

# Community risk is climate risk

Climate risk is already real for communities around the world that are facing rising sea levels, increasingly powerful storms, wildfires, heatwaves, droughts and floods. These climate effects disproportionately impact the most vulnerable communities and are having ripple effects through the economy. An increasing number of investors, policy makers and advocates are demanding greater transparency about corporate behavior. Markets and regulators are working hard to catch up, requiring mandatory disclosures of greenhouse gas emissions and other climate-driven financial risks that impact a company's bottom line, along with their plans to manage them.

**But many of these policies miss a critical aspect of climate risk: the impact of corporate activities on people and communities.** Companies face fierce community resistance and jeopardize their businesses when they don't sufficiently consider the effects of their activities on communities, particularly where there are intersections between climate impacts and threats to health, safety, livelihoods and Indigenous peoples' rights to self-determination.

**Community risk is climate risk.** The case studies below relate the experiences of diverse communities across the world and companies that represent various industries, market-cap types and scales of operations. They demonstrate how community risks amplify other types of climate risk for companies and the financial fallout that can ensue: higher project costs, earnings shortfalls, debt-rating downgrades, declines in share price and destruction of shareholder value.

**For a just, clean-energy transition, we need transparency and accountability for the community impacts of corporate activities—to repair environmental justice harms, protect Indigenous and community rights and ensure the climate resilience of communities and ecosystems.**

A critical gap in corporate financial disclosures of climate risks

## CASE STUDIES

### Community Risks Are Material Financial Risks For Companies

The case studies shared here are a result of significant work led by local communities. We encourage you to follow the links below to learn more and support the organizations driving these fights.

**CORPORATE ACTIVITIES THAT INCREASE EMISSIONS, INTENSIFY ENVIRONMENTAL JUSTICE ISSUES, AND THREATEN PUBLIC HEALTH AND SAFETY MEET WITH SIGNIFICANT PUBLIC RESISTANCE.**

#### Formosa Petrochemical Corporation's "Sunshine Project" (St. James Parish, Louisiana)

The plastics industry along the United States Gulf Coast is highly exposed to climate-driven extreme weather, produces significant greenhouse gas emissions and faces growing scrutiny as a source of demand for oil and gas. If built, Formosa Petrochemical Corporation's planned "Sunshine Project," a major new plastics complex, has the potential to be among the largest sources of greenhouse gas emissions in the U.S. and double toxic air pollution in St. James Parish, a predominantly Black community on the front lines of climate change. Formosa Petrochemical Corporation's plastics project has faced public opposition from a broad-based local coalition led by a faith-based, Black-led community organization, Rise St. James. The opposition has drawn widespread public support and international media attention. The project now faces heightened regulatory scrutiny, project delays and pressure on potential financiers to drop the project. In 2021, the U.S. Army Corps of Engineers commissioned a full environmental impact statement, in effect, placing the project on hold for at least two years. In 2022, the Environmental Protection Agency opened civil rights investigations around permits for projects in St. James Parish and St. John Parish.

**LEARN MORE** [risestjames.org](https://risestjames.org)

For full case studies and sources, see: Action Center for Race the Economy, Amazon Watch, Ocean Conservancy et al. (2022, June 16). *Letter to Chair Gensler Re: Proposed Rule "The Enhancement and Standardization of Climate-Related Disclosures for Investors"*. <https://www.sec.gov/comments/s7-10-22/s71022-20131574-301940.pdf>



**RESISTANCE IS PARTICULARLY SIGNIFICANT WHEN COMPANIES DO NOT HAVE ADEQUATE COMMUNITY CONSULTATIONS THAT RESPECT AND RECOGNIZE INDIGENOUS AND TRIBAL RIGHTS.**

### GeoPark and Oil Development (Peruvian and Columbian Amazon)

After more than 25 years of opposition—led by Achuar, Wampis, and Kichwa Indigenous Peoples—to oil exploration in the oil field known as Block 64 of the Peruvian Amazon, GeoPark became the third oil company to abandon its operations in the area. The tribes opposed oil development for its potential to contaminate the environment, water and resources on which those communities depend and without sufficient tribal consultation. GeoPark lost at least \$70 million and 22% of its proven and probable reserves when it gave up its oil exploration and drilling project in the Peruvian Amazon. GeoPark now faces community resistance in the Putumayo Department in the Colombian Amazon where the company has had to suspend or terminate contracts in several oil blocks in the wake of community opposition.

