

SOCIAL LICENCE--Some Observations

3 May 2017

Abstract

This paper was prompted by the observation that after some years of interaction between the gas industry, NT government and regional stakeholders and communities, no Social Licence conferred by the populace on the gas industry for the development of an unconventional gas production field has emerged. The situation in the Northern Territory is similar to that found by the SA Government Inquiry into Unconventional Gas (Fracking) in the South East of South Australia: Final Report 29 November 2016. Finding No 1 states:

Without social licence, unconventional gas exploration/development should not proceed in the South East of South Australia. The committee found that social licence to explore/develop unconventional gas does not yet exist in the South East of South Australia

This paper examines the characteristics of the industry from three different aspects and concludes that the necessary and sufficient conditions do not exist for the emergence of a Social Licence for the unconventional gas project in the Katherine Region.

Definitions

The term Social Licence is not amenable to precise definition. Two recent descriptions were provided by Mr Troy Bell MP, the Member for Mount Gambier and by GISERA, in their respective submissions to the SA Government Natural Resources Committee. In June 2016. Mr Bell offered the committee his definition of the term social licence:

The term "social licence," or "social licence to operate," generally refers to a local community's acceptance or approval of a project or a company's ongoing presence. It is usually informal and intangible, and is granted by a community based on the opinions and views of stakeholders, including local populations, aboriginal groups, and other interested parties. Due to this intangibility, it can be difficult to determine when social licence has been achieved for a project. Social licence may manifest in a variety of ways, ranging from absence of opposition to vocal support or even advocacy, and these various levels of social licence (as well as, of course, the absence of social licence) may occur at the same time among different interested parties.

GISERA, a collaborative vehicle established by CSIRO and Australia Pacific LNG reported in a 2013 literature review;

The term "Social Licence to Operate" or "Social Licence" is gaining prominence in the resources sector as the industry increasingly focuses on recognising the interests of communities affected by mining activities. As originally conceived, the notion of a social licence to operate reflects the idea that society is able to grant or withhold support for a company and its operations; with the extent of support being dependent on how well a company meets societal expectations of its behaviour and impacts. A social licence is tacit, intangible and context specific. It needs to be earned and is dynamic, as people's experiences and perceptions of an operation shift over time. (INQUIRY INTO UNCONVENTIONAL GAS (FRACKING) IN THE SOUTH EAST OF SOUTH AUSTRALIA Pages 35-36. Parliament of South Australia 36 Natural Resources Committee Tabled in the House of Assembly and ordered to be published 29 November 2016. ¹

¹ The complete extract from pages 35-36 is at Appendix A.

Neither of these has the precision that justifies their being accepted as “definitions.” They are wordy and as such are amenable to as many meanings as there are users. They are of no help as guides to explaining why there has been no emergence of a Social Licence in the NT and SA. A more useful starting point may be to look to an actual example of re-formation of a Social Licence.

In the following section I describe an example in the Katherine Region and identify the activities of a successful campaign in transforming a negative local attitude into a Social Licence; generalise these characteristics into principles and assess the performance of the gas industry against these principles.

Mt Todd success story.

The example in the Katherine Region is the transformation of the community attitude to the environmentally degraded abandoned Mt Todd gold mine from highly negative in 2006 to supportive of the efforts of Vista Gold to re-establish the mine today. This conversion has been brought about by the efforts Vista Gold Corp and the team of their wholly-owned subsidiary, Vista Gold Australia²¹ (collectively Vista Gold). Vista Gold has implemented practices in the NT that are consistent with their corporate policies. Specifically, Vista Gold:

1. Employs local people
2. Communicates regularly with the community via the Media and presence at Katherine Show
3. Is consistent in responding to concerns about the potential for contamination of the Edith River and its efforts to prevent this from happening in an open and non-defensive manner.
4. Has a single point of contact who can speak for the entire local organisation. (Brent Murdoch, Director and General Manager of Vista Gold Australia)
5. Conducts a series of visits to the Mt Todd site.
6. Informs the community of its plans, executes those plans and then makes the results available to the community

Generalising these activities yields some basic principles:

