

CREATING A COMMON FRONT FOR STAKEHOLDER RELATIONSHIP IN THE OIL AND GAS INDUSTRY

Being a Lecture By

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December 2020.

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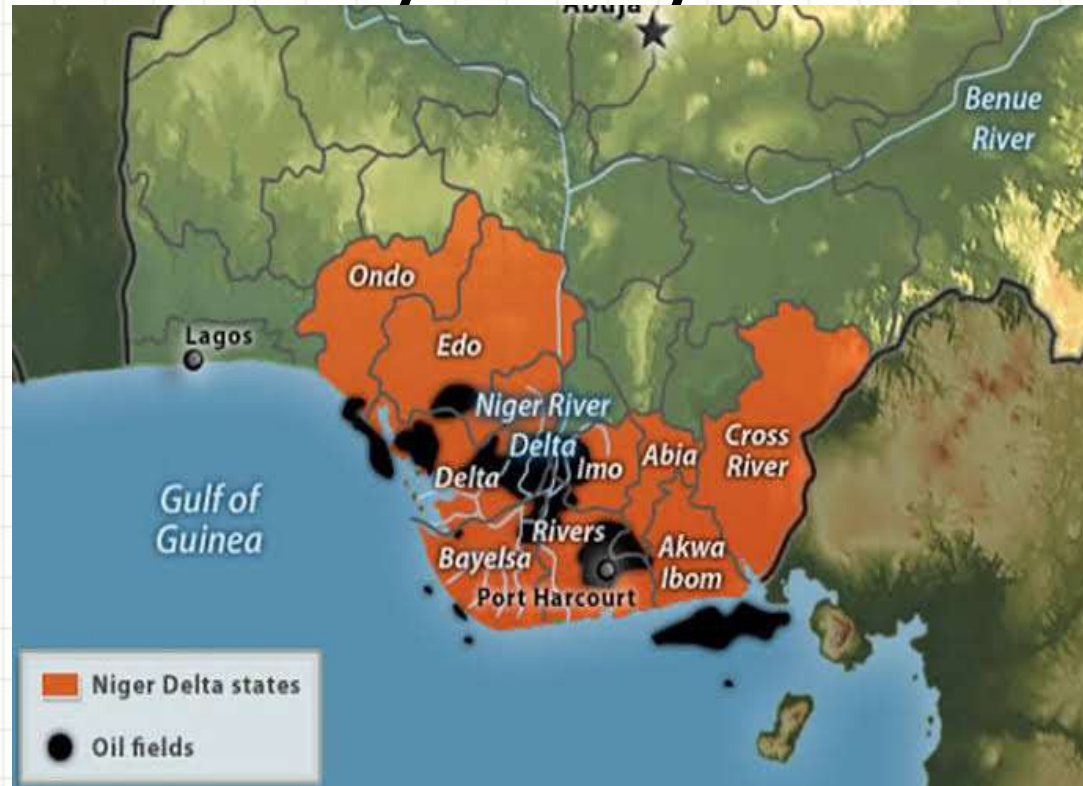
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1.0 PREAMBLE

Oil and Gas Industry is mainly located in the Niger Delta



The delta of the Niger River sits directly on the Gulf of Guinea on the Atlantic Ocean in Nigeria. The Niger Delta separates the Bight of Benin from the Bight of Bonny within the larger Gulf of Guinea.

- It is typically considered to be located within nine coastal southern Nigerian states, which include: all six states from the South South geopolitical zone, one state (Ondo) from South West geopolitical zone and two states (Abia and Imo) from South East geopolitical zone.
- It extends over about 70,000 km² (27,000 sq mi) and makes up 7.5% of Nigeria's land mass and contains a human population of more than 33 Million (World Atlas. 2019).

Nigeria's Niger Delta States

Rank	State	Population
1	Abia	2,845,380
2	Akwa Ibom	5,450,758
3	Bayelsa	1,704,515
4	Cross River	3,737,517
5	Delta	4,112,445
6	Edo	3,233,366
7	Imo	3,927,563
8	Ondo	3,460,877
9	Rivers	5,198,716



Source: World Atlas (2019) <https://www.worldatlas.com/articles/how-many-states-does-nigeria-have.html>



- The Niger Delta region is richly endowed with both renewable and non-renewable natural resources.
- It contains 20 billion of Africa's proven 66 billion barrels of oil reserves and more than 3 trillion cubic meters of gas reserves.
- Oil and gas resources of the Niger Delta account for over 85% of the nation's gross domestic product (GDP), over 95% of the national budget, and over 80% of the nation's wealth.

