

Understanding Stakeholder Trust in Queensland’s Coal Seam Gas (CSG) Industry 2015 Summary of Phase 1 Interview Findings for Participants

In the second half of 2014, you kindly participated in interviews we conducted to better understand the factors which influence stakeholder trust in Queensland’s main Coal Seam Gas companies. We have now analysed the data and include here a summary of the key findings, for your information.

RESEARCH AIMS AND METHOD

The purpose of the interviews was to identify the key factors that influence stakeholders’ trust in the CSG activities of three major companies - Arrow Energy, QGC (QCLNG) and Santos (GLNG). While supported by UQ and the major CSG companies through the UQ Centre for Coal Seam Gas, the research was independently conducted by a small team of UQ researchers.

We conducted 73 interviews across five stakeholder groups representing: 1) landowners, 2) the community, 3) regional leaders (i.e. representatives of regional councils, local committees, industry associations and advocacy groups), 4) CSG employees, and 5) CSG regulatory bodies. Participants were selected by the research team to provide representation across these stakeholder groups and key regions/communities. Interviewees were drawn from 13 locations across the Western Downs, Surat and Bowen Basins, as well as Brisbane, and ranged in age from 23 to over 70 years. The majority of interviewees had lived for ten years or more in a community that now has CSG activity, and over a quarter own land with CSG-related activities on it. The interviews were analysed and coded by two experienced researchers, with the project lead ensuring consistency and quality.

MAIN FINDINGS

1. WHAT ARE THE KEY DRIVERS OF STAKEHOLDER TRUST?

The most common factors influencing stakeholder trust are summarised here. Each factor was identified by the majority of interviewees (>50%) and all stakeholder groups and therefore can be considered a key driver of trust across stakeholder groups.

THEMES	FINDINGS
1. Integrity & Transparency	Trust was enhanced when companies were seen to be honest and transparent with stakeholders (even if this involved sharing unpopular news) and to adhere to valued principles including taking ownership for actions, decisions and mistakes, holding employees and contractors to account, and fulfilling promises. Trust was negatively impacted when companies were perceived to be withholding information, not telling the ‘whole story’ but a ‘sanitised version’, and not following through on commitments.
2. Communication & Interaction	Trust was enhanced when companies provided regular, advanced notice of their activities and timely updates when these plans changed, were available to answer stakeholders’ questions and concerns, and engaged in genuine community consultation. Instances of ineffective communication reflected a perceived lack of timely information sharing or availability of company employees. Some interviewees expressed frustration when community members and landholders would not avail themselves of seminars and educational opportunities provided to answer questions about CSG activities.
3. Competence and Efficiency	Trust was enhanced when the companies were perceived to be highly skilled in both technical and non-technical areas (e.g. community engagement, landholder relations, management), to effectively coordinate their operations and to have strong leadership and exercise good judgement. Some stakeholders expressed concern about industry-wide inefficiencies due to a lack of collaboration between companies (e.g. three separate pipelines, four separate procurement and tender standards), as well as the level of technical expertise underlying some CSG activities (e.g. well completions). Other stakeholders reported improvements in these areas over time, as the industry matured. Slow or inconsistent decision making, and inefficiency in dealing with stakeholder concerns, due to internal company bureaucracy, centralised decision-making and high staff turnover, were also raised.

