What is the social licence to operate? Local perceptions of oil and gas projects in Russia’s Komi Republic and Sakhalin Island

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Abstract

Oil and gas companies are increasingly aware of the need to earn the trust of local communities and secure a ‘social licence to operate’ in addition to formal legal licenses and permits. By comparing two case studies from the Russian North and Far East, the aim of this paper is to explore local perspectives on what constitutes a social licence and to better understand how a social licence is established in a particular local context. The paper concludes that the success of efforts to establish a social licence that benefits all parties depends on local expectations and historical experience in particular socio-cultural and political contexts. It depends on the willingness of all parties, including government, to engage in constructive dialogue; the ability of industry proponents to understand local needs and culture; and the ability of local stakeholders to actively shape relations and outcomes to reflect their own values and expectations. The case studies also demonstrate that a social licence may be in place where trust relations do not exist between industry, government and society, suggesting that the term ‘social licence’ may be only partially useful as an analytical concept for understanding and defining the responsibilities of business towards society.

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1. Introduction

Extractive industries can contribute significantly to the socio-economic development of indigenous and local communities. At the same time, misuse of revenues, abuse of power or environmental neglect may result in a failure to deliver on local expectations. Resource conflicts can destabilise and weaken communities; they can result in violence and loss of life (Bebbington, 2012; Behrends et al., 2011). Negative community impacts can damage a company’s reputation, or result in loss of operational time and profits, and they can put future investment opportunities at risk (Davis and Franks, 2014; Sohn, 2007). Major oil and gas extraction companies and their investors increasingly recognise that securing a ‘social licence to operate’, by building trust and responding to local concerns and expectations, is a critical precondition for mitigating such risks (Morrison, 2014; Moffat et al., 2014; IPIECA and AOGP, 2012). The success of efforts to build constructive relations and trust between communities, industry and government depends to a great extent on localised individual and collective action; the nature of historical expectations and particular socio-cultural and political contexts; and levels of international scrutiny (Stammler and Wilson, 2006). This paper explores how relations between industry, government and society have played out in two contrasting Russian oil-producing regions with local indigenous communities – Sakhalin Island in the Russian Far East and the Komi Republic in the Russian North (west of the Ural Mountains). By exploring and comparing the two case studies, the aim is to understand local perspectives on what constitutes a social licence to operate and how local stakeholders can influence the way that a social licence is established. Because a social licence is context-dependent, it is valuable to explore case studies such as these, and Russia itself is an under-analysed region in social licence literature. Of particular interest in Russia is the role of civil society which is often perceived as weak, but which, as the case studies demonstrate, has the potential for influence, especially where it is strongly networked internationally.

The Sakhalin case study focuses on the Sakhalin-2 project and its operator, Sakhalin Energy (a consortium involving Shell and Gazprom). The Sakhalin-2 project has been analysed extensively (Novikova and Wilson, 2015, 2013; Zandvliet, 2011; Bradshaw, 2010; Wilson, 2012, 2003), yet it is atypical for Russia in the levels of international scrutiny and pressure to implement good practice standards, from international financial institutions, environmental organisations and indigenous groups (Graybill, 2009; Stammler and Wilson, 2006). As such it can be seen as a benchmark or a foil.
for the second case study. The Komi Republic case study illustrates the experiences of a particular region (Usinsk District) struggling to overcome the entrenched practices and pollution legacy of the Soviet-era oil industry. Usinsk attracted considerable international attention in 1994 when it experienced one of the world’s largest oil spills, but global interest has since declined, despite ongoing spills and leakage from the ageing pipeline infrastructure. In Usinsk District the industry’s social licence was established in the 1960s and 1970s, building on Soviet-era relationships and expectations, which was also the case in Western Siberia (Stammller, 2011). By contrast, while oil and gas extraction has been taking place onshore in northern Sakhalin since the 1920s, the offshore projects, which started up in the 1990s with multinational involvement, represented a new industry largely unencumbered by Soviet-era cultures of practice.

In Section 2 the literature on the social licence to operate is explored, along with other related concepts such as corporate social responsibility and meaningful consultation. This section explores some of the standards and practices that frame a social licence for local people in Russia, and discusses experience of the oil and gas industry and local communities in other regions of Russia as a way to situate the contrasting Sakhalin and Komi experience. Section 3 details the methodology followed for the analysis of the two case studies. Section 4 explores the two case studies in more detail, while Section 5 reflects on local perceptions and expectations of the social licence in the two regions, leading to a short, concluding Section 6 that reflects on some of the learnings for social licence theory.

