Terms of Reference

Hydropower Sustainability Standard

Background

At its meeting in March 2020, the HSGC, the governing body of the Hydropower Sustainability Assessment Council (Council), agreed on the recommendation to develop the Hydropower Sustainability Tools (HST) into *the* global Hydropower Sustainability Standard. The HSGC seeks to give stronger recognition to good and best practice, with the aim to hold all hydropower projects to the same global standard.

The Standard would be certifiable and represent a powerful, distinct and positive brand. It is intended to provide the various hydropower stakeholders with a recognisable and trusted confirmation of whether hydropower development is in line with internationally recognised levels of good and best practice set out in the HST (see Box 1).

Box 1 - Hydropower Sustainability Tools

The hydropower sector has a suite of sustainability tools to harmonise the understanding of sustainability in a hydropower context.

The Hydropower Sustainability Guidelines on Good International Industry Practice (**HGIIP**) offers the most detailed description of international good practice in the hydropower industry. Organisations may choose to reference compliance with the HGIIP in contractual arrangements; lenders and investors may opt to reference the guidelines in their terms of agreement, while markets and labelling systems may specify them in their eligibility requirements.

Performance against the HGIIP can be measured through two complementary tools: the Hydropower Sustainability Assessment Protocol (**HSAP**), to measure performance above and below the defined good practice; and the Hydropower Sustainability Environmental, Social and Governance Gap Analysis Tool (**HESG**), which can be used to check for gaps against good practice, and includes a gap management plan to work on to improve processes and outcomes.

Proposed scope

The development of a Standard would go beyond the current HST framework by setting minimum performance expectations for the sector and publicly rewarding projects for meeting these expectations. All projects that meet the requirements of the Standard will be certified with a globally applicable Sustainability Rating, illustrated by a recognisable label.

The Standard aims to:

1. Systematically recognise and certify good practice in hydropower preparation, implementation and operation.

2. Offer an easy-to-understand labelling structure to promote sustainable practice in hydropower.

3. Encourage and incentivise continuous improvement in addressing sustainability issues, whether to meet good practice or to go beyond that to achieve best practice.

4. Establish a threshold-and-award approach ideally linked with finance instruments (such as green bonds and international financial institutions financing), sale of renewable energy certificates and regulatory frameworks.

5. Demonstrate and increase awareness of sustainable hydropower through a broader, more systematic and simpler-to-understand communication of good and best practice.

6. Maintain the strong credibility of the multi-stakeholder structure underpinning the HST, the process transparency, and the quality of the independent Accredited Assessors.

7. Ensure that the development, implementation and quality control of the Standard are self-sustaining.

Intended application

The Standard will be used to certify individual projects. Every project that applies to be assessed against the Standard will be assessed through a certification process. The certification process will result in a Sustainability Rating to be attributed by the Hydropower Sustainability Governance Committee (HSGC).

Similarly to the HST, the Standard will be applied to projects all over the world, irrespective of their types, sizes, settings and ages. Both new and existing projects are eligible to apply for the Standard certification.

The Standard would be tailored to individual project life cycle stages, and would specifically address the Preparation, Implementation and Operation stages. Certification against the Standard would recognise performance achievements at that life cycle stage only.

Please see the list of published assessments using the HST as reference for the Standard's intended application.

Need for a Standard

Hydropower, if developed and managed sustainably, can provide national, regional, and local benefits, and has the potential to make a significant contribution to achieve Sustainable Development Goals 6-9 and 13, as well as global climate change targets. It is recognised that hydropower projects can have positive impact on local communities and environments, when well planned and executed in line with international good or best practice in hydropower sustainability.

Following consultation with hydropower developers, international financial institutions and assessors, there was a clear demand for the HST to be developed from an assessment framework to an industry standard which would incentivise, recognise and acknowledge sustainability progress. Feedback from industry and other stakeholders is that the HST are the most comprehensive and rigorous sustainability assessment framework for hydropower, and when developed into a global standard can give greater assurance to stakeholders about sustainability performance of a hydropower project compared to other existing renewable energy standards and certification processes, such as Low Impact Hydropower Institute Certification, EKOenergy and Green-e Renewable Energy Standard.

