



M4ShaleGas – Measuring, Monitoring, Mitigating, Managing the Environmental Impact of Shale Gas

Social Licence to Operate in the (Shale)
gas Industries

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Outline

- Defining and operationalising Social Licence to Operate (SLO)
- Prerequisites for SLO
- SLO in (shale) gas exploration
- Critical reflections on SLO
- Recommendations



Origins of SLO

- In 1997, James Cooney first used the phrase “a social licence to operate” during a meeting with members of the World Bank
- 2000s SLO gains popularity in the mining sector and in the academic research



Definitions of SLO

- 'A social licence is an **unwritten** social contract between a company and community that is **fundamentally intangible**, based upon the premise that a community or society is able to **grant or withhold support** for an industry to operate in a given area' (Luke 2016)
- Not a legal licence (Nelsen 2006)
- Cannot be granted by formal civil, political, or legal authorities (Parsons et al. 2014)



Definitions of SLO

- Continuous process over the life of a project (Parsons et al. 2014)
- An institution where SLO 'rules' are negotiated between mining companies and local communities throughout the mining lifecycle (Prno and Slocombe 2012)
- A way of conceptualising companies' relationship with society and/or local communities (Parsons and Moffat 2014)



Why to work for a SLO?

- **Minimising the (social) risk**, which is growing with a shift towards sustainable development and towards greater involvement of non-state actors in governance
- **Reduce 'community resistance'** (Control Risks 2012)
- **Enhancing companies' and industries' reputation/trust**
- **Minimising conflict**
- **'Reduce the undesirable kind of political instability'** (Boutilier 2014)