2.0 THE PETROLEUM INDUSTRY

- The oil industry is majorly run and controlled by the Nigerian National Petroleum Corporation (NNPC) in a joint venture which has multinational companies (such as Shell Petroleum Development Company (SPDC), Mobil, Elf (Total E&P), Chevron, Texaco, Nigerian Agip Oil Company (NAOC) and Pan-Ocean) as partner companies.



- The NNPC as the concessionaire oversees the industry in a concession system with the Joint Venture Companies (JVCs) mentioned above through Production Sharing Contracts (PSCs)
- These multinationals, on the other hand, operate with other companies, especially the indigenous ones in sole risk or independent arrangements.





Some Independent and Indigenous Petroleum Companies Operating in Nigeria

Addax Petroleum Nigeria Limited, [Aiteo Group](#), Allied Energy Resources Nigeria Ltd, [AMNI](#) International Petroleum Development Company Ltd, Cavendish Petroleum Nigeria Ltd., Consolidated Oil Limited, Dubri Oil Company Ltd, Emerald Energy Resources Ltd, Erin Energy (formerly CAMAC), Express Petroleum and Gas Company Limited, First Exploration & Petroleum Development Company Limited, Moni Pulo Ltd., Mpl, Niger Delta Petroleum Resources Ltd, Northeast Petroleum Nigeria Ltd, Pan Ocean Oil Corporation Nigeria Ltd, Petroleo Brasileiro Nigeria Ltd., Petrobras, Seplat Petroleum Plc, South Atlantic Petroleum Limited, Sunlink Petroleum Ltd, Yinka Folawiyo Petroleum Company Ltd.

The implication of these JV arrangements entail that the JVCs undertake the operation of the particular areas for which they are responsible on behalf of the government, while protecting the interests of the JV operators.





Operations are guided by three types of licenses that are granted these oil companies by the NNPC, such as the

Oil Exploration License (OEL)

Granted by the Minister in charge of petroleum matters and it confers the holder with the right to conduct preliminary exploration surveys.

Oil Prospecting License (OPL)

License granted by the government to prospect for petroleum.

Oil Mining License (OML)

Lease granted by government to search for, win, work, carry away and dispose of petroleum.

3.0 RELATIONSHIP OF OIL COMPANIES WITH HOST COMMUNITIES

- The Niger Delta is embroiled in a massive interplay of disputes and aspirations which have generated a lot of heat, sometimes resulting in the loss of human lives and protracted litigations.



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- The emergence of conflict in the relationship between the Oil industries and their host communities is largely due to the perceived negative role of the companies in environmental degradation, juxtaposed against the poor socio-economic status of the people of the Niger-Delta region of Nigeria.

- A more critical evaluation of the causes of conflict between the two major actors will show that at the root of all these crises is the question of **Corporate Social Responsibility (CSR)** for developing the Oil producing communities.





- Under Nigerian petroleum laws, the federal government appropriates the right over crude oil and gets all revenue accruing from its production including taxes.

Thus, the Oil companies argue that the primary responsibility of developing the host communities is that of the federal government.

- The communities on their part do not care whose responsibility it is to provide them with basic Infrastructure and empowerment programmes. As far as they are concerned, the Oil companies have a responsibility to them.
- The argument is that if the Oil companies do not have a statutory responsibility, they do at least have a moral obligation to develop the communities where they operate their businesses. The Polluter-Pay-Principle (PPP) is also important



Efforts To Improve Stakeholder Relationships

- Governments -Policies and interventionists agencies,
- MNCs - CSR activities.

Government Interventions

- Willink's Commission (1958) was set up to find out the grievances of the Niger delta
- Niger Delta Development Board (NDDDB) of 1960,
- Oil Mineral Producing Areas Commission (OMPADEC) of 1993
- Niger Delta Development Commission (NDDC) of 2000.
- Ministry of Niger Delta (MNDA) -September 2008
- Petroleum Industry Bill (PIB) - First forwarded to the National Assembly in **2008; Amended and sent back to the National Assembly in July 2012** has been in the process of being passed into law for a few years now.



Oil Company Activities

- *Social and Basic Infrastructures*
- *Education*
- *Empowerment*
- *Sports*
- *Human power and Capacity Building*
- *Healthcare*
- **Other areas** - legal aid and human rights, agriculture and conservation and environmental rights.