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| 1. Employs local people | Has a permanent presence in the community |
| 2. Communicates | Identifies as the Go-to person for latest information and demonstrates transparency/openness |
| 3. Consistent in responding to concerns | Fundamental to the formation of Trust |
| 4. Single point of contact | Controls the release of information (Trust and communication skills are essential); corrects misinformation whatever the source. |
| 5. Site visits | Facilitates development of communication, trust and relationship building. |
| 6. Accountability | Demonstrates commitment, transparency and a yardstick to measure performance |

This examination of re-formation of a Social Licence for the Mt Todd gold mine identifies basic principles for the formation of a Social Licence between an Industry intending to undertake a project and the Community which would be affected by that project. An unconventional gas project would be on a much larger scale, and there may be problems in scaling up. However even allowing for possible bias, I am unable to identify any behaviour or activity which matches these principles. The following comparison gives my assessment of the match between the Vista Gold principles and the gas industry activities:

²¹ I have Vista Gold’s permission to use Mt Todd as an example of formation of a Social Licence.

1. Has a permanent presence in the community *May deal on a commercial basis with sub-contractors and service providers, but not as part of the social fabric.*
2. Identifies as the Go-to person for latest information *No public relations activity such as interactions inviting discussions and resolution of concerns and misunderstandings.*
3. Fundamental to the formation of Trust *Consistency in denying any grounds for concern; No attempt to develop a foundation of Trust*
4. Controls the release of information *Industry controls the release of information supportive of the project, but allows inconsistencies to persist e.g. the number of wells in a production field which is implied by the extent of the resource.*
5. Facilitates development of communication etc. *No sign of recognition of the need for development of communication, trust and relationship building.*
6. Demonstrates commitment, transparency etc *All conspicuous by their absence.*

The very brief analysis of the activities and behaviour of the proponents of the unconventional gas project above is probably sufficient to explain the lack of a Social Licence. However it begs the question as to whether the industry could, if it wanted to, do anything about it. The question is:

Is there anything intrinsic in the unconventional gas industry which would prevent the implementation of the Vista Gold principles for the formation and maintenance of a Social Licence for the unconventional gas project?

Discussion

I first became aware of the unconventional gas proposal in November 2013, and over the intervening years and as far as I can see, the industry has not changed its approach and has distanced itself from meaningful dialogue with those who express concerns about the long term social, environmental and economic consequences of their proposal. The interaction with community groups which have raised issues of concern has been adversarial. In no way could the interactions between the gas industry spokespersons and community groups opposing the unconventional gas project, be said to follow the same principles as that of Vista Gold for the formation of a Social Licence.

Intent

By way of understanding this refusal to engage in meaningful dialogue, I had examined the possibility that the industry pays lip service to the need for a Social Licence, confident in the knowledge that the Law is on their side. There is no real intent to pursue a Social Licence as in the long run there is no need for one. This basic industry belief can be summed up in reported interactions between some pastoralists and exploration people as:

Even if a land holder/occupier objects, after a period of negotiation and mediation, the Crown will enforce access over the landholder objections.

The behaviour stemming from this belief is certainly present in some areas of the industry expressed in the statement, “we are coming whether you like it or not and you can’t stop us.” It is not clear if this behaviour stems from sub-contractors, service providers or the company holding the exploration licence. It matters not to the stakeholders who attribute such behaviour to the industry as a whole. None of the five activities identified above for the formation of the Mt Todd Social Licence are present. Particularly absent are:

- Identification of a Go-To person who has authority to speak for the total conglomerate of enterprises associated with the unconventional gas project.
- Consistency in responding to concerns by stakeholders
- Site visits e.g. an open day at the Amungee IV well could have garnered positive responses.
- commitment, transparency and a yardstick to measure performance

From this analysis there can be no surprise that the unconventional gas project proposed for the Katherine Region has no Social Licence from the majority of stakeholders. There are some stakeholders e.g. some pastoralists, sub-contractors and service providers who have benefitted from work for the project. I suggest that these are commercial arrangements between the industry and separate entities, and are not evidence of a Social Contract.

