

## **IAIA 2013**

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### **Industrial benefits planning: a bridge between SIA & CSR**

#### **Introduction**

The Canadian province of Newfoundland and Labrador has experienced a period of economic renewal driven by a thriving offshore petroleum industry, as well as other industrial development such as mining. Natural resource development has fueled recovery from the economic downturn related to fisheries collapses in the 1990s; in the last two decades, the provincial GDP has grown by over 50 percent, with more than half of this growth attributed to economic benefits generated by oil and gas projects. The provincial economic outlook remains optimistic, with iron ore developments in western Labrador and the Muskrat Falls hydroelectric generation project expected to drive future growth.

Industrial benefits planning (IBP) has emerged as an important component in the environmental assessment process for resource development projects in the province, particularly with respect to socio-economic effects typically addressed by social impact assessment (SIA). As with other jurisdictions, developing a benefits plan subject to regulatory approval has become an integral component of the SIA process in Newfoundland and Labrador. Working with provincial and federal regulators, the petroleum industry has developed well-established IBP practices, including commitments to optimize employment of the provincial labour force. Such commitments are now also standard requirements for regulatory approval of mining projects, as has been seen recently with several iron ore developments in Labrador. However, a shortage of skilled labour has proven to be a challenge as proponents respond to IBP commitments regarding provincial employment.

This paper examines IBP strategies that have been implemented to try to overcome skilled labour shortages and to develop the capacity of the provincial labour force. On a broader scale, the paper considers IBP as a key method of improving community relationships, satisfying SIA requirements while forwarding the corporate social responsibility (CSR) goals of the proponent.

#### **SIA and IBP in Newfoundland and Labrador**

Regulatory requirements regarding socio-economic effects assessment have evolved in Newfoundland and Labrador with the emergence of the offshore oil and gas sector as a key economic and social factor. While offshore development has been pursued since the mid-1960s, development of this resource has moved at an accelerated pace and at a much larger scale beginning in 1990 with the development of the Hibernia oilfield. Since first oil flowed from Hibernia in 1997, the Terra Nova and White Rose fields have also been developed, as well as satellite developments such as North Amethyst and Hibernia South. More recently, the Hebron offshore oil project has been granted approval through provincial and federal regulatory processes.

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In Newfoundland and Labrador, management of offshore petroleum resources is carried out by the Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB). Under federal legislation, proponents of offshore development projects must provide the C-NLOPB with a Development Application. This application consists of a Development Plan, a Canada-Newfoundland and Labrador benefits plan, and additional documents such as an Environmental Impact Statement and a Socio-economic Impact Statement.

The increasing emphasis on project benefits planning has evolved partly due to weaknesses of environmental assessment-related tools in dealing with certain socio-economic effects (Storey and Shrimpton 2008). In the Canadian context, assessments conducted under the *Canadian Environmental Assessment Act* have tended to focus on adverse bio-physical effects, typically giving primary consideration to any adverse socio-economic effects that result from bio-physical effects. Conversely, the benefits plan is a tool that is specifically designed to manage positive socio-economic effects. Such plans are developed to enhance and optimize the potential positive socio-economic effects of a project.

Inclusion of IBP within the broader environmental assessment regulatory framework, as seen in the offshore petroleum industry, has now become standard for resource development projects in the province. Regulator guidelines for environmental assessment related to projects in oil and gas, mining, and other industrial sectors routinely include requirements to engage in IBP and to submit a project benefits plan for approval. This reflects a growing concern by governments and stakeholders regarding the delivery of socio-economic benefits as compensation for any economic, social, or environmental costs associated with a project (Shrimpton 2012). At the same time, project proponents have recognized the importance of delivering local benefits as a method of promoting their CSR mandate, while garnering the public support that is required for a social license to operate and subsequent project approval.

### **Challenges in Delivering Local Employment Benefits**

One potential social impact of projects, which may not be immediately apparent, is the failure to deliver on promised local benefits (Vanclay 2012). This can result in mistrust among local residents for the proponent, regulators, and the environmental assessment and regulatory approval processes. There could be negative consequences from a CSR perspective if local residents feel disappointed or frustrated by unrealized local benefits, even if the proponent is not at fault. For example, in a recent study some residents of Newfoundland communities expressed that the local area had not received the expected employment benefits associated with industrial development because in some cases “local” benefits had been delivered on a provincial level (Porter and Vodden, 2012). Thus, the geographical distribution of local benefits determined through IBP did not match the expectations of local residents.