Corporate Social Responsibility

- Corporate Social Responsibility (CSR) practice focus on efforts targeted on how **to balance business objectives and the social good of communities where such businesses operate.**
- CSK may also be viewed by society as an attempt by business to make up for the adverse impact of its operations on society and its occupants

- There are four main legs upon which CSR stands and these are **economic, legal, ethical and discretionary** expectations of society from business at every point in time.
- In essence, any business should be concerned with meeting its economic objectives of profit-making, doing so within the confines of the law, and also going as far as being sensitive to the effect or impact of its activities on society.



- These four sides to the responsibilities of business could be said to represent the interests of shareholders, the government and societal stakeholders, which could explain why it is deemed comprehensive enough.
- Oil companies CSR is born out of expectation, expectations the communities have concerning the oil companies and expectations the oil companies have concerning the host communities.



- As the oil producing region of Nigeria, host communities look to the IOCs as a pathway to address development problems in the absence of government intervention. The failure of IOCs to meet host community expectations has resulted in conflicts between both parties.
- This in turn, has propelled IOCs to adopt models for engaging stakeholders to earn **Social Licenses to Operate (SLO)**.
- **Global/ Memorandum of Understanding (G/MoU)** agreements are ways to show their commitment to the development of host communities. These embody agreements on activities intended to provide communities with benefits generated through the stakeholder relationship.



- **MOU** is basically the frame work of agreement whereby in exchange for providing a peaceful and conducive environment to operate the oil companies will provide certain benefits.

Evolving Modes of CSR

- Philanthropic (Almsgiving) -No community participation and exercise of overriding power and discretion over community stakeholders;
- Partnership (little community participation) and;
- Multi-sector collaboration (wider stakeholders' collaboration)





Social License To Operate (SLO)

There is more to running a business successfully and sustainably than just legal and regulatory compliance. The business also needs to earn the support of the community and society in which it operates.

A Social License to Operate may mean:

- On-going acceptance by the people who live and work in the area of impact and influence of any given project**
- Improved risk management, as failure to gain and maintain SLO can lead to conflict, delays, and additional costs associated with a project.**

Social License to Operate (SLO): A company can only gain a SLO through broad acceptance of its activities by society or the local community. It is neither legally binding, nor an actual document. It is not granted by a government or a legal system.

The levels of SLO include:

Acceptance: A willingness to tolerate or agree to the project; **Approval:** Supporting and having a favorable regard for the project, and; **Co-ownership:** Self-identification with the project; being advocates and defenders.



STAKEHOLDERS

- These are partners whose futures and stakes are intertwined, and hence, the term refers to any group or individual who can affect or is affected by the achievement of a firm's objectives.
- Persons or groups who are directly or indirectly affected by a project, and those who may have interests in a project and/or the ability to influence its outcome, either positively or negatively. They may include indigenous communities and their formal and informal representatives, national or local government authorities, politicians, religious leaders, civil society organizations and groups with special interests, the academic community, or other businesses (IFC, 2007).



Stakeholder Attributes

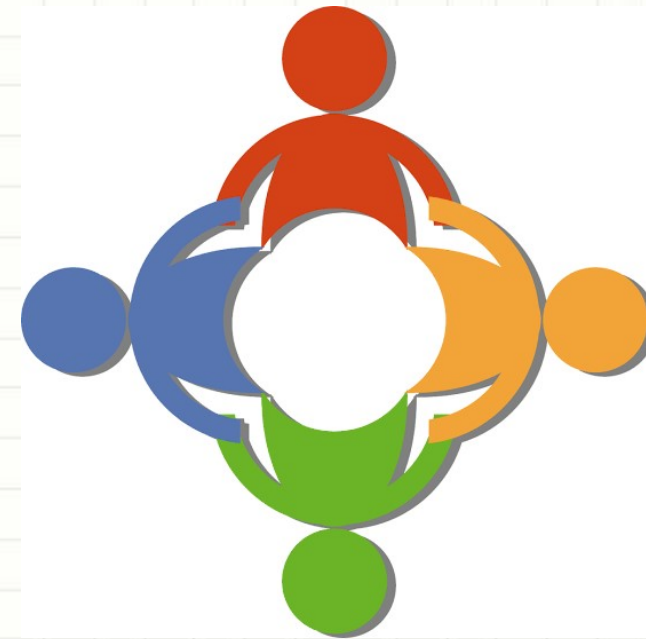
Attribute	Definition
Power	The degree to which a stakeholder can get its will done by others.
Legitimacy	The degree to which the actions and inactions of a stakeholder are accepted by society.
Urgency	The degree to which stakeholder claims call for urgent action.
Rationality	The degree of understanding possessed by the stakeholders.
Proximity	The degree of closeness between stakeholders: physical, psychological and otherwise



Types (Categories) of Stakeholders

Supportive Stakeholders are those that do not undertake any activity that will jeopardize the chances of the firm to be successful (board of trustees, managers, employees and suppliers).

