

Earning “social license to operate” requires meaningful investment in communities

By Mark Lowey

VANCOUVER – Resource development companies need to make meaningful investments in the communities they impact to earn “social license to operate,” experts told a **GLOBE 2014** session.

Along with hiring and training a local workforce and creating institutional capacity in communities, companies need to “walk the talk” and communicate in a way that builds trust, panelists told a March 26 session on “Earning the Social License to Operate,” moderated by Jacques Benoit, senior vice-president, environment and water, at **SNC-Lavalin Inc.**

“Actually doing something in the community is critical,” even after obtaining regulatory approval for a project, said Jamey Fitzgibbon, senior vice-president, resource management, Christina Lake and special projects, at **MEG Energy**.

“It’s not an issue of gifts (to the community) anymore, it’s an issue of building institutional capacity,” agreed West Cragg, professor emeritus in the Schulich School of Business at **York University**.

Philanthropy and corporate social responsibility, while valuable, are both concepts that are focused on the corporation, he noted.

A community affected by development needs to know that it is respected by the project proponent, and that the company is capable of and will actually carry out its social license to operate, Cragg said.

It is “meaningless” for a company to donate a hockey rink to the community, for example, if the community’s members aren’t getting respect on the job site, he said.

Rather than being a philanthropist, the company should work to become a partner with the community, Cragg said.

Chris O’Riley, executive vice-president of generation for **BC Hydro**, said a company’s actions build trust, more so than merely providing information to the community about the project.

BC Hydro managed to build “an extraordinary level of support” for a \$1-billion project to modernize its [John Hart Generating Station](#), located within the city of Campbell River, he said. The effort took several actions, including:

- dealing with legacy issues from the 67-year-old facility;
- investing in protection of fish habitat;
- changing the facility design to prevent interruptions in river flows;

- putting the powerhouse underground to enhance public safety and improve the site's environmental performance; and
- hiring a local workforce.

To encourage the local workforce, BC Hydro held business “speed-dating” events in Campbell River so local bidders and residents looking for jobs could meet the project construction teams.

Since 2007, BC Hydro has engaged stakeholders through: 13 meetings of the Campbell River System Hydroelectric Facilities Liaison Committee; seven meetings of the John Hart Recreation Advisory Committee; six community open houses; and numerous presentations to community and stakeholder groups.

The company continues to actively consult with the **We Wai Kai Nation, Campbell River Indian Band** and **K'ómoks First Nation** to identify means to avoid, mitigate or otherwise accommodate First Nations interests that may be impacted by the project. This effort includes continuing discussions with First Nations on potential benefits from the project as part of an impacts benefits agreement.

Steven Hilts, director, environmental legacies at **Teck Resources Ltd.**, said his company views the concept of social license as “having the support of the people” for a project.

“You win trust by being trustworthy . . . it takes a track record” and a relationship which takes time to build, he said. “We need to walk the talk.”

A proponent needs to be proactive, work to understand communities at the earliest stages of a proposed project, and involve community members in solving challenges and issues, Hilts said.

More effective communications needed by trustworthy source

Several panelists told GLOBE delegates that resource companies have to find more effective ways of communicating with communities and other stakeholders.

Stakeholders often don't have the information they need, and the sources of the information aren't trusted, said Cragg, whose research focuses on business ethics.

The regulatory process has become politicized and isn't perceived as being fair by many stakeholders, so people don't participate, he said.

Michael Cleland, executive in residence at the **Canada West Foundation**, said that instead of companies thinking about what communities need to know, there is “a bit too much” emphasis from industry and government on the “wrong” kind of communication – such as promoting or advocating for the project or the proponent or the industry as a whole.

Public faith in regulatory agencies has declined, he noted, adding that a lot of the oil and gas industry's best practices need to be embodied in regulation to ensure all companies adhere to such practices.

While a lot of performance by the oil and gas industry is good, better information and improved monitoring of performance is needed, along with a trustworthy source to communicate the information, Cleland said.

