

Maintaining social licence through a collaborative construction led approach to gas pipelines

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What is Social Licence?

“Social licence is the level of acceptance or approval continually granted to an organisation’s operations or project by local community and other stakeholders. It can vary across time or between stakeholder groups in response to actions by the company and/or its stakeholders.” (Thompson and Boutilier, 2011).

It is a partnership that brings together the diverse needs of different stakeholders to move a project forward in a positive and collaborate way. Social licence is an opportunity to create balance. Balance between commercial responsibilities and our less tangible – but equally important - responsibility to the wider community. It provides an opportunity to create a positive legacy.

The Governance institute of Australia maintains *“High quality stakeholder relationships are central to success in building your company’s social licence’.*

In an industry ripe with opportunity why is social licence important?

Achieving a social license to operate offers a valuable opportunity to:

- identify operational risks early before they become costly problems,
- lowers costs by reducing stakeholder uncertainty,
- increase goodwill, not only on current projects but for future operations,
- build meaningful relationships with clients, Government and community stakeholders,
- become an employer of choice,
- builds your brand in the industry through action and engagement, and finally
- leverage individual project social licence to achieve longer term commercial goals.

Put simply, the more we invest in earning social licence the more we are investing in becoming a provider of choice. It is good for our brand both individually and collectively as an Association.

Conversely, failing to invest in social licence presents the following risks:

- project risks aren’t identified and become costly mid-project delays,
- unaddressed stakeholder concerns turn political,
- goodwill within the industry and the community declines resulting in reduced opportunities, and
- Long term commercial opportunities decline.

From a macro perspective, earning social license means securing the trust of stakeholders to operate. At a micro-level, it enables us to operate *proactively* rather than *reactively*.

This paper aims to focus on the current relevance, value of and examples where the effort to achieving social licence has provided benefits far outweighing the investment.

Background

The Australian Gas industry is experiencing another surge in infrastructure growth on the back of the current gas shortfall prediction, with the ACCC’s July 2022 Interim gas report, released early

August this year, forecasting the east coast of Australia could face a shortfall in 2023. Further, gas has been identified as the key transition fuel to a clear energy future as identified by Australia's top scientists.

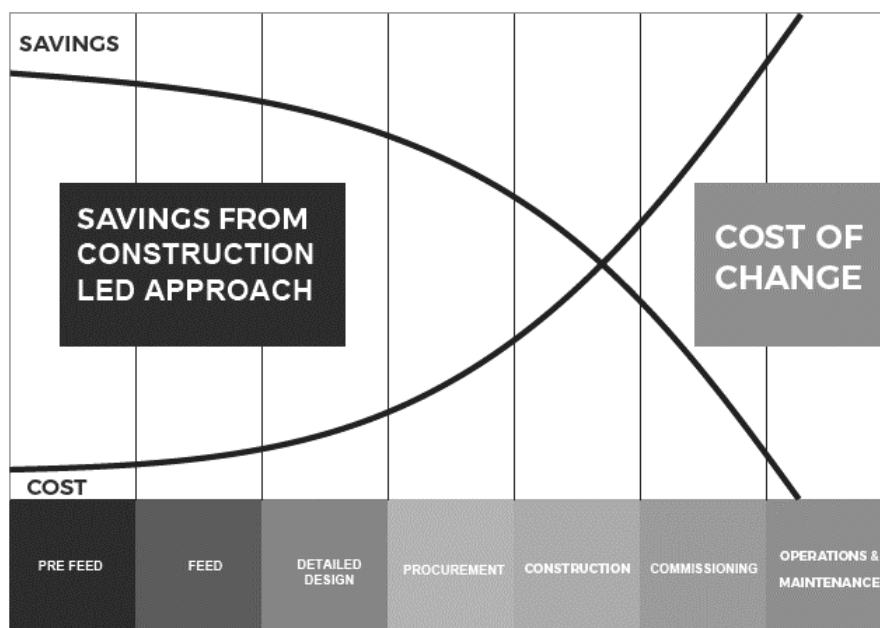
Over recent months, the industry has announced significant new infrastructure to meet this demand. This opportunity has delivered some exciting projects for our industry. Examples include projects to construct new pipeline infrastructure to transport gas from traditional and emerging sources and the development of port terminals and associated pipelines to receive gas transported via LNG carrier vessels.

As such, now is the perfect time for us as an industry to review previous projects, standard business practices and operating procedures strategically to see what went right and what we could have done better.

Value Management

One key area of focus is a value prospect. There is strong evidence to indicate that the most outstanding value is realised in the early phases of project development where the cost of change is low, while the opportunity to reduce risk is high.

The figure below illustrates the benefits of investing early in value management across the phases of project lifecycle



Nacap has had great success with this approach where early collaboration has created win-win outcomes for all.

These early activities focused on collaboration between client, contractor, designer, suppliers, community and stakeholders to not only earn social licence, but to improve and build on maintaining high levels of social licence ongoing for operations and maintenance activities.

How can we earn 'Social Licence'

How an energy company manages and navigates its standing in the community directly impacts its ability to operate and continue to create long-term value for its shareholders.

For social licence to be granted, meaningful trust needs to be developed between the impacted community and the business.

Social licence as one of the key values of an organisation, is granted by demonstrating behaviours to ensure the process provides fair outcomes for all parties.

The approach depends on:

- effective collaboration with project partners,
- openness,
- early engagement,
- careful listening, and
- mutual understanding and respect to support effective solutions.