Marginal Stakeholders are usually not high with regards to potential for threat or potential for cooperation; this is in spite of the fact that they have an interest in the firm which must be protected (consumer interest groups, stockholders and professional groups or associations).



Non-Supportive Stakeholders are those that are mostly high on potential threat and low on potential cooperation. They mainly act as watchdogs that are always out to bring to the fore the firm's lapses. (competitors, employee and trade unions, government agencies, and the media).

Mixed Blessing Stakeholders are those whose potentials for threat and cooperation are both very high. These could get more threatening or more cooperative, depending on how the firm handles its issues when they do arise (host communities, employees and customers).



Relationship

- A relationship could be seen as the association that exists between two or more entities which could be between humans or individual persons, as well as between individuals and institutions or firms.

Stakeholder Relationships

- A company's diverse relationships with its stakeholders or stakeholder multiplicity which is "the degree of multiple, conflicting, complimentary, or cooperative stakeholder claims made to an organization".



Stakeholder Relationship Management

- This is aimed at ensuring that stakeholders, especially the firm as represented by managers, properly consider the interests of others with whom they have interactions. This is not just limited to the individuals or groups that are referred to as stakeholders, but beyond that is its concern with the relationships that exists therein and their management.



Companies' Stakeholders' Relationship Strategies

Organizations respond to pressures to conform to societal expectations through the use of five strategies:

- **Acquiescence** is undertaken by the firm to attain compliance and conformity to the minimum requirements of operation expected by society.
- **Compromise** is carried out by the application of balancing, pacifying and bargaining as a strategy used by the firm as a way of promoting its interests.
- **Avoidance** refers to the strategy used by the firm to refuse to conform to expectations, which is done through concealment, buffering and escape.
- **Defiance** which is more resistant and active than the other strategies, but it has to apply the tactics of dismissal, challenge and attack where necessary.
- **Manipulation** is deemed as the highest and most active form of resistance by the firm to pressures, with its tactics being co-optation, influence and control.

Stakeholders' Management Guide

- Four different strategies are commonly utilized: **Involve, monitor, defend and collaborate**; to help managers as a stakeholders' management guide used to manage different stakeholder types. **These strategies are presented in the figure below and discussed briefly below**
- **Involve**- Is a strategy meant to be used to manage the **supportive stakeholders** to make them use their high potential for cooperation to help the firm and its managers achieve success thereby getting them to partake in decision-making and implementation processes.
- **Monitor** is a strategy used for the management of **marginal stakeholders** who are low on both potential for threat and cooperation since they are only concerned about specific issues and this on rare occasions
- **Defend** is used as a management strategy against **non-supportive stakeholders** because of their high potential for threat and low potential for cooperation, through the reduction of the firm's dependence on the resources controlled by these stakeholders.
- **Collaboration** is proposed as the strategy that works for the management of **Mixed Blessing stakeholders** - who are in possession of high potential to both threaten and cooperate with the firm.

Stakeholders' Influence Strategies

- Influence Strategies refers to ways in which stakeholders can be managed in order for firms to achieve their goals. This is important in order to both understand and manage behavior when properly understood. *These strategies include;* withholding, usage, direct and indirect modes.
- ***Withholding strategies*** refer to a situation where the stakeholder in question decides to withhold the resources due the firm as a way of demanding a change in behaviour from the firm.
- ***Usage strategies*** are those ones where the stakeholder still maintains the supply of the particular resource to the firm, but does so with conditions to be fulfilled attached to such supplies.
- ***Direct strategies*** are those strategies that are applied by the stakeholder in its relationship with another stakeholder. Withholding and usage strategies are part of the strategies that fall under this category, since they are used by stakeholders against other stakeholders who they are in a direct relationship with.
- ***Indirect strategies*** are usually used in cases where the stakeholder that wants to influence firm behaviour does not have direct relationship with the firm so resorts to using the help of an ally that enjoys such to change firm behavior.