2. What is the ‘social licence’?

The term ‘social licence to operate’ has emerged in recent years largely in the context of extractive industries development and for use by business. It emerged from ongoing debate around the relationship between business and society, and has strong links to ‘corporate social responsibility’ or CSR (Blowfield and Murray, 2011; Frynas, 2009). Morrison (2014) relates the concept of the ‘social licence’ to that of the ‘social contract’—the notion that people acknowledge the legitimacy and authority of the ruling powers in exchange for being properly taken care of and having democratic rights and freedoms protected (Rousseau, 1762). ‘Social licence’ is a metaphorical term used to conceptualise the notion that, alongside legal permits and licences, there is the often less tangible ‘social acceptance’ without which a company may face ‘non-technical’ risks such as community conflict and workforce protests (Moffat et al., 2014; Syn, 2014; Black 2013). A social licence may exist in different forms, from informal relations to more formal, negotiated ‘impact-benefit agreements’ (Black, 2013). The term ‘social licence’ can also be applied to government roles in industrial development (Syn, 2014; Moffat et al., 2014). Morrison (2014) suggests that the term ‘social licence’ is more effective than CSR at framing power dynamics between business and communities and what makes business activity legitimate. CSR analysis can still help in understanding the social licence, in particular where the analysis outlines the broad responsibilities of business towards society (Bowen, 1953); where it emphasises the balance between rights and responsibilities (Visser, 2011); where it expands on stakeholder theory (Hasnas, 2013; Freeman, 1984); and where it frames ‘corporate responsibility’ as something that is negotiated and can only fully be understood within the context of the values of a particular local society (Blowfield and Murray, 2011; Frynas, 2009).

The ‘social licence’ concept has been criticised for being focused more on business risk than business-society collaboration, for lack of definition (especially from a legal perspective), and – as with the term ‘consent’ (see below) – for lack of clarity in relation to community rights to approve or not approve a project (Morrison, 2014; Black, 2013). Nonetheless, the notion of a ‘social licence’ has been useful in enhancing understanding of the relations between an industrial entity (a project, company, or facility) and the local community, while also offering space to consider the role of government within that configuration. Thompson and Boutillier (2014) define three key elements of the social licence: (1) social legitimacy (honest, open engagement, respecting local social norms; providing full information to the community and answering all questions); (2) credibility (consistent sharing of reliable information; formal agreements to clarify expectations and commitments); and (3) trust, which is achieved over time, through shared experiences and collaboration. Black (2013) highlights the political nature of the social licence (benefit distribution) and the importance of power relations in determining how the social licence is established, formally or informally. Moffat et al. (2014) define three key elements that are important in building trust and acceptance among local communities: (1) procedural fairness (the extent to which the industry listens to and responds to community opinions); (2) distributive fairness (the extent to which economic benefits are distributed fairly); and (3) governance capacity (the extent to which citizens feel that the government and regulation can ensure mining companies do the right thing) (ibid: 14). Morrison (2014: 13) points out that while the full meaning of social licence ‘has yet to emerge’, there are clear cases, such as that of the Ogoni people of Nigeria’s Niger Delta, where the social licence has been lost. Yet when a social licence is securely in place, ‘it is often invisible’ (ibid: 14). The social licence can however be withdrawn at any moment, and as such there are strong links with the notion of ‘consent’ (ibid). Syn (2014) argues that the social licence offers potential for communities to assert their power over extractive industry projects. Indeed Gunningham et al. (2004) demonstrate how pressures associated with maintaining a social licence induced pulp and paper companies to go beyond legal compliance in their environmental protection measures. This of course underscores the importance of local civil society being empowered enough to shape the social licence by making their own demands.

