

The Use of Land for Resource Development: A Once and Future ESG Framework

Scot Anderson, Hogan Lovells



Environmental,
social and
governance

*“It is good to put
your life in other
people's hands.”*

— T.H. White,
The Once and Future King





“There are two spiritual dangers in not owning a farm. One is the danger of supposing that breakfast comes from the grocery, and the other that heat comes from the furnace.”

Aldo Leopold, *A Sand County Almanac*.

Environmental, Social, and Governance (“ESG”)

- **Environmental:** How a company performs as a steward of its surrounding environment, human health, and nature.
- **Social:** How a company interacts with its employees, suppliers, customers, and the community in which it operates.
- **Governance:** A company’s leadership, executive pay, audits, internal controls, and shareholder rights.



Sustainable Development

Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs

-- World Commission on Environment and
Development (Brundtland Commission 1987)

United Nations Sustainable Development Goals



SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD



CSR Becomes ESG





UNEP Finance Initiative
Innovative financing for sustainability

A legal framework for the integration of
environmental, social and governance
issues into institutional investment

Produced for the Asset Management Working Group
of the UNEP Finance Initiative

October 2005

Where did “ESG” come from?

The first group to coin the phrase ESG was the United Nations Environment Programme Initiative in the Freshfields Report in October 2005. According to Paul Clements-Hunt who was leading this work at the time, the initial view was that it should be called GES since they believed Governance was most the important area, followed by Environmental and Social. But it was decided that GES was “not so catchy, not so sexy”. Instead, they thought the E was “sexy” upfront, and that the S should go in the middle as it was most likely to be “flicked off the end by Milton Friedmanesque lobbyists”. And that’s how they decided upon ESG as the winning acronym. It was subsequently “concretised” into sustainable finance and responsible investment in the ECOSOC Chamber at UNHQ. Paul Clement-Hunts concludes: “We never could have imagined where it would end up.”