The above strategies show that:

- Both the firm and the stakeholders can manage their relationships with other stakeholders, so it is not just the firms that have to manage their stakeholders and their expectations. The stakeholders also decide either to cooperate with the other stakeholder (firm) or confront it.
- There are diverse ways to manage relationships with other stakeholders as can be seen from the ones highlighted above; however whichever is chosen must be aimed at managing stakeholders of strategic importance as partners;
- All of these strategies are derived from a focus on the relationships that exists between the stakeholders and not so much of emphasis on the stakeholders themselves;
- It is an anomaly to view all the above from the point of its effect on the firm only, because the firm itself can also be in a position to withhold its resources as a stakeholder to others.



4.0 STAKEHOLDER ENGAGEMENT



- **Relationship between Consultation and Engagement**
- **‘Consultation’** is a process led by government or industry with a particular goal (eg a specific project or plan to discuss). On the other hand;
- **‘Engagement’** refers more to the process of building ongoing relationships and trust with communities. It may start in the earliest stages of exploration and pre-exploration, extending throughout the span of a project.

Modes of Engagement

- **Informing/Reporting:** This refers to one-way communication, generally from the enterprise to stakeholders focused on providing information.
- **Consulting:** This refers to two-way communication focused on sharing information and collecting information to adequately understand the project's context and the preferences, concerns and expectations of each party and to ensure all parties learn from one another's perspectives.



- **Negotiating:** This refers to two-way communication focused on sharing decisions with the objective of coming to a shared agreement.
- **Responding:** This refers to taking action in response to an issue, concern or certain information. (OECD, 2015)
- **A spectrum for engagement** with local communities deals with situations, where at one end – the weaker end – companies ‘inform’ and ‘consult with’ communities, and at the other – the stronger end – communities are involved in discussions on costs and benefits, and empowered to take part in finding joint solutions and making mutual decisions, for example on benefit-sharing and future development options.



Stakeholder Engagement (SE):

A model of community involvement where private companies, nonprofits, and local/regional/national governments involve local communities in cross-sector decision-making. The rationale for SE is that it can provide a voice to local communities, information to decision makers, improved cross-sector collaboration, and net benefits to all parties involved.

- Getting stakeholder engagement right is a key element of securing a social license to operate. This is not to de-emphasize the important facilitatory role of relevant of governmental agencies in the overall process.

Meaningful Stakeholder Engagement (MSE)

- The OECD Guidelines on Multinational Enterprises (2011) states that multinational enterprises should: “Engage with relevant stakeholders in order to provide meaningful opportunities for their views to be taken into account in relation to planning and decision making for projects or other activities that may significantly impact local communities” (OECD, 2011: 20).

- **MSE refers to - On going engagement with stakeholders that is two-way, conducted in good faith and responsive (OECD, 2015).**
- **Two-way engagement** means expressing opinions, sharing perspectives and listening to alternative viewpoints to reach mutual understanding. It also means that stakeholders are actively involved in driving engagement activities themselves.
- **'Good faith' engagement** means active and honest participation in engagement with the intention of finding common ground, and being prepared to alter initial positions to reach agreement on appropriate pathways forward. Stakeholder engagement depends on the good faith of the participants on both sides. However, it should be noted that a refusal to engage with extractive corporations or approve of an extractive operation does not equate 'bad faith' on the part of stakeholders, barring the use of violence or deception.
- **Responsive engagement** means that there is follow-through on outcomes of stakeholder engagement activities through implementation of commitments, ensuring that any adverse impacts are appropriately addressed including through provision of remedies when companies have caused or contributed to the impact(s), and incorporation of stakeholder views in project decisions.
- **Ongoing engagement** means that stakeholder engagement activities continue throughout the lifecycle of an operation and are not a one-off endeavour.

Engaging with stakeholders also makes good business sense in that it can contribute to:

- Attaining and protecting a 'social licence to operate' facilitating current and potential future operations and expansions
- Avoiding reputational risks and costs through identifying emerging community issues at an early stage and dealing with them proactively rather than reactively
- Reducing time in obtaining approvals and negotiating agreements
- Avoiding the costs of conflict arising from lost productivity due to temporary shutdowns and senior staff time being diverted to manage grievances
- Improving corporate risk profile and, potentially, the ability to secure access to capital on more favourable terms
- Attracting and retaining employees, particularly in the context of recurring skills shortages.



