FOR A JUST ENERGY TRANSITION: THE RENOVABIO SOCIAL CERTIFICATE
INSTITUTO ESCOLHAS DEVELOPS STUDIES AND ANALYSES ON THE ECONOMY AND ENVIRONMENT SO AS TO ENABLE SUSTAINABLE DEVELOPMENT

FOR A JUST ENERGY TRANSITION: THE RENOVABIO SOCIAL CERTIFICATE

Study prepared by the Instituto Escolhas

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Instituto Escolhas
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This report is a product of the partnership between the Instituto Escolhas and the UK’s Brazilian Energy Programme (BEP). It was elaborated by a consortium of organisations led by Adam Smith International (ASI). The other participating organisations were: Instituto 17 (i17), Carbon Limiting Technologies (CLT), Hubz, and Fundação Getúlio Vargas (FGV).

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The institutions that are part of the consortium implementing the Brazil Energy Programme (BEP) – Adam Smith International, Carbon Limiting Technologies, Hubz, Getúlio Vargas Foundation and Instituto 17 – thank the British Government for trusting us with the Programme’s execution.
The RenovaBio Social Certificate proposal was structured based on four themes that consider the social aspects of the narrative of ESG (Environmental, Social and Governance) practises, namely: Workers’ rights, community impacts, customer responsibility, and health and safety. These themes are broken down into 15 principles, which in turn are detailed in 20 objective criteria, dealing with gender, racial and generational diversity in companies. The principles also incorporate the knowledge and peoples from traditional communities, among other social criteria (see figure on next page).

In order to ensure accessibility to the various agents of the biofuel production chain, a multi-tiered social certification proposal was chosen, with three levels of requirements:

- **Basic**
  - Compliance with criteria associated with legislation and promotion of racial, generational and gender diversity in labour relations.

- **Intermediate**
  - Average standard already used in the ethanol certificate market – RenovaBio’s current focus – based on additional criteria for the absence of serious conflicts associated to the production and the assurance of the rights of the indigenous peoples and traditional populations.

- **Advanced**
  - Adoption of international best practises, regarding the legislation and guidelines practiced in the European Union, such as commitments to transparent corporate governance criteria and commitment to production chain traceability.

The proposal brings innovative aspects not observed in other certifications available, but provides for, however, complementarity with existing certificates. Companies will then be able to demonstrate their compliance with the criteria required by the RenovaBio Social Certificate, thus validating similar requirements complied with while obtaining similar certificates.
The Social RenovaBio Certificate proposal includes a requirement not previously considered regarding labour relations: Equal and affirmative treatment of racial, gender and generational differences. Such a criterion is required starting with the basic level of certification and proceeding to the advanced level and, in addition to making commitments, companies will need to demonstrate what affirmative actions will be taken to promote diversity and how they will be monitored.

<table>
<thead>
<tr>
<th>Principios</th>
<th>Criteria</th>
<th>Suggested Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Compliance with Labour Legislation</td>
<td>Respect for labour Legislation</td>
<td>Knowledge and compliance with laws and conventions should be demonstrated. Record of occurrences and referrals in the event of conflicts and legal processes</td>
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<td></td>
<td>Respect for the ILO conventions ratified in the country</td>
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<tr>
<td>2. Working relationships</td>
<td>Equal and affirmative treatment of racial, gender and generational differences</td>
<td>Affirmative actions demonstrated</td>
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<tr>
<td></td>
<td>Commitment to equality in gender, race and generation established and monitored</td>
<td>Affirmative Action Demonstrated</td>
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### Impacts on the Community

This theme brings the greatest number of innovations when compared to existing certifications, as criteria associated with the indirect impacts of biofuel production are introduced, a claim often made by the most critical segments of the industry’s current pattern.

Companies will need to prove that their operations do not adversely affect the communities where they are located, which includes the correct use of natural resources, respect for traditional lifestyles, and promoting local socio-economic development.