<https://www.esganalytics.io/insights/where-did-the-term-esg-come-from-anyway>

Climate Change and ESG

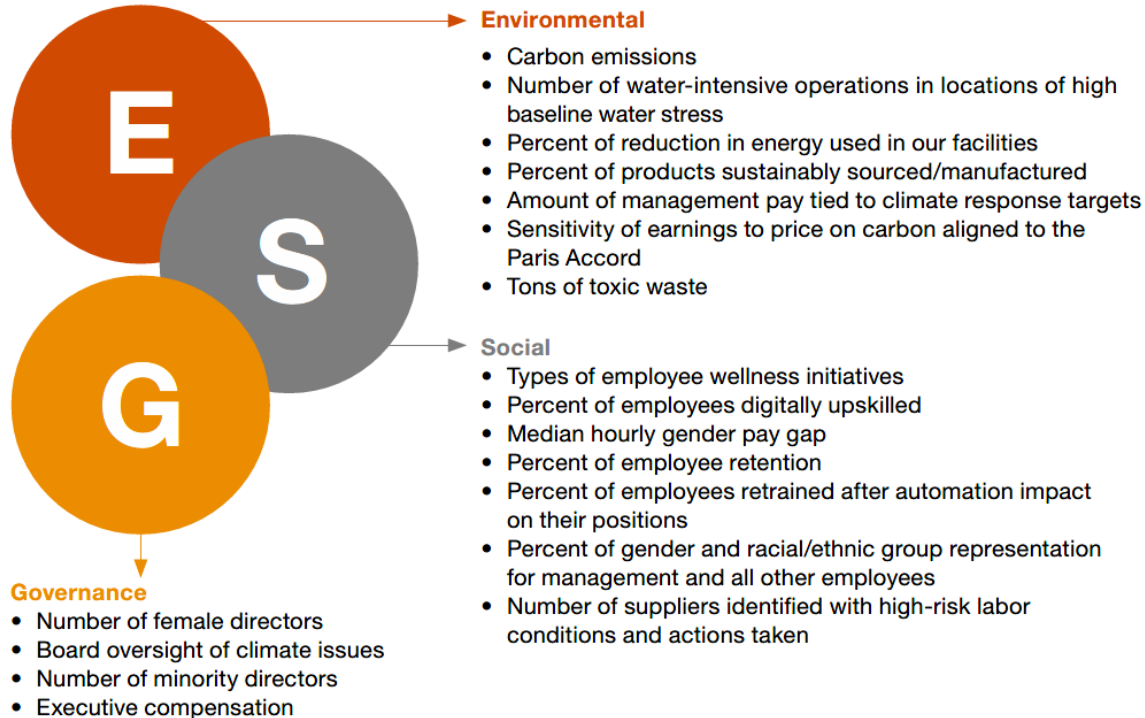


Security and Exchange Commission

- Climate Change Disclosure – Proposed Rule (March 2022)
- Climate and ESG Task Force in the Division of Enforcement
- Division of Examinations – greater focus on climate change risk
- Sample letter from Division of Corporate Finance:
 - CSR Reports
 - Risk Factors
 - Management’s Discussion and Analysis of Financial Condition and Results of Operations