Much has been published on free, prior and informed consent (FPIC) and the extractive industries, and this literature can also enhance our understanding of the ‘social licence’ (Lehr and Smith, 2010; Colchester, 2010; Voss and Greenspan, 2012; Buxton and Wilson, 2013; Greenspan, 2014). The right of indigenous peoples to FPIC in relation to industrial activities on their lands is established in the 1989 ILO Convention 169 on Indigenous and Tribal Peoples and the 2007 UN Declaration on the Rights of Indigenous Peoples (UNDRIP). Primarily FPIC is framed as a government responsibility, but increasingly it is being incorporated into international standards applied to companies, for example by international financial institutions in the context of project finance (EBRD, 2014; IFC, 2012). Guidance also exists for companies operating in regions where governments have not met their obligations (IFC, 2007). Key challenges around FPIC include how to identify who gives consent (and how representative they are of the community); what consent looks like in practice; which parts of an overall project consent is applied to (e.g. only resettlement?); and to what extent and in what circumstances ‘consent’ can equate to a veto on project activities (Buxton and Wilson, 2013). Consent processes are increasingly required not only for indigenous communities but for all significantly affected local communities (e.g. FSC, 2012). A related concept is ‘meaningful consultation’. Principle 18 of the UN Guiding Principles on Business and Human Rights (UNGPs) calls for companies to engage in ‘meaningful consultation with potentially
affected groups and other relevant stakeholders’ in the context of an impact assessment (United Nations, 2011). Other international organisations are developing standards and guidance referring to requirements for ‘meaningful consultation’ or ‘meaningful stakeholder engagement’ (World Bank, 2014; OECD, 2015). Efforts to define and understand what is meant by ‘meaningful consultation’ can also contribute to the understanding of how a social licence can be established through dialogue (OECD, 2015; BIC, 2014; Wilson et al., forthcoming).

Russian Federation law ‘On guaranteeing the rights of small-numbered indigenous peoples of the North’ allows them to ‘possess and use their lands, free of charge, in places of traditional habitation and economic activities’ in the pursuit of traditional economic activities’, while the 2001 law ‘On territories of traditional natural resource use’ allows for the establishment of obshchina (or commune), with an allocation. If industrial development is proposed on this land, the land may be appropriated, but it should be replaced by another plot of land, while the commune is entitled to compensation (Yakovleva, 2014; Sirina, 2009). While implementation of this legislation has been patchy, a paper confirming possession of such territory does provide grounds for negotiation (Yakovleva, 2014). Impact-benefit agreements (IBAs) are now standard in Australia and Canada (Gibson and O’Faircheallaigh, 2010; Caine and Krogman, 2010; Diges, 2008). Russia has various experiences implementing IBAs, ranging from approaches that follow the traditional legal arrangement, for example, for Khanty-Mansi Autonomous Region (Novikova, 2014; Alferova, 2006) to those driven by the requirements of project lenders, such as the Sakhalin-2 project (Novikova and Wilson, 2013) (see below). Russian experience has been criticised for lack of transparency, insufficient information about the projects that the agreements relate to, and provision of inadequate ‘compensation’ in proportion to project impacts (Yakovleva, 2011, 2014; Sirina, 2009; Alferova, 2006).

In Russia local expectations of industry tend to be based on the historical experience of the Soviet state-run industrial enterprises, which took the form of ‘total social institutions’ (Humphrey, 1995:7), providing social services, healthcare, accommodation and utilities as well as jobs within the local community (Graybill, 2009; Stammer and Wilson, 2006). In many cases, environmental damage and pollution were tolerated in exchange for the provision of these social benefits. Indeed, many oil-bearing regions of northern Russia, including the Komи Republic and Western Siberia, have enjoyed wealth and stability as a result of the industry, despite extensive environmental impacts, although benefits tend to be enjoyed mostly in the urban areas, while the rural and tundra populations tend to be neglected (Novikova, 2014; Stammer, 2011). Moreover, in Russia most industrial revenues go directly to the federal budget, so regional and local governments have to rely on individual agreements with companies, which means that compensation for environmental damage is their only point of leverage for greater social benefit (Stammer, 2011; Wilson and Stammer, 2006). The ‘trade off mentality’ is still in evidence today, although, as the case studies below demonstrate, civil society has started to challenge the assumption that industry has a ‘licence to pollute’.

Northern Russia has a notable lack of conflict related to extractive industry development, which may lead to an assumption that social licences are in place. Stammer (2011) suggests however that there are other ways – such as suicide – for social dislocation and personal loss to be expressed in the context of expanding oil industry activities. In some cases lack of opposition may be due to political pressure or the co-option of civil society initiatives by political interests as observed, for example, in the diamond industry in Siberia (Crane, 2003). In long-established Russian oil regions, especially in the tundra, the social licence is built at the level where reindeer herders and oil workers co-exist in relations based on shared experience, a Soviet-era sense of ‘the collective’, and a culture of mutual assistance—all of which also reduces potential for conflict (Stammer, 2007, 2011). Where there are more links to international civil society, local people might find external channels for drawing attention to their grievances, resulting in more conflict (ibid; Roon, 2006; Stammer and Wilson, 2006). Stammer (2011: 255) observes that: ‘International support generates more confidence among all actors to stand up for their interests and not give in to agreements that they think are disadvantageous for them’.

