



ALIGN

Advancing Land-based Investment Governance



Governance Flash

Incorporating climate considerations into investment assessment processes

Investment assessment processes (IAPs) can help ensure land-based investments support rather than undermine governments' climate goals. IAPs are valuable tools for investment coordination and oversight but are yet to realise their potential in supporting governments to meet their climate goals. Governments have an important role to play in improving these processes to address climate change.

What is the problem?

While climate action creates opportunities for investment across various sectors, including agriculture, critical mineral mining and renewable energy, climate change also presents risks to these and other land-based investments. Changes in average temperatures, rainfall, and the frequency and severity of extreme weather events will impact land-based investments both directly and indirectly (for example, via shocks to markets).

Agriculture, forestry and other land use sectors contribute to land use change and deforestation, accounting for 22% of global greenhouse gas emissions.¹ Mitigation and adaptation approaches need to be built into land-based investments to ensure that these investments both minimise their climate change impact and are resilient to changes in climate.

IAPs are the full range of legal frameworks and associated processes that investors must comply with to be allowed to operate their projects in host countries. These processes start from an initial expression of investor interest and run through to the

granting of approval to operate the project. In many countries, IAPs have yet to realise their potential to support climate-aligned land-based investments because of several challenges. These include: the lack of an enabling legal and policy framework; the absence of a government agency with a defined mandate to implement, coordinate and/or oversee IAPs; and insufficient capacity, coordination, resources and information.

Why is this important to governments?

Climate change will directly impact ecosystems, biodiversity, food security, and countries' prospects for meeting their social and economic development objectives.

Including climate considerations in IAPs can help investments to deliver benefits while avoiding risks. Governments can mitigate financial, resource and food security risks from climate-induced investment delays or cancellations and reap developmental, economic and reputational benefits from successfully hosting sustainable investments.

Climate-aligned IAPs can also help prioritise and encourage projects that contribute to countries' Nationally Determined Contributions. This will ultimately help countries comply with their international commitments and improve their reputation as climate leaders while fostering low-emission sustainable development.

What should governments do?

Land-based investments should be designed, implemented and monitored to support, rather than undermine, climate goals. Governments can:

1. **Screen investments** for their anticipated climate change impacts and their adaptation and mitigation potential
2. **Consult with affected marginalised and land-dependent communities** to understand the range of climate risks to and from investments
3. **Measure climate impacts** in environmental and social impact assessments and feasibility studies of land-based investments
4. **Set out the rights and obligations of all project stakeholders** through climate-aligned provisions in investor–government, investor–community and tri-party lease or concession agreements, and
5. **Consider** how **other investment lifecycle stages** can bolster the realisation of climate-aligned IAPs (see Akwii et al 2024 for more detail on the investment life cycle and its relevant components).

Examples of countries that have aligned parts of the IAP with climate change considerations

Screening investments based on their anticipated climate change impact: In South Africa, the landmark Climate Change Act of 2024 requires a carbon budget to be assigned to investors who emit greenhouse gases above a certain threshold, which they must comply with and report on.

Consulting with marginalised and land-dependent affected communities: Sierra Leone's landmark Customary Land Rights Act 2022 requires all investors interested in developing on land subject to customary law to obtain the free, prior and informed consent (FPIC) of at least 60% of the male and female adult members of the family or a fair representation of the community with rights (including customary) to the land. This opens a formal space for discussing climate-related risks to and from investments.

Conducting environmental and social impact assessments: Cambodia's Code on Environment and Natural Resources requires climate-related impact assessments to be carried out for projects with the potential to cause environmental, health, economic, social and cultural impacts.

Want to know more?

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

Further reading

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

Get in touch!

We welcome engagement on this topic. If you have information or ideas to share, contact Esther Akwii (ea3078@columbia.edu) and Grace Brennan (gkb2115@columbia.edu).

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

Get in touch to find out more

<https://www.iied.org/align-advancing-land-based-investment-governance>

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Note

¹ Intergovernmental Panel on Climate Change (IPCC) (2022) Climate Change and Land: IPCC Special Report on Climate Change, Desertification, Land Degradation, Sustainable Land Management, Food Security, and Greenhouse Gas Fluxes in Terrestrial Ecosystems. Cambridge University Press. <https://doi.org/10.1017/9781009157988>

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

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

