-respecting transition

## Considerations

**Embed policy commitment:** To be effective, supporting a just transition requires cross-functional collaboration that breaks down internal silos. Cross-functional working, knowledge sharing, and capacity building across areas of expertise, including climate, health and safety, human rights, human resources, community engagement, and others, help teams translate languages and approaches; identify blind spots; address interconnected impacts; manage real and perceived trade-offs; and strengthen the resource efficiency and effectiveness of climate and human rights strategies.

## Example Engagement Questions

- ☑ Have you considered the extent to which your business model interacts with global climate goals, the net zero transition, physical climate impacts, and significant impacts on workers, communities, consumers, and other affected stakeholders?
- ☑ Have you considered the regulatory, reputational, legal, and financial risks associated with your business model, activities, and/or decarbonization strategies, including risks arising from their impact on people?
- ☑ To what extent does the board of directors oversee alignment of relevant teams, processes, and resources in the context of transition planning?

### CASE STUDIES

**Just transition in human rights commitment:** ENI commits to a “socially just energy transition” in its [human rights policy](#), aligned with the UN Guiding Principles on Business and Human Rights (UNGPs) and the ILO Just Transition Guidelines. This is reinforced through a [Global Framework Agreement \(GFA\)](#) with trade unions, which includes commitments on reskilling, employability, and ongoing social dialogue to manage workforce impacts.

**Just transition commitment through social dialogue:** ENGIE has adopted a [Just Transition Policy](#)—and signed a [GFA](#) with trade unions—committing to decarbonization alongside measures to support workers, communities, and consumers, including reskilling programs, local economic development, and support for more sustainable energy use.

**Just transition principles:** SSE was among the first energy companies to publish a dedicated [Just Transition Strategy](#) setting out its commitment and structured around 20 principles covering workers, communities, and consumers. The strategy emphasizes fairness, inclusion, and the equitable distribution of benefits from decarbonization.

## STEP 2

# IDENTIFY AND ASSESS CLIMATE-RELATED IMPACTS ON PEOPLE

**Objective:** Portfolio company identifies and assesses actual and potential climate-related human rights impacts in its operations and across value chains.

## Portfolio Company Key Actions

To effectively gauge climate-related human rights actual and potential impacts, portfolio companies are expected to:

1. Map operations and value chains, including key activities relevant to the company's climate transition strategy
2. Identify and assess actual and potential impacts of products, services and value chain activities across the four impact pathways described in [Section 4](#):

**Climate impacts**, considering the company's GHG emissions (Scopes 1, 2, and 3) and harmful impacts on critical natural ecosystems that support the regulation of climate (e.g., carbon sinks), and the associated impacts on people (e.g., extreme weather events harming health and livelihoods).

**Mitigation impacts**, considering the impacts of existing and potential decarbonization pathways, relevant

environmental protection measures, and procurement of carbon credits, on affected stakeholders (e.g., decommissioning sites, use of new technologies, supply chain shifts to greener fuels, project siting, expansion of electrification to remote areas)

**Adaptation impacts**, considering how actions to adapt the business to climate change (e.g., infrastructure relocation, investment in conservation project) might have unintended adverse impacts on workers and local communities

**Vulnerability drivers** and the associated human rights impacts, considering how the company's practices may undermine or enable workers', local communities', and society's resilience to all these impacts through, for example, public policy, corporate taxation, or human resources strategies.

## Considerations

- **Identify vulnerable and marginalized groups:** Climate change and the energy transition can reinforce structural inequalities and disproportionately affect people facing heightened risks of exclusion or harm across the energy value chain. Portfolio companies should pay particular attention to groups at heightened risk, including Indigenous Peoples, [human rights defenders](#), and those experiencing energy poverty.
- **Understand the context:** Portfolio companies should assess how local and national factors shape outcomes for people, including socioeconomic conditions, development priorities, governance, physical climate hazards, and human rights protections such as social security, freedom of association, collective bargaining, and land rights. Understanding this context is essential to identifying impacts and designing effective interventions, including inclusive skills development programs that respond to the needs of workers and businesses alike.
- **Engage stakeholders meaningfully:** Companies should engage workers and their legitimate representatives early and continuously when transition decisions may affect jobs, skills, or working conditions, including through social dialogue. They should also secure Free, Prior, and Informed Consent (FPIC) with Indigenous Peoples where relevant and engage local communities, consumers, and civil society to understand impacts on livelihoods, regional development, inequality, gender dynamics, and energy access.
- **Assess cumulative impacts:** The systemic nature of the energy transition means that individual company impacts manifest within a broader transition context, creating complex dynamics and cumulative impacts on suppliers, workers, communities, and consumers across companies, countries, and regions. For example, transitions away from or into specific regions, commodities, and supply chains can drastically affect livelihoods and human rights while increasing pressures on land and ecosystems. [Sector-wide, landscape-level, cumulative, and consumer impact assessments](#) can help identify shared risks, root causes, and opportunities for coordinated action.