3. Methodology

This paper draws on the author’s field work in November 2013, March 2014 and June 2015 in the north of the Komи Republic. Each of the three field visits lasted between 10 and 15 days. The analysis is based on formal and informal interviews, and one focus meeting, with a total of 50 stakeholders in Usinsk and Izhma districts, the capital of the republic, Syktyvkar, and Moscow (see Appendix A). The 33 interviews, conducted with one or two people at a time, ranged from semi-structured interviews in a formal setting such as an official’s office, to informal discussions with local people in their living room. The focus meeting included 14 villagers from the village of Novik Bozh. All discussions were based on the same broad set of questions, relating to people’s perceptions of how the oil and gas industry operates, their expectations from the industry, and how relations between the industry, the government and the community are structured. Given the limited length of the field trips and the fact that many people, especially local officials and oil industry workers, were unwilling to talk on this topic, the sampling process was based on people who agreed to take part, although efforts were made to reach a range of stakeholder groups (see Appendix A). There was a sample bias towards local ‘activists’ (i.e. socially concerned citizens) in the villages for the same reasons. Handwritten notes were taken during interviews and meetings, and were subsequently typed up and coded for the analysis. The interviews were supplemented by participant observation during the field work, including discussions with fellow hotel residents such as researchers and oil workers in Usinsk and Izhma, along with analysis of publicly available materials from company, government and civil society websites, academic journal articles, popular publications and the media. For the purposes of this paper – to provide a comparison and a benchmark – the Usinsk District case study is compared with a case study from Sakhalin Island in the Russian Far East. This analysis uses previous material, some of which has been published elsewhere (e.g. Novikova and Wilson, 2015; Wilson, 2012) and which has been updated and re-analysed for this paper.

4. The case studies

4.1. Northeastern Sakhalin Island, the Russian Far East

The Sakhalin case study focuses on a social licence established through the Sakhalin-2 project and the local indigenous population in the form of a negotiated indigenous peoples’ development plan. Sakhalin Island lies 10,400 km east of Moscow and just 40 km from Japan. The region has a population of 511,000, with an indigenous population of around 3000 who live mostly in the north. Oil and gas have been extracted onshore in northern Sakhalin since the 1920s. Large-scale offshore oil and gas development began in the Okhotsk Sea in the late 1990s with first oil produced in 1999 (Bradshaw, 2010). Since then, Sakhalin’s economy has shifted from fishing, food production and forestry, to oil and gas export, which dominates in terms of revenues, if not in terms of employment or livelihoods. The Sakhalin-2 project
Fig. 1. Map of Sakhalin Island.
(Map credit: Gavin Wood).
includes offshore platforms and an onshore processing facility in the northeastern Sakhalin-2 project experience is unusual for Russia, particularly in its levels of internationalisation (Graybill, 2009). The consortium leading the Sakhalin-2 project – Sakhalin Energy – had no Russian partner until Gazprom took over the role of operator. When Shell began working on Sakhalin, it brought its own corporate standards and a clear awareness of the importance of building a social licence to operate, based on experience such as the tragic execution of Ogoni activist Ken Saro Wiwa in Nigeria in November 1995. The consortium used project finance from an international group of banks, including the European Bank for Reconstruction and Development (EBRD). The EBRD required adherence to international standards including establishing a community grievance mechanism and a resettlement action plan. Sakhalin Energy has also been reporting on its sustainability performance since 2002. From the early stages of the project, Sakhalin-2 had scrutiny from international and national NGOs (including Pacific Environment, Friends of the Earth—Japan and WWF—Russia), who provide information on international experience and support local groups, notably Sakhalin Environment Watch, to monitor and hold Sakhalin’s oil companies to account (Wilson, 2012; Graybill, 2009).

