Unpacking
Social Licence

Toward a Framework for Addressing the Social Licence
Challenge Facing the Natural Resource Sector

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The Centre for Natural Resources Policy focuses on the economic importance of natural resources to Canada's current and future prosperity and challenges industry to be world leaders in environmental performance and innovation.

INTRODUCTION

This paper outlines a possible framework for addressing the social licence[1] conundrum facing resource development projects in Canada. It concludes with a set of questions aimed at practical steps forward.

The issue of social licence – or, more accurately, its absence – is growing as an impediment to virtually all resource investment in Canada and risks damaging important parts of the economy and compromising the reliability of the energy system. It is a problem that will not solve itself – the societal forces that underlie it are deep and substantial and the trend lines are running in the wrong direction.

Industry continues to secure licence for individual projects, but there is arguably a need for a more strategic approach. It seems likely that under a continued ad hoc approach that delays and lead times will steadily grow; the risk of failure will grow as some communities acquire a de facto veto; the cost will grow as individual projects are subject to steady ratcheting with every past project forming the starting point for the next one; and the reputational impacts from high profile controversies put at risk the ability to attract skilled employees and even capital to the resource industries.

A great deal of both the policy thinking and the action to secure social licence has increasingly fallen to the private sector. Governments also act in important ways but in the contemporary debate about social licence, the roles of governments have become somewhat obscured. Industry will constantly find itself having to do more. But the underpinning public policy – from planning and project approval to regulation and monitoring – is also in need of modernization. Arguably, there is an equally important role for local communities to address the question of when and where local interests should defer to broader societal interests. But fundamentally, industry as the proponents, governments as the regulators of projects, and the recipients of a share of resource rents have a joint responsibility to lead the debate.

The framework begins with the substantive issues that engender social licence concerns – what is it that people really care about? These issues are projected through the lens of social forces that prevail in our current era. The issues – health and safety, environmental impacts, economic benefits – were little different forty years ago than they are today, but the social forces have utterly changed and understanding both is a critical underpinning to any strategy. A number of additional factors are included to further inform the approach to a strategy. The last section uses all of this to frame and inform a set of questions aimed at defining how governments and industry might act. An annex outlines several areas for possible policy research.

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[1] The term social licence probably has as many definitions as it has users. It can be defined as: the existence (for any given project or economic operation) of society's moral and political approval, sufficiently widespread and stable to allow legal approvals to proceed and to assure ongoing community support.

Elements of
a Framework

Substantive Issues

The substantive issues will vary from place to place and at different levels (societal vs. local). They all matter to some degree in all cases but priorities and weights will vary widely. Any strategy to secure – or earn back – social licence must start by understanding which ones are in play, why and where.

Issues that engage interests include:

→ economic fairness – distribution of revenues, economic opportunities, employment;

→ health and safety;

→ community health including community infrastructure and social stability (for example, crime, substance abuse, stress on families); and,

→ environment – from local (air and water quality, landscape, habitat) to global (mainly GHG emissions).

Issues that engage values include:

→ cultural values;

→ empowerment – engagement, collaboration, decisionmaking;

→ integrity and trust; and,

→ the legacy of past injustices.

Some of the above issues are negotiable, others much less so. Perceived impacts on health (water, air quality, radiation) or cherished values (forests, cultural sites) may well be non-negotiable and can't be offset. The worst possible strategy is one which attempts to "buy" the way past values by offering up interests.

Some currencies are not fungible.

Most of these issues have always existed to one degree or another but were often easily ignored in a society marked by deference to elites and in which communities were isolated from one another, in which economic opportunities were limited, and in which industry and government felt they were simply entitled to act – or at least to define the public interest – as they saw fit. Today is different and it is getting more different every day.

Societal Forces that Prevail in the 2010s

Several societal forces bear on the social licence issues. The effect of most is to cause the underlying substantive issues to erupt or to become more intractable. Most are basic features of our modern society and not susceptible to anyone's conscious efforts to change them. We have to accept them and build strategies to accommodate or harness.

The list below is not based on research or extensive assessment of the literature. Which forces should be included and where they are leading is unavoidably a matter of opinion. This is an area where some research could pay dividends because all solutions to the substantive issues need to be framed, shaped and coloured by a deep understanding of how they play through the societal forces.

These are laid out in a conscious order because the later ones build on the earlier ones:

→ The decline of deference, growing mistrust of elites and collapse of the elite accommodation model of decisionmaking which prevailed at least until late in the last century.

→ Fragmentation/atomization – the emergence of community or group (including specific interest groups) centered interests and values that can trump larger societal interests combined with a growing sense of entitlement (political or legal) on the part of such communities.

→ Growing perceptions of inequality and unfairness in the distribution of society's resources and the power to control outcomes.

→ An increasingly risk averse and health and safety focused society.

→ A broadly shared concern about the natural environment.

→ The urbanization of Canadian society and the resulting disconnect between urban life and natural resource development.

→ Modern communications – social media and the internet more generally – the velocity and quality of communications, and the availability and quality of information.