Pervasive factors

The presentations of industry representatives to the Pepper Inquiry lead me to additional observations, generally applicable to the industry as a whole. That is that the industry has both a structural impediment to the formation of a Social Licence and a cultural/philosophical mismatch between their internal belief systems and the characteristics necessary to support a Social Licence with stakeholders.

Structural Impediment

The structural impediment arises from:

- The unconventional gas industry project includes a number of competing companies/joint ventures pursuing their own programs.
- The separation of functions into a set of elements which deal with specialised activities. This separation occurs both within the companies/joint ventures and between the companies and their supply chains.
- The common denominator is the APPEA.

APPEA has no authority, and I am sure would not claim authority to direct an across-the-industry program to develop a Social Licence, involving the permission from companies and their supply chain sub-contractors to orchestrate the interactions between outsiders and elements within the unconventional gas project. As the Mt Todd example demonstrates, the formation of a Social Licence requires a single point of contact between the industry project and the community stakeholders. That single point of contact must be able to speak for all facets of the project and be able to respond to concerns/complaints arising from the stakeholders, which are the result of actions by any of the functional elements of the project. That person must also have the highest level support from the industry to correct and direct employees whose behaviour is incompatible with the formation and maintenance of a Social Licence.

This structural impediment is sufficient to ensure that a Social Licence cannot emerge. There is a further obstacle which goes to the core of the belief system of the industry.

Social Capital

To this point the paper has examined the activities and behaviour of the industry participants in the gas project. It has analysed the activities and behaviour against principles shown by an example to be associated with formation of Social Licence and found that they are notable for their absence. This section

starts from one of the many social science theories, that of Social Capital, and analyses the industry from that external perspective.

Social Capital has a longer history than Social Licence. The first known use of the term, Social Capital, was by L J Hanifan, writing in 1916 as state supervisor of rural schools in West Virginia, USA. The concept of Social Capital arose as he wrote that he had observed a strong connection between community involvement and successful schools. The concept was further developed by the French philosopher Pierre Bourdieu. Over time the definition Social Capital has been refined in relation to three other forms of capital accepted as essential for the survival and flourishing of a group, community, or state. They are:

- Embodied Capital Property of the Individual
- Social Capital Property of the Group
- Institutionalised Structure and Processes of the Group
- Economic Capital Physical resources.³

The definition I prefer to work with is:

Social capital is a property of the group, organisation, or society and comprises the aggregate of the resources that are linked to networks of durable relationships that, in general, exhibit the characteristics of communities of practice (Wenger, 1998).

In the following I use the collective “community” in lieu of “group, organisation, or society” as this more closely matches the social construct of the Katherine Region.

This section proposes that robust Social Capital in a community is a prerequisite for granting a Social Licence, from which it follows that the gas industry endeavours would have been better directed towards the development of Social Capital before seeking the community acceptance of the unconventional gas project. Before I make the link between Capital and Licence, it is useful to unpick the definition above of Social Capital by Wenger. Key elements are:

Social capital is a property of the group, organisation, or society: It is important not to extend the analogy with Financial Capital too far. In many societies financial capital is deliberately concentrated and used as a vehicle for the exercise of power. Social Capital is diffused throughout the community and on an average day is focussed on the daily business of the members of the community. To an outsider many of its manifestations’ will not be obvious; the error is to assume that what you see is all there is.

comprises the aggregate of the resources: The resources of a community are more than financial and can include the particular and unique capabilities and capacity of, aborigines, political parties, pastoralists, agriculturalists, horticulturalists, tourism operators, defence facilities, sporting clubs, religions, technical oriented businesses, legal and health practitioners, retirees, , artists and entertainers, educationalists, the media, commercial businesses, trades, accommodation, food accommodation and beverage providers. There are surely others available to contribute to any issue which engages the attention of the

³ Appendix B includes the notes from four of the slides on Social Capital which were part of a unit “Social Systems Evaluation-Forms of Capital” I delivered in 2009 to a University of South Australia Master of Systems Integration course. They trace the evolution of the concept of forms of capital and the resolution of the definition of Social Capital as a property of the Group, not of the Individual.