Examples of ESG metrics



Biodiversity in the Next Driver of ESG



Resources and Land Use

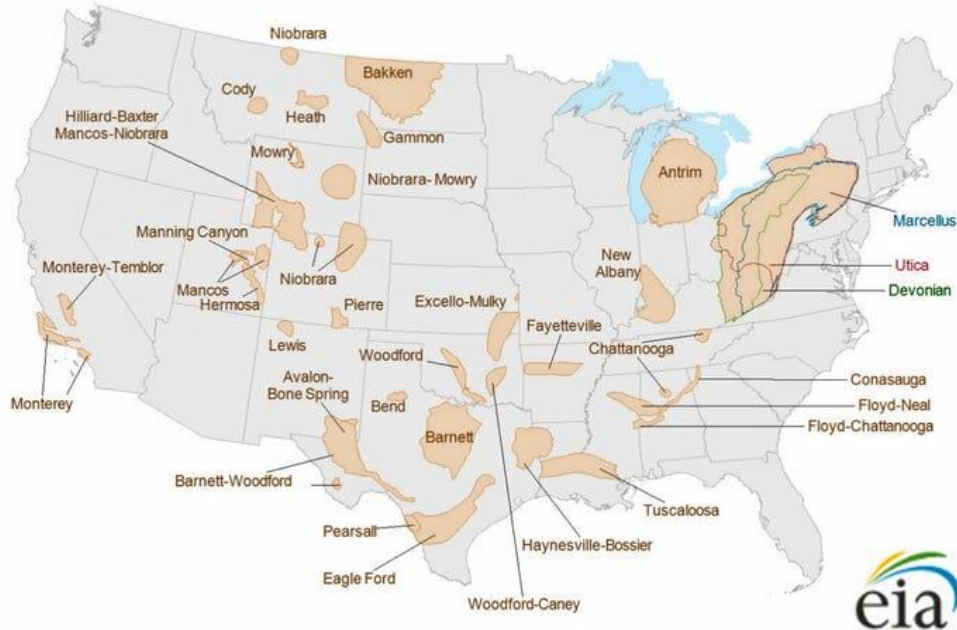


Oil and Gas



Where the Oil Is

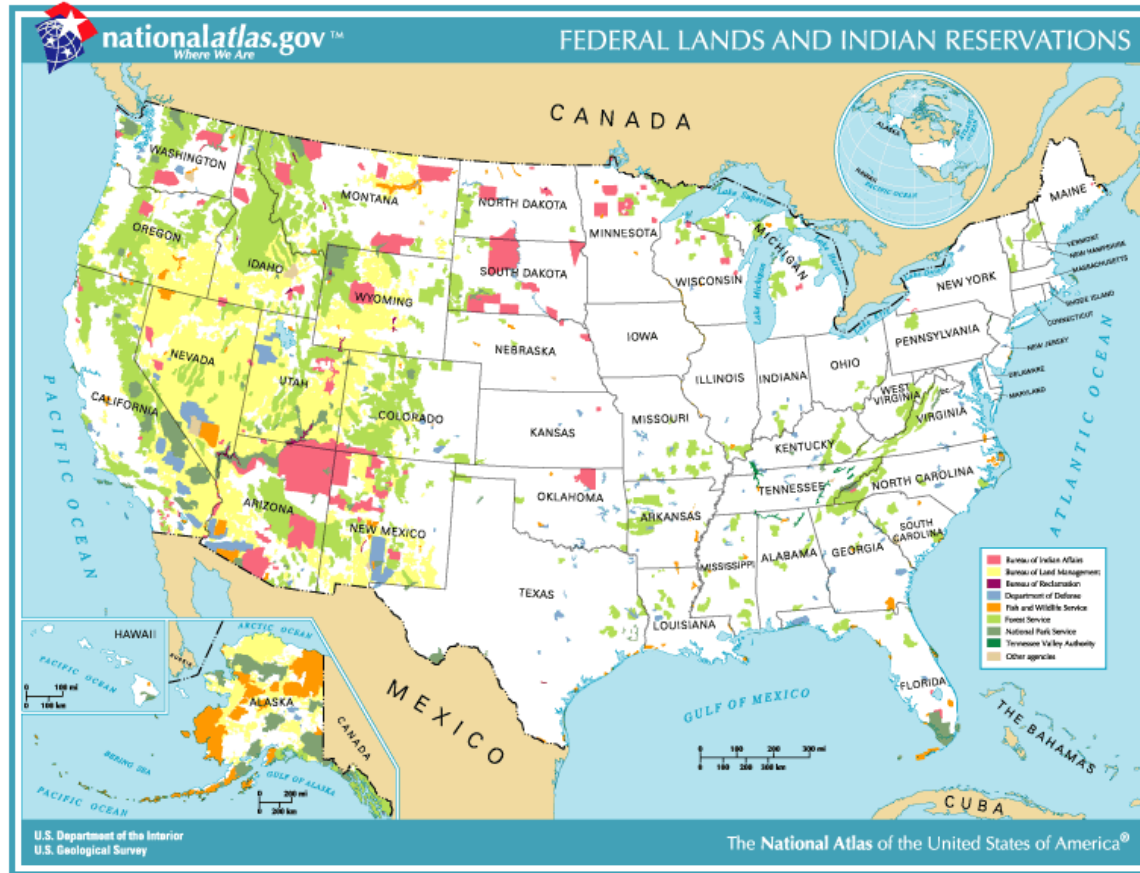
Figure 2. U.S. Lower 48 tight oil and shale gas plays



Source: U.S. Energy Information Administration.