<table>
<thead>
<tr>
<th>ESG Theme</th>
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<tbody>
<tr>
<td><strong>3. Land/Agrarian Aspects</strong></td>
<td>Demonstration of legal possession of the land in accordance with current legislation</td>
<td>Absence of any dispute regarding ownership or forms of land use</td>
<td>Absence of any dispute regarding ownership or forms of land use for the community's position and the proper negotiation or legal referral to resolve such conflicts</td>
</tr>
<tr>
<td></td>
<td>Absence of serious conflicts involving ownership and land use</td>
<td>Demonstration of documentation supporting the company’s position and the proper negotiation or legal referral to resolve such conflicts</td>
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</tr>
<tr>
<td><strong>4. Indigenous Peoples and Traditional Populations</strong></td>
<td>Respect for the rights of indigenous peoples and traditional peoples</td>
<td>Absence of manifestations contesting direct or indirect company practices and limiting or restricting the rights of indigenous peoples and traditional populations</td>
<td>Absence of manifestations contesting direct or indirect company practices and limiting or restricting the rights of indigenous peoples and traditional populations for the company’s position and the proper business or legal referral to resolve such conflicts</td>
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<tr>
<td></td>
<td>Ensuring that production does not compromise local and traditional ways of life, including the use of natural resources in a manner compatible with their social reproduction strategies</td>
<td><strong>Absence of manifestations contesting direct or indirect practices of the company and limiting or restricting the rights of indigenous peoples and traditional populations</strong></td>
<td>Absence of manifestations contesting direct or indirect practices of the company and limiting or restricting the rights of indigenous peoples and traditional populations for the company’s position and the proper business or legal referral to resolve such conflicts</td>
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<tr>
<td></td>
<td>Adequate and responsible use of water resources, so as not to compromise quality and availability for the consumption by the local population</td>
<td>Identification and mapping of water sources and bodies used or affected by the company</td>
<td>Identification and mapping of water sources and bodies used or affected by the company for the consumption of local populations</td>
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<tr>
<td></td>
<td>Regular evaluation of the impacts of the activity on water resources, especially its impacts on the availability and quality of water for the consumption of local populations</td>
<td><strong>Identification and mapping of water sources and bodies used or affected by the company</strong></td>
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# Impacts on the Community

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<tr>
<td>7. Local development</td>
<td>Positive impacts on the local economy</td>
<td>Survey and demonstration of positive impacts on employment levels, revenues and triggering impacts on the local economy</td>
<td>Demonstration of compensation measures and mitigation impacts in case of decreased use of local workforce</td>
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<tr>
<td></td>
<td>Existence of effective actions on social and environmental responsibility</td>
<td></td>
<td>Demonstration of corporate investments and initiatives in initiatives aimed at promoting equality, improving social cohesion, environmental sustainability and others carried out in the surrounding communities</td>
</tr>
<tr>
<td>8. Food Security</td>
<td>Operations assure the right to food security</td>
<td>Absence of manifestations denouncing negative impacts of the company’s action on the right to food security of populations in its area of activity or by its suppliers</td>
<td>Where complaints are lodged, evidence of documentation supporting the position and the proper referral of business or legal proceedings to clarify complaints</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Demonstration of compensatory actions or mitigation of impacts on food security</td>
</tr>
<tr>
<td>9. Inclusion of family farming</td>
<td>Existing policies to have family farming included in the supply chain</td>
<td>Documented purchasing policy demonstrating preference given to family farming (purchase percentages, provision of technical assistance, price guarantee, special contract provisions or others)</td>
<td></td>
</tr>
<tr>
<td>10. Deforestation, use of land and consequences for human life</td>
<td>Proof of preservation of the original natural vegetation when producing raw materials</td>
<td>Demonstration of conservation of natural, protected and recovering areas, using maps and geo-referenced information systems</td>
<td></td>
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</tbody>
</table>
### 3 Customer Responsibility

Despite being considered the social pillar of ESG practices, responsibility to the community includes important governance issues. Of the four criteria mentioned, only the one that regards legal compliance is associated with the basic level of the RenovaBio Social certification proposal. The remainder is classified as being at the advanced level, being among the more robust governance system practices—such as those that concern traceability.

The commitment to transparent corporate governance and accountability criteria (of the interested parties) is a unique criterion among the existing certificates. To demonstrate compliance, companies should make publicly available assessment and impact reports of their economic activity. In addition, they will need to ensure the participation of representatives of the communities where they operate in their corporate governance spaces.

<table>
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<tbody>
<tr>
<td>11. Compliance with existing legislation</td>
<td>There are no illegal activities in production areas</td>
<td>Property monitoring system or equivalent. Absence of reports of illegality&lt;br&gt;When complaints are made, evidence of documentation supporting the company’s position or resolution</td>
</tr>
<tr>
<td>12. Traceability</td>
<td>Existence of a commitment and attention to the other links of the productive chain</td>
<td>Document or protocol of commitment describing measures directed at the supply chain and customers, explaining the restrictive business measures to be applied to customers with proven unlawful conduct or that otherwise conflict with the principles and requirements of this certificate</td>
</tr>
<tr>
<td>13. Governance</td>
<td>Commitment to transparent corporate governance criteria and accountability</td>
<td>Published economic activity impact and assessment reports or other information on these available and open-access themes&lt;br&gt;Participation of representatives of local society in mechanisms and areas of corporate governance</td>
</tr>
<tr>
<td></td>
<td>Existence of a commitment and close attention to any non-certified areas of the same property</td>
<td>Document or protocol of commitment describing measures aimed at areas not certified in the same property</td>
</tr>
</tbody>
</table>
## ESG Theme

### Health and safety

This theme describes elements related to the impacts caused by activities regarding the safety and well-being of the population. The RenovaBio Social Certificate proposal strengthens principles already evaluated by other certifications.

One criterion, required only for the advanced level of the Certificate, determines the implementation of a corporate system to monitor the socio-environmental impacts on the communities where they are active. Companies should also provide plans and measures to mitigate impacts and reduce risks and negative impacts. They must further clearly delineate and publicly disseminate measures for reducing and compensating for damages that may have been incurred.