In the early stages of the Sakhalin-2 project, the indigenous Evenk and Ul’ta reindeer herders were identified as being directly affected by pipeline construction across their coastal pastures. Sakhalin Energy organised meetings on the reindeer pastures involving the herders and representatives of the local administration. Compensation and assistance measures were devised for the herders, and agreement made on communication of construction schedules, avoiding reindeer migration periods (Roon, 2006). Sakhalin Energy did not do enough at the time to address the anxieties of the indigenous Nivkhi who use the rivers and coastal lagoons of the area for summer and winter fishing. Moreover, there were limited opportunities for the Nivkhi – or indeed any indigenous or local residents – to gain employment on the projects. The Nivkhi started up a joint campaign with environmentalists, known as the ‘Green Wave’ (Wilson, 2012; Roon, 2006). Given the support for this protest on the island, and the levels of international coverage, the project’s social licence to operate appeared to be at risk.

As a result of the protest, and on the recommendation of the lenders, an American anthropologist was hired to establish an indigenous people’s development plan in accordance with International Finance Corporation (IFC) standards. A list of environmental and social concerns was drawn up with a process to systematically address these issues through a series of meetings between the indigenous representatives, environmental NGOs and the company’s environmental and social experts, while company actions to address these concerns were agreed and published (Wilson, 2012; Sakhalin Energy, 2006). These dialogues contrasted with previous engagement only with the company’s public relations staff. Parallel talks on the allocation of funds to indigenous enterprises, social and cultural programmes were however much better attended by the indigenous representatives. Elsewhere I have argued (Wilson, 2012) that this was not only due to self-interest, but due to the fact that as non-experts they felt at a disadvantage having to adopt the language of scientific expertise (Cruikshank, 1998) on environmental issues, while the discussions around benefit-sharing allowed them to take a position of authority, based on local knowledge (Goodwin, 1998). A further important aspect of the benefit-sharing programme was its governance, with indigenous representatives taking part in the supervisory board and several committees overseeing disbursement of funds, building skills in these areas at the same time. Phase 2 of the SIMDP employed an FPIC process in planning the five year programme (2011–2015) (Sakhalin Energy, 2010). Conflicts inevitably arose between families and groups over funds distribution (Novikova and Wilson, 2013). Nonetheless, the Sakhalin Indigenous Minorities Development Plan (SIMDP) can report tangible results. In its first phase (2006–2010), it provided around US$ 650,000 USD to finance 89 traditional enterprise projects, in addition to grants for food processing equipment, freezers, boat engines and power generators (Guldin et al., 2010). The Sakhalin regional government joined the partnership during the first phase and is now a committed third party. Moreover, following the example of Sakhalin-2 ExxonMobil has also negotiated a benefit-sharing agreement with Sakhalin’s indigenous peoples (Novikova and Wilson, 2015).

4.2 Usinsk District, the Komi Republic

By contrast to Sakhalin, the Usinsk District case study reveals a lack of constructive dialogue between oil companies, local government and the communities most affected by oil industry activities. The oil industry has been operating extensively in Usinsk District since the 1960s. In 1994, 100,000 tonnes of oil was spilled across 72 square miles of tundra, a disaster that had considerable global resonance. Lukoil bought the old state enterprise Komineft in 1999 and since then has been trying to clean up the effects of the 1994 spill and replace the ageing network of pipelines. In their 2006 Sustainability Report, Lukoil reported that they had eliminated the inherited consequences of 1994 and the status of ‘ecological disaster zone’ had been removed from several parts of Usinsk District (Lukoil, 2006). Today spills and leakage continue from old or poorly replaced pipelines throughout Usinsk District. Yet annual oil production increased from 9 million tons in 2000 to 13.7 million in 2012 (Staallesen, 2014). Lukoil–Komi is the dominant oil and gas company in the area, others including Severnaya Neft’ (Rosneft’), the Russian–Vietnamese venture Rusvietpetro, and Kolvanefit’ (Nobel Oil). Along with Sakhalin Energy, Lukoil has signed up to the Global Compact in Russia (UN Global Compact, 2013), and according to its Moscow staff, it is active in the Russian Social Charter for sustainable business and its experts have studied international sustainability experience (personal communication). Relations with the people of Usinsk District, however, are left to the local Usinsk office, which refused an interview.

