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Next Generation Stakeholder Engagement
Managing More Sensitive External Interests in E&P Programs

Dean A. Slocum
Acorn International, LLC
Stakeholder:

“anyone who reasonably decides he or she has an interest in and will be impacted by an organization’s activities”

Stakeholder Engagement (SE):

The process of identifying and communicating with stakeholders and networks to:
• identify issues and understand concerns
• establish basis for good relations
E&P project success depends increasingly on managing stakeholder concerns well.

**Current State**

- Increasing social and political risks
- More sophisticated stakeholder awareness and influence
CASE STUDY 1: E&P Program
Offshore The Philippines

SE Issues:
• Indigenous people, political opposition, fishermen
• Mandated consultation and compensation programs

Lessons Learned:
• Strategic consultation, investment
Emerging trends influencing best practices:

• Access to information, publicity
• Third parties increasingly adept
• Progress in SE methods, best practices:
  • Company Standards, Industry Guidelines
  • World Bank, United Nations
  • Academic and business models
• Local content expectations, capabilities
TRENDS & BEST PRACTICES

Emerging Company / Industry Standards

- Shell - Integrated Reputation Risk Assessment
- ExxonMobil - Upstream Socioeconomic Management Standard
- BP - Social Requirements for New Projects, Disclosure
- Chevron - Stakeholder Engagement Procedure
- IPIECA, ICMM, others
TRENDS & BEST PRACTICES

International Guidelines and Standards

World Bank / Related Institutions
• Sustainability Performance Standards #1 and #5
• Universal Declaration of Human Rights
• Indigenous Peoples Policy
• Strategic Community Investment Guidelines

Equator Principles
**TRENDS & BEST PRACTICES**

Advances in academic and business models for stakeholder engagement.

- Michael Porter: Shared Value, License to Operate
- Stuart Hart: Bottom of the Pyramid, Creative Destruction
- Joseph Fiksel: Organizational Resiliency
- Robert Boutilier: Networks, Social Capital

<table>
<thead>
<tr>
<th>Types of Networks</th>
<th>Low Social Capital</th>
<th>High Social Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loose federation</td>
<td>Elite deals, fringe group attacks</td>
<td>Competition for attention</td>
</tr>
<tr>
<td>Cohesive balance</td>
<td>Policy dictated</td>
<td>Consensual priorities</td>
</tr>
</tbody>
</table>

*Adapted from Boutilier, Stakeholder Politics, 2009*
Challenge for E&P in Countries Worldwide

Proponents need to apply international best practices in SE

but

Local experts are best positioned to lead SE initiatives
<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trusted</td>
<td>May have inconsistent approaches</td>
</tr>
<tr>
<td>Know Language and Customs</td>
<td>Conflicts and transparency challenges</td>
</tr>
<tr>
<td>Access to information</td>
<td></td>
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<tr>
<td>Credibility</td>
<td>Trust barrier</td>
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<tr>
<td>International best practices</td>
<td>Misinterpretations</td>
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<td></td>
<td>Diverts capacity building</td>
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</tbody>
</table>

**Local Experts**

**International Experts**
New approach to Stakeholder Engagement needed.

Commit to 2-way capacity building to:

Integrate best practices into local applications and Recognize and empower the value of local leadership
CASE STUDY 2: Gas Plant in Bonny Island, Nigeria

SE Issue:

- Oil-rich, impoverished region
- Operator consulted and had support of government, but…
- Local “king” not fully consulted

Lessons Learned:

- Respect cultural v. legal authority
- Invest time up front to save later
- **Tools**: “Global Memorandums of Understanding”, Network Analysis and Framing
**CASE STUDY 3: Oil Exploration in Eastern Colombia**

**SE Issues:**
- Multiple languages, cultures
- Working against “bonanza” image
- Balancing security and human rights

**Lessons Learned:**
- Communication strategy needs to be tailored to different lifestyles
- Strategic and sustainable community investment
- **Tools:** Indigenous “Sabedores”, Expert Panel, Human Rights Impact Assessment
CASE STUDY 4: Canal Expansion, Panama

SE Issues:

• Overwhelming national support
• World Bank financing required community engagement
• “I know the project will help my country, but what about my family?”

Lessons Learned:

• Carefully explore underlying individual concerns
• Tool: “Grievance mechanisms”: apply global / think local
CASE STUDY 5: On-going E&P in the US Gulf of Mexico

SE Issues:

• Hurricanes, inland migration
• Macondo spill – human rights concerns, economic decline
• Increased regulation, transparency

Lessons Learned:

• Community resiliency
• Shared risks, solutions across industry
• Tools: Community needs assessment, human rights impact assessment
CASE STUDY 6: Non-Conventional Gas Field, Piceance Basin, Colorado

SE Issues:

• Both sides of jobs, economics, services
• Complex water issues
• Surface vs. mineral rights

Lessons Learned:

• Understanding risks but not solutions
• Tools: Social Risk/Impact Assessment, Trend Analysis
CONCLUSIONS

Emerging social risks require a new approach to risk management

Next Generation Stakeholder Engagement requires:

• Conveying best practices to local teams
• Valuing local leadership and capabilities
• Managing international – local value balance
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www.spe.org/go/DL50