

## CHAPTER 12

### Guidance for Institutions

This chapter provides guidance and suggestions for those government institutions and other organisations likely to commission or undertake SEAs for national energy plans or PPPs, particularly as part of the energy transition away from generating power from fossil fuels to the use of renewable energy sources.

Usually, it will be national government departments (particularly those responsible for energy) that will commission or undertake such SEAs. But funding agencies (particularly multilateral development banks, MDBs) may also be required to carry out SEAs to comply with their safeguard policies when providing financial support for national energy transition activities.

An important factor is that achieving the energy transition will involve multiple government ministries and agencies and require the involvement of private sector energy companies and investors as well as the public. This makes it a complex process with a wide array of participants with different political and economic interests, each of which have their own agendas, policies and responsibilities. An SEA will have to navigate potentially challenging ‘institutional waters’. This makes it very important to establish a Steering Committee (or equivalent body) to oversee the SEA process (see below). It can act as a high-level platform or space to build support and involvement in the SEA, agree on its focus, and discuss concerns (which may be divergent) about energy transition. The Steering Committee should be established at the earliest point possible in the SEA process. Ideally, the Steering Committee should be chaired by the lead institutional responsible for the SEA.

#### 12.1 A simple introduction to SEA

Chapter 1 provides a background to SEA and Chapter 3 sets out the key steps, stages, and approaches. The information in these chapters and the rest of this guidance is likely to be of particular relevance and utility to SEA practitioners and reviewers. For non-technical people working in government as policy-makers and planners, who may have to be involved in commissioning an SEA for a policy, plan or programme, or may find themselves involved in an SEA process, Box 12.1 provides a short guide to SEA .

#### Box 12.1: A short guide to SEA

Strategic environmental assessment is now in use around the world and is a formal requirement in over 100 countries. The following is a summary of key questions that arise at the onset of SEA.

##### What is SEA and how is it helpful?

- **SEA is a high-level process** – it is undertaken for policies, plans and programmes (PPPs) – not for individual projects or actions. Such PPPs can be over-arching (multi-sector) or for particular sectors or may be for particular geographic areas.
- **SEA promotes sustainable development** – it helps governments and others to ensure that environmental and socio-economic concerns are considered in a balanced way when developing and implementing PPPs.
- **SEA is a key tool to address the challenges of climate change and the energy transition** – it provides a mechanism to assess how a PPP might enhance or impede efforts to combat the challenges of climate change and ensure a just transition to a low carbon energy transition.
- **Every SEA is different** - each one needs to be tailor-made and designed to address the specific circumstances and needs. This should be made clear in the SEA terms of reference.

- **SEA is done by experts** – is usually undertaken by a team of experts commissioned by a government (and sometimes by a multi-lateral development banks or other funding agency).
- **SEA is a transparent and inclusive process** - that involves broad stakeholder involvement (at all levels: from national to local) throughout the process.
- **SEA identifies issues of concern** - the key environmental and socio-economic issues associated with the PPP being assessed (carried out during a scoping phase) and assembles **baseline data** for these issues. SEA normally uses existing and available (secondary) data but fieldwork or research may also be undertaken to collect new (primary) data.
- **SEA Identifies benefits and impacts** - it assesses both the potential environmental and socio-economic benefits and impacts of implementing the PPP (and alternatives to the PPP). Many of the benefits and negative impacts will be cumulative – the collective consequence of many individual actions and development projects.
- **SEA recommends how to deal with outcomes** - the success of an SEA will ultimately depend upon implementation of its recommendations in a timely manner. So, SEA results in a report on the above and a management plan (strategic environmental and social management plan, or SESMP) that recommends how potential benefits can be enhanced, how negative impacts can be avoided and mitigated, and who needs to do what to implement the SEA recommendations and undertake monitoring and follow-up.
- **SEA provides critical information** to policy-makers, planners and decision-takers at key stages of developing policies, plans and programmes.

#### How long does it take?

Usually, an SEA will take between 6 and 12 months to complete, but sometimes longer if seasonally considerations need to be addressed and where it is closely integrated with the PPP process with a longer development timetable.

#### Cost

The cost will vary due to the length of the process and the complexity of the chosen design: from as little as US\$ 20,000 to 50,000 (e.g., for a rapid (two to three month), desk-based SEA) to US\$1 to 2 million (for a full SEA of a complex PPP over say an entire year).