Like Sakhalin’s regional capital Yuzhno-Sakhalinsk, Usinsk (pop. 40,850) is booming, with shopping malls, supermarkets and a relatively high cost of living. Usinsk has a high percentage of incoming residents, many of whom have been attracted to the region for well-paid jobs in the oil industry. In Usinsk, as in Yuzhno-Sakhalinsk and similar urban areas in the Russia’s northern oil regions, the oil industry’s social licence appears to be secure. The situation is different for residents of Usinsk District’s villages, mainly because oil spills affect rural residents much more directly. In 2013 and 2014, I visited four villages that experienced the 1994 spill—Kolva on the Kolva River (pop. 350), Novik Bozh
(pop. 400) and Ust′ Usa (pop. 1000) on the Usva River, and Mutnyi Materik (pop. 1200) on the Pechora River, which the other rivers flow into (see Fig. 2).

Traditionally the Pechora River has supported fishing and commerce; and the region provided valuable agricultural land in the Soviet era. Agriculture has now declined due to a lack of competitiveness and loss of government support. Today local livelihoods are based on small-scale fishing and agriculture, reindeer herding, public sector jobs and oil industry service jobs. Unemployment is high and even those who voice their objection to oil pollution may also work for the industry.

The 1994 spill is prominent in people’s consciousness, not only because of its size, but also due to the international attention it generated (Karjalainen and Habeck, 2004). There is much less global awareness about the region today, although Greenpeace Russia continues to engage closely on oil spills and clean up. In November 2012 there was a significant spill of between 20 and 200 tonnes. It was not officially reported until the oil came down the Kolva River during the spring thaw in March 2013. Ultimately Russvetpetro took responsibility for the spill, although a number of companies, including Lukoil, might have been involved and it was difficult to work out who was to blame. The Kolva River is particularly vulnerable to oil and gas industry operations as it coincides with three major oil and gas fields, the Kharyaga field in the Nenets Autonomous Region (where Lukoil, Total and Statoil work); and Vozeiskoye and Usinskoye in Usinsk District. The main Usinsk–Kharyaga highway, which crosses the Kolva River several times, is the major road transport route for equipment, chemicals and personnel to all of these fields. This is an area of extremely high risk from oil industry pollution, and the villagers along the Kolva and Usa rivers bear the brunt of this. Reindeer brigades from the reindeer herding enterprise ‘Severnyi’, based in Mutnyi Materik, also migrate close to the highway. In the minds of most villagers, a social licence to operate is earned through responsible industrial practices that ensure oil does not get into the rivers where people fish, or onto land where their animals graze. Most of my respondents want the oil industry to stay, as it provides local jobs, but they want companies to operate cleanly. A teacher from Novik Bez’ said: ‘We don’t want these companies, there are companies that work better—it is possible to work better’ (personal communication). However, an activist in Ust′ Usa was more cynical: ‘Companies can do oil extraction better, but not here with all this old infrastructure and entrenched corruption from the top down. We would live better without oil’ (personal communication).

The villagers of Usinsk District, who are mostly indigenous Komi, have few instruments with which to leverage influence over the oil companies, especially given that well-established operations do not require EIAs with their mandatory public consultation. While Sakhalin’s indigenous peoples are recognised officially in Russian law as ‘small-numbered indigenous peoples of the North’, the Komi, who number 300,000, are not. (They would need to number less than 50,000.) The Izhma Komi, who live in the northern oil-bearing regions and some of whom practice traditional reindeer herding, number just 40,000 and have been seeking to break away from the larger Komi group for many years (Donahoe et al., 2008; Kim et al., 2015). Becoming legally
recognised would mean the Izhma Komi could secure possession of land tax-free and set up an obschina, which would enable them to negotiate with the industry over land use. FPIC is being piloted in the forests in the southern Komi Republic to secure Forest Stewardship Council (FSC) certification. But local environmentalists do not talk about FPIC with the oil companies. As one environmentalist observed: “They don't have to do FPIC, so we don't try to make them. There are a lot of legal requirements that they are not meeting, so that is what we are pushing for” (personal communication).

The villagers are reliant on officials in Usinsk to negotiate an annual agreement between Lukoil and Usinsk District on their behalf. They feel that control of this agreement is out of their hands. An entrepreneur in Kolva commented: ‘There are social partnerships, yes, but it is all arranged through the municipality and then comes to the villages. It’s more important to protect nature’ (personal communication). An environmentalist suggested that the Usinsk officials ‘close their eyes to the environmental issues’ when negotiating the agreements (personal communication). The situation is compounded by the fact that fines for environmental damage go into the overall Usinsk District budget, not into a separate ecological fund (as they used to). Local respondents painted a picture of officials who do not take environmental issues or the villagers themselves seriously enough.