→ Emergence of Aboriginal Canada as a force – the main force in many cases determining the potential for resource development.

→ Government and business thinking driven more and more by short-term tactics (aimed at opinion poll results or quarterly financial results) and aimed at narrowly defined audiences (see fragmentation).

The Importance of Distinguishing Between the Societal (Essentially Elite) and Local Level

The social licence issue plays out at two levels – societal and local. This can be in ways that are either:

→ **Mutually reinforcing**
Oil sands carries the burden of being represented as despoiling the local environment and destroying the planet all in one; local Inuit concerns about Grande Baleine in northern Quebec quickly translated into – as it turns out fatal – opposition in the marketplace in New York City

→ **Mutually contradictory**
Local vs. elite attitudes to renewable energy are substantially opposed; asbestos mining sustained local support long after it was condemned in virtually every global forum

Whether mutually reinforcing or contradictory, the two levels often interact. Fundamentally what determines the overall effect is electoral salience which can be both local (individual constituencies) and societal (the broad electoral base).

A strategy for earning back social licence needs to be based on analysis of how these two levels interact and how methods aimed at one can exacerbate or mitigate the other.

The Unique and Not So Unique Position of Aboriginal Canadians and their Communities

Aboriginal Canadians live within a unique legal relationship to the Crown in Canada and its federal and provincial governments and the history of resource development vis-à-vis Aboriginal communities is distinctive and in many ways, lamentable. Because of their unique legal and moral relationship to the rest of Canadian society, including the legacy of past injustices, and because of their geographic connection to many resource projects, Aboriginal communities have both special claims and special powers with respect to the granting of social licence.

But the underlying issues are not dissimilar to the issues found in non-Aboriginal communities. The values that are challenged by perceptions of unfair or cavalier treatment or the risk of disruption of traditional economies and social arrangements have little difference between Aboriginal and non-Aboriginal communities. All communities look for economic opportunities; all seek to protect health and safety; and all value the natural environment.
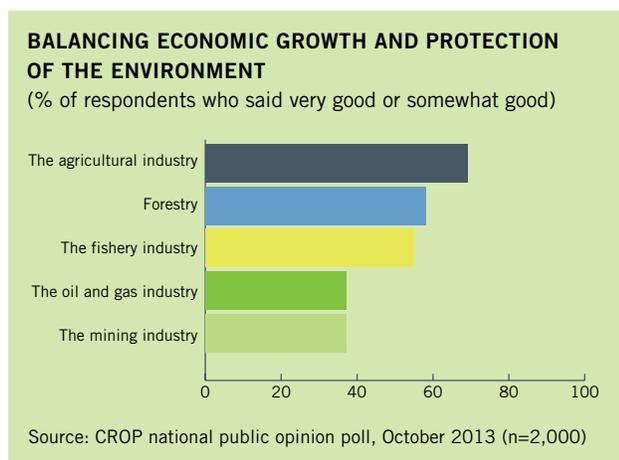
Many of the solutions – although not all – are similar: engagement, participation in decisionmaking, information, community investment, training and employment, and high standards of environmental management. Some solutions will be unique, such as where they engage issues surrounding treaties or the Crown's duty to consult and accommodate.

An essential step toward satisfactory accommodation of Aboriginal communities is a social licence model along with policy and practice that is broadly applicable to Canadian society. The unique character of solutions involving Aboriginal communities can then be built on that foundation.

The Ascendance (and often short and unhappy life) of "Brand" and Reputation

Brand matters.

Some industries get a pass because they do "good" things. Others not so much. Some products are similarly treated. Farming, for example, generates little societal level opposition, although local opposition can be fatal. Oil production generates a lot. Natural gas has recently experienced a brand makeover at the societal level although the cumulative impact of stories about local effects of "fracking" might still turn that back.

BALANCING ECONOMIC GROWTH AND PROTECTION OF THE ENVIRONMENT
(% of respondents who said very good or somewhat good)

Industry	Value
The agricultural industry	~69
Forestry	~58
The fishery industry	~55
The oil and gas industry	~37
The mining industry	~37

Source: CROP national public opinion poll, October 2013 (n=2,000)

A better understanding of how brands evolve and what society looks for and what it sees in a brand might lead to insights that determine what can be changed and what is simply unavoidable context.

Brand also attaches to people as spokespersons. The celebrity-sphere dominates a large part of high level discussion and, in contrast to the general mistrust of elites, celebrities are often trusted, or at least, listened to. Industry and government may believe that they understand the message that needs to be carried but in questions of brand, the medium – who carries the message – may be the more important strategic question.

The Limits of being an Aspiring Energy Superpower

Canada has very limited clout in the world; it is an easy target and in global debates is dominated by the celebrity-sphere. We will have to adapt unless we can profoundly shift the brand image.

There are several examples of cases where Canadian industry found itself in a position where it simply had no choice but to adapt, which should inform our thinking. Canadian forest practices in the 1990s; the Grande Baleine controversy; seal hunting; and oil sands are all examples of where Canadian practices became targets and there was nothing we could do to change the channel without fundamentally changing the on-the-ground reality. Alternatively, if a Canadian industry has counterparts in other, more influential, countries we have an easier run. Unconventional natural gas is an interesting case because gas has acquired a positive brand image and the US has a huge interest in exploiting its own resources. The US president is unlikely to block a pipeline transporting "dirty" Canadian gas.

