



# ARPEL Sustainability Committees' Workshop

*Conclusions*

*Montevideo, September 12, 2012*





## **Conclusions**

### **ARPEL Sustainability Committees' Workshop**

**September 12, 2012**

**Montevideo - URUGUAY**

**Host Company**





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**ARPEL, October/2012**

**Edited by Miguel Moyano, ARPEL Sustainability Director- [mmoyano@arpel.org.uy](mailto:mmoyano@arpel.org.uy)**

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## Executive Summary

In response to the decisions of the ARPEL Board of Directors, delegates of the Steering Committees of the following committees got together on September 12, 2012: Environment, Health and Safety (CASYSIA); Social Responsibility (SRC) and Climate Change and Energy Efficiency (CCEEC). Objectives included:

- to analyze the results of the sustainability survey carried out by ARPEL between the industry and its stakeholders, as well as its impact on ARPEL's work in its sustainability strategic focus area,
- to recommend governance objectives and mechanisms for a strategic sustainability advisory group, and its relation with ARPEL committees in general and with sustainability ones in particular

The main conclusions of the Workshop are the following:

- The industry Capacity to deal with sustainability issues is systematically inferior to the Importance given which may show a lower priority of these issues against the economic or operative ones.
- The most important issues for the industry are oil spills and transparency. In a strategic context, these issues are cross-cutting to others included in the survey.
- Although the survey seems to show that the climate change issue has temporarily lost the importance it really has for the industry, the opinion of all the participants of the Workshop was unanimous: the issue was strategic for the industry and it should remain in ARPEL's agenda.
- The highest future priority is the implementation of sustainability issues in the long-term strategies of companies, i.e., how to efficiently incorporate sustainability practices and systems into the existing management systems of companies moving from theory to practice? This should be the main issue to which the ARPEL Sustainability Advisory Group should be addressing so as to work on it in an integrated way.
- In order to support the improvement of the relation with stakeholders, mainly governments and communities, ARPEL should promote activities and develop best practices in partnership with them.
- Even though it was argued that the representation of stakeholders that answered the survey did not include many civil society organizations, particularly critical of the sector, their answers provoked the following comments:
  - Stakeholders have high expectations from the industry and they do not distinguish between "priority" and "top priority" issues. To find out the real priorities, the average analysis was complemented with other methodologies.
  - The present priorities of stakeholders are focused on spills, governance, ethics, and poverty and inequality aspects. For the future, human rights, innovation to reduce the socio-environmental footprint and exemplary labor practices issues are added to the priorities.
  - Within the most important sustainability issues, there are 5 issues of common interest to the industry and stakeholders: (a) governance, (b) oil spills (c) ethics, bribery and corruption, (d) community relations and (e) conflict resolution, which allow the industry to be able to identify synergies with its main stakeholders to support the sustainable development of the Region.
  - A big divergence in very important issues may represent a risk for sustainability management in companies and the industry for stakeholders.
- Recommendations to the ARPEL Board of Directors are made to make up a Sustainability Advisory Group (SAG), providing functioning guidelines. The SAG will play a very important role in the proposal and evaluation of strategic sustainability projects as the one that is being prepared by ARPEL to be presented to CIDA.
- Many international initiatives were identified with which top priority cross-cutting strategic issues can be developed.
- The results of the discussions of this workshop will be used in the elaboration of an ARPEL Sustainability Strategic Plan, under the umbrella of – and aligned with- the ARPEL Strategic Plan, which will be presented to the ARPEL Board of Directors for its consideration.



## 1. Background

In response to the decisions of the Board of Directors (December/2011 and March/2012), ARPEL must look after the sustainability strategic focus area that includes the issues that the following committees work on individually: Environment, Health and Safety (CASYSIA); Social Responsibility (SRC) and Climate Change and Energy Efficiency (CCEEC).

The decisions also considered the creation of a Sustainability Steering Committee, composed of the Chairmen of the three sustainability committees, which focus, responsibilities and governance aspects should be established.