Benefits of early adoption

- The identification, and mitigation, of risk early in a project life cycle through a construction led approach provides stakeholders and community with a better understanding of the construction activities and associated impacts while also describing how the project will interface with the wider environment. This provides the ability to effectively assess options to minimise impact and avoid major costly delays and reputation damage during the project execution.
- Impacts can be minimised on landowners and stakeholders through route selection and early engagement to understand concerns / issues and impacts on landowner operations. This provides a framework to consider the most appropriate construction techniques to minimise such impacts.
- Construction led involvement can also be beneficial in managing other critical approval pathways (notably Environmental and Cultural Heritage matters) as well as resolving stakeholder approvals tensions between constructability limitations versus approval conditions. This approach ensures there are no, or few, surprises during the construction phase and enables commercial benefits of an efficient construction process to be shared between proponent and contractor.
- With the majority of existing and planned pipeline and other gas assets located predominantly in rural or semi-rural localities, occasionally in proximity to urban communities, project proponents increasingly recognise the importance of maintaining co-operative and respectful relationships with landowners and other stakeholders. Such acceptance, or social licence, is not only critical in maintaining and operating existing assets over their design life but also provides a basis to leverage off established and trusted relationships in the planning, development and approval of new infrastructure required to meet increasing gas market demands.

Challenges of fast-track projects

Managing the landowner and community interface, especially with accelerated project timelines, is a key risk which is time consuming and sensitive. A failure to successfully integrate large-scale project planning, the propagation of potentially siloed teams during FEED, protracted project approvals and inherent time pressures can result in small but critical constructability considerations being omitted or overlooked. This can result in poor outcomes for the environment, landowners and communities through project design and disturbance. This can also expose the project to delays and prolonged occupation during project execution with proponents and constructors experiencing risks to reputation, increased project costs and diminished social licence over the life of operations.

Project disturbance footprint

A key aspect to delivering a successful project measured through cost and social licence is the project disturbance footprint where outcomes and opportunities for optimisation can be enhanced by a constructability informed assessment and understanding of the following:

- Determination of appropriate safety standards during construction and operations
- Needs assessment for construction equipment and vehicle access
- Lands, Environment and Cultural sensitivities and constraints
- Geography, terrain, subsoil contamination, groundwater and geotechnical constraints
- Consideration of construction techniques to best meet regulatory and landowner outcomes
- Pipeline diameter and depth of cover required
- Proximity to existing infrastructure and utilities
- Maximising construction productivity
- Minimising risk to adjacent land uses or users
- Maximising operational capability and asset life

Preserving social licence, reducing project costs and meeting emerging ESG commitments regulated by approvals means that the surface disturbance footprint for pipeline construction is continually being challenged, reduced or avoided through innovation or optimised through alternative construction methodologies.

When coupled with the emerging need to accelerate transmission capability and supply, a construction contractor value add approach is central in providing the required analysis in collaboration with operators and designers to enable the development of new ways of 'thinking seeing and doing' that will lead energy companies on the path to preserving social licence, reputation and delivering project success measured through project cost, compliance with approvals, delivery on ESG (reduced disturbance and carbon) and commitments to shareholders.

Proven methodology | Case study

From a delivery perspective, Nacap strongly advocates for and has been successful in promoting and implementing early contractor involvement on previous projects. From assisting with project planning in the areas of route selection, landowner engagement and managing environmental and cultural heritage constraints through to optimising construction methodologies to reduce disturbance, time, and project cost. This has resulted in delivery of compliant and positive project regulatory outcomes and enhanced social licence.

Project: Longford to Long Island Replacement Oil Pipeline	
Client: Esso	Location: Victoria
<p>Project Summary, Scope and Relevance: The Project involved replacing Esso’s original 187km pipeline constructed in 1969 between Longford and Long Island plants. This complex Project presented a number of challenges including managing a two-season construction program, populated RoW as well as managing large and disengaged landowner and stakeholder groups to mitigate delay risks, environmental impacts and minimise disruptions.</p> <p>Relevance:</p> <ul style="list-style-type: none"> • A construction led solution and industry collaboration between Project Operator and constructor • Nacap worked closely with Esso and CNC Project Management through the ECI phase, pre-approval to align and mitigate risks related to landowners, environmental, cultural heritage and other stakeholder groups. • Nacap provided constructor led management of landowners and stakeholders during construction. <p>Project Outcomes:</p> <ul style="list-style-type: none"> • Viable and optimised alignment • Enhanced Social Licence through renewed engagement and restoration of relationships with over 300 landowners and across the community • Project completed, safely, environmentally compliant, ahead of time and within budget. <p><i>“Early engagement of its contractor partners played a key role in the successful execution of the project. Today’s landscape along the pipeline route significantly differs from that when the original pipeline was installed. Individual needs of the landowners affected by the construction were carefully considered. Significant measures were taken to minimise any impact to the unique flora and fauna of the region. Sensitivities around cultural heritage locations were taken into account while finalising the construction methods.”</i> Abstract from APPEA Journal (Volume 58, Issue2 , 2018) written by Dilip Bapat (Project Manager, Longford Liquid Pipeline, ExxonMobil) and David Standfield (Senior Project Manager, Esso).</p>	 

More details of this project.

<https://www.exxonmobil.com.au/Community-engagement/Local-outreach/Esso-community-news/Another-investment-in-Gippslands-future-completed>

In summary

A collaborative construction led approach when introduced at the earliest opportunity can provide new ways of seeing, thinking and doing that creates a commercial environment favourable to the optimised development of infrastructure in support of economic growth and end-user satisfaction.

Further, when established on a foundation of landowner and stakeholder relationships this approach provides for a level of social licence that can encapsulate whole of life asset development and operation.