

As land conflicts rise, clean energy investors face financial risks

As countries rush to meet clean energy goals and investors try to make profits, conflict over land is growing

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A coastal wind turbine in China. In China, coal consumption fell in 2015 for the second year in a row, while clean energy investment soared to a record high of \$111 billion, marking an annual increase of 17 percent. Image: Shutterstock

Growing investment in renewable energy projects around the world is sparking more conflicts over land and resources in areas where they are built – a worry investors need to keep in mind, finance and human rights groups said Wednesday.

Last year, a planned \$150 million Kenyan wind park was cancelled after protests and land disputes, according to a report by the London-based Business & Human Rights Resource Centre and two investor group partners.



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Another wind farm in the Mexican state of Oaxaca, similarly, has been stalled for years after a dispute over access by local people to project land.

Such conflicts, which are on the rise as countries rush to meet clean energy goals under the Paris Agreement on climate change, can result in losses for investors – and slowdowns in getting renewable energy online – unless investors take care to ensure communities and local rights are protected, the report said.

“We see a very strong need for renewable energy to tackle climate change, but we want to make sure that the renewable energy sector and investors don’t make the same mistakes as past energy (investors)” in things like coal and oil, said Eniko Horvath, a senior research with the Business & Human Rights Resource Centre.

“We are increasingly seeing more and more allegations against wind and hydropower companies in particular,” she told the Thomson Reuters Foundation in a telephone interview.

“That’s why we decided ... to raise awareness about it and make sure renewable energy investment goes ahead but in a way that respects human rights.”



Currently only five of 50 wind and hydropower companies surveyed around the world appear to have a clear focus on respecting the rights of indigenous people and ensuring their projects have been given what is known as “free, prior and informed consent” by local people, said Phil Bloomer, the centre’s executive director.

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Eniko Horvath, senior research, Business & Human Rights Resource Centre

That’s a concern as investment in renewable energy projects jumps, from \$62 billion in 2004 to \$287 billion last year, the report said.

Money is expected to continue to pour into renewables as investors look for attractive returns in a market with relatively few other attractive options, it said.

About 65 per cent of the world’s land area is held by local communities and indigenous people under customary law systems, the report noted – but only 18 per cent of it is formally recognised by governments, a gap that could lead to conflicts or displacement as energy projects set up.

Since 2005, the Business and Human Rights Resource Centre has received 115 reports of harm to local communities as a result of renewable projects, mainly as a result of land disputes but also violence and killings, it said.

Horvath said some investors are becoming aware of the potential risks – including high legal costs and damage to reputation – when clean energy projects are slowed or cancelled as a result of protests. But they remain a minority, she said.

“We’re definitely seeing some movement among investors but it’s definitely still a small group who are taking action,” she said. “It’s great they’re focusing on climate change and renewable energy – but they need to be aware of the risks.”

(Reporting by Laurie Goering @lauriegoering; editing by Ros Russell. This article is republished from the Thomson Reuters Foundation, the charitable arm of Thomson Reuters, that covers humanitarian news, climate change, resilience, women's rights, trafficking and property rights. Visit http://news.trust.org/climate)

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