After the conceptualization of the scope of the areas to be covered by the three sustainability committees (and their Project Teams) and by the Sustainability Steering Committee, ARPEL carried out two surveys on sustainability strategic issues; one for the industry and the other one for its stakeholders (July/2012), with the objective of identifying the strategic priorities and the gaps to reach higher management levels.

ARPEL called to the annual meeting of the three sustainability committees in September/2012 in Montevideo, carrying out a Workshop with the members of their Steering Committees to establish future steps.

## 2. Workshop Objectives

Members of the Steering Committees of the three sustainability committees: Environment, Health and Safety (CASYSIA); Social Responsibility (SRC) and Climate Change and Energy Efficiency (CC&EEC), got together with the ARPEL Technical Directors in charge of their coordination to:

- analyze the results of the survey and its impact on ARPEL's work in its sustainability strategic focus area,
- to recommend governance objectives and mechanisms for the Sustainability Steering Committee, and its relation with ARPEL committees in general and with sustainability ones in particular

## 3. Methodology

The ARPEL Executive Secretariat carried out a global presentation of the executive report of the survey delivered to all the participants in advance. After having this global vision of results, participants analyzed results section by section, catalyzed by the preliminary conclusions described in that report. Therefore, **recommendations of this report should be analyzed together with the results described in the survey report.**



## 4. Survey analysis

### 4.1. Representativeness

It was agreed that the number and diversity of the participating companies could ensure a representative analysis of the opinion of the industry, being necessary a potential segmentation in some questions for a better identification of the reasons for the answers.

However, participants expressed their concern about the representativeness of the stakeholders that answered it as it was understood that there were not enough civil organizations with specifically environmental or social objectives. This –it was said- could have an influence on the average and could require segmentation in some questions.

In any case, it was agreed that there had been a significant number of answers from organizations with which ARPEL usually interacts at regional and at international level.

### 4.2. Importance and capacity in the industry

- The fact that the Capacity to manage certain issues is systematically inferior to the Importance given, besides the demonstration of certain “caution” in the answers, could indicate -given that the answers were from the sustainability committees' delegates- that the managements of those areas think that the importance given to them is not comparable with the one from other areas “closer to the operations”.
- A detailed analysis should be focused on those issues in which there is more dispersion that may require segmentation.
- It was suggested that gas flaring and energy production/demand efficiency were grouped under the umbrella of climate change, as they seemed to be more specific but related to the same vast issue.
- Then, the discussion was focused on identifying cross-cutting strategic aspects in the two most important issues for the industry: spills and transparency.

#### 4.2.1. Oil spills strategic issues

- Impact on human rights as local poverty, biodiversity and reputation are affected
- Work:
  - in prevention through process safety and operational control in connection with operational areas,
  - with suppliers given their responsibility in the industry performance,
  - in the source of the problem of spills from onshore pipelines (biggest problem identified in the ARPEL environmental benchmarking) and its possible connection with the role of governments in the invasion of rights of way
- Combine social, environmental and relation with stakeholders' aspects.



## 4.2.2. Strategic issues on transparency and accountability

- Merging transparency and ethics issues
- Importance of alignment between corporate transparency and at the level of operational centers
- Consider that GRI is working with governments so that in the future it is: "Report or explain"
- Work in:
  - sharing best practices in the communication with communities (GRI oil & gas)
  - the promotion, through ARPEL, of:
  - EITI (Extractive Industries Transparency Initiative) by working with governments further encouraging transparency among member companies. This may help to make the information provided by companies more credible.
  - the members' statement of sustainability policies (for those that still do not have one)
  - understand better what stakeholders understand by transparency, segmenting them according to their characteristics
  - the connection between transparency and oil spills
  - public participation (participatory monitoring)

