

Oil Industry and SLO in the Ecuadorian Amazon: the case of Block 10

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Abstract

The purpose of this research, still ongoing, is to put forward and test a model to measure the concept of Social Licence to Operate (SLO), analysing benefits, limits and possibilities of adopting this tool in the oil context of the Ecuadorian Amazon. The study area is Block 10, an important biodiverse hotspot inhabited by four indigenous groups and owned by Eni Agip Oil Ecuador, an Italian oil company. The study is investigating typical social licence factors such as expectations and priorities from local communities and oil companies, particularly in relation to community engagement. The research is adopting a mixed method approach, realizing a survey in the communities of the influence area of the block using also Participatory Mapping tools. A GIS analysis is being performed with the scope of outlining the spatial relationships in which the dynamics of the socio-environmental conflicts and the concept of SLO take place.

Introduction

Oil industry best practices are increasingly requiring oil companies to adopt measures to minimise harm and maximise benefits to the affected communities. One of such measures is linked with achieving the Social License to Operate (IPIECA et al., 2017). SLO is usually defined as the level of acceptance an enterprise or a project has from the different stakeholders, especially the local communities (Jijelava and Vanclay, 2017). It is an implicit contract which ensures that the social risk of a company is reduced if its behavior is in accordance to the values of the different parts: the higher the SLO, the lower the risk (Prno and Scott Slocombe, 2012).

Specifically, the concept of SLO may be seen as a partnership focused on an ongoing, informal relationship between local and distal communities of interest, government and industry, based on mutual trust among the parties (Moffat et al., 2016).

Gaining the SLO can be significantly important for those companies whose reputational risk is high, particularly in the extractive industry (Jijelava and Vanclay, 2017). In fact, extensive negative community impacts can determine protest actions (Hanna et al., 2016), damages a company's reputation, project delays and lost profits, reducing the access to future investment opportunities (Vanclay et al., 2015). On the other hand, a well-recognised key vehicle for achieving a social licence is meeting the community's expectations (Thomson and Boutilier, 2011) and promoting community engagement (Dare et al., 2014).

While SLO has been defined as a potential vehicle to influence corporate-community relations, there has been much debate on the value of the concept (Bice, 2014; Prno, 2013) and its usefulness (Harvey and Bice, 2014; Owen and Kemp, 2013). One of the criticism is that the SLO concept is considered as "an industry response to opposition and a mechanism to ensure the viability of the sector" (Owen and Kemp, 2013: 29). Moreover, in the neo-extractivism era of Latin America contexts, the shared interest between national governments and extractive corporations creates an asymmetric power relation between parties determining apparently formal SLO but without real substance on justice and power relations (Ehrnström-Fuentes and Kröger, 2017).

The objectives of this research are 1) develop and test a model to measure the SLO and 2) verify the possibility to adopt the SLO tool in a Latin American oil context. Another added value of this study is the geographical approach by which the results will be analyzed, highlighting the spatial relations of the information emerging from the research.

The study area is Block 10 and its influence area (Fig.1), managed by Eni Agip Oil Ecuador (since now called Agip) and located in the province of Pastaza, in the Southern Amazon of Ecuador. The block is 1984.98 km² wide, affecting 4 indigenous nationalities, Kichwa, Huaorani, Zapara and Shuar, and 28 communities in the area of influence of the operations. Agip is operating in Block 10 since 1988, first as a member of the partnership with Arco Oriente and Denison Mines Limited, then, since 2000, as the only owner of the right to exploit the block (Eni-Agip, 2011).

This block was selected as an appropriate test case because Agip, considering its reports, invested multiple resources to meet the needs of the communities. The Italian oil company is also considered at national level, “one of the best, if not the best” (interview with a director of a local section of the Ministry of Environment), oil company of Ecuador, in terms of socioenvironmental standards, testified by the “lowest level of conflicts inside the block” (interview with a researcher). The oil company is also known to have built in the block the so-called “Invisible Pipeline”, a low-impact pipeline realized by helicopter, without opening any road. This positive feedback and information could suggest that Agip has the SLO to Operate from the communities of its influence area.

