Stakeholder Engagement in the Decommissioning Process

Sabrina Genter, Environmental Resources Management

Abstract

The influence of an oil or gas operation on its host communities continues beyond the decommissioning of assets. The extent of influence and/ or impact will vary depending on the nature of the operations, in particular the proximity of sensitive receptors (e.g. communities, commercial and recreational fisheries).

When done well, planning for closure serves as a foundation for sustained socio-economic well-being, beneficial reuse of project assets, and accountable decision-making. This ultimately contributes to an operator's social license.

However, without effective planning, stakeholders often find themselves unable to adapt to the changes brought about through decommissioning. The outcome is an operator with undue expectations and stakeholder grievances. This has been shown to impact an operator's social license to operate, which, in recent times, has been amplified by the transparency created through avenues like social media.

Social license to operate is not a new concept for the industry. To date, much of the focus has been on obtaining a social license to operate in the early stages of a project, and maintaining it during the operation phase.

What is emerging is the need to obtain and maintain a social license during the decommissioning process (and beyond). This requires good planning and extensive engagement with stakeholders, including affected communities and regulators.

Introduction

Social license to operate is not a new concept. There are numerous examples of where projects have successfully obtained and maintained their social license to operate. However, much of the focus has been on establishing a 'social license to operate' in the early stages of development, and maintaining it during operation. What we are now seeing emerge is the need to obtain and maintain a social license at the later stages of a project – at decommissioning and beyond. This requires, amongst other things, well planned engagement with stakeholders. This paper will seek to highlight some of the challenges in maintaining a 'social license to operate' during the decommissioning process.

Defining Social License to Operate

'Social license to operate' refers to the ongoing acceptance of a project, company or industry by its stakeholders. It is granted at the discretion of stakeholders, based on either perceptions of a project or operation. Once gained, it can be lost, so requires ongoing focus in order to be maintained.

The concept of a social license to operate has gained considerable attention in recent years. This is largely due to the recognition that stakeholder concerns have had real impacts on projects and operations. This has played out in a variety of ways, as stakeholder concerns have been shown to contribute to project delays, an increase in operating costs and, in extreme instances, the shutdown of operations. Stakeholder concerns have also resulted in short and long term reputational damage, and are increasingly being seen as influencing investor decisions-making.

The landscape or backdrop for obtaining and maintaining a social license to operate is becoming ever more complex. This is in large part due to social media, which has provided a platform for stakeholders to share their concerns in a new way. These concerns can be shared, not just locally but globally, at a rapid pace. Organizations, particularly those that oppose the oil and gas industry, have become savvy in using social media to influence public opinion and mobilize people into public action.

For the oil and gas industry, this has meant that what, historically, would have been a local issue, can, now, quickly become a global issue affecting a company's reputation. The result is a required vigilance across operations to contribute to a company's positive public reputation.

It also means that new projects or the decommissioning of existing operations is attracting not only local but often global attention. This is evidenced by social media campaigns, and regulatory approval processes, in which not only local stakeholders but global stakeholders have provided feedback during the public comment period.

For the oil and gas industry, this has been compounded by the rapid increase in the number of civil society groups and non-governmental organizations focused on driving the transition to a low carbon economy. These organizations are exerting pressure on the industry through public demonstrations and traditional and social media.

Social media, and the attention garnered by non-government organizations due to climate change, are changing the way the oil and gas industry is seeking to achieve its social license to operate. This has meant that the focus for the oil and gas industry, when it comes to engagement, is not just on local communities impacted (positively and negatively) by a project or operation, which has often been the focus; but global organizations need to be actively engaged, as these organizations can influence local stakeholder perceptions.

Building and Maintaining a Social License to Operate

Achieving a social license to operate is underpinned by building and maintaining trust - between a project, company or industry and its stakeholders. Research by Moffat and Zhang (2013) identified four factors that influence trust - procedural fairness, contact quality, impacts on infrastructure, and, to a lesser extent, contact quantity.