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<tbody>
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<td>14. Safety and Risk Management</td>
<td>Respect for Labour Legislation</td>
<td>Knowledge and compliance with laws and provisions of international conventions on workplace safety requirements must be demonstrated. Risk mapping system for workers and reporting of work accidents and associated information available. Plans and measures to reduce risks and accidents at work must be demonstrated.</td>
</tr>
<tr>
<td></td>
<td>Socio-environmental impact on the surroundings is monitored and mitigation, compensation, and risk reduction measures are adopted</td>
<td>Impact studies and licences required by law are available. Impact monitoring system for measuring impacts in the area of operations and surroundings. Plans and measures for mitigation of impacts, risk reduction and negative impacts should be demonstrated. In case of proven negative impacts, mitigation and compensation actions should be demonstrated.</td>
</tr>
<tr>
<td>15. Use of pesticides, control of pollutants and their own consequences for human life</td>
<td>Controlled and responsible use of pesticides</td>
<td>System with information available on pesticide use by the company. Evaluation of impacts associated with the use of pesticides on soil, bodies of water and human health. Existence of safeguards and plans for reduction of consumption and reduction of impacts.</td>
</tr>
</tbody>
</table>
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The RenovaBio Social Certificate proposal is a critical step in strengthening the RenovaBio programme. It may also lead the biofuel industry to comply with the increasing social inclusion requirements demanded by the global markets.

The legislation which implemented RenovaBio, Law 13576/2017, already highlights the importance of the programme in addressing social inclusion and regional development. This should encourage enactment of social inclusion policies in the biofuels production segment. However, amendments to current legislation are still necessary in order to feasibly implement the new Certificate, such as establishing the objectives of the certification and its main mechanisms.

The following are detailed measures to support the development of the proposal and its implementation.

IMPORTANT STEPS TO IMPLEMENT THE SOCIAL RENOVABIO CERTIFICATE

The first and immediate advantage of The RenovaBio Social Certificate proposal for the companies would be its reputational gains. Important for corporate and brand positioning, such an advantage can be leveraged into medium- and long-term economic gains, including with the acquisition of new consumers.

Additionally, the new certification could generate credit incentives, facilitating access to financial operations and lower interest rate resources.

As shown by the successful experience of Decarbonisation Credits (CBIoS) – emissions certificates for ethanol, biodiesel and biomethane – RenovaBio Social could also, in the future, form the basis for a mechanism trading social inclusion credits, as is the case for the market for decarbonization credits.

INCENTIVES

RENOVABIO COMMITTEE AND WORKING GROUPS (WGs)

Created to be the organisation responsible for executing and continuously monitoring the policy, the Committee of the National biofuels Policy – or the RenovaBio Committee (CRBio) – could have the scope of its responsibilities modified to also deal with the RenovaBio Social Certificate. Towards that end, according to the Certificate’s proposal, CRBio would be assisted by three multifunctional working groups (WGs):

- A WG for incentives, composed with the participation of public and private financial agents and other companies within the sector;
- A WG composed by various agents within the biofuel sector and dedicated to elaborating RenovaBio Social Certificate’s Operational Manual. The manual is meant to provide guidance for implementing the certification, as well as to implement revision and improvement procedures. The group should include members of associations, certifying entities, government, and civil society;
- A WG to address legislation and propose improvement draughts concerning the suitability and improvement of the available legal instruments, including any of the other two working groups’s achievements.
A key crucial element of the RenovaBio Social Certificate proposal is its flexibility and complementarity with other certifications. However, although necessary it is not sufficient for its widespread consolidation. The certification’s final format must assure the buy-in and participation of all agents - raw material and biofuels producers, workers, public agents, and financial market representatives, among others.

Such involvement shall be achieved through balancing RenovaBio Social’s technical components and the demands presented by the various agents in the biofuels productive chain. There must be a process of constant negotiation and dialogue. Only by assuring a plurality of voices in the Certificate’s procedures will it be possible to guarantee the legitimacy needed for successfully implementing the Certificate, as well as including social themes in the sector’s agenda.

The RenovaBio Social Certificate proposal was elaborated after extensive research was done involving vast bibliographic research, thirteen interviews held with biofuel production chain agents in Brazil, four technical meetings with members of academia, workers of the sector, certifying entities and members of the Government. Four field visits were conducted in the states of São Paulo, Bahia, Rio Grande do Sul and Pará with the goal of identifying local realities and challenges within the biofuel production from sugar cane, castor bean, soy and palm. During the visits, twenty-two interviews were held with plants representatives, raw material suppliers, unions and associations of rural workers and family farming, public authorities, collectives, other local leaderships and researchers, with the goal of analysing the diversity of views on the RenovaBio Social Certificate proposal.

This RenovaBio Social Certificate proposal shall be presented to the RenovaBio Committee. Afterwards, working groups should be formed to amend as necessary the original proposal, after considering the current institutional conditions.
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