**LEARN MORE** <https://nacionwampis.com/atsa-geoparkka/> and [amazonwatch.org/news/2022/0512-geopark-oil-company-gprk-a-high-risk-investment-report-by-human-rights-and-environmental-organization-details](https://amazonwatch.org/news/2022/0512-geopark-oil-company-gprk-a-high-risk-investment-report-by-human-rights-and-environmental-organization-details)

### Energy Transfer and the Dakota Access Pipeline (North Dakota, South Dakota)

Texas-based oil company Energy Transfer LP has faced local, national and global community resistance for its operation of the 1,172-mile Dakota Access Pipeline on the Standing Rock Sioux Reservation. The Standing Rock Sioux Tribe challenged Energy Transfer LP and the pipeline's financiers over the pipeline's alleged violations of the tribe's right to Free, Prior and Informed Consent and endangerment of their drinking water and cultural resources. Indigenous-led resistance to the pipeline fueled a public outcry about the project amid concerns over the pipeline's climate impacts. Energy Transfer LP experienced material financial impacts when long construction delays and legal expenses caused project costs to spike to more than \$12 billion (over three times initial estimates) and turned in financial results that disappointed the market and produced a long-term decline in value.

**LEARN MORE** [standingrock.org/dapl-eis](https://standingrock.org/dapl-eis) and [colorado.edu/program/fpw/DAPL-case-study](https://colorado.edu/program/fpw/DAPL-case-study)

**EXTREME WEATHER CAN INCREASE THE LEGAL AND OPERATIONAL RISKS COMPANIES FACE, ESPECIALLY WHEN IT THREATENS COMMUNITY HEALTH, SAFETY, AND NATURAL RESOURCES.**

### Duke Energy Corporation and Coal Ash (North Carolina)

Increased flooding endangers toxic waste sites—such as coal ash from energy generation—that can leak toxins into waterways and drinking water sources. As of 2014, Duke Energy Corporation, one of the largest utilities in the U.S., had more than 100 million tons for coal ash stored in ponds across North Carolina. The company faces upwards of \$10 billion in settlement and clean-up costs after community groups sued the company over claims of leaking toxic pollution from coal ash ponds at risk from flooding. This materially impacted the company's revenue and net income and resulted in debt-rating downgrades.

**LEARN MORE** [southernenvironment.org/topic/coal-ash-cleanup/](https://southernenvironment.org/topic/coal-ash-cleanup/)

**CORPORATE ACTIVITIES THAT DEGRADE IMPORTANT ECOSYSTEMS FACE GREATER REPUTATIONAL RISKS WHEN THEY THREATEN THE LIVELIHOODS OF LOCAL COMMUNITIES, ABUSE THE LAND AND HUMAN RIGHTS OF INDIGENOUS PEOPLE, AND/OR REDUCE COMMUNITY RESILIENCE.**

### JBS Deforestation (Brazilian Amazon)

Brazil-based JBS S.A., the world's largest meat processing company, has repeatedly been linked to illegal Amazonian deforestation since the early 2000s, in direct contradiction to the company's commitments to eliminate deforestation from its supply chain, initially promised by 2011. Cattle production is the largest driver of deforestation emissions in the Amazon. Agricultural activity, land clearing and fires are also infringing on Indigenous rights throughout the areas in which JBS and its suppliers operate. Corporate fraud and undisclosed deforestation, and other risks have led to billions of dollars in fines, divestment by investors, credit downgrades and the cancellation of the IPO of the JBS Foods International division.

**LEARN MORE** [amnesty.org/en/documents/AMR19/2657/2020/en/](https://www.amnesty.org/en/documents/AMR19/2657/2020/en/) and [greenpeace.org/international/publication/44522/how-jbs-is-still-slaughtering-amazon/](https://www.greenpeace.org/international/publication/44522/how-jbs-is-still-slaughtering-amazon/)

***These are just a handful among many cases that prove that community risks intersect with and amplify climate risks. Investors, policy makers and advocates need transparency on the impacts of corporate activities on communities to fully assess climate-related financial risks.***