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Some Common Pitfalls for Project Proponents:

The company:

- Fails to understand the local community and local government structures (Social Landscape and Stakeholder Analysis) and the local “rules of the game,” making it difficult to build relationships and trust.
- Underestimates the time and effort required to gain an SLO and delays stakeholder engagement.
- Undermines its own credibility by:
 - ›› Failing to provide reliable and accurate information about the project on an ongoing basis using culturally appropriate methods.
 - ›› Neglecting to deliver on promises made to the community.
- Fails to respect and listen to the community and local authorities.
- Overestimates (or worse, assumes) the quality of its relationship with the community.
- Relies on technical competence to build social acceptance.
- Confuses:
 - ›› Acceptance for approval
 - ›› Cooperation for trust
 - ›› Technical credibility with social credibility.



5.0 CREATING A COMMON FRONT FOR STAKEHOLDER RELATIONSHIP IN THE OIL AND GAS INDUSTRY



Partnership is sustainable when partners have the readiness to acclimatize to or contain the needs of each other.

Factors known to effectively promote partnership sustainability are:

- Mutual recognition of independence;
- Communication behaviors that enhance information exchange;
- Commitment to a shared purpose;
- Stable leadership; and
- Mechanisms for conflict resolution that allows for joint problem solving.

However, the factor most often identified and most critical is Trust.

- Trust is the key factor in all social relations; it is the essential component of all enduring partnerships.
- **Trust is confidently regarded in international partnerships** because it is associated with producing maturity and independence, entrustment of power, productivity increase or outcomes, reducing transaction costs, making better communication, distribution of information, resolution of conflicts, and increase in contractual flexibility.



- It is important to note however that, **trust in a corporate-neighborhood community partnership** could be established gradually, but, lost very quickly if one partner is not ready to acclimatize to or contain the other partner

To maintain trust in a relationship; the actors must engage in big risk taking conducts;

- The entrustment of power;
- Sharing of different decisions and responsibilities; and
- Readiness on the side of the more influential partner - the companies - to contain the needs of the host communities.
- Trust becomes most noticeable when partners actively engage in common venture of defense and wellbeing in a way that show common interest of values and a change in point of view concerning the exhaustive abilities of the companies.



The management of Perceptions and Expectations is another important factor in partnership sustainability –

- Oil companies' CSR is borne out of expectations. Expectations the communities have concerning the oil companies and expectations that the oil companies have concerning the host communities and governments.
- Oil companies perceive that host communities requests are most of the time, unreasonable. They also feel that government is passing on their duties to the oil companies.
- This is a challenge that must be encountered and managed through **Enlightenment activities by both the government and oil companies'** in collaborative forums.

The level of transparent communication matters a lot:

- Important characteristics in this process include - How plans are communicated to the community people and how oil companies organize town hall meetings with community people.
- Also, cases exist of communities that host oil production facilities trying to claim rights more than those that bear the oil reserves.

Stakeholder Relationship Management

- The well reported preponderance of poor and unhealthy business relationships between Oil and Gas Companies and the various stakeholders in the Industry, is an activity that cannot be glossed over.
- Oil companies have since realized that the growing costs of managing the fall outs and negative reputation that the poor stakeholder relationships were having on their Business and profitability was unacceptable.
- There is therefore a continuing focus on Business and Stakeholder relationship management for the sake of ensuring enhanced sustainability of both business ventures and community development.





- The more successful companies that become Partners of Choice, and clinch better oil and gas deals with major resource holders, are those with a good reputation on having built and are maintaining sustainable relationships with host governments, host communities and other stakeholders; relationships based on trust, respect and a win-win mindset.
- It is therefore fair to say that ‘any relationship that is not based on a ‘win-win’ formula will not be sustainable and will end up in ‘Acrimony’.

Some of the issues and root causes of conflict situations:

- Lack of shared objectives and goals, lack of trust, and unmet expectations on the part of Stakeholders and Business Partners.
- Changes to Petroleum fiscals Laws and Regulations by Host Governments and Resource owners mostly targeted at resource control and increasing Government take.
- Structural Tension caused by irreconcilable differences between the current reality versus the visions and goals of the Partners in the business relationship.
- Outdated fiscals, Petroleum Laws and Regulations requiring review in the light of changes that have taken place in the business environment over time.
- Increased Commercial disputes and mistrust between Business Partners in Petroleum Ventures leading to Arbitrations and court cases caused by perceived lack of transparency of the Operator and perception of Operator making 'profit from cost' using their home offices or proxy companies.