## Example Engagement Questions

- ☑ How do you integrate climate, nature, and human rights expertise to identify risks, synergies, and trade-offs within your business and climate transition strategy?
- ☑ How are impacts from transition activities (e.g., plant closures, fuel switching, grid modernization, transmission expansion, renewable energy development, and resilience investments) identified and prioritized, including impacts on workers, communities, Indigenous Peoples, land rights, biodiversity, energy affordability, and livelihoods?
- ☑ How do your business practices and/or climate strategies affect the vulnerability or resilience of workers, communities, or consumers to climate change or climate action?
- ☑ How might you be able to support sector- or regional-level assessments of cumulative transition and climate impacts, including on local economies, land use, and water availability?

### CASE STUDY

#### **Structured social dialogue in Spain**

As part of planning its shift from fossil fuels to renewable energy, Iberdrola conducted workforce assessments to identify the skills needed for a clean energy future, anticipate potential impacts on workers, and inform the co-creation of solutions with affected workers and communities.

In the context of [Spain's National Just Transition Strategy](#), Iberdrola engaged in structured social dialogue with government, trade unions, and regional stakeholders and worked within [Just Transition Agreements](#) to support worker redeployment, reskilling initiatives, and investment plans aimed at revitalizing regions affected by coal plant closures. Through this approach, Iberdrola has linked its decarbonization strategy to worker protection and the socioeconomic diversification of communities historically dependent on fossil fuel energies.

#### **Collective efforts to identify human rights risks in energy supply chains**

As demand for critical minerals surges, [Global Battery Alliance](#) brings together actors across the battery value chain to develop shared standards and tools such as the “Battery Passport,” enabling traceability and greater transparency on environmental and human rights performance.



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**The transition to a resilient, low-carbon economy represents an opportunity for transformation for businesses around the world. A just transition can enable businesses to reconcile economic, social, and environmental objectives in their strategies to stimulate growth, create value, and decent jobs, while protecting the environment and remaining or becoming competitive**

**Moustapha Kamal Gueye Director, Priority Action Programme on Just Transitions, International Labour Organisation (ILO), Member of the Stakeholder Council, EDF Group**

## STEP 3

# TAKE PEOPLE-CENTERED CLIMATE ACTION

**Objective:** Portfolio company takes an integrated approach to climate transition planning to prevent, mitigate, and adapt to climate change in ways that respect human rights and leave no one behind.

## Portfolio Company Key Actions

To ensure business models, decarbonization efforts, and adaptation measures are inclusive and respect human rights, portfolio companies should:

- 1. Use risk-based due diligence to prioritize actions and navigate trade-offs:** Focus on the most severe impacts on people and planet—not only business risks and opportunities—including impacts deeper in the value chain. Apply a due diligence approach to prevent, mitigate, and remedy harms, build and use leverage, ensuring transparency throughout the process, and strengthen cross-functional collaboration to manage risks in ways that also support co-benefits for climate, nature, and people (e.g., preventing ecosystem harm to support carbon sequestration, biodiversity, and community livelihoods).
- 2. Business model transformation:** Align [business models](#) and transition strategies with improved outcomes for climate, people, and ecosystems, including transitioning away from high-emitting activities while addressing risks linked to [alternative business models](#). Incorporate affected stakeholder input and co-design of climate actions, such as physical closure of coal mines and the decommissioning of coal-fired power plants, to ensure solutions are practical and locally grounded while reducing unintended harms.
- 3. Increase leverage through collaboration:** Companies should prevent or mitigate adverse impacts where they contribute to, or are directly linked to, harms through business relationships, including by building and using their leverage to effect change. Collective action is essential for building leverage to address the cumulative impacts of climate change and the scale of the transition away from fossil fuels.
- 4. Ensure fair benefit sharing:** Support the equitable distribution of economic, social, and environmental benefits from climate action, including through respect for Indigenous Peoples' rights and responsible taxation practices that sustain investment in [social protection](#), worker reskilling, and green infrastructure.