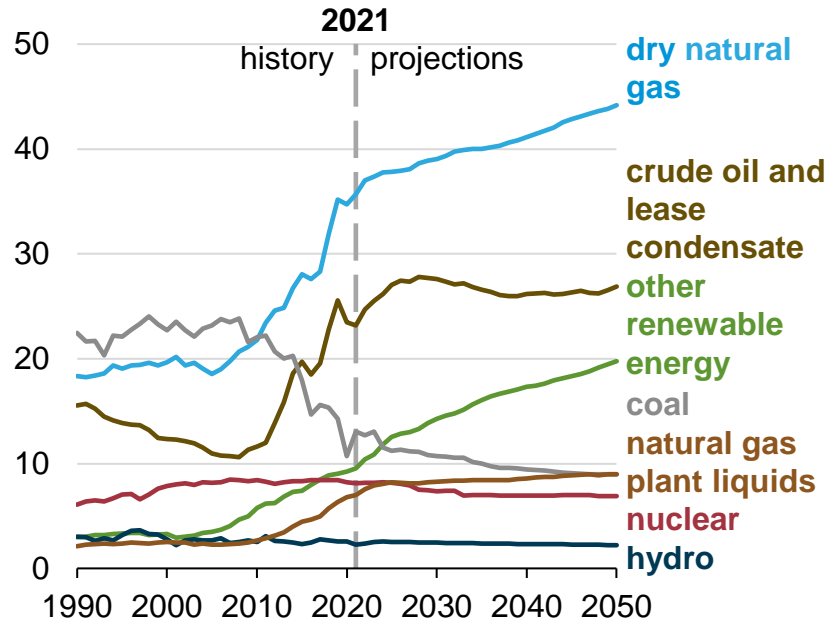
Federal Public Lands and Indian Lands



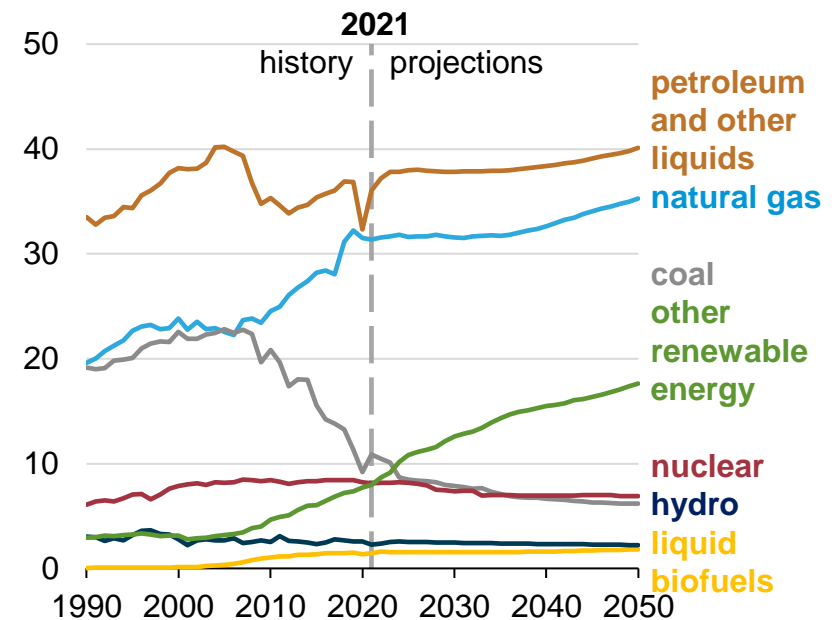


Energy production and consumption

Energy production by source
AEO2022 Reference case
quadrillion British thermal units



Energy consumption by fuel
AEO2022 Reference case
quadrillion British thermal units



Note: Biofuels are shown separately and included in petroleum and other liquids.

ESG

- Environmental
 - Permitting
 - Climate Change
 - Midstream/Upstream
- Social
 - Consultation
- Governance
 - Reporting
 - Net Zero and Measurement
 - Scope1, Scope 2, Scope 3

Consultation

- Free Prior Informed Consent
- Legal Requirements for Consultation



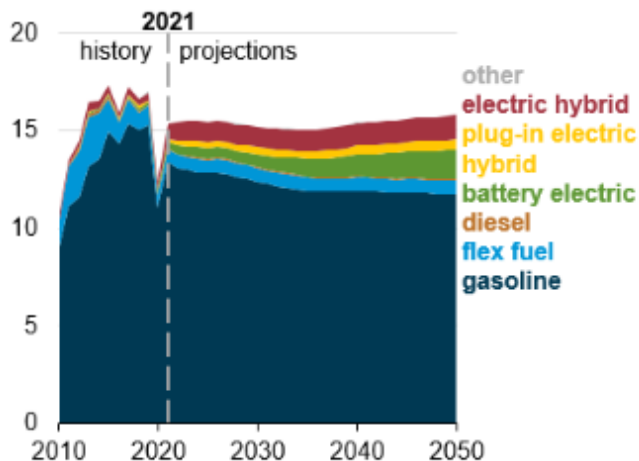
Mining



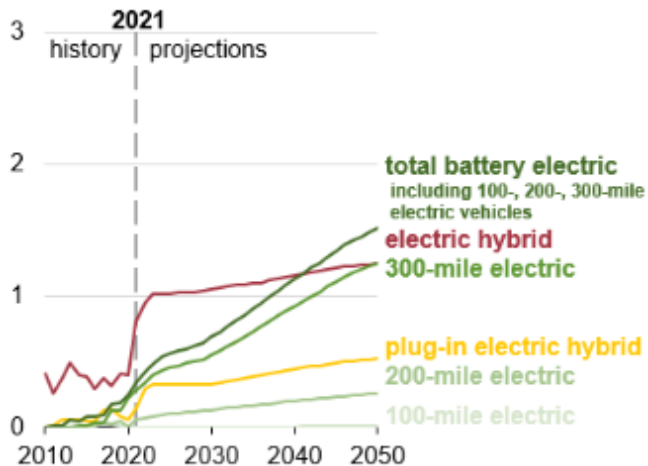
Motor gasoline remains the most prevalent transportation fuel despite electric vehicles gaining market share

Figure 1.