## 4.2.3. Other issues to be pointed out

- Climate change
  - The survey seems to show that the issue has temporarily lost the importance that it really has for the industry. However, the opinion that the issue was strategic for the industry and that it should remain in ARPEL's agenda was shared by all the Workshop participants, who made some observations which are pointed out:
    - Deal with the cross-cutting and strategic nature of the issue through an integral focus for a greater impact on ARPEL's work
    - Consider it in the strategic context of renewable energies and how the industry helps to create future
    - Consider the Adaptation issue
    - Surveys carried out by some companies among their stakeholders put the issue as priority #1, however, if the industry is not willing to consider climate change as a real threat, how can we explain that things are being done well to stakeholders?
    - Which could be ARPEL's role in raising our industry's awareness about its relevance?
- Environmental issues (local impact)
  - the interest of communities is connected with environmental education which should be considered in an ARPEL strategy
  - opportunity to integrate social and environmental actions
  - industry should work in prevention. However, it makes sense that communities demand that companies announce the risks of their operations, whether there are accidents or not. This is connected with industry accountability.
  - what could ARPEL's role be in communicating the implementation of the industry best practices?



### 4.3. Implementation of the industry best practices

- Except for ISO 14001 and OHSAS 18001, all others present the possibility of exchanging experiences and best practices through ARPEL among companies that are currently more advanced and companies that want to reach higher levels of implementation
- The results associated with ISO 26000 and Global Compact should be deeply analysed and they should be incorporated
- The highest future priority is the implementation of sustainability issues in the long-term strategies. How to efficiently incorporate sustainability practices and systems into the existing management systems of companies moving from theory to practice? This should be the main issue to be addressed by the ARPEL Sustainability Steering Committee, so as to work on it in an integrated way. Due consideration should be given to the strategic aspects of sustainability related issues incorporating them into planning.
- Consider the possibility of presentations of business leaders at the ARPEL Annual Representatives Assembly, in which the above mentioned aspects are pointed out and highlighting that corporate areas are not the ones that make things happen.

### 4.4. Challenges and opportunities for the industry

- The integration of social and environmental issues to deal with complex issues and improve the community relations should be considered as an opportunity to be dealt with in the ARPEL sustainability strategic focus area.
- Industry work should go beyond obtaining the license to operate as conflicts are dynamic. Framing this work under the umbrella of human rights is a good strategy.
- The challenge of strengthening leadership and corporate culture is related to -among other issues- governance, the inclusion of sustainability aspects as part of the strategic business planning and the short-term and long-term conflict of interests. ARPEL should focus on this challenge as part of its strategic plan, working on the sustainability business case (talking about "risk"), globally responsible leadership and the implementation of ARPEL's Corporate Social Responsibility Management System.
- To support the improvement of the relation with stakeholders, mainly governments and communities, ARPEL should promote activities and develop best practices in partnership as well as implement ARPEL's Relations with Communities Management System.

### 4.5. Present important issues for stakeholders

In spite of the remarks made with regard to the representativeness of stakeholders (section 4.1) it is observed – from the answers- that they have high expectations from the industry. The importance given by stakeholders to the different sustainability issues does not seem to have many variations; they all seem to be important. Therefore, different ways to identify priorities were analyzed in the workshop. For this:

- the number of times that the issue appeared between the top 5 issues was taken into account, and
- a grade ("count") was given to the priority assigned among the top five (5 points for each time it was in the first place, 4 for each time it was in the second place and so until 1 point is given for the fifth place)





When that reorganization is carried out, issues are regrouped as shown in the following table.

**Present stakeholders' priorities**

Issue	Priority per average	Issue	Priority as per "top 5"	Issue	Priority as per "count"
Governance	1 <sup>st</sup>	Local poverty and inequality	1 <sup>st</sup>	Local poverty and inequality	1 <sup>st</sup>
Oil spills	2 <sup>nd</sup>	Governance	2 <sup>nd</sup>	Ethics	2 <sup>nd</sup>
Ethics	3 <sup>rd</sup>	Oil spills	3 <sup>rd</sup>	Oil spills	3 <sup>rd</sup>
Local poverty and inequality	8 <sup>th</sup>	Ethics	3 <sup>rd</sup>	Relations with indigenous peoples	3 <sup>rd</sup>
Relations with indigenous peoples	10 <sup>th</sup>	Relations with indigenous peoples	4 <sup>th</sup>	Violence, crime and safety	4 <sup>th</sup>
Water	12 <sup>th</sup>	Water	4 <sup>th</sup>	Water	5 <sup>th</sup>
Energy efficiency of the industry	21 <sup>st</sup>	Energy efficiency of the industry	4 <sup>th</sup>	Governance	6 <sup>th</sup>
Violence, crime and safety	23 <sup>rd</sup>	Violence, crime and safety	4 <sup>th</sup>	Energy efficiency of the industry	6 <sup>th</sup>