- Host Communities impacted by the activities of the Industry agitating for more inclusiveness, sometimes in violent ways, alleging not being carried along by the Operators. Expectations of Industry to replace or act as governments in the Communities where they operate to provide infrastructure needs etc.
- NGOs constituting themselves into Industry “ombudsmen”, to ensure that the industry operated responsibly, ethically and in a sustainable manner for the benefit of society.
- Perceived arrogance of oil and gas companies and their staff in dealings with host government officials and external stakeholders.
- Attempts to ameliorate the above-depicted scenario has led to the current focus on “**Business Sustainability**”, the effective management and coordination of **financial, social and environmental** (the three pillars of sustainability) risks, obligations and opportunities.



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Stakeholder Engagements

- A recognized best practice to manage and foster Business Sustainability is Stakeholder Engagement. It leads to organizations learning from customers, employees, host communities, host governments, Partners etc.
- The engagements are not unidirectional, only pushing out messages, but form the basis for gathering business intelligence, understanding the business environment, other Parties' positions and needs, finding common grounds and involving stakeholders or taking their needs too into decision-making.
- These engagements also help to build mutual trust in the relationships between the Companies and their various stakeholders.



Effective management of stakeholder relations

- This activity should not be put at the back burner but must be built into the business and venture processes from inception (feasibility stage of the project) right through to project abandonment.
- Carry your stakeholders along in whatever you do to always have a shared understanding and build trust. Engage proactively with all stakeholders and do not decide what you think is good for them. The relationships and engagements must also be maintained and carried out in an ethical manner and based on mutual respect.
- NOCs and resource owners are getting smarter and wiser, trying to get more or claw back value from their resources, so ensuring fair deals in win-win business relationships throughout the venture life will create a “goodwill credit” for the companies during difficult economic periods or for consideration in new ventures.

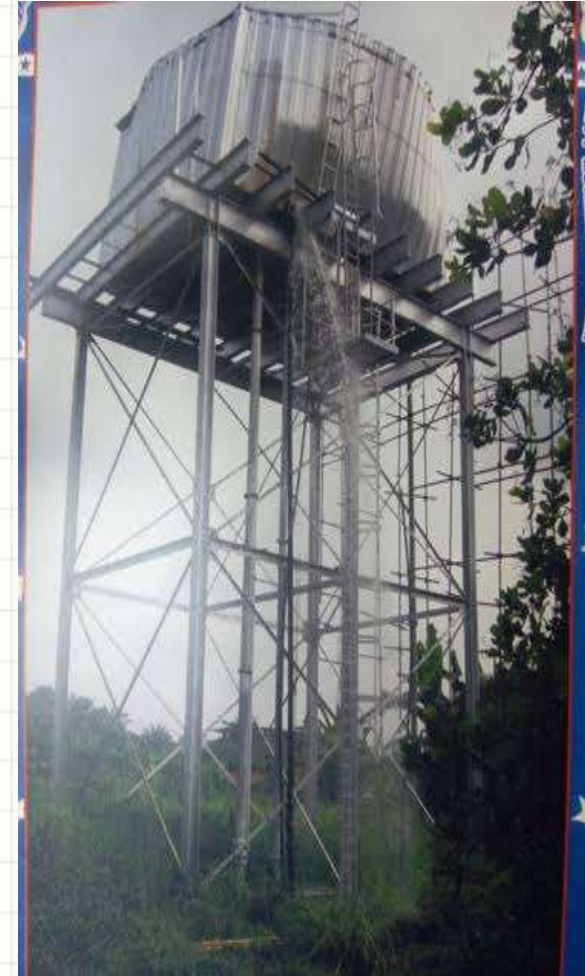


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- The Business and Stakeholder Relations teams should have a mix of core Business staff (Senior Technical professionals versed in the Key business processes who can more convincingly engage stakeholders and are empowered / trusted to make some key decisions) and staff skilled in interpersonal and People skills. The teams should also be represented in the top management of the companies with a seat at top management meetings where business deals and issues are discussed.
- Even in small companies or ventures with Partners, the importance of ensuring that all Parties are kept happy with timely and transparent information, to guide their decision making, for approvals of business plans and budgets should not be underestimated..