## 12.2 All institutions

The following considerations apply to all institutions involved in the SEA process:

- Follow the suggested contents provided in Annex 2 when preparing **terms of reference** for SEAs for PPPs concerned with energy transition and renewable energy sub-sectors.
- Engage with consultants appointed to undertake an SEA to understand any concerns or uncertainties they may have regarding the **terms of reference** for the SEA and clarify (modify if necessary) the terms of reference. Key discussions will be required regarding timelines and costs.
- Ensure that the terms of reference clearly set out the **SEA process** to be followed (having regard to the steps discussed in Chapter 3) and provide for an **appropriate timeframe**. A short timeframe for the SEA will limit its ability to be useful and contribute effectively to decision-making. It may also prevent adequate scoping and a meaningful assessment of the likely impacts of the PPP and alternatives concerning key environmental and socio-economic issues. It will also restrict the level of stakeholder participation and affect their confidence in the SEA process. As a rule of thumb, an SEA for renewable energy is likely to require 6-12 months to undertake, assuming it is based on existing and available (secondary) data. If new data needs to be

gathered, or further research needs to be undertaken, a longer timeframe will be required.

- When appointing consultants, it is advisable that the team be dominantly composed of **national experts**. Only such experts will have thorough experience and understanding of national and more local environment and socio-economic issues, and familiarity with national cultural norms.
- In countries where SEA experience is limited or practice still in its infancy, it may be necessary to engage very experienced **international consultants** who have a knowledge of the SEA process. Such international consultants should be able to demonstrate SEA work experience and knowledge of the country or region concerned. They will also be available to advise, and if necessary, help coordinate the national consultant team.
- It is advisable to establish a **Steering Committee** (or equivalent body) to lead and direct the SEA. It should comprise representatives from key government ministries/agencies, the private sector involved in energy development, and civil society (e.g., NGOs, trade unions, academics, etc.). Funding agencies supporting the SEA (e.g., MDBs) should also be represented. Such a Steering Committee should be limited in number (e.g., 15-20 individuals) so that it can operate effectively. Its main role will be to oversee and smooth the way for the SEA process, provide guidance where required, provide a standing platform for high-level stakeholder interaction and consensus-building, and advocate for support for the process. The Steering Committee should be convened by the responsible government agency initiating the SEA. An appropriate Chairperson will be required. It will also be important to identify a key "point of contact" (e.g., the Chairperson or official Convenor) for the SEA team to interact with, as necessary. The Steering Committee should coordinate the stakeholder engagement process together with the SEA consultant. Minutes of all Steering Committee meetings should be kept.
- **Stakeholder engagement** is critical to ensure that an SEA is able address all legitimate concerns. It is also vital to ensure support for the goals of the PPP concerned and to enhance its successful implementation. The terms of reference should set out the minimum requirements for stakeholder engagement at national to local levels. The consultants should develop a stakeholder engagement plan as soon as possible, and discuss this with the client. Stakeholder engagement should begin early and continue throughout the SEA process. It will be very important to elicit feedback from stakeholders regarding key aspects of the SEA (e.g., focus and key issues to be addressed, findings) and respond to all comments and concerns to garner trust from all participants and to ensure that all voices are heard and listened to.
- Ensure that the critical steps in developing and approving the PPP are identified and communicated to the SEA consultants so that they can design the SEA process to ensure that **critical information from the SEA** is delivered to the PPP process at the most appropriate time and to the relevant individuals/agencies responsible for PPP decision-making.
- Ensure that relevant baseline environmental and socio-economic data sets and legal, governance and institutional information sources for the SEA are readily available to the SEA team.
- Require that the SEA team engages with the client and other agencies likely to have a role in implementing the Strategic Environmental and Social Management Plan (SESMP) when preparing its contents. Agreement/consensus should be sought on what plan components are realistic and able to be undertaken, and on roles, responsibilities and recommendations - particularly as regards monitoring functions. In this way, the SESMP will be designed and 'owned' by its likely implementers rather than being a mere proposal of the consultant team.
- The SESMP should indicate the frequency for monitoring and follow-up of implementation of SEA recommendations. Some indicators may require regular and frequent monitoring (e.g. quarterly); others might need less frequent monitoring (e.g. annual or biannual). The selection of these indicators is important and must be done carefully to ensure the successful measuring of SEA recommendations. Monitoring is key to signalling where corrective actions are required.
- Depending on capacity of the implementing institution, a third-party consultant may be hired to serve as a SESMP Management Office (SMO) to help set up the implementation framework and to train

and develop capacity of the responsible government institution and prepare them as to how the SEA actions should be achieved.