It seems unlikely that simply brazening it out is a good strategy as recent events around oil sands (and events in the past on forest practices) would seem to suggest.

Questions
for Discussion

The following questions will be the focus of a roundtable discussion that will bring together deputy ministers, senior business leaders and other senior leaders from across the West in Victoria, BC on November 19, 2013:

1. What actually matters for building social licence for resource development?

2. What are the approaches that the private and public sectors are using that are working? Which are not?

3. How do we balance the concerns of local communities over local impact and local benefit with the broader public interest in economic development? Are there effective ways to deal with "not in my backyard" syndrome?

Annex: Possible areas of focus for policy research

Information

→ What information works and what is counterproductive because it is potentially inflated (such as many jobs claims); seen as attempting to bypass values issues; or simply mistrusted because of the source? If lack of trust blocks the message, is it be worthwhile getting 60% delivered through a more trusted source?

→ Would there be value – over the long run – in ensuring the best possible capacity to provide highly accessible, high quality data and information from relatively trusted suppliers? What are the mechanisms needed to gather, organize and distribute and what governance is need to ensure legitimacy?

→ Is "energy literacy" something of a blind alley or counterproductive in a society swamped by social media, that derives its "truth" from the celebrity-sphere and is suspicious of elite attempts to "educate"?

The role of regulatory institutions

→ In a world which distrusts political processes what is the effect of reducing the independence and thereby undercutting the perceived legitimacy of regulatory institutions? Might a better strategy be to strengthen them while making their processes more efficient?

→ What are the fundamental characteristics of regulatory processes that best balance legitimacy (open, fact-based, expert, procedurally fair) with timeliness and certainty?

The Role of Policy and Planning

→ How can policy frameworks be established to avoid the problem of every project carrying the burden of otherwise unresolved (in the sense of stable and widespread consensus) policy choices?

→ In a largely market-driven environment and one where it is increasingly difficult for governments to sustain longer term thinking, how do we deal with the apparent need for more planning (social, regional, environmental) and taking cumulative effects into account?

→ Given that debate about broad social goals and values cannot be properly addressed during the regulatory review process – which is where it has landed by default – what steps can be taken to ensure that this debate take place in more appropriate forums?

→ How do we account for the fact that the cumulative financial effects of all the methods necessary to mitigate risks, share benefits and compensate for costs come out of the resource rents? Do these costs risk tipping the balance in terms of competitiveness? What do they do to government expectations of resource rents?

The Role of industry

→ As industry best-practice frameworks and protocols have developed and become more widespread and better known, are they having the desired effect? Are they enough? Can more be done to establish benchmarks to guide industry performance?

→ Does more need to be done to shift internal attitudes within industries or companies toward the necessary level of recognition of the central place of social licence in securing economic success?

Local vs. Central Decisionmaking

→ Social licence discussions often juxtapose the economic benefits of resource development against resulting environmental pressures. How do we reshape those discussions toward win/win outcomes? What sort of analytical or decision frameworks would allow for an acceptable balancing of local costs and benefits and societal benefit?

→ The need for empowerment and local control argue for some measure of devolution – more engagement, information, and local input and, arguably, real local control if it secures political legitimacy. But the last step to local control in a world of growing fragmentation and indifference (by narrow interests) to larger societal interests makes actual decision devolution a perilous course which can easily paralyze action. Where is the sweet spot?

Environment

→ Despite the existence of environmental management systems (government and corporate) in Canada that are close to world leading, our global brand is fairly negative and local communities generally mistrust the relevant authorities. How much of this is driven by legacy issues (such as tailings ponds, clear cutting), how much by bad communication, and how much by institutional failures?

→ And how much by climate? Nothing seems to define the Canadian energy brand in much of Canada and the larger world more than our climate record of overpromising and under-delivering. The rest of the world is also under-delivering but Canada promised proportionately more and we are an easy target for frustrated environmental advocates and commentators in other countries. How do we dig ourselves out of a hole we started digging almost 25 years ago?

Communications

→ How can we manage the celebrity-sphere? Can we do so at all or is it just like death and taxes? Does demonization work? Can "our" celebrities (assuming we can find any) compete with Hollywood or Bridget Bardot?

→ Do we have examples where social licence seekers have made effective use of social media or other communications methods to counter information coming from other sources?

Role of Science

→ How can scientific data and analysis be better integrated into the decisionmaking process around natural resource development?

→ While science cannot be wholly divorced from values and politics, how can we ensure that scientific evidence is as objective as possible?

Where Next

→ How do we strengthen the common language and understanding between governments, companies and society around the fundamental requirements to acquire and maintain social licence?

→ Where do we need additional research? Where do we need more high level engagement? Where do policy, planning, legal and regulatory frameworks need to adapt and what policy thinking is needed to facilitate that adaptation?