SLO Pyramid Model

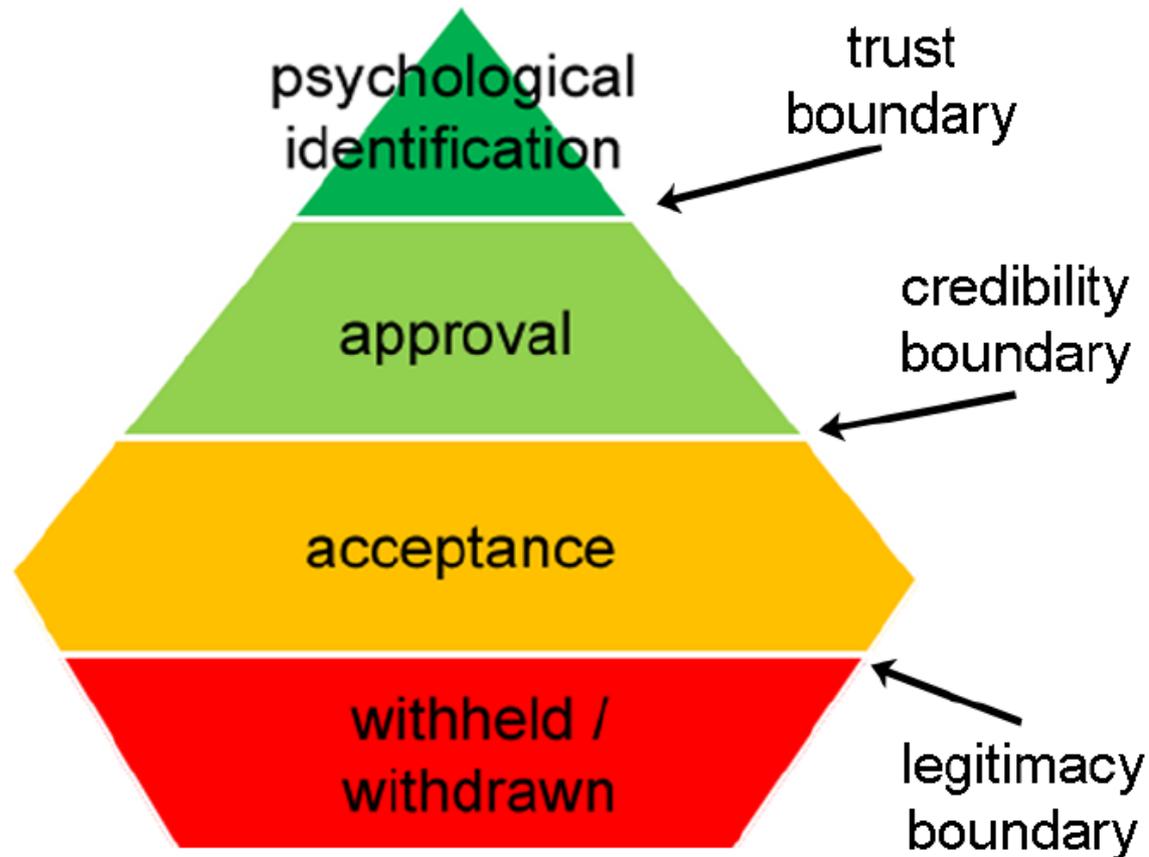


Figure 1: The “pyramid” model of the SLO proposed by Thomson & Boutilier (2011)²

Prerequisites for SLO (Pyramid Model)

- 1. Provide economic legitimacy (good for me?):** the project/company offers a benefit to the perceiver
- 2. Scale benefits depending on the context (who benefits?):** individual communities or wider society?
- 3. Gain trust and socio-political legitimacy (company gives back):** the perception that the company contributes to the well-being of the region



Prerequisites for SLO (Pyramid Model)

- 4. Gain interactional trust (communication):** the perception that the company and its management listens, responds, keeps promises, engages in mutual dialogue, and exhibits reciprocity in interactions
- 5. Gain institutional trust (company cares):** the perception that relations between the stakeholders' institutions and the project/company are based on an enduring regard for each other's interests



Prerequisites for SLO (Pyramid Model)

Gaining a higher level of SLO entails moving from:

outcome considerations  procedural consideration

“Early, ongoing communication; transparent disclosure of information; development of conflict resolution mechanisms; and culturally appropriate decision-making” (Prno and Slocombe 2012)

SLO success (mining)

- Alaskan Red Dog Zinc Mine (Prno 2013)
- Canadian Minto Mine (Prno 2013)
 - Yet, power imbalances can also be magnified (Martinez-Alier 2001, Muradian *et al.* 2003)
- More failure than success
 - (Martinez-Alier 2001, Martinez & Franks 2014, Muradian *et al.* 2003, Prno 2013, Rasch & Köhne 2015, Urkidi 2011)



SLO success (unconventional gas)

- Western Downs (Queensland), Australia
 - CSG (Walton *et al.* 2014)
 - Survey: 9% reject industry, 33% tolerate, 37% accept, 14% approve, 8% embrace
 - In same survey: 9% 'not coping', 6% 'resisting'
 - Reluctant acceptance
- Western Pennsylvania, USA
 - Shale gas (Kriesky *et al.* 2013)
 - General acceptance
 - Although majority said: threat to human health, environment
 - Economic relevance
 - Reluctance acceptance (?)



Negative conditions

“Corrupt (e.g., paying of bribes to local officials, issuance of graft), harmful (e.g., use of intimidation and abuse) or deceitful (e.g., purposefully concealing mining impacts from local communities) practice” (Prno and Slocombe 2012)

“Some projects [...] never receive community support because community-mining company expectations are beyond reconciliation” (Prno & Slocombe 2012)

- Regional context as a lead driver of SLO (Prno 2013)



Failure

Examples of withholding or withdrawal:

- **Philippines**, Palawan: manipulation and corruption of local government officials (Rasch & Köhne 2015)
- **Indonesia**, Sumatra: Palm-oil developments, taking of ancestral lands
- **Peru**, Tambogrande Gold Mine: bad legacy of mining, lack of communication and consultation (Prno 2013)
- **Papua New Guinea**, OK Tedi Mine: inadequate community engagement and compensation for environmental damage