### 12.3 Government institutions

The following considerations apply to government institutions involved in the SEA process:

- Check **with national legislation and regulations** to determine if they require that an SEA be undertaken for a national energy plan or PPP for a renewable energy sub-sector. If so, ensure that the terms of reference for the SEA comply with all stipulated requirements.
- Ensure that all **relevant ministries/departments/agencies** are aware of the SEA process and can engage with it. An SEA for renewable energy PPPs will likely identify issues and challenges for a range of other sectors (e.g., economy, transport, labour, health, etc.) which will have to be considered. These agencies may also have key roles to play in implementing a **Strategic Environmental and Social Management Plan** (including monitoring functions). So, their involvement throughout the process is advisable.
- Because many government institutions operate in a siloed fashion without mechanisms in place for effective inter-institutional coordination and cooperation, it will be important to set-up a multi-stakeholder SEA Steering Committee or an Advisory Committee responsible for overseeing the SEA and its recommendations and for overseeing implementation of the SESMP. This should be coordinated by the agency or institution responsible for the SEA.
- Ensure that the SEA is tiered with and guides subsequent project-level **environmental and social impact assessments (ESIAs)** carried out for individual projects/assets when the PPP is implemented. Reference to the SEA and its key findings should be referenced in the terms of reference for the preparation of project-level ESIAs.

### 12.4 Funding agencies

The following considerations apply to funding agencies involved in the SEA process:

- Check what requirements there may be for an SEA to be undertaken under national legislation or regulations. Ensure that the terms of reference comply with any such national requirements.
- Engage with the government body having jurisdiction over any national legal or regulatory requirements for SEA and ensure that the terms of reference are acceptable to the government (or are jointly developed).
- Determine if other funding organisations are also engaged in supporting renewable energy development or supporting the energy transition in the country. They may also have safeguard requirements that an SEA be undertaken. Ensure that a single SEA is carried out that is acceptable to all interested parties and secure agreement on its terms of reference.
- Ensure that adequate funds are provided for completing the SESA. This should include both funds for the SEA consultants and the stakeholder consultation process.
- Ensure that consultation requirements comply with lender safeguard requirements. Often, national requirements for consultation in the SEA do not meet what funding agencies require.
- Ensure that reporting requirements and responsibility for review, editing and approval of SEA recommendations are clearly defined with the SEA consultant, including timelines for both delivery and review of reports.

## 12.5 Renewable Energy Developers

Institutions and funding agencies may interact with private sector renewable energy proponents during the course of SEA execution. The following are some considerations as to how they should be engaged.

- Normally, developers of individual renewable energy projects are not involved in preparation of a SEA. However, the recommendations of an SEA will be of great interest in providing a reference framework as to how renewable sector energy development will occur.
- The private sector often forms an important group of stakeholders and renewable energy developers should seek to part of the consultation process.
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- Similarly, developers may also wish to be involved in the review of the draft SEA and offer comments and suggestions that may be relevant to their individual project.
- Developers may also wish to seek representation on an SEA steering committee to be informed of policy or planning decisions that might affect renewable energy sub-sector development, including how individual planned or future projects might be affected.

## 12.6 Stakeholder engagement

Reference can be made to Chapter 3 concerning how stakeholder engagement should be carried out. A key issue is that stakeholders should include all those with a legitimate interest in the energy transition PPP and SEA, whether they are likely to be directly or indirectly affected by its implementation. A stakeholder engagement plan should be prepared to ensure that an adequate and representative suite of events are organized at all levels: national, sub-national (e.g. relevant regions, provinces and districts) and local (e.g. communities) as well as for interest groups (e.g. farmers, fisherfolk, resource users, coal plant and mine workers, etc.). Stakeholder consultations should not be focused just at the national level. This will alienate many people and miss key concerns and information. It is important that the consultation budget consider this multi-level requirement for consultation. Often it is not.

## 12.7 SEA and Just transition

### 12.7.1 Uptake of the Just Transition concept

Just transition (JT) is a requirement of the energy transition. The concept was first used in the 1980s by US trade unions to protect workers affected by new water and air pollution regulations. The trade union movement developed JT as a framework to encompass a wide range of social interventions needed to secure workers' rights and livelihoods for those economies shifting to sustainable production, primarily combating climate change and protecting biodiversity. In recent years, the concept has gained traction with reference to meeting climate goals by ensuring the whole of society – all communities, all workers, all social groups – are brought along in the pivot to a net-zero future and that no one is left out of it<sup>1</sup>. It is highly relevant to the energy sector, as the shift from fossil fuels to renewable and low-carbon energy will entail loss of jobs in some sectors and creation of jobs in others.