4. Benevolence	Trust was enhanced when companies showed genuine care and concern for stakeholders, demonstrated that they understood stakeholders' interests and concerns, and responded to stakeholders' unique situations rather than applying a "one size fits all" approach (e.g. recognising differences across communities and landowners' properties). Trust was undermined when a company or its agents did not fully appreciate or understand the impact of its CSG operations on stakeholders', when it did not address the concerns of those most affected by their activities (i.e., landholders), or showed a lack of respect for landholders and communities (e.g. for their values and way of life).
5. Giving Back	Trust was enhanced when the companies were perceived to have made sound investments in the local communities where they operate, particularly in the form of sustainable infrastructure (e.g. road-upgrades, community buildings, swimming pools, medical services), volunteering and funding/sponsorship that contributed to valued community activities and services (e.g. education programs, childcare service, fetes). Trust was lowered when company investments in the community were perceived as superficial, as PR stunts (e.g. focused on branded funding/sponsorship), or to be 'buying' the community. Some felt investments were unfairly distributed, however others expressed that whichever investments were made, some in the community would always feel unfairly done by.
6. Environmental Impacts	Environmental issues were discussed in both a trust enhancing and trust undermining manner. On the negative side, several stakeholders expressed concern or uncertainty about the impact of CSG activities on underground water tables (particularly hydraulic fracturing i.e. 'fracking') and high quality agricultural land (e.g. spread of weeds, dust). A related concern was the perceived inadequacy of scientific information on the environmental effects of CSG (e.g. baseline data for benchmarking, data specifically on Australia) or difficulty finding quality scientific information. On the positive side, some stakeholders expressed that the feared environmental impacts of CSG development appeared minimal and/or were being appropriately managed by the companies and regulatory bodies to date. Some stakeholders held the view that the CSG industry had a much lower environmental footprint than other industries (particularly coal). The provision of transparent, expert-informed education sessions on the environmental impacts of CSG, and how they were mitigating risks, enhanced trust.
7. Impact on Community	Almost all communities reported benefits from CSG-related activities that enhanced trust, particularly increased prosperity and opportunity due to greater local employment, demand for local businesses, and income diversification. The growth of communities when company employees settled with their families, and company sponsored infrastructure/services were also noted positively. Negative impacts included increased demands on local services and infrastructure (e.g. traffic volume, internet access, healthcare) and changes to the social fabric and lifestyle of communities (e.g. composition, cohesiveness, safety concerns etc.). There was considerable concern about potential legacy issues for communities when CSG activities ceased or pulled back.
8. Co-Existence	This theme referred to the companies and stakeholders working together to achieve mutual benefits and common goals (e.g. sustainable infrastructure, recycling water, cooperative bore monitoring), as well as working to understand and balance the needs and interests of the agricultural and CSG industries. Trust was higher for companies that sought to understand landowners' businesses and respected that their properties were also often homes, and worked to minimise negative impacts on landholders' activities and lifestyle (e.g. in planning the placement of infrastructure). In contrast, trust was undermined when company employees or contractors did not abide by access agreements (e.g. not leaving gates as they were found, not disposing of rubbish properly, coming onto land unannounced) and when insufficient information or inappropriate timelines inhibited landholders and the community's ability to plan and run their affairs effectively.
9. Governance & Regulation	Trust in the CSG industry was undermined when CSG regulation and legislation was perceived to be ineffective (e.g. overly bureaucratic, not fit for purpose) or weak (e.g. due to lack of capability or staff, and local council amalgamations). Some felt the government were too aligned with the industry in their quest for royalties and gave unfair advantage and representation to the CSG companies over affected landholders and communities. At the same time, several stakeholders reported that governance and regulation was 'catching up' and had improved over time as a continually evolving framework. Some stakeholders also felt that regulators were doing their best to look after landholder and community interests and that there were several 'good news stories' in the regulatory space that could be shared more broadly (e.g. local community water monitoring networks).

2. WHAT ARE STAKEHOLDERS' RECOMMENDATIONS FOR ENHANCING TRUST IN THE CSG COMPANIES?

The main recommendations made by each group of stakeholder interviewees are synthesised below. For clarity, these are not the recommendations of the UQ researchers, which will be made at the conclusion of the project.