5. **Responsibly exit:** In oil, gas, and coal sectors, closures and decommissioning should support a just transition for workers, communities, and ecosystems. For further guidance on adopting a people-centered responsible exit approach, see the [International Principles for Responsible Divestment from Fossil Fuels](#), which set out expectations for companies and governments to manage phase-outs responsibly and address impacts on workers and communities.

The UNGPs and OECD Guidelines outline that appropriate company action depends on a portfolio company's involvement in an impact and its leverage to influence others. Consistent with the [OECD's just transition road map](#), companies may therefore need to combine individual and collaborative approaches depending on the circumstances. The following table provides illustrative examples.

## Individual Company Action

### **Responsible closure and decommissioning:**

Integrate human rights and environmental impact assessments into closure planning, including appropriate forms of stakeholder engagement, and ensure effective remedy for affected stakeholders, environmental rehabilitation, and land repurposing.

**Workforce planning:** Support workers affected by the energy transition through retraining, redeployment, income protection, social dialogue, and equal access to re-employment opportunities. Where displacement is unavoidable, provide fair compensation, severance, and transition support.

**Responsible commercial leverage:** Use [contracts](#), procurement, and purchasing practices to embed just transition expectations across fossil fuel and renewable energy value chains, while sharing transition-related risks and costs fairly rather than shifting burdens onto suppliers.

## Collaborative Action

**Collaborate on responsible exits:** Work with peers on shared decommissioning plans, co-funded remediation programs, worker reskilling, support for SME value chain partners, and measures to maintain energy affordability and accessibility during electrification.

### **Peer and multi-stakeholder engagement:**

Active participation in credible peer and multi-stakeholder initiatives, sector platforms, and strategic partnerships is essential to scale impact and align industry practice—such as BSR's Energy for a Just Transition (now incorporated in [We Mean Business Coalition's Just Transition Resource Platform](#)), DIHR/[Green Power Denmark](#) partnership on [Solar power and human rights](#), [Initiative for Responsible Mining Assurance Initiative \(IRMA\)](#).

## Individual Company Action

**Partner engagement:** Build long-term, trust-based partnerships with suppliers and contractors by providing capacity building, technical assistance, and transition support to strengthen delivery of people-centered climate action and shared value.

**Community engagement and benefit sharing:** Meaningfully engage communities, including through Free, Prior, and Informed Consent before (FPIC) where applicable; co-design and manage renewable and critical minerals projects with shared benefits; provide appropriate compensation and remedy; and ensure transparent contracting and fair royalties to governments and communities.

**Affordability and continuity of access:** Maintain affordable and reliable energy access during the transition through measures such as targeted subsidies, tiered pricing, and protections against climate- or transition-related price shocks and service disruptions.

## Collaborative Action

**Responsible government engagement:** The energy transition requires close engagement with national and subnational governments to support transition planning, risk mitigation, and enabling conditions for a just transition. This may include sharing information on decommissioning plans, collaborative transition planning, and responsible policy advocacy to strengthen human rights and environmental due diligence, social protection, and reskilling programs, while avoiding lobbying or legal strategies that delay climate action, weaken protections, or undermine scientific consensus.

## Carbon Credits

Carbon credits and removals can help mobilize finance for the goals of the Paris Agreement and the Global Biodiversity Framework. However, leading guidance emphasizes that they should complement—not replace—deep decarbonization within companies’ own operations and value chains. The [High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities](#) warns that reliance on carbon credits should not detract from the imperative to reduce emissions or risk locking in greenhouse gas-intensive activities and infrastructure. Similarly, the [OECD Guidelines](#) establish a clear hierarchy of action under which companies should first avoid and reduce emissions in line with science-based pathways.

Emerging guidance, including [Science Based Targets initiative \(SBTi\) Corporate Net-Zero Standard V2](#), expects companies to take responsibility for ongoing emissions by contributing to high-integrity emissions reductions or removals in addition to—not instead of—deep decarbonization. At the point of net zero, companies may neutralize residual emissions that cannot be eliminated through durable carbon removals.

Any use of carbon credits or removals should be subject to robust environmental and human rights due diligence. Concerns remain regarding environmental integrity and human rights risks, including additionality, permanence, Free, Prior and Informed Consent (FPIC), and equitable benefit sharing. Companies should also assess intermediaries and project developers to understand how they engage with affected communities, whether grievance mechanisms are available to rights holders, and whether projects align with international human rights standards.