The International Labour Organization (ILO) defines JT as: “Greening the economy in a way that is as fair and inclusive as possible to everyone concerned, creating decent work opportunities and leaving no one behind.”<sup>2</sup>

<sup>1</sup> [What is just transition? And why is it important? | Climate Promise \(undp.org\)](#)

<sup>2</sup> [Frequently Asked Questions on just transition \(ilo.org\)](#)

JT often seeks to unite social and climate justice, for example, for coal workers in coal-dependent developing regions who lack employment opportunities beyond coal when transitioning to other forms of renewable energy.

A number of organizations have used the concept of a JTJT with respect to environmental and/or climate justice.

With regards to climate change mitigation, the IPCC defines JT as: "A set of principles, processes and practices that aim to ensure that no people, workers, places, sectors, countries or regions are left behind in the transition from a high-carbon to a low carbon economy."<sup>3</sup>

Language regarding JT and the creation of decent work is included in the Preamble to the UN Paris Agreement agreed at the UN Climate Change Conference in 2015 (COP21). The importance of JT was subsequently highlighted in the Solidarity and Just Transition Silesia Declaration adopted at the 2018 UN Climate Change Conference in Katowice, Poland (COP24). The Declaration encourages all relevant UN agencies to proceed with its implementation and consider the issue of JT when drafting and implementing parties' nationally determined contributions, or NDCs.

At COP26 in Glasgow, the European Investment Bank announced a set of JT common principles agreed upon with multilateral development banks, aligning with the Paris Agreement. The principles refer to focusing financing on the transition to net zero carbon economies, while keeping socio-economic effects in mind, along with policy engagement and plans for inclusion and gender equality, all aiming to deliver long-term economic transformation.

A number of multi-lateral development banks have vowed to uphold the principles of climate change mitigation and a JT.<sup>4</sup>

### **12.7.2 What is the relationship between SEA and the Just Transition?**

SEA and JT goal can be seen as having parallel and complementary aims. They both seek to address the impacts and opportunities brought about by the energy transition, but with differences in focus. SEA is concerned with the environmental and socio-economic effects of PPPs, whilst JT mainly emphasises social concerns (employment, livelihoods, health, and safety) largely at the asset level.

SEA is not specific to the energy transition. It is a process that supports policy-making and strategic planning across many sectors where the environmental and socio-economic benefits, risks and impacts of development decisions need to be assessed.

As applied to the energy transition and to individual (sometimes multiple) sectors. SEA provides a high-level assessment of government energy-related policies, plans or programmes (PPP). It is not concerned with individual energy asset or projects. Those are the focus of project-level environmental and social impact assessment (ESIA). SEA aims to identify the potential environmental and socio-economic benefits and the negative risks and impacts of the energy transition; and identifies the potential opportunities to promote sustainable development through the energy transition. The SEA produces an Environmental and Social Management Plan (SESMP) recommending how the opportunities, risks and impacts of the energy transition can be managed by the responsible implementing agencies and others.

However, JT is specific to the energy transition. It can have both a strategic as well as an asset/project-level focus. Its focus is on the process of transitioning to a low-carbon and sustainable economy in a way that is fair and equitable for all stakeholders, including workers, communities, and vulnerable populations. It involves ensuring that the benefits and costs of the transition are distributed fairly, and that workers in industries that are being phased out are not left behind or worse off. The outputs of assessments concerned with JT identify specific social interventions required to minimize social, economic, labour and health and safety risks of the energy transition at both a strategic and

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<sup>3</sup> IPCC (2022)

<sup>4</sup> Source: Just transition - Wikipedia

asset level. There have been calls for the JT to also include more consideration of environmental risks<sup>5</sup>.

While these analyses are different with regard to their outputs, the data and information derived from both JT and the SEA processes should be mutually supportive. The findings of the JT can also help inform the SEA process for the energy transition.

The relationship between JT and SEA lies in their shared goal of promoting sustainable development and ensuring that the benefits, risks and impacts of decisions about energy distribution are distributed fairly amongst all parties. SEA can be used to assess the potential benefits and impacts of a JT plan, and to identify ways to ensure that the transition is fair and equitable for all stakeholders. Similarly, assessments for JT in a country can inform the development of SEA by highlighting the needs and interests of workers, communities, and vulnerable populations.

In short, both JT and SEA are important vehicles for promoting sustainable development and ensuring that the benefits, risks and impacts of decisions regarding the energy transition are distributed fairly amongst all those involved.

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<sup>5</sup> e.g. Abram *et al.*, 2022).