They complained of delays in providing information on the 2012–13 Kolva spill and the slowness of emergency response efforts that meant they had to do their own river clean up. An entrepreneur from Kolva observed: ‘The first time people from Usinsk came to visit it was 10pm and too dark to see anything’ (personal communication). A teacher in Us' Uya said an official from Usinsk ‘came in high heels and didn’t look at the river but just said everything seems OK’ (personal communication). Villagers also complained that officials did not use the photographic evidence they provided about spills. The one official in Usinsk who agreed to an interview did however give the impression of being dedicated and working extremely hard, while not denying that communication with the villages could be better. This official argued that they do indeed use the photographic evidence of environmental pollution provided by local people, but primarily in the context of their negotiations with the industry on social benefits.

Komi civil society cannot be labelled ‘weak’. It is energetic, capable and well-informed. The NGO Save Pechora Committee (SPC) has volunteers in all the villages of the Pechora Basin and publishes an Ecological Journal that is sent around the villages. The Izhma Komi newspaper Vesnykh Shorjy is also distributed free and publishes extensive coverage of oil and gas issues, including incidents in Usinsk District. The association of northern Komi, Izvatas, is based in Izhma District, which neighbours Usinsk District to the west, but also supports villagers in Usinsk District, including on drawing attention to oil and gas issues. Blogging sites such as the 7 × 7 internet journal are used frequently, sometimes to criticise the oil industry. Despite the work of Greenpeace Russia, levels of ongoing international scrutiny are still low compared to Sakhalin. In 2014, however, international social networks did publish reports of a protest action against Lukoil by several communities in Izhma District (led by Izvatas), in which they banned Lukoil from operating in their district until the company agreed to a series of demands, including consulting with the public (as required by law) before starting new projects (Greenpeace Russia, 2014). Following the protest, Lukoil signed an agreement with Izvatas to provide support to the organisation and professional skills training for young Komi. Reasons for the co-ordinated nature of this protest action may include the fact that Izhma District has a younger oil industry (since the late 1990s), and there is only one company to focus on (Lukoil). The district also has a less centralised power structure and the district centre Izhma is smaller than Usinsk with fewer incomers. The centralisation of decision-making in Usinsk is possibly the key factor disempowering the villagers of Usinsk District. Several local respondents called for the return of local village councils of elected representatives (sel'sovet). One activist in Us' Uya complained in 2013: ‘There are 26 deputies in Usinsk and the majority of them work for the oil industry. And only one of them represents our village’ (personal communication).

5. Discussion

In Russia, the lack of clear implementation of laws that protect the interests of local indigenous populations means that much depends on the relations that are built between companies, government and communities on the ground. This paper has highlighted three significant factors in shaping a social licence: (a) the values that underpin local expectations of industrial practice and project development; (b) the ‘enabling conditions’, such as local power structures and the strength of civil society; and (c) the processes by which a social licence can be built and negotiated effectively.

The case studies suggest that community values and expectations from the oil and gas industry are comparable in the two regions. Firstly, people are concerned about environmental protection, particularly where there is a direct impact on their livelihoods. Even where there is overall support for (and dependency on) the industry’s presence, as in Usinsk District villages, local people want companies to operate cleanly. A second key element is job creation. Where jobs are provided to the local community, people appreciate the value of having industrial activity close to their settlement, and may be less inclined to oppose the industry outright, as is the case in Usinsk District. Where they feel that they are not benefiting from employment on a project they may be more inclined to protest, as on Sakhalin.

Support for community projects and infrastructure is a third key element, and a priority for local governments and communities, especially where direct benefits such as jobs are limited. Support for local enterprise was well-received by indigenous residents on Sakhalin and would be welcomed by the entrepreneurial Komi. In Usinsk District, people are starting to criticise the ‘trade off mentality’ where they see environmental damage being leveraged for social benefits and are calling for companies and the government to make environmental protection a priority. They speak disparagingly of social partnership, more so because they feel they have no control over the agreements and see no value in the outcomes.