### Example Engagement Questions

- ☑ To what extent have decarbonization and phaseout strategies (e.g., decommissioning, methane reduction, carbon capture, asset closures, renewable energy expansion) addressed impacts on workers, communities, livelihoods, and Indigenous Peoples?
- ☑ How has engagement with workers, trade unions, local communities, Indigenous Peoples, consumers, and other affected stakeholders informed decisions, for example, on project siting, design, benefit sharing, hiring, co-ownership, and energy access?
- ☑ What measures exist to address the impacts of decarbonization, grid modernization, plant closures, and infrastructure investments on consumers, particularly low-income and vulnerable households?
- ☑ Are you pursuing potential business opportunities in developing products or services that contribute to global climate goals and advance human rights, including affordable access to green energy?
- ☑ How do you ensure alignment between your public policy engagement (including lobbying, trade association membership, investor-state claims) and your commitments to a just and people-centered transition? What processes are in place to identify and address any misalignment?

## CASE STUDIES

### INDIVIDUAL COMPANY ACTION

**Business Model Transformation in Practice:** Ørsted transformed from one of Europe's most fossil-fuel-intensive utilities (formerly DONG Energy) into a global offshore wind developer, phasing out coal and divesting upstream oil and gas as part of a significant shift in its business model. This transition illustrates the scale of structural change required in the energy sector and involved substantial trade-offs, including plant closures, organizational restructuring, and impacts on workers and local communities. The company reports that it engaged with employees, trade unions, local stakeholders, and policymakers during this process, alongside implementing reskilling and redeployment initiatives; however, the case also highlights the complexity and challenges of managing social impacts in large-scale energy transitions.

**Building Workforce Resilience through Reskilling:** Energy companies are increasingly using reskilling and workforce development to support a just transition while strengthening business performance. Initiatives such as Europe's Reskilling 4 Employment program, targeted training and apprenticeship investments by Vectur Energy and Siemens Energy, and Enel Green Power's agrivoltaic projects are helping workers and communities build skills and new livelihoods in clean energy sectors, including grid infrastructure, offshore wind, and sustainable agriculture.

**Responsible Exit through Social Dialogue:** Analysis of 1.5°C pathways indicates that most existing coal mines would need to close early by 2030 if demand declines in line with climate goals, creating significant economic and social transition risks without adequate planning. As part of its coal phase-out strategy, Enel closed several coal-fired power plants across Europe and Latin America, affecting workers, contractors, and host communities. The company engaged trade unions, employees, and local authorities to support workforce transitions through redeployment, reskilling, negotiated exit arrangements, and linking decommissioning with renewable energy and site redevelopment initiatives to sustain local jobs and economic activity.

## CASE STUDIES

# COLLABORATIVE ACTION

**Addressing Forced Labor in Solar Supply Chains:** Human rights due diligence can reveal systemic risks that require collective action. Xinjiang produces an estimated 30–45% of global polysilicon used in solar panels, and parts of the sector have been [linked](#) to state-imposed forced labor affecting Uyghur and other Turkic minorities. In response, Danish solar companies partnered with the [Danish Institute for Human Rights](#) to strengthen supply chain mapping, identify links to high-risk regions, and improve transparency and responsible business practices. At the same time, initiatives such as the [Solar Stewardship Initiative](#) can support improvements at specific sites, but may still face structural challenges in such high-risk contexts.

**Responsible Minerals Sourcing:** As demand for lithium, cobalt, nickel, and copper accelerates, responsible sourcing of transition minerals is becoming a key determinant of long-term value and risk in the energy transition. At the regulatory level, the [EU Batteries Regulation](#) introduces mandatory supply chain due diligence requirements for key battery minerals, requiring companies placing batteries on the EU market to identify, prevent, and mitigate human rights and environmental risks in line with the [OECD Due Diligence Guidance for Responsible Mineral Supply Chains](#), thereby raising expectations for traceability, transparency, and risk management across global supply chains. Initiatives such as the [Initiative for Responsible Mining Assurance](#) (IRMA) seek to embed independent site-level verification of labor rights, Indigenous rights, environmental safeguards, and community engagement into mineral supply chains.