community. In addition there is the *habitus*⁴ the unique way in which a community manages both its routine and unusual interactions. The resilience and strength of the Katherine Region rests on the foundation provided by the variety and capacity of these resources.

linked to networks of durable relationships: This phrase may be the keystone in the structure of Social Capital. Networks are often overlooked. Yet in a stable well established community such as the Katherine Region encompasses, everybody, without exception, is a member of more than one network. Each will have a primary network; a teacher belongs to the Education network, but at the same time may be a member of several others eg sporting, religious, artistic. In true “Small World” style, no one in Katherine is more than three links away from anyone else.

characteristics of communities of practice: Each of the several resource areas listed above shows the characteristics of a Community of Practice. A Community of Practice is characterised by Wenger (1998) as having the following features: Mutual engagement, Joint enterprise, Shared repertoire⁵.

From this expansion of the Wenger’s definition a picture emerges of the Katherine Region comprising several areas (communities of practice) engaged in their own daily affairs covering a wide range of skills and by their survival, demonstrating resilience and capability. But these communities of practice are not isolated. Each individual is simultaneously a member of a set of networks which is the mechanism through the resources become aggregated when, for example, the Katherine River floods, or a person goes missing.

The question to address now is:

“How should a proponent of an unconventional gas project in the Katherine Region engage with the regional community in order to gain *“support for a company and its operations; with the extent of support being dependent on how well a company meets societal expectations of its behaviour and impacts.* GISERA 2013”

It would not seem to matter what point of entry the proponent of the project would select. After the initial contact the message spread through the networks and action groups, both for and against, formed in order to coordinate the community responses. From my own experience the “Against” group, Don’t Frack Katherine, while numerically small, drew on the Social Capital of the regional community. Without knowing the details I believe that the “For” group similarly drew on other elements of Social Capital.

So the unconventional gas project proponents came to town seeking the support of the regional community, also known as a Social Licence. Not recognised as such at the time, but this analysis shows, the responses were very quickly organised around elements of the Social Capital which are potentially most affected. The submissions of the Against group to the Inquiry on 8th March reflect this with two from the pastoral industry, one from the tourist industry, one retired engineer/academic and one owning a property out of town subject to an exploration application. My assessment is that a Social Licence, if granted, would have emerged from the Social Capital of the stakeholders with the most immediate interest and appropriate competence drawn from the larger pool and with the approval of the larger pool to undertake what is in effect, Due Diligence, on behalf of the community.

⁴ *Habitus* The term attributed to Bourdieu meaning “The way we do things here”. The NT has a different *habitus* compared to the South, as often expressed in the advice to southerners “if you don’t like the way we do things here, you are quite at liberty to go back where you came from” or words to that effect.

⁵ Appendix C gives a more complete list of the attributes of a Community of Practice by Wenger.

Historically, the Industry chose not to engage with the “Against” group as the Mt Todd principles would recommend. Instead the industry adopted an adversarial approach, dismissing concerns of the Against group as misinformed and anti-development. It should be no surprise that no Social Licence is forthcoming. But that is only a partial conclusion.

Could the industry have adopted a different approach and been successful? My opinion is that its present structure precludes that outcome and the present strategy of focussing on commercial contracts have led it down the path of substituting a number of such agreements for a Social Licence.

SUMMARY

This paper poses reasons for the failure of the gas industry to achieve a Social Licence with the communities located in the Katherine Region for an unconventional gas exploration and production project.

The first, characterised as “lack of intent” relies on the Crown enforcing entry against the wishes of the land holder/occupier and is present in some but not all, sections of the project. It is sufficient to ensure the industry gets what it wants without a Social Licence.

The second, characterised as “structural impediment”, suggests that even were the intent to develop a Social Licence present, the structure of the industry, both horizontally between competing companies/joint ventures, and vertically, down through the supply chains of the service and support sub-contractors, would frustrate the intention.

The third, developed out of theory on Social Capital shows that a Social Licence is an outcome of interaction with the Social Capital of communities of the Katherine Region. The industry did not engage in positive interactions with the “Against” group and chose to focus on commercial agreements with the “For” group. Neither approach is conducive to the granting of a Social Licence.