Both case studies illustrate the need for the right enabling conditions to be in place for a mutually beneficial social licence to be established. In the case of Sakhalin, the context was that of a new offshore oil and gas industry, with multinational involvement, which meant the social licence was less influenced by Soviet-era expectations. There was a strong, internationally networked civil society movement (with environmentalists and indigenous activists collaborating); a receptive oil company, eager not to repeat mistakes made in Nigeria; and there was considerable pressure from investors, who had the mandate to push for a formal partnership agreement between the company and the indigenous community. International civil society organisations applied pressure to the company and the investors, fed information to the media, and supported local activists. The local administration legitimised and strengthened the partnership when they joined as a third party. The Sakhalin case study also illustrates the importance of company representatives understanding local
wants, needs and anxieties, and being willing to change their assumptions on the basis of dialogue. The SIMDP agreement was also made possible by the willingness of the protestors to enter constructive dialogue following their protest, having set an agenda for the dialogue. A key element was not only the sharing but also the discussion of project information, including potential impacts and benefits, although the SIMDP process could have done more to avoid the sense of alienation that indigenous representatives felt through a lack of technical expertise in the discussions. Respect for local culture was appreciated, not only through support for social and cultural projects, but by including people in decision-making processes that reflected their own ways of making decisions.

In Usinsk District oil companies’ social licences appears to be in place not because of any positive trust relations that have been built through dialogue, but due to other factors. Usinsk is a well-established oil producing region, and the industry’s social licence dates back to the 1960s and 1970s. The concentration of power in Usinsk means that social licences are highly influenced by decision makers in a town whose population is made up of a high number of incomers working in the oil industry. Moreover, it is physically difficult to travel between Usinsk and most of the villages. Civil society in northern Komi Republic is vibrant with an active print media and online forums for people to discuss environmental and oil industry issues. However, while protests have taken place in neighbouring Izhma District, they have not been so widespread in Usinsk District, due partly to the concentration of power, but also the high levels of dependency on the industry, and the fact there are more companies operating in the district so it is difficult to allocate responsibility for specific incidents. Nonetheless things may be changing. Lukoil’s strong social licence in Usinsk has until recently enabled it to focus on the urban decision-makers at the expense of the rural residents. Yet following the protests in Izhma District, the company is starting to see that its social licence needs to be more inclusive of the people who are most directly affected by their operations.

6. Conclusion

While efforts have been made to define the social licence to operate and principles exist to frame it, real understanding only comes with knowledge of the particular local context and power relations. From a company perspective, success depends on responding to local expectations, needs and anxieties; and understanding other historical, socio-cultural and political factors and influences. From the perspective of communities, a social licence relies on local stakeholders pro-actively to formulate their demands and shape relations, to ensure that the social licence reflects their values and expectations. In the Russian context, particularly where the oil industry is well established and where citizens may be inhibited or disempowered, it is easy for a social licence to remain in place that does not favour local communities (as is the case in Usinsk District). Where there is dependency on the industry, and where power is centralised away from communities, there is much less chance of local people being able to influence a social licence themselves. Even with a strong civil society movement active in the region promoting the interests of local citizens, if they are not directly involved in a dialogue or at the negotiating table the social licence will still be based on relations with decision-makers in the urban centre with very different needs, values and concerns from the rural populations. It is not just the strength of civil society that counts. Successful formulation of demands requires a combination of conditions – a distinct and receptive target (such as Shell on Sakhalin), a lack of fear (of losing jobs), and the confidence to make demands (e.g. through connection to international networks). It is only when the status quo is challenged that a company may feel the need to reassess an established social licence—as Lukoil is starting to do in Izhma District. Finally, from a broader theoretical perspective, the fact that a social licence may be in place where trust relations do not exist between industry, government and society suggests that the term ‘social licence’ may only be partially useful as an analytic concept for understanding and defining the responsibilities of business towards society.

Appendix A : personal communications

This paper was based on field work between 2013 and 2015 that involved direct engagement with 50 people, including 33 formal and informal interviews (36 people in total) and one meeting in a village library (14 people), in Usinsk and Izhma districts of the Komi Republic, Syktvykar and Moscow. The 36 interviewees included three academics, ten civil society representatives, five officials, five industry employees, five teachers, a fireman, four entrepreneurs, two journalists, and one unemployed youth.

The following appear as personal communications in this article:

- Informal interview with two entrepreneurs, Kolva, 16 November 2013
- Informal interview with teacher, Novik Bezh, 17 November 2013
- Informal interview with activist, Ust’ Usa, 19 November 2013
- Informal interview with teacher, Ust’ Usa, 19 November 2013
- Formal interview with two experts from Lukoil, Moscow, 24 January 2014
- Informal interview with environmentalist, Syktvykar, 9 June 2015

References