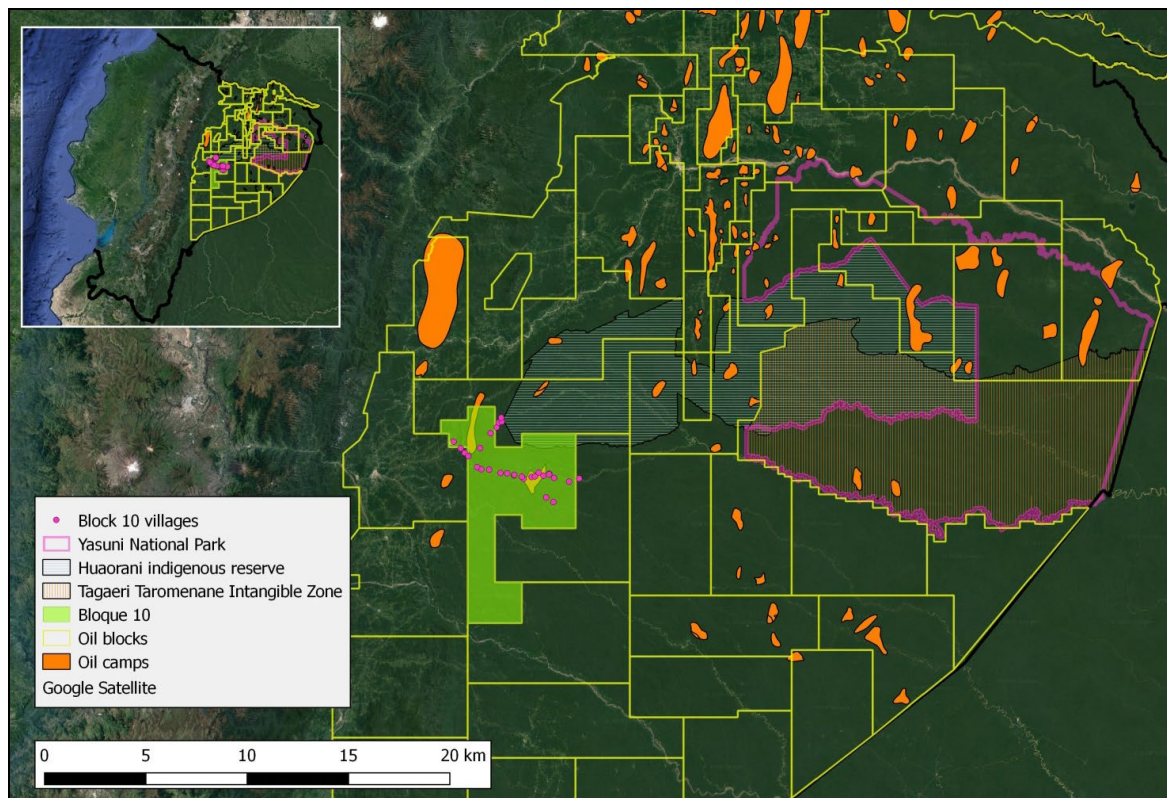


Fig.1 Map of Block 10 and protected areas. Source: A. Diantini, GIS data processing

Methodology

The methodology of the research is based on a quali-quantitative analysis in the framework of a mixed-method approach, performed by conducting surveys and using tools of participatory mapping in order to investigate the perception of the communities affected by the oil operations. The questionnaire includes responses provided on a five-point Likert scale, and also open-ended questions. The questionnaire was based on a modified version (Fig.2) of Moffat and Zhang’s model (2014) to measure and conceptualize the critical elements of an SLO: impacts on social infrastructure, community engagement in terms of contacts (contact quality and contact quantity) with the company and procedural fairness. These elements were found to have a high influence on the communities’ trust in the company and the acceptance of its operations. The impacts on social infrastructure, as presented in Moffat and Zhang’s model, were included into the wider category of social impacts, considering different aspects frequently related to oil

extraction, especially in the oil contexts of the Amazon. In addition to those key variables, we propose that also the environmental impacts related to extractive activities, in this case oil operations, are central to achieve the trust in the company. For example, in a study conducted at a national level in Australia, Zhang et al. (2015) found that acceptance of mining activities was highest when environmental impacts were perceived to be low (Fig.2).