CONCLUSION

This analysis indicates that:

- The necessary and sufficient conditions for the formation of a Social Licence to the gas industry for the exploration and production of unconventional gas by the stakeholders in the Katherine region do not exist.
- The *habitus* of the industry is incompatible with the *habitus* of the community such that even if the industry formed the will to seriously pursue a Social Licence and allocated and authorised the necessary resources, a Social Licence would not eventuate.

References

- INQUIRY INTO UNCONVENTIONAL GAS (FRACKING) IN THE SOUTH EAST OF SOUTH AUSTRALIA
Parliament of South Australia 36 Natural Resources Committee Tabled in the House of Assembly and ordered to be published 29 November 2016
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- Wenger, E. (1998). *Communities of Practice, Learning, Meaning and Identity*. Cambridge, UK: Cambridge University Press.

Appendix A

Extract from:

INQUIRY INTO UNCONVENTIONAL GAS (FRACKING IN THE SOUTH EAST OF SOUTH AUSTRALIA
Parliament of South Australia Natural Resources Committee. Final Report 29 November 2016 (Pages
35-36)

Mr Troy Bell MP, the Member for Mount Gambier, appeared before the NRC in June 2016 to talk about community concerns around social licence. “This is a contentious issue,” he said. “Every week, there is either an article or an opinion piece, both for or against fracking in the South-East.” These articles were so numerous, Mr Bell noted the difficulty of keeping track of them: “The folder would be very thick if I put in every article that’s been written.” Mr Bell offered the committee a definition of the term social licence:

The term “social licence,” or “social licence to operate,” generally refers to a local community’s acceptance or approval of a project or a company’s ongoing presence. It is usually informal and intangible, and is granted by a community based on the opinions and views of stakeholders, including local populations, aboriginal groups, and other interested parties. Due to this intangibility, it can be difficult to determine when social licence has been achieved for a project. Social licence may manifest in a variety of ways, ranging from absence of opposition to vocal support or even advocacy, and these various levels of social licence (as well as, of course, the absence of social licence) may occur at the same time among different interested parties.

This understanding of the concept is supported by a report by GISERA, a “collaborative vehicle established by CSIRO and Australia Pacific LNG to undertake publicly reported research addressing the socio-economic and environmental impacts of Australia’s natural gas industries”. In a 2013 literature review, GISERA reported:

The term “Social Licence to Operate” or “Social Licence” is gaining prominence in the resources sector as the industry increasingly focuses on recognising the interests of communities affected by mining activities. As originally conceived, the notion of a social licence to operate reflects the idea that society is able to grant or withhold support for a company and its operations; with the extent of support being dependent on how well a company meets societal expectations of its behaviour and impacts. A social licence is tacit, intangible and context specific. It needs to be earned and is dynamic, as people’s experiences and perceptions of an operation shift over time.

Appendix B:

Extract from Course material "Social Systems Evaluation-Forms of Capital" (2009) University of South Australia

Slides on Social Capital,

Slide 1

The first known use of the term, Social Capital, was by L J Hanifan, writing in 1916 as state supervisor of rural schools in West Virginia, USA. The concept of Social Capital arose as he wrote that he had observed a strong connection between community involvement and successful schools. Like Bourdieu, Hanifan was trying to explain why education seems to work for some and not for others. Hanifan viewed Social Capital as a property of a community and emphasised its reciprocal nature in the daily life of a community. In contrast, Bourdieu, writing in the 1980s, described the concept as a property of individuals rather than communities.

Social capital is "the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalised relationships of mutual acquaintance and recognition, or in other words, to membership of a group which provides each of its members with the backing of the collectively-owned capital, a "credential" which entitles them to credit, in the various senses of the word." (Bourdieu, 1986).