Procedural fairness involves providing stakeholders an opportunity to contribute to a project or operation's decision-making processes. When stakeholders feel that their voice is heard and acted upon, their trust in an organization is enhanced. This opportunity can be created by a company – e.g. an engagement opportunity in which stakeholders are able to feed into decision-making – or by government – e.g. the public comment period during a regulatory approvals process. It is important to demonstrate how stakeholder feedback has been taken on board, and the extent to which it has or has not changed the decisions that have been made.

Contact quality refers to the quality of the engagement undertaken. Although contact quantity is a factor, there is a stronger correlation between trust and contact quality than quantity. In other words, it is more

important to have meaningful, open conversations with stakeholders at less frequent intervals, than engage at a superficial level more often. It is important to be open and transparent, which is a reflection of quality contact, and positively contributes to trust.

The quality and quantity of engagement is often driven by stakeholder expectations and desires, as well as available project or operational resources. Understanding stakeholder expectations at the outset will help to ensure that engagement is appropriately tailored.

The last factor is impact management. This requires understanding the impacts likely to occur as a result of a project, and putting in place management strategies to mitigate the potential negative impacts and maximize the potential benefits. In fact, engaging stakeholders in the impact assessment process, as well as the selection of management measures, provides an opportunity to contribute to project decision-making, or procedural fairness.

What is not explicitly captured is commitment. Social license to operate is about seeking to build and maintain trust; one of the quickest ways to destroy trust is to not follow through on a commitment that has been made. This is one reason that organizations are increasingly establishing commitment registers, which often reflect regulatory approval requirements as well as commitments made to stakeholders during the project development and ongoing operation. This is one way to help ensure that commitments are tracked and followed through.

Effective Stakeholder Engagement Planning

Stakeholder engagement plays a vital role in obtaining and maintaining a social license to operate. Good engagement starts with structured planning. This provides a solid understanding of a project, operation or company's stakeholders, including their likely interest and influence as well as views and concerns.

Mapping of a project or operation's stakeholders is the first step in the planning process. The mapping process should identify the full breadth of stakeholders. This include non-governmental and community base organizations, regulators, neighboring communities, and media, amongst others.

Mapping not only provides an opportunity to identify a project or operation's stakeholders, but also the relationships that exist between stakeholders. It is important to understand these relationships, as there are often key 'influencers' within a group of stakeholders. These individuals hold sway within the group. Focusing, at least initially, on these individuals typically helps to maximize the efficiency and effectiveness of engagement efforts.

The planning process can also help to understand stakeholder preferences when it comes to preferred communication channels. Understanding this will help in tailoring the engagement approach, and increase the likelihood that the messages that are being communicated are heard. Social media is likely, and should form one avenue of communication; see Box 1 for further insights on the use of social media as an engagement mechanism.

Box 1 Social Media – A Challenge and Conundrum

A large number of communities globally have access to some form of online or social media. It is important to actively monitor social media, so that changes or emerging trends can be identified early. However, caution should be taken when using social media, as it is an unmonitored/ unfiltered media.

What is emerging is concern for the level of trust that stakeholders put in the information shared on social media. There are numerous instances where facts have been misconstrued or not correctly presented, generating a 'new' truth. This quickly becomes the 'truth' that is shared.

Our initial response is often to correct misinformation, by sharing the correct information (e.g. via social media). However, when a stakeholder does not trust a particular company (or the oil and gas industry as a whole), the information posted by the company will not be trusted. It is better

to not generate a 'discussion' of facts via social media, but to focus on face-to-face engagement with key influencers.

At a local level, it is important that the oil and gas industry actively engage with its stakeholders, and build trust, to reduce the potential for misinformation shared on social media to influence local perceptions. This can support a project or operation in achieving its social license to operate.

The planning process should also help to identify stakeholder issues and/ or concerns. These are often used as a basis for developing engagement materials.

It is important to note that not all stakeholders will require the same types or frequency of messaging, information or engagement opportunities. With a good understanding of a project or operation's stakeholders, the population can be stratified, and stakeholders can be provided the messages and information they require.