- **Landholders** urged the companies to more transparently communicate the plans for their properties so they could work together to minimize impacts and better manage their businesses. They recommended the companies work harder to ensure access agreements are upheld by employees and contractors, and environmental risks are effectively managed. Landholders want to negotiate terms of access and compensation from a balanced position with clear guidelines on fair compensation, quality information about the risks and benefits of CSG development on their land, and appropriate compensation for negotiation time and expenses. Landowners called for more support from the government (e.g. appoint an independent ombudsmen to provide unbiased advice; provide greater support during negotiations) and more effective regulation and legislation to protect their interests.
- **Community Members** strongly recommended the CSG companies proactively and transparently share information and communicate their plans to enable the community and its leaders to understand and plan for how project lifecycle transitions will impact. This included suggestions that the companies work more closely with local leaders (e.g. Mayors), use local radio (e.g. the ABC) to enhance communication, and run tours of well sites to increase transparency. Other recommendations included: continuing to invest in the community in ways that leave a legacy and employ locals; having a local presence; sticking to agreements; managing environmental risks; improving management of contractors; and ensuring learning is shared across and within companies.
- **Regional Leaders** key recommendation was for the companies to be even more frank and open in their communication with communities and landholders (e.g. about positive and negative impacts) and to work even more proactively with mayors, councilors, community leaders and landholders to communicate their timelines, plans and signal when changes would occur (e.g. project lifecycle issues, significant changes in staffing and investment). Continued community investment and support of local businesses were also important.
- **Regulators** recommend the companies release more information into the public domain, particularly in regard to their compliance with regulation (which was perceived to be good) and their management of environmental and other risks. They also saw scope for the companies to share more of the 'good news stories', such as the cooperative bore monitoring network and recycling of treated water. They recommended companies develop and communicate future exit plans so that stakeholders can engage in long-range planning to minimize social impacts. Further recommendations included working more closely with landholders when planning CSG activities on their land, sticking to agreements, and continuing to invest in local communities.
- **Employees & Contractors** recommended the companies maintain and enhance open, honest, accessible and transparent communication and information sharing with communities and landholders, particularly in relation to company plans, and educate communities to overcome doubts (e.g. run field trips to well sites). Employing locals and avoiding turnover of Landholder Relations Advisors were ways to enhance and build long-term relationships. Consistently following through on commitments and access agreements, and ensuring employees - and importantly contractors - were educated and held to account in complying with these agreements and treating stakeholders respectfully, was also recommended. There were also calls for greater collaboration across the companies – and 'whole of company' approaches - to dealing with key stakeholder concerns and investing in communities in a way that leaves a sustainable, beneficial legacy.

COMMUNICATION OF RESULTS AND NEXT STEPS

Preliminary findings and stakeholders' recommendations based on a subset of these interviews were presented to Arrow Energy, QGC (QCLNG-BG Group) and Santos (GLNG), and the UQ Centre for Coal Seam Gas in Q4 2014, with more detailed follow up presentations planned in March/April 2015.

The interviews have also informed the design of the second phase of this research – **an industry-wide online survey**. This survey is important to rigorously and statistically assess the factors that influence stakeholder trust in the CSG industry using a larger representative sample, and understand the priority areas for different stakeholder groups. All four major CSG companies (including Origin Energy - APLNG), as well as key CSG regulatory bodies, are supporting the survey. **The full details of this short, 15 minute survey will be provided by email. We would be most appreciative of your time in completing this survey.**

The key results based on both the interview and survey findings will be published as a publicly available industry report in mid-2015, as well as through presentations to the key government regulatory bodies, key industry and community bodies (e.g. AgForce, BSA, Gas Fields Commission), the four CSG companies and the UQ Centre for Coal Seam Gas. The research team is also currently in the process of writing academic papers for publication from the data for peer-reviewed journals. No individuals or small groups will be identifiable in the reporting of results.

Thank you again for participating in this study. This research could not have been conducted without the candid sharing of observations, experiences and opinions by interviewees. If you have any questions about the research, results or survey, please contact the principal investigator, Dr. Nicole Gillespie (n.gillespie@business.uq.edu.au; Ph: 0435 002 715) or Dr. Carol Bond (Email: c.bond@business.uq.edu.au).

Dr. Nicole Gillespie
Senior Lecturer in Management
UQ Business School
University of Queensland

Dr. Carol Bond
Postdoctoral Research Fellow
UQ Business School
University of Queensland

Note: The information, opinions and views expressed in this summary of results do not necessarily represent those of the University of Queensland, the UQ Centre for Coal Seam Gas or its constituent members or associated companies. Rather the research results have been compiled from the interviews by the Principal Researcher and her research team.