**Community Ownership and Shared Value in Renewable Energy Projects:** Innovative ownership and financing models are helping ensure the benefits of the energy transition are shared more equitably. [Community ownership models](#) can enable local communities and Indigenous Peoples to participate in decision-making, governance, and financial returns from renewable energy projects. Examples include community-owned wind projects in the UK that generate [sustained revenue streams](#), [Indigenous equity ownership](#) in Canadian renewable energy projects, and [community investment funds](#) linked to renewable developments in Chile. Common elements of stronger practice include early and meaningful engagement with rights holders, formalized benefit-sharing arrangements, community participation in governance, and support for long-term local development.



## CASE STUDIES

# COLLABORATIVE ACTION

### Collective Action to Address Shared Human Rights Risks in Energy Supply Chains

Companies are increasingly using collective action to address systemic human rights risks in energy supply chains. In Germany, the [Energy Sector Dialogue](#) brings together companies, government, and civil society to address impacts linked to bauxite mining in Guinea, including land rights, water use, and community engagement. In the Netherlands, the [International RBC Agreement for the Energy Sector](#) convenes companies, trade unions, NGOs, and government to strengthen due diligence in renewable energy supply chains, focusing on labor rights, land use, and transparency. While such initiatives can strengthen leverage and coordination, certification and industry schemes also face [credibility challenges from affected communities](#). They should complement—not replace—robust company-level due diligence and accountability.

## STEP 4

# TRACK PERFORMANCE

**Objective:** Portfolio company evaluates progress and continuously improves the effectiveness of just transition measures, including by developing business-specific and decision-useful indicators.

## Portfolio Company Key Actions

To verify whether their actions are reducing climate-related people impacts and delivering fair outcomes for affected stakeholders, portfolio companies should systematically evaluate their effectiveness by taking the following actions:

1. **Set clear, time-bound objectives and KPIs:** Establish measurable qualitative and quantitative indicators tied to the company's business and energy transition strategy and related impacts on workers, communities, Indigenous Peoples, consumers, and climate goals.
2. **Involve stakeholders in defining and reviewing progress:** Workers, affected communities, and their representatives should be meaningfully engaged in shaping indicators, monitoring implementation, and identifying gaps.

**Commitments to a climate action and just transition must be backed by clear evidence of progress.**

3. **Conduct periodic impact assessments:** Regularly evaluate the real-world impacts of transition plans and physical climate risks on people, livelihoods, and ecosystems in consultation with relevant stakeholders.
4. **Enable course correction and continuous improvement:** Ensure monitoring findings feed back into strategy, governance, and operational decision-making, allowing companies to adapt and strengthen their approach over time.

### Just Transition Metrics

In 2026, Shift, BSR, and other key organizations jointly developed "[Just Transition Metrics](#)." This set of 19 quantitative, sector-agnostic metrics helps businesses measure how climate transition plans impact vulnerable workers, communities, and value chain workers. Metrics cover a range of topics, including job security, reskilling, [living wage](#), trade union rights, stakeholder engagement, and FPIC. They can be applied in the context of full transition plans or in relation to more discreet activities that support the transition.

## Considerations

- Companies should apply a human rights-based approach to just transition data and monitoring to support participation, including access to information, joint tracking with affected stakeholders, data disaggregation by gender and vulnerability where feasible, and voluntary self-identification with appropriate privacy safeguards.
- Track outcomes, not only activities, by assessing whether transition measures deliver intended impacts on workers, communities, Indigenous Peoples, consumers, for example, the share of jobs meeting green and decent work standards or community benefits generated through renewable energy projects.
- Build on existing governance, due diligence, and grievance mechanisms to monitor impacts, address stakeholder concerns, and track progress across energy transition activities.

## Example Engagement Questions

- ☑ How do you involve affected stakeholders, such as workers, communities, and their representatives, in shaping indicators and/or assessing the effectiveness of your energy and just transition measures, and how does their feedback inform adjustments to your approach?
- ☑ How do you ensure that just transition KPIs capture impacts at both the corporate and project level (e.g., decarbonization, plant closures, renewable energy development, and grid investments), and how are gaps between overall performance and project-level outcomes identified and addressed?