As part of the planning process, opportunities for stakeholder to input to the project or operation decision-making should be identified. This helps contribute to procedural fairness, and ultimately trust.

The outcomes of the planning process should be captured in a stakeholder engagement plan. The plan should be treated as a living document, and updated on an ongoing basis based on stakeholder feedback. The feedback and insights should be systematically recorded in a database, or similar system.

Engage Early in the Decommissioning Process

Decommissioning entails safely retiring facilities or processes that are no longer needed. Equipment and structures are cleaned and secured so that they do not pose a risk to communities or the environment. There are a variety of ways in which this can be done. Although complete removal is often considered as the base case, consideration is often given to partial removal and recycling, reuse and/ or disposal of infrastructure. There are trade-offs when selecting the most appropriate approach to decommissioning, which are evaluated early in the planning process as part of the comparative assessment.

In an ideal scenario, engagement on decommissioning will start during the early stages of a project or operation planning process – i.e. during the design of the project or operation. By engaging early, the operation's 'end-state' can be defined, so that the project or operation can be designed, and continue to be maintained, so that the proposed 'end-state' can be achieved. This proposed 'end-state' should be determined based on feedback from stakeholders, in particular potentially affected stakeholders and communities as well as regulators and government agencies.

There are often a number of opportunities to drive positive outcomes during the decommissioning process. However, these opportunities need to be identified early so that they can be capitalized on. For example, in order to reuse a former onshore processing facility site, this requires an understanding of the level of effort (e.g. remediation, infrastructure removal) needed for the proposed future land uses to occur. This effort needs to be built into the decommissioning approach, and agreed with stakeholders, including regulators.

In a range of geographies, regulators are driving consideration of potential impacts associated with the decommissioning as part of the project or operation's initial approval process. This is likely to continue to evolve, with more jurisdictions requiring consideration of decommissioning at the early stages of a project or operation.

Many oil and gas operators have also embedded a requirement to consider decommissioning as part of their early stage decision-making. This is starting to influence, to some extent, the design of an operation.

Despite these early stage considerations, the extent of planning varies. Often the engagement with stakeholders is focused on the construction, commissioning and operation phases, rather than decommissioning.

Much of the early stage planning is for new projects or operations. However, for existing projects or operations, engagement on decommissioning often occurs at later stages. Historically, the reason for this delay has often been the timeframes for decommissioning, which is often planned to occur at a time in the distant future. It is often assumed that the regulatory environment and local context will change prior to decommissioning, meaning that the impacts and likely 'end state' requirements will change. So, detailed planning is not required.

Engaging during Decommissioning to Build a Positive Legacy

As noted above, when done well, engagement on decommissioning will start at the earliest stages of a project or operation, and continue throughout the life of the project or operation. Engagement is likely to ramp up as the project or operation nears decommissioning.

Stakeholders should be provided an opportunity to actively participate in the planning for decommissioning. This will provide an opportunity for procedural fairness to be achieved. This typically involves an ongoing dialogue with stakeholders, which is an iterative process.

Having a representative body, such as a community reference group or community consultative committee, of stakeholders and facilitated by the project or operation, has been shown to be a useful tool to generate participation. This typically involves establishing a group of stakeholders that meets at regular intervals during the planning process. Their feedback is then fed into the decision-making process. Having a dedicated group provides an opportunity to deeply engage on issues over a period of time, enabling stakeholders to engage with the complexity that often underpins decision-making.

There are often complexities and trade-offs that need to be made when decommissioning a facility, particularly when considering potential environmental, community and safety risks. Engaging with stakeholders to help them in understanding the potential trade-offs, and providing opportunity to influence the trade-offs, and help in achieving procedural fairness.

To see the benefits of establishing and maintaining a representative body, an ongoing commitment to engagement is required. This includes putting in place the appropriate resources to facility the body, and maintain momentum.

Although having a dedicated group is a useful mechanism, it should be complemented by other engagement forums. It will be important that the wider community has an opportunity to provide input.

Impact Identification and Management

As part of the engagement process, information should be made available on the potential impacts and opportunities that will be created through the decommissioning process.