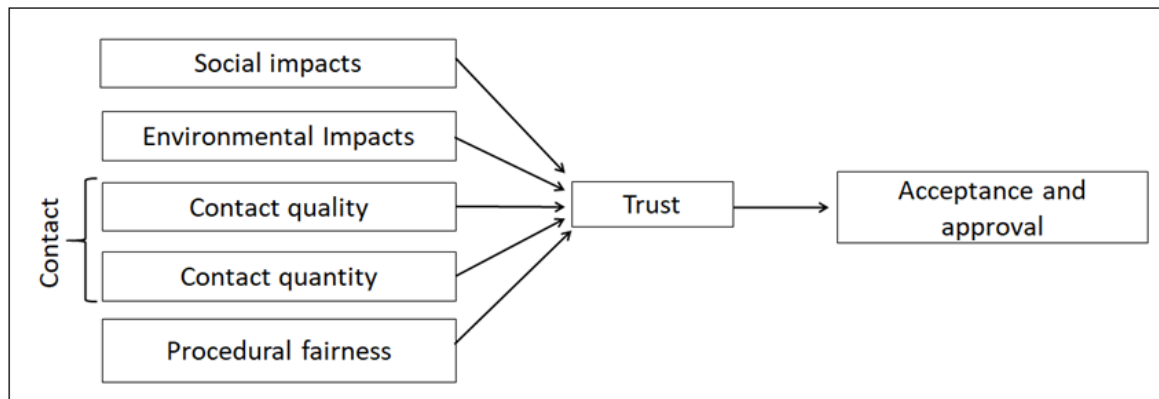


Fig.2 Elements that can contribute to the acceptance (SLO) of oil activities by host communities

The construction of the questionnaire followed different phases:

- literature review of previous research on the conflicts due to the presence of oil activities in the study area;
- collection of documents produced by the oil company in relation to its socio-environmental policies in the study area;
- analysis of national and local regulations;
- preparation of the GIS project as a basis for the map of community perceptions, realized through the technique of participatory mapping during the survey (Fig.3) (Brown et al., 2017);
- consultations with anthropologists and environmental psychologists, local and national researchers;
- semistructured interviews with: indigenous associations, indigenous leaders and community members; local institutions; the oil company's representatives;
- texting the questionnaire with communities outside the block.

It's important to say that despite many attempts of contact by the research group, the oil company decided to start the dialogue only when the research group was almost ready to start surveying.

The sampling process was based on a household survey method, chosen by the authors as the most suitable for the research. The sample size for each village was around 20-25% adult population (over 18 years old). The principle of ethical research have been applied and participants were informed about research's objectives and risks (Vanclay et al., 2013). In addition, before visiting the villages we had public meetings with the communities, to ask for people's doubts and worries about the research and their permission to start the study.

The interviewer group was constituted by the author leader, a professor and 10 students from the *Universidad Estatal Amazonica* of Puyo, speaking Kichwa, the native language of almost all communities. Although the communities are bilingual (Spanish-Kichwa), a Kichwa version of the questionnaire was realized by our students, because the oldest members don't completely understand Spanish.

As the fieldwork has only recently been completed, survey data haven't been processed yet. Next step of the research is performing descriptive statistics and bivariate correlation to define the relationship between the key variables, in order to test the proposed model. Then, the results of community perceptions will be spatially examined through a GIS analysis. Simply put, this meant placing the concept of SLO on the map.



Fig.3 Participatory GIS activity after a public meeting. Photo by D. Barreto (2018)

Results and discussions

Overall, a total number of 380 questionnaires were completed and all villages of the influence area were surveyed. Preliminary results showed that most community respondents think the presence of oil activities is compromising the environmental quality, especially water bodies. Other impacts frequently mentioned during the survey are a wide range of cultural changes connected to the presence of oil activities in their territory. On the other hand, the Health, Education and Infrastructure programmes developed by the company as a contribution to community development, have been perceived positively, but only until the period in which the agreements between company and communities were active. It is important to say that, since the change of the national contracts of the oil companies in 2010, these social projects should have been a peculiar responsibility of the State. Out of the agreements, the oil company is continuing to pay some scholarship to study at the university. Many people referred they fear that if they criticise the company in any way, the oil company will remove social programmes altogether. This situation is causing conflicts inside the communities, with the oil company and the State. The communities require the benefits they were used to have, the oil company replies that it is a duty of the State, and in this “flipper” of responsibility the State seems to be very far from the Amazon, from the communities.

Personally, I can testify that the company has a high control of the information-flow inside the communities. It knew every date of the meetings we held inside the communities days in advance. Its workers were present during the meetings. It had a copy of the questionnaire before we started the survey.

Conclusions

Research preliminary findings are sufficient for a first analysis of the dynamics present in the study oil area. Even though Agip is considered one of the best oil companies in Ecuador, it has caused the same typical social impacts that have been identified in many other oil contexts of Latin America, such as dependence on the company for social services and cultural changes.

Indeed, in developing countries with oil-dependent economies, oil activities have increasingly been promoted as a guarantee of rapid development, economic well-being and progress for communities. In reality, due to the temporary nature of this resource, oil activities don't lead to development, but to the

illusion of development. This is what the study community feel, convinced in the past to rapidly achieve better life condition, but actually forced to hope and wait for company's economic help. In conclusion, company's high control of information, the economic interests of the State whose economy largely depends on extractive resources, the vulnerability of indigenous communities, are elements that seem to limit the genuine achievement of balanced-power relationships between and within the actors, which should be the core elements of a social licence.

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