- Conduct regular training activities -to close critical skills and knowledge gaps existing in the capacity of venture Partners, and make them competent to fully understand the Business processes and be effective Partners. This can save valuable time in removing bottle necks in your achieving timely targets.
- If contracts are meant to be reviewed periodically, all Parties MUST ensure that these reviews happen as planned or delays agreed in formal engagements, to avoid problems that could arise from perception of a party deriving undue benefits from the delay.
- For small companies who need to manage staff numbers, they need to identify critical stakeholders and develop appropriate relationships management strategies, i.e. whether and which stakeholders the company would directly manage, and/or use consultants to manage others.



General Guidelines for Effective Stakeholder Engagements

1. Clarify and align government and industry roles

- Analyze government roles and responsibilities relating to community engagement as part of companies' due diligence efforts.
- Coordinate government and company actions effectively throughout the project life cycle.

2. Understand the local context

- Hire local staff and staff with skills and experience in the local context so as to build and embed understanding of the local context within the company or government department.
- Make sure that company and government personnel, including senior managers, have experience of engaging with local people in field situations to ensure that decision-making is sensitive to local realities.
- Ensure that consultants preparing impact assessments and other documents spend time engaging with local communities and tailor their conclusions and recommendations to local contexts, rather than basing them on standard conclusions used elsewhere

3. Start early with a long-term perspective

- Conduct government-led, in-depth community engagement prior to major industrial development in order to discuss future options, elicit desirability of plans and assess cumulative impacts, in alignment with a strategic environmental assessment (SEA).
- Target company, government and investor due diligence efforts at a longer time horizon (for example 40 years), addressing cumulative effects and long-term development opportunities.
- Invest in community engagement activities and the required staff capacities by junior companies and others engaged in exploration and other early project activities.



4. Build capacities and prepare well

- Build local social and cultural knowledge and ‘emotional intelligence’ among company and government personnel and learn from experiences of conflict and failure in community engagement.
- Build the skills within companies and government agencies to discuss future scenarios and complexity with local communities..
- Build community capacities to engage and build realistic expectations of a potential project.
- Organise pre-consultation processes to build understanding and awareness among local stakeholders prior to important consultation events, such as official public hearings as part of environmental impact assessments.
- Ensure effective collaboration among donors and others supporting capacity building, as well as among departments within companies and government agencies.



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5. Embed community engagement in the organization and the value chain

- Include community engagement, and the need to get it right, as a key non-technical risk in standard risk assessments.
- Provide clear statements by senior managers that all project personnel have a social responsibility, including subcontracted workers, backed up with mechanisms to ensure internal compliance and shared liability throughout the company and contracting chain.
- Include requirements for meaningful community engagement in major contracts, subcontracts and joint venture negotiations.
- Study the experiences, challenges and opportunities of community engagement by contractors and subcontractors.
- Explore the realities faced by multinational companies in negotiating and operating as a joint venture partner, especially in cases where they are minority shareholders in state owned companies, and in challenging sociopolitical contexts.



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6. Build trust in the information-sharing processes

- Develop and promote measures to increase public trust in impact assessment and other information-sharing processes, for example relating to the selection of consultants and inclusion of local voices and concerns in final documentation.
- Make transparency a key principle in community engagement processes and ensure that wider (top-down) transparency and accountability initiatives reach out to the local communities most affected by extractive industry operations.
- Provide resources to civil society organizations for them to read and analyse complex materials and help communities understand those materials.

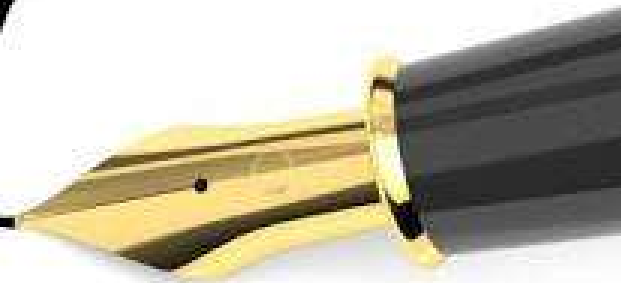


7. Assess the effectiveness of processes and the value of outcomes

- Involve communities in the co-design of engagement processes, including the definition of meaningful engagement and therefore what to measure and how to monitor the effectiveness of the process and the value of the outcome.
- Combine systems-thinking with context-thinking, by developing broad comparable systems indicators as well as site-specific indicators of success for community engagement processes, in collaboration with local stakeholders.
- Support independent monitoring and oversight as a way to ensure processes are fair, robust and legitimate, and are perceived as such by local communities.



*Thank
you*



Prof. Ini Akpabio