Decommissioning can bring about a range of changes. This includes a reduction in direct and indirect employment, as well as a reduction in taxes, rates and other revenue streams (such as social investment). Where a substantial onshore footprint exists, there may also be a reduction in changes in population size and composition of nearby communities, and changes in sense of place, community identify and social cohesion.

However the extent and magnitude of the impacts is largely dependent on the nature of the project or operation. Many of the impacts identified are magnified, in instances where there is an onshore operation adjacent to a community or offshore platform or other infrastructure located adjacent to a commercial fishery or subsistence fishing location.

It is important that the potential impacts are identified, and strategies put in place to help mitigate the impacts to the extent possible. Examples of potential mitigation strategies include helping relocate or reskill workers. This can involve relocating workers to a new project or operation or reskilling workers to meet the changing industry needs in their community.

Often the management and mitigation strategies that are most effective are jointly selected with a project or operation's stakeholders, including representatives from local communities as well as government

agencies and regulators. This helps to establish early buy-in, and ongoing support during implementation of the management and mitigation strategies.

The representative group (e.g. a community reference group), noted earlier, can be a useful mechanism for gaining input and feedback on proposed management and mitigation strategies. These discussions often happen over a period of months or years, depending on the scale and extent of decommissioning to be undertaken.

As with the early stages of a project or operation, consideration should not be limited to the direct impacts of decommissioning a single project or operation. The potential cumulative impacts need to be assessed. This can include impacts arising from construction or decommissioning of other nearby operations or proposed developments.

Capitalizing on Opportunities

Although many of the impacts are likely to be negative, there may also potential benefits. This includes a reduction in noise and air emissions, which may be linked to traffic movements or operation of an onshore plant. There may also be opportunities to repurpose infrastructure or rehabilitate land to support economic diversification in an area.

When it comes to identifying opportunities, stakeholders often have innovative, creative ideas on the opportunities that exist. Their views often reflect what may work best in the local context. This presents a natural point for engaging stakeholders – on the identification and planning for opportunities.

Although there is an increasing body of literature focusing on the opportunities to repurpose infrastructure, liability (e.g. potential residual contamination) and land tenure issues (e.g. incompatible zoning) often exist, and need to be addressed in order for opportunities to come to fruition.

The representative body noted above, can play a role in helping to identify potential impacts and opportunities and strategies to minimize the potential negative impacts and maximize potential benefits.

It is also important to engage with government. Government will have a role to play in managing potential changes in jobs, revenue and / or population in an area. Providing a long-lead time can help government in planning for the transition that comes with decommissioning a project or operation.

Collective Sector Action

Companies are increasingly seeking opportunities to differentiate themselves. This may be through innovation, societal contributions, third party assurance or certification, and/or alignment with international good practice standards.

Despite this, 'industry' is often judged by its lowest common denominator. In other words, the actions of one operator can, and are increasingly, effecting others. It is important that individuals work to maintain their project or operation's social license to operate, but also work together to maintain the industry's social license to operate.

It is at this juncture, where industry organizations have an opportunity to bring together the industry, and mobilize their collective response to stakeholders concerns, and in some instances, activism.

Conclusion

Through well planned engagement, a company can help build and maintain its social license to operate. However, this requires ongoing focus, and a dedication to open and transparent engagement with stakeholders at every phase of the project lifecycle from exploration to decommissioning. Decommissioning presents a unique opportunity to help stakeholders plan for the future; a future that they can influence and drive. When done well this provides an opportunity to build the organization's legacy, and contribute to its company-wide social license to operate.

References

Braithwaite, J A. 2016. Social licence to close? In Proceedings Life-of-Mine 2016 Conference. Pp 176–179. The Australasian Institute of Mining and Metallurgy: Melbourne.

Moffat, K., and Zhang, A. 2014. The paths to social licence to operate: An integrative model explaining community acceptance of mining. *Resources Policy.* Volume **39**. Pp 61–70.

Murphy, D. and Heyes, J. 2016. Mine closure – are we using the right drivers? *AusIMM Bulletin.* October 2016.