Notice the use of the term network

Slide 2

Reproduction of social capital presupposes an unceasing effort of sociability, a continuous series of exchanges in which recognition is endlessly affirmed and reaffirmed (Bourdieu, 1986).

those tangible substances [that] count for most in the daily lives of people: namely goodwill, fellowship, sympathy and social intercourse among the individuals and families who make up a social unit. ...The community as a whole will benefit by the co-operation of its parts, while the individual will find in his association the advantages of the help, the sympathy and the fellowship of his neighbours (Putnam, 2000).

Putnam as the author of *Bowling Alone; the collapse and revival of American Community* examined the records of community organisations in America over a period covering three generations from the pre-World War II long grey generation to the X-generation. They are

Those born around the 1930's Depression,

The Baby Boomers born between 1945 and 1960 and

The X-Generation born between 1960 and 1980.

He reported a significant decline in participation in community organisations and equated this to a decline in Social Capital. . Other research (Wuthnow, 1994) indicates that the decline reported by Putnam may be a shifting of the manifestations of Social Capital away from formal organisations to informal service and support groups. Putnam looked at the formal community organisations, the Institutionalized capital, and found decline; Wuthnow looked at the informal networks, the Social capital and found involvement by 75% of the population. Could this be an unexpected emergent property of the Transport and Communications revolutions over that has spanned those three generations and continue to this day.

Putnam, R. D. (2000). *Bowling Alone; The Collapse and Revival of American Community*. New York, Simon & Schuster.

Wuthnow, R. (1994). *Sharing the Journey: Support Groups and America's New Quest for Community*. New York., Free Press.

Slide 3

Two further quotations illuminating the concept:

A community involves a limited number of people in a somewhat restricted social space or network held together by shared understandings and a sense of obligation and purpose. Relationships are close, often intimate, and usually face-to-face. Individuals are bound together by affective or emotional ties rather than by a perception of individual self-interest. There is a "we-ness" in a community; one is a member (cited in Galston, 1999).

A society of many virtuous but isolated individuals is not necessarily rich in Social Capital. (Putnam, 2000)

Slide 4

These several definitions of Social Capital show the shift in emphasis from the individual to the group.

The norm of generalised reciprocity is so fundamental to civilised life that all prominent moral codes contain some equivalent of the Golden Rule (Putnam, 2000).

Networks and communities are at once the source and shape of Social Capital in organisations, the primary manifestation of cooperative connections between people.” (Cohen and Prusak, 2001).

Loosely speaking, Social Capital is the ability of people to work together easily and efficiently based on trust, familiarity and understanding. *Its importance lies in its ability to create efficient networks for transactions.* (Buchanan 2002 p 201)

Do you detect echoes of the characteristics of Communities of Practice?

I once Googled “The Golden Rule” and was interested to discover that over many thousands of years of recorded history, those societies and civilisations that embraced The Golden Rule of “Do unto others as you would have them do to you” lasted the longest and were the most successful.

The term Social capital is widely used in many Fields without too much concern and no control over precision as to its meaning. Whereas engineers are used to standards and precise definitions, other areas including sociology and politics take liberties with precision. It is something to be aware of if you explore the general concept of Capital, in a non-financial sense, and then the practice of attaching a word in front of Capital to describe yet another classification of people or endeavours further obfuscates the precise meaning. So be careful in your research.

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Appendix C

Wenger (1998) extends his description to include the following characteristics (p.125):

- 1) *Sustained mutual relationships—harmonious or confliction.*
- 2) *Shared ways of engaging in doing things together.*
- 3) *The rapid flow of information and propagation of innovation.*
- 4) *Absence of introductory preambles.*
- 5) *Very quick set up of a problem to be discussed.*
- 6) *Substantial overlap of participants' descriptions of who belongs.*
- 7) *Knowing what others know, what they can do, and how they can contribute to an enterprise.*
- 8) *Mutually defining identities.*
- 9) *The ability to assess the appropriateness of actions and products.*
- 10) *Specific tools, representations and artefacts.*
- 11) *Local lore, shared stories, inside jokes, knowing laughter.*
- 12) *Jargon and shortcuts to communication as well as the ease of producing new ones.*
- 13) *Certain styles recognised as displaying membership.*
- 14) *A shared discourse reflecting a certain perspective on the world.*