Light-duty vehicle sales by technology or fuel
AEO2022 Reference case
millions of vehicles

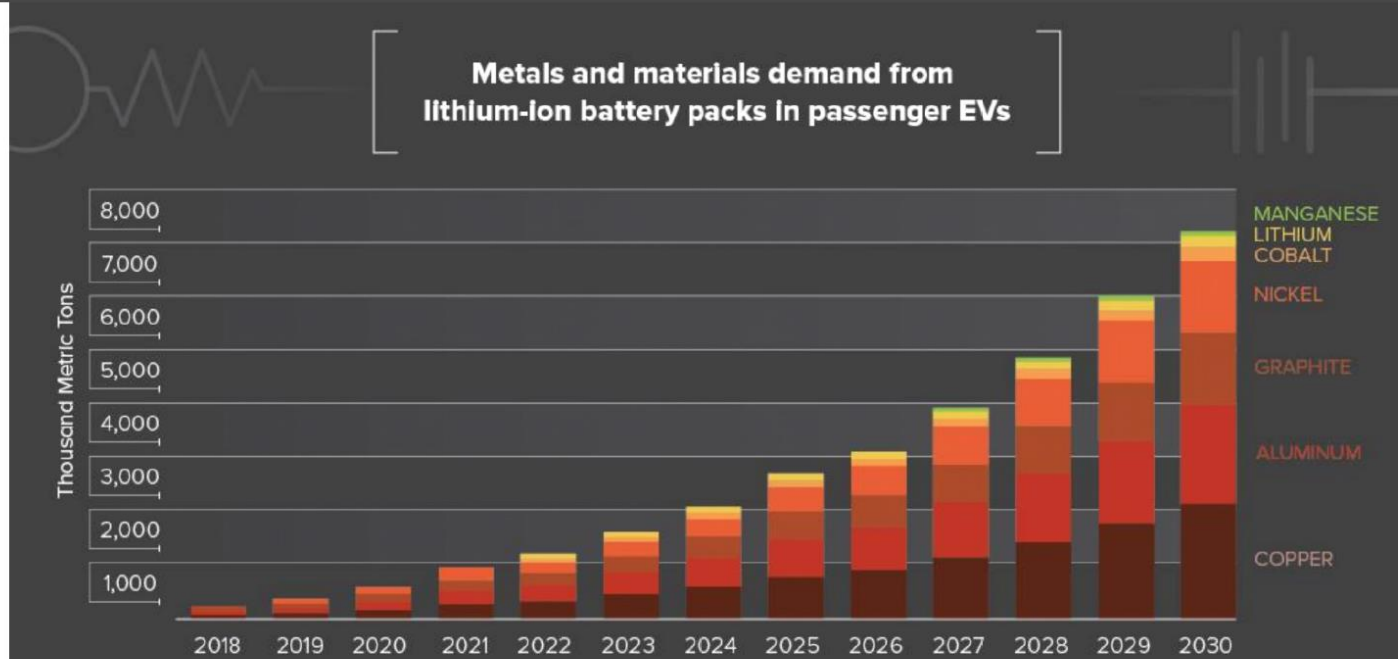


New vehicle sales of battery-powered vehicles
AEO2022 Reference case
millions of vehicles



Source: U.S. Energy Information Administration, *Annual Energy Outlook 2022* (AEO2022) Reference case

Increased demand for metals and mining as a result of green technology - EVs



Source: Electric Vehicle Outlook 2018, Bloomberg New Energy Finance

ESG

- Environmental
 - Reclamation
 - Energy Transition
 - Zero Discharge
- Social
 - Stakeholder Engagement
- Governance
 - Transparency (EITI)
 - Supply Chain