**Even companies that are performing better on their overall just transition strategy may be facing risks of just transition litigation at a project level... reinforc[ing] the importance of having complementary just transition indicators that can measure impact at a corporate and project level, given the existing dichotomy between the two. Coupling different types of data and just transition indicators can be a key way for assessors to derive a more accurate view of the social impacts of companies' transition plans.**

[Assessing the 'just' in corporate transition plans: framework and guidance \(2026\)](#), World Benchmarking Alliance

## CASE STUDY

**Designing KPIs:** SSE's 2024 update to its [Just Transition strategy](#) stands out for embedding measurable social impact KPIs and transparent progress reporting into its transition planning. The company tracks indicators such as the share of workers in high-carbon roles offered retraining, certification, or redeployment opportunities into low-carbon sectors, with a target to increase participation by 10% annually, and monitors stakeholder engagement with unions, communities, and rights-holder groups, aiming for co-designed mitigation plans in 90% of high-impact projects by 2026. SSE also publicly reports on progress, stakeholder input, and review processes, strengthening accountability for its just transition commitments.

## Closing the Stakeholder Feedback Loop

Effective stakeholder engagement is critical to assess whether just transition measures are delivering real-world outcomes. Rights holders—including workers, communities, and Indigenous Peoples—provide critical insight into whether mitigation, adaptation, and remediation efforts are effective, yet [engagement is often limited to early project stages](#). International standards such as the [OECD Guidelines](#)—and emerging European due diligence regulation—emphasize the need for ongoing stakeholder involvement in evaluating effectiveness over time.

Companies with the most robust due diligence systems maintain continuous feedback loops supported by credible grievance mechanisms that meet UNGP effectiveness criteria (e.g., accessibility, transparency, fairness). These mechanisms [enable companies](#) to identify emerging risks early, adjust strategies, and build trust. The presence of sustained engagement and functioning feedback systems is a key indicator of whether transition strategies are resilient, credible, and aligned with a people-centered approach.

## STEP 5

# COMMUNICATE PERFORMANCE

**Objective:** Portfolio company accounts for how climate-related human rights impacts are addressed, particularly when concerns are raised by or on behalf of affected stakeholders.

## Portfolio Company Key Actions

To account for how they address climate-related impacts on people, portfolio companies should:

1. **Engage directly with affected stakeholders:** Explain how the company identifies and manages human rights impacts arising from both climate transition activities and physical climate change impacts across the value chain. Communication should be inclusive and accessible, considering differences in language, gender, culture, disability, literacy, and age, with particular attention to the [mental health of children](#).
2. **Adopt double materiality approach to formal reporting:** Formal reporting should align with the UNGPs approach and the concept of impact materiality within a double materiality framework. This means reporting on their most significant (salient or material) actual and potential impacts on people, not just financial risks and opportunities. Disclosures should provide clear, credible information on impacts arising from climate mitigation and adaptation measures (e.g., phaseout plans, renewable energy expansion, energy affordability), stakeholder engagement, and progress toward a people-centered transition for workers, communities, Indigenous Peoples, consumers, and future generations.

## Example Engagement Questions

- ☑ Can you provide examples of how you communicate material climate-related human rights impacts through reporting and/or directly to affected stakeholders? How do you ensure that disclosures are understandable and meaningful for different stakeholder groups at both corporate and project levels?
- ☑ How do you ensure consistency between your public disclosures (e.g., sustainability reports, transition plans) and the information shared directly with affected stakeholders? Can you provide examples where stakeholder-facing communication has gone beyond, or differed from, public reporting to reflect local impacts and concerns?



**Engagement isn't about counting meetings, it's about shaping outcomes.**

Andrea Shemberg, [Global Business Initiative](#)

## CASE STUDY

**Accountability through Communication:** [Anglo American's Social Way 3.0](#) guides site teams to develop local accountability mechanisms that can sustain open dialogue with affected stakeholders, provide transparent information, and systematically receive and respond to stakeholder feedback. By embedding structured engagement and accessible grievance processes at site level, the approach supports human rights due diligence expectations that companies communicate with affected stakeholders and remain accountable for their impacts and decisions.

## IFC Performance Standards—Disclosure and Ongoing Engagement

The [IFC Performance Standards](#), widely applied to energy and infrastructure projects, set clear expectations on stakeholder engagement and disclosure. Under Performance Standard 1 (Assessment and Management of Environmental and Social Risks and Impacts), companies are required not only to disclose impact assessments and mitigation measures, but also to maintain ongoing communication with affected communities throughout the project life cycle. This includes providing timely, accessible, and understandable information on risks, impacts, and performance, as well as updates on how concerns raised by stakeholders are being addressed.

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## Relevant Disclosure Standards

**Global Reporting Initiative's 2025 Climate Standard (GRI):** Incorporates disclosures related to the impacts of transition and adaptation plans on people, including cross-sectoral just transition metrics.