The Standard will provide an opportunity for hydropower projects to be assessed against globally applicable criteria for environmental, social, financial, and technical sustainability topics. For each topic, scoring statements against a set of criteria describe what should be exhibited by the project to address that important sustainability issue. These provide an ability to assess both the processes in place to ensure sustainability of the project or operating facility, and the performance of that project or operating facility on that particular sustainability topic.

Value for user groups

Using a threshold-and-award approach, the Standard could be linked to financial instruments, such as green bonds, and used alongside performance requirements of the World Bank and IFC, easing quality control and due diligence processes.

The Standard would create opportunities for hydropower developers and operators to demonstrate sustainability performance, increase public awareness and receive recognition for sustainability practices. The Sustainability Rating resulting from an assessment against the Standard will provide hydropower developer and operators a clear and straightforward way to achieve recognition for and communicate the sustainability of their projects to external parties.

In addition to bringing value to the hydropower industry, the Standard would bring value to environmental and social NGOs, project-affected communities and civil society groups. By clarifying the international expectations for hydropower development, the Standard would promote independent, fact-based and transparent assessment and communication against these

Outcomes

The development of the Standard will seek to achieve:

- Increased awareness of international requirements for good and best practices in relation to social, environmental and economic issues;
- Improved access to tools and resources for hydropower development and operation to address social, environmental and economic issues;
- Increased recognition of the importance of avoiding, minimising, mitigating and compensating negative impacts of projects on local communities and environments in line with international good or best practice;
- Continuous monitoring and addressing of gaps against sustainability performance;
- Financial sustainability to ensure the effective management of Standard-related processes.

The outcomes of the Standard development process are in line with the Hydropower Sustainability Assessment Council (HSAC) Charter and IHA Charter for Sustainable Hydropower.

Risks

Risks	Mitigation measures
The Standard launch is poorly communicated and leads to low uptake	A Communication Strategy will be developed to support the launch of the Standard. The IHA will conduct a significant launch campaign with attractive marketing and communication materials to raise

	awareness and demand. The HSGC will promote these through their channels and a press release with high-level endorsements. The present HST have a lot of good communication tools that will continue to be used.
The certification process does not incorporate strong quality control measures	A comprehensive suite of accompanying governance processes will be in place and effective to provide quality, consistency and confidence. The Certification process is based on existing quality control measures through the Accredited Assessors. The final assessment report will be shared with the IHA Sustainability team to publish for a period of public comment. Following the public review, the assessment team responds to comments and finalises the report. IHA and the project proponent agree on its publication on the IHA website. Project proponent applies for a Sustainability Rating to the HSGC, which will review the published assessment report.
The certification process is complex and time consuming, deterring project propents from applying.	The certification process will take from 28-32 weeks, utilising existing assessment process and additional post-assessment step of Application by the project proponent to the HSGC, via IHA Sustainability, after the public comment period. The steps of the process will be clearly communicated on the IHA website and clarified with project proponents from the outset.
The Standard does not incentivise continuous improvement and/or increase the sustainability performance of hydropower projects.	The Sustainability Rating system for the project would first comprise a pass evaluation based on meeting all of the good practice criteria on all assessed topics. For projects that have topic scores above good practice, the Sustainability Rating will recognise this higher performance. The graded performance within each sustainability topic of the Standard would provide the opportunity to promote structured, continuous improvement.
The Standard Rating is difficult to obtain or too easy leading to "greenwashing" concerns.	Projects will be attributed a Sustainability Rating based on their consistency with international good practice requirements across a holistic set of sustainability topics. Good practice criteria were developed through a multi-stakeholder process and applied on over 35 hydropower projects around the world. The criteria are aligned with standards developed by the World Bank, International Finance Corporation, and the Equator Principles group of banks.
Sustainability assessments cannot be conducted due to force majeure events, such as global Covid-19 pandemic.	Disruption caused by global events, such as the Covid-19 pandemic, can compromise the assessors' ability to travel to conduct onsite activities and impede the execution of assessments against the Standard. To address this, IHA has developed guidance on remote assessments, which was approved by the HSGC. Assessments against the Standard could be conducted remotely, including virtually interview stakeholders, review relevant documentation and perform visual site inspection.