In Newfoundland and Labrador, a prevalent shortage of skilled labour has been a consistent challenge for resource development projects, which also creates an obstacle

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to achieving local employment commitments. Labour shortages due to population decline and aging have been identified as the most significant labour market challenges facing the province in the medium to long term (Government of Newfoundland and Labrador 2012). Traditionally, employment in the province was focused on seasonal employment in fisheries. Coupled with population decline and aging, there has also been a skills mismatch between the current labour force and the requirements of increasing industrial activity since the 1990s (Lysenko and Vodden 2010). The disconnection between labour supply and demand can create challenges for proponents, as their ability to deliver on local employment depends on the capacity of the local labour force. Capacity is thus a main determinant of the extent to which local communities will benefit from the local content requirements of major projects (Esteves *et al.* 2012).

The disparity of a short supply of skilled labour and a fast pace of industrial development has become a substantial public concern in Newfoundland and Labrador (for example, see McCarthy 2011). As a socio-economic issue faced by the entire province, the labour shortage is not an issue that one project proponent has a responsibility, or ability, to solve. However, several recent project benefits plans have included strategies, policies, and actions to address this socio-economic problem. Often involving cross-sector collaboration, such IBP-generated initiatives serve to address labour challenges that affect both the public and industry. By doing so, these measures may also effectively promote a CSR mandate. Cross-sector collaboration has been discussed as a best practice for CSR within the mining industry (McDonald and Young 2012), and Porter and Kramer (2006) note that effective CSR should be responsive to evolving stakeholder concerns.

### **Strategies for Labour Market Development**

IBP strategies to address provincial labour supply shortages have continued to evolve as regulators and proponents try to overcome related challenges. The following discussion will describe two labour market development strategies that have become common elements of IBP approaches in the province.

With the growth of economic benefits from petroleum industry activity discussed above, there has been increasing public interest in ensuring that benefits are delivered to a diverse range of groups in the province. The provincial government has responded with several regulatory measures related the role of diversity initiatives in IBP. Concurrently, proponents have recognized that actively recruiting from historically under-represented groups such as women, persons with disabilities, Aboriginal persons, and members of visible minorities is an effective way to access all available labour.

Among the most advanced diversity employment initiatives in the province are employment plans for women, which consist of employment targets and goals, as well as recruitment strategies and actions to remove barriers and discriminatory practices. The Province has required women's employment plans for large-scale projects since

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2007 (NLDNR 2007) and the implementation of these plans has been instrumental in delivering employment benefits to a more diverse group of workers, accessing a greater supply of labour, and carrying through on corporate diversity statements.

The evolution of women's employment initiatives in Newfoundland and Labrador has been advanced by collaboration between government, industry, and non-profit organizations. Established in 1997, the Women in Resource Development Committee (WRDC) works to increase the participation of women in trades and technology in the province. During the approval process for Husky Energy's White Rose offshore development in 2001, WRDC recommended that the C-NLOPB take the opportunity to address a persistent under-representation of women in oil and gas projects (Turner 2009). One of the WRDC's recommendations was that the C-NLOPB require a benefits plan specifically designed to promote training and employment of women for all major projects. In their decision report, the C-NLOPB did make this request of Husky Energy, resulting in the White Rose Project Diversity Plan. Since then, Husky Energy has been recognized by the WRDC as a leader in the promotion of diversity initiatives in the province (Turner 2009). Diversity reporting is now a mainstay of the regulatory process for offshore projects in the province, as well as for mining and hydro-electric projects.

Another IBP approach to overcome skilled labour shortages is to actively promote the development of industry-required skills by collaborating with governments and training institutions. The Hebron benefits plan, for example, includes skills development commitments to communicate forecasted labour requirements to education and training institutions, and to provide support and contributions to post-secondary institutions. An example of one outcome that has followed from the Hebron benefits plan while forwarding the CSR agenda of project co-venturers is a community investment from the Hebron Project to the College of the North Atlantic (CNA) in 2011 (CNA 2011). The \$2 million investment will result in the development of advanced oil and gas training facilities. While directly forwarding the goals and strategies derived through IBP and addressed by the benefits plan, such initiatives also work towards building community relationships and promoting CSR.

## **Conclusion**

This brief overview of one IBP issue in Newfoundland and Labrador illustrates the kinds of linkages that can be drawn between SIA and CSR. The initiatives described above provide examples where IBP interests have been advanced to manage positive socio-economic effects and deliver local benefits, while also creating positive outcomes from a CSR perspective. As a tool specifically designed to manage positive socio-economic effects, the project benefits plan is a key method of delivering local benefits. IBP initiatives can also support CSR, especially when pursued through strong cross-sector collaboration. While labour shortage issues remain a challenge for industrial development in Newfoundland and Labrador, an increasing emphasis on delivering local benefits has led to advances in addressing the problem through activities such as actively recruiting from diverse groups and promoting skills development through

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partnerships with training institutions. As a benefits culture continues to develop among proponents, government regulators, and the public, IBP responses to labour shortages and other social concerns will continue to evolve.

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