**European Sustainability Reporting Standards (ESRS):** Meant to operationalize the CSRD requirements, ESRS expect companies to disclose their material impacts on workers, communities, and other affected stakeholders, including measures taken to mitigate negative impacts on these stakeholders that arise from the transition to a low-carbon and climate-resilient economy (e.g., social dialogue and reskilling).

**The Transition Plan Taskforce (TPT)** has published an [advisory paper](#) to support its climate transition plan [disclosure framework](#), helping companies integrate people considerations into transition plans and advance a just transition.

**TISFD framework** (in development at time of publication) will provide a reporting framework to disclose inequality and social-related impacts, dependencies, risks, and opportunities. This framework will recognize the interlinkages between people, nature, and climate, including in the climate transition context.

Note: Financial disclosure frameworks—such as Climate-related Financial Disclosures (TCFD) and [International Sustainability Standards Board \(ISSB\)](#)—require companies to disclose on people-related impacts resulting from their contributions to climate change or their climate actions, but only where these impacts are financially material to the business. These reports should be complemented by impact materiality reports.

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## Additional Resources

[Strengthening the S in ESG, Shift](#)

[Beyond Compliance: Why Audit Alone Is Not Enough, Ethical Trading Initiative](#)

[Selecting KPIs, Ipieca](#)

[Sustainability Reporting Guidance for the Oil and Gas Industry \(Ipieca, updated 2025 with just transition indicators\)](#)

[Renewable Energy and Human Rights Benchmark \(Business and Human Rights Centre\)](#)

[World Benchmarking Alliance \(WBA\) Integrated Transition Assessment \(in development at time of publication\)](#)

# ENSURE ACCESS TO REMEDY

**Objective:** Individuals and groups negatively impacted by the portfolio company's activities and climate strategies have access to remedy, fostering accountability, fairness, and trust in the transition.

## Portfolio Company Key Actions

There is no justice in the transition without remedy for those harmed.

To integrate access to remedy for climate harms and climate action-related harms, portfolio companies should:

1. **Recognize responsibility to remedy:** If the portfolio company cause or contribute to adverse climate-related human rights impacts, it provides for or cooperates in remedy through legitimate judicial and non-judicial processes (e.g., engaging in good faith with complaints and claims processes and refraining from actions that undermine access to justice, including strategic litigation against public participation or SLAPPs). Where impacts are directly linked to their operations, products, or services through business relationships, the company uses its leverage to support effective remedy.
2. **Embed remedy in climate transition planning:** Integrating access to remedy into climate transition planning is essential, including effective grievance mechanisms equipped to handle climate-related human rights and environmental complaints. Set clear expectations for suppliers, carbon credit

providers, and other business relationships on climate action and access to remedy.

3. **Enable remedy for cumulative impacts:** Because energy transition impacts are often cumulative, systemic, and interconnected, remedy approaches should also be collective and long-term. This includes participating in credible industry and multi-stakeholder initiatives that support shared grievance mechanisms and broader access to remedy across value chains and regions. For example, credible third-party grievance mechanisms, regional just transition and environmental rehabilitation funds, and sectoral labor agreements.

### Appeals and Redress Process under the Paris Agreement

Article 6.4 of the Paris Agreement establishes a UN-supervised carbon market mechanism for generating tradable carbon credits and includes a [grievance process](#) through which individuals, local communities, or businesses may raise concerns about adverse social, economic, or environmental harms caused by registered Article 6.4 activities.

## Considerations

- **Forms of remedy:** Remedy aims to restore affected people's situations to the greatest extent possible and be informed by what affected people themselves consider adequate. It is not limited to financial compensation (e.g., for lost income or livelihoods) but can also include restitution (e.g., restore access to land), rehabilitation (e.g., worker reskilling, long-term remediation of environmental legacy issues), guarantees of non-repetition (e.g., strengthened policies and systems), and acknowledgment or apology for harm caused.
- **Early warning:** Effective grievance mechanisms enable companies to identify and address issues early, helping prevent escalation into financial, legal, or reputational risks. They can also reveal recurring patterns and systemic impacts, strengthening human rights due diligence and informing reviews of climate transition strategies.
- **Effectiveness:** Grievance mechanisms should align with the UNGPs effectiveness criteria and be tailored to the company's role in the energy value chain. Mechanisms designed with workers and communities, or independently operated, are often more trusted. Companies should also address barriers to access, including fragmented or mobile workforces (e.g., transport, offshore), literacy and language differences, and cultural barriers affecting consultation and grievance processes.