However, Cragg pointed out that better monitoring is of no value if people don't trust the information. Third-party, arm's length monitoring is crucial, and communities need to be consulted on the design and operation of the monitoring program, he said.

A GLOBE delegate who recently emigrated from Australia asked the panel why the oilsands industry doesn't use an independent sustainability reporting process, such as the [Global Reporting Initiative](#).

Fitzgibbon from MEG Energy said that the oilsands industry has been "very reactive" in communicating, and needs to get out in front of issues that concern the public.

The oil and gas industry is very competitive which makes it difficult to share information, he said, although he acknowledged: "I think the level of credibility of CAPP (**Canadian Association of Petroleum Producers**) is relatively low. I'm not afraid to admit that."

The concept of "local" when it comes to stakeholders affected by or reacting to a project is rapidly expanding into a much larger geographical region, which means companies also need to engage environmental groups and the media, Fitzgibbon said.

The oil and gas industry needs to work in unison to better communicate its performance to all Canadians, he said, adding: "It's not very useful to be a great company in an industry that's hobbled."

Enovus Energy has launched a campaign to encourage its employees to be proud of their work, Fitzgibbon noted. "We in industry need to start being proud of what we do."

Cleland from the Canada West Foundation said that the communications effort needs to include information about the importance of the resource economy to Canada, and the economic consequences if resource development falters.

"There are a number of risks that we face," he said, including:

- Canada is a higher-cost producer of oil and gas compared with other jurisdictions and needs to be "on time to market;"
- the global energy supply picture has radically changed;
- local communities have become empowered but don't trust industry or government; and

- there is increasing international criticism about Canadian oil and gas industry environmental practices.

Cragg said that he believes industry, government and other institutions face essentially an “ethical problem” in earning social license to operate. “The problem is solvable and we have the technology (and other solutions) to do it.”

Securing social license also was discussed in a separate afternoon panel session, “Securing the Aboriginal Advantage,” moderated by Piers McDonald, chair of the **Yukon Energy Corporation**.

Project proponents need to first recognize and acknowledge the impacts of past development, said Colleen Nyce, manager, corporate affairs & community relations for **Rio Tinto Alcan**.

Rio Tinto Alcan and the **Haisla Nation** in British Columbia signed an agreement in March 2010 to work together for the next 30 years to maximize the opportunities and benefits of aluminum operations in Kitimat, B.C.

Nyce said that in less than five years, the agreement has resulted in about \$200 million of investment in Haisla Nation businesses, and more than 120 Haisla are employed at Rio Tinto Alcan’s US\$3.3-billion [aluminum smelter modernization project](#) in Kitimat.

Judith Sayers, visiting national aboriginal development chair and assistant professor at the **University of Victoria**, said it is crucial for project proponents to be respectful of First Nations and their special relationship with the land, and to appreciate what First Nations can bring to the table.

Jobs and money aren’t as important to First Nations as securing their land, aboriginal rights and resources, she said.

It might be necessary for a developer to be creative in providing jobs to residents of a First Nations community – such as in the environmental monitoring, wildlife management or other fields – which aren’t directly related to work that disturbs land, Sayers said.

Jean Paul Gladu, president and CEO of the **Canadian Council for Aboriginal Business**, said many companies need to first build capacity within their own organizations in order to establish a meaningful relationship with First Nations.

Traditional knowledge needs to be integrated into every decision made by a company, and businesses need to be built at every level in the community, he said.

Governments have a role to play in partnering with companies to ensure the creation of jobs and training of a local community workforce, Gladu said.

When it comes to aboriginal investment, he said that a First Nation’s equity in its land needs to be accounted for, and that equity positions in projects are becoming more attractive for aboriginal communities.

In a [special report](#) in 2012, **TD Economics** predicted that the size of the Aboriginal market in Canada would reach \$32 billion by 2016 – higher than the level of nominal GDP of two Atlantic provinces combined. *EnviroLine*