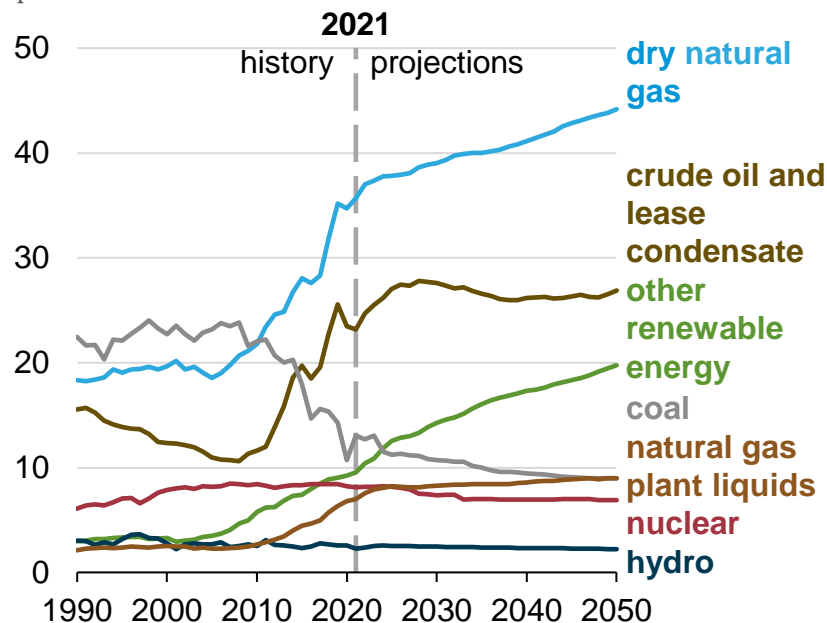
Power and Renewables



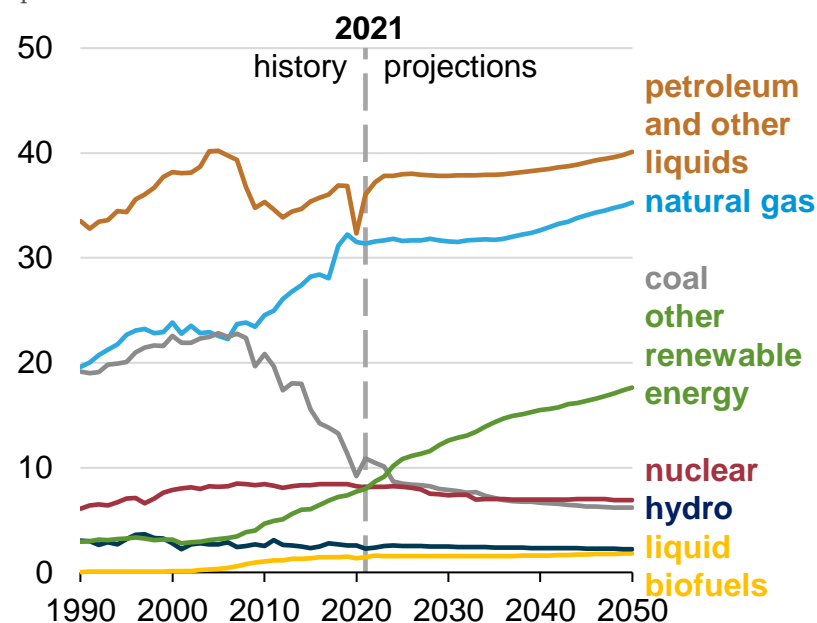


Energy production and consumption

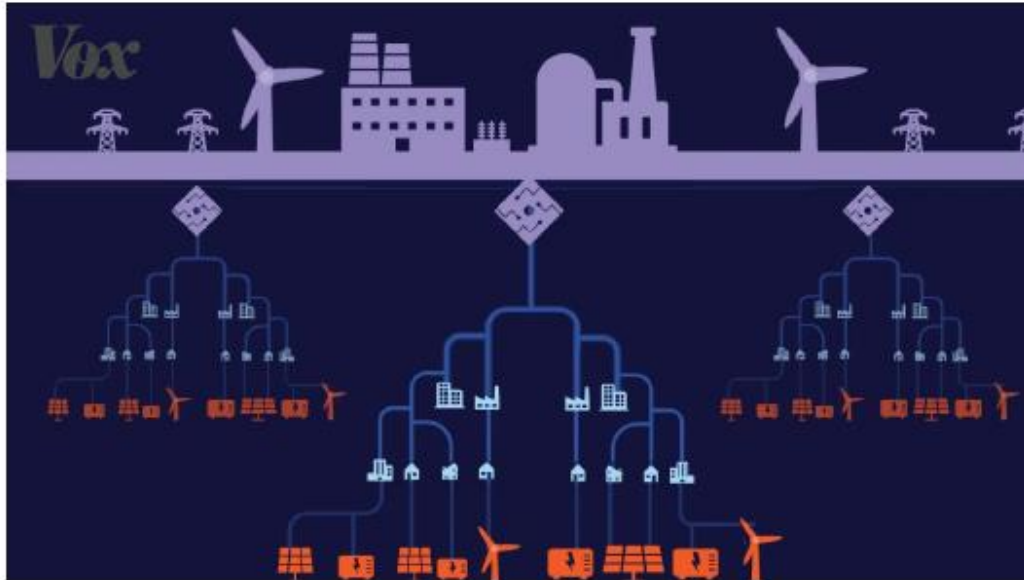
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quadrillion British thermal units