SLO in (shale) gas exploration

Low credibility projects need SLO

- Shale gas is a fossil, non-renewable fuel with low social legitimacy in many geo-political contexts
- Hydraulic fracturing ('fracking') is controversial and has a strong 'stigma of harm' (environment, health)
- Low community acceptance; low trust in industry; much uncertainty
- Focus on water, soil, and air contamination and waste treatment
- Consider off-sets carefully

But

- Shale gas projects shorter in duration than mining



Critical reflections on SLO

- Who is the community?
- Is SLO empowering local communities? Or is it applied as another 'tool' for gaining social acceptance?
- Is granting a SLO as simple as a vote? Or does a SLO consist in the absence of (substantial) protest?



Critical reflections on SLO

- Has SLO changed companies' way of thinking about communities?
- Is engagement of communities risky in the first instance?



Recommendations

- Early and ongoing bi-directional communication; provide timely and complete information;
- Respectful engagement (don't talk down);
- Listen to what a local community is saying, address concerns and issues;
- Environmental, fiscal, and social responsibility (including but not limited to regulatory compliance);
- Ensure that local communities benefit from, or are not unfairly affected by, projects (Yates and Horvath 2013)
- Rigorous surveys can clarify SLO (Prno 2013)
- Procedural injustice is a powerful anti-development narrative (Rasch & Köhne 2015)



THANK YOU FOR YOUR ATTENTION

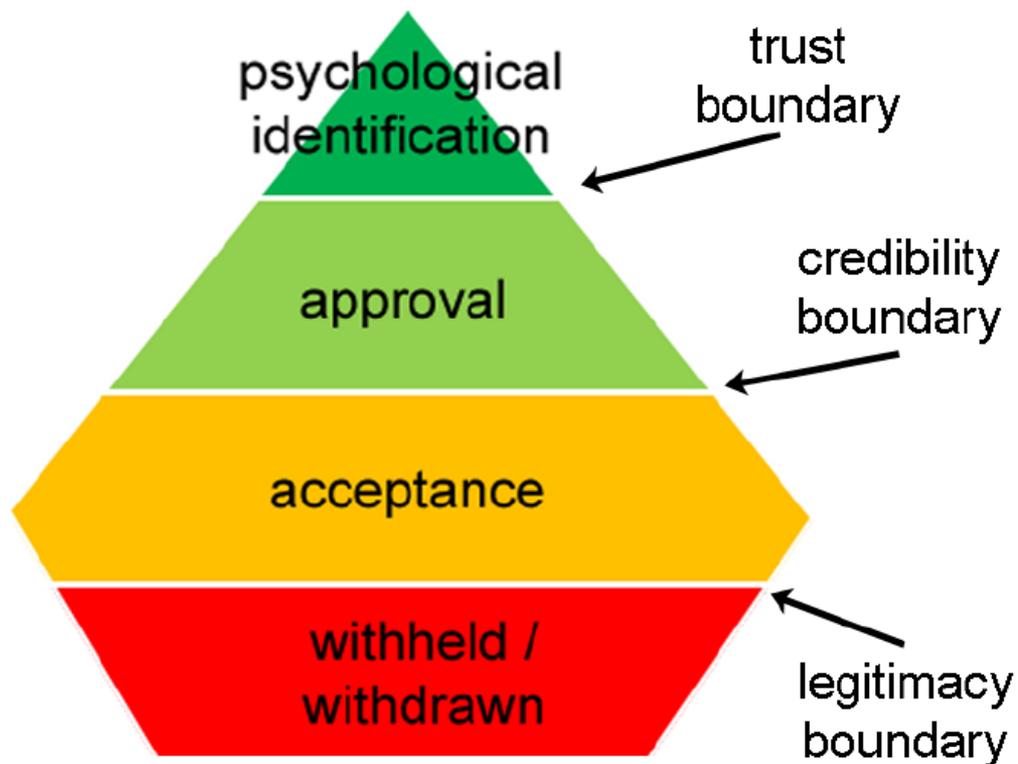


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