### CASE STUDIES

**Collective Remediation for Cobalt Supply Chains:** The multi-stakeholder Fair Cobalt Alliance (FCA) illustrates a collective, value chain-wide approach to addressing the prevalence of child labor in artisanal cobalt mining in the Democratic Republic of Congo. Through partnerships with local civil society organizations, the initiative supports an integrated remediation mechanism that provides affected children with access to education, medical care, and psychosocial support.

**Solar Supply Chain Grievance Mechanism:** The Solar Stewardship Initiative (SSI) Complaints and Appeal Mechanism provides a shared grievance channel for stakeholders affected by the actions of SSI members or certification-related decisions. The mechanism aims to ensure that complaints linked to solar supply chain practices are addressed in a timely, transparent, and effective manner.

## The Remedy Landscape for Climate Harms

Climate change requires collective, coordinated multi-stakeholder action to mitigate impacts, support adaptation, and build resilience. The cumulative and [intergenerational](#) nature of climate harm does not negate the responsibility of businesses to cooperate in providing remedy. Affected individuals and communities are entitled to seek [remedies for past, current and future](#) climate change-related loss and damage.

While climate litigation is increasing globally, few—if any—energy companies have provided direct compensation explicitly for their contribution to climate change. Existing measures, such as adaptation or resilience funding and settlements related to disclosure or consumer protection, remain limited in scope and are not typically framed as remedy for climate harm. Current approaches to loss and damage under international frameworks also fall short of [delivering reparations for those harmed](#) by climate change.

Courts in [Germany](#), [Switzerland](#), and the [Netherlands](#) have rejected arguments that a company's share of global emissions is too small to establish liability, and as cases advance, [attention is shifting](#) toward attribution and causation. In parallel, scientific evidence linking emissions and transition activities to specific harms is improving. For major emitters, particularly in the energy sector, the question is no longer only whether to reduce or cease harmful activities, but how to address the resulting harm to both current and future generations, whose ability to enjoy a clean, healthy, and sustainable environment depends on decisions taken today.

While some [companies](#) have [publicly acknowledged](#) their historical contribution to climate change and committed to Paris-aligned targets, including, in some cases, transforming their business models away from fossil fuels, acknowledgment and mitigation alone do not constitute remedy. Nor do carbon offsets typically provide restitution or compensation to those harmed—although they may support ecosystem restoration or help avoid future harm in ways affected communities value.

A more comprehensive approach to remedy may include supporting adaptation and resilience at scale, contributing to [joint climate remediation funds](#) at the national, regional and global levels, including loss and damage mechanisms, and aligning business practices and policy engagement with progressive fiscal and redistributive solutions.

As UNGP-aligned expectations on access to remedy become embedded in regulatory frameworks, companies will increasingly be expected to recognize their share of responsibility for cumulative impacts and participate meaningfully in collective and proportionate remediation efforts.

A child wearing a white long-sleeved shirt, dark pants, and a dark bucket hat is walking away from the camera on a vast, cracked, and parched landscape. The ground is a mosaic of irregular, polygonal cracks in shades of brown and tan, extending to the horizon under bright, direct sunlight. The child is positioned in the upper right quadrant of the frame.

“

**Transition cannot be understood only as technological substitution between energy sources, but that past, present, and future harms experienced by peoples and communities must be addressed.**

*Human rights as a compass for transitioning away from fossil fuels in a just, orderly, and equitable manner, Amnesty International submission to COP30 Presidency, March 2026*

## Example Engagement Questions

- ☑ Does your climate transition strategy include effective mechanisms to receive, assess, and address grievances related to adverse human rights and environmental impacts?
- ☑ How does your company ensure access to remedy and effective grievance mechanisms in the procurement and use of carbon credits?
- ☑ What cumulative human rights impacts may your company contribute to through broader transition dynamics, and how are you collaborating with governments, peers, and other actors to support remedy where impacts cannot be addressed by your company alone?

### Tools

IPIECA's [community grievance mechanisms manual and toolbox](#): A resource for oil and gas companies on implementing operational-level grievance mechanisms and designing corporate frameworks

ICMM's guidance on [Handling and Resolving Local-level Concerns and Grievances: Human Rights in the Mining and Metals sector](#), includes suggested considerations for adapting grievance mechanisms for different phases of the mining lifecycle