Energy consumption by fuel
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Clean energy technologies threaten to overwhelm the grid. Here's how it can adapt.

Washington Dam Removal Would Cost Billions to Replace Related Services, Report Says

Draft report looks at costs to energy, transportation

By James Leggate

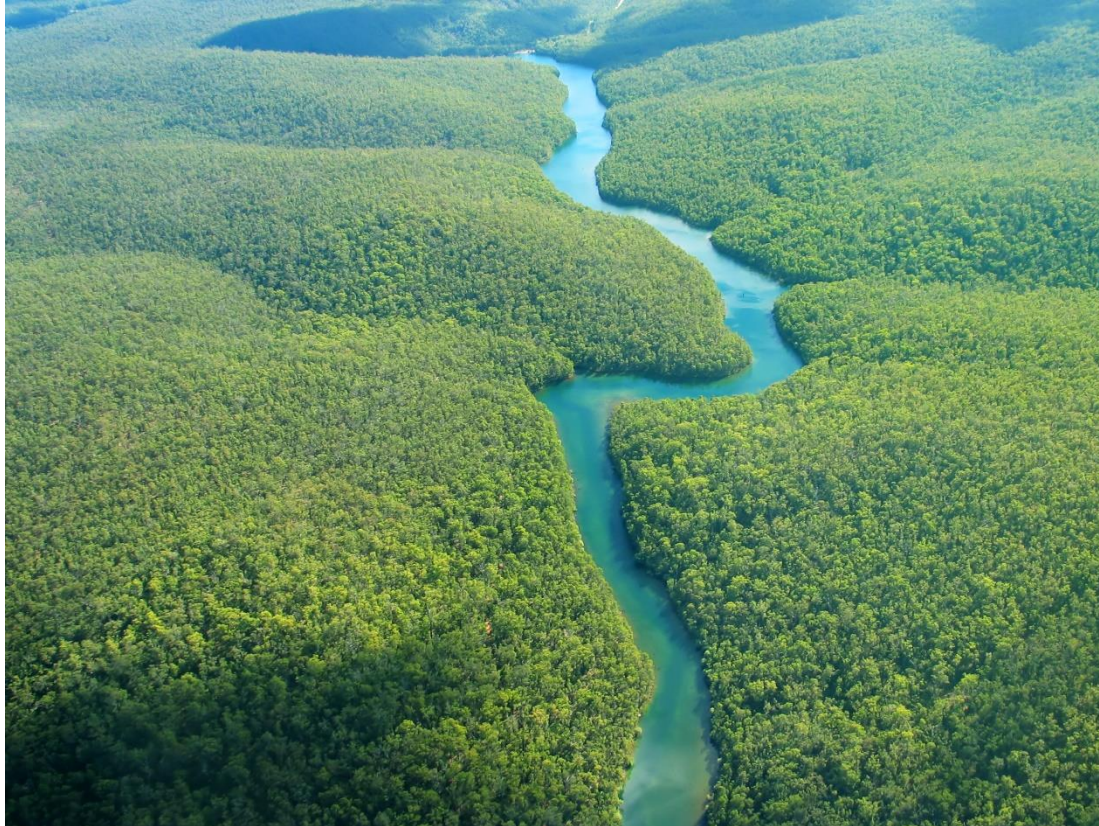


Ice Harbor Lock and Dam is located near Burbank, Wash. A draft report looks at costs associated with breaching the dam, along with the Lower Monumental, Little Goose and Lower Granite dams on the Snake River.

ESG

- Environmental
 - Siting Issues
- Social
 - Energy Transition
 - Stakeholder Engagement
- Governance
 - Offsets and Credits
 - Road to Net Zero
 - Reporting and Metrics

Water



Water as a Resource