Based on this reorganization, comments were the following:

- Governance, oil spills and ethics/corruption issues are in the first places (1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> considering average, 2<sup>nd</sup> and 3<sup>rd</sup> considering the number of times they are within the top five and 6<sup>th</sup>, 3<sup>rd</sup> and 2<sup>nd</sup> using "count" formulas).
- It is pointed out the fact that local poverty moves from the 8<sup>th</sup> place (in average) to 1<sup>st</sup> place when the number of times it was referred to within the top 5 issues. The following specific comments were made on this issue:
  - It is not considered to be an issue generated by the industry, although companies should consider it in their investment programs.
  - The issue could be linked with transparency and accountability issues linked with oil income issues, but separated from social investment issues
  - ARPEL CSR-MS manuals include this issue and they should be considered by the CSR as a starting point to progress in the issue

**4.6. What is the stakeholders' perception of industry performance?**

- There is the perception that industry has been "shy" when reporting what it does and that people only do it when there are great incidents. This communication problem is related to the participation and involvement of the industry with its stakeholders.
- On the other hand, some think that in fact the industry has best practices in sustainability but not all of them are totally integrated into the strategy or into the operations.
- It was understood that the water management issue, besides being cross-cutting to almost all the ARPEL committees, should be considered within the context of unconventional hydrocarbons exploration growth.
- It was pointed out that ARPEL should consider the biodiversity evolution issue within the context of ecosystem services and environmental compensations.



## 4.7. Future important issues for stakeholders

Given the low differentiation of the importance of issues, in order to be able to analyze results, the same type of reorganization as the one pointed out in section 4.5 was carried out, which is shown in the following figure

**Priorities of stakeholders for the next 5 years**

Issue	Priority per average	Issue	Priority per "top 5"	Issue	Priority per "count"
Ethics	2 <sup>nd</sup>	Governance	1 <sup>st</sup>	Ethics	1 <sup>st</sup>
Governance	3 <sup>rd</sup>	Ethics	2 <sup>nd</sup>	Governance	2 <sup>nd</sup>
Human rights	4 <sup>th</sup>	Human rights	2 <sup>nd</sup>	Human rights	2 <sup>nd</sup>
Research and innovation – Technology and best practices to reduce socio-environmental impact	6 <sup>th</sup>	Research and innovation – Technology and best practices to reduce socio-environmental impact	3 <sup>rd</sup>	Exemplary labor practices	3 <sup>rd</sup>
Exemplary labor practices	7 <sup>th</sup>	Exemplary labor practices	3 <sup>rd</sup>	Community involvement improvement	4 <sup>th</sup>
Fair operating practices in the value chain	9 <sup>th</sup>	Fair operating practices in the value chain	4 <sup>th</sup>	Research and innovation – Technology and best practices to reduce socio-environmental impact	5 <sup>th</sup>
Community involvement improvement	10 <sup>th</sup>	Community involvement improvement	4 <sup>th</sup>	Fair operating practices in the value chain	5 <sup>th</sup>

On this basis, the discussion was focused on the following:

- The importance given to human rights by stakeholders - as well as by the industry- is a strong indicative of the fact that ARPEL should focus its work on this issue and on the implementation of John Ruggie's United Nations framework: "Protect, respect and remedy"
- The operative framework for the Global Compact principles (to which ARPEL adhered) is the same as the one established in the UN declaration of human rights framework. The work on this issue is compatible with the proposal of the ARPEL Board of Directors of December/2011.
- Take into account other UN documents on human rights issues: women, ethnic groups, sexual exploitation, etc.

## 4.8. Convergences and divergences

The industry sustainability management involves work and communication with stakeholders and that's the reason of the importance of knowing the priorities of both of them. However, even when stakeholders' priorities represent an indication and not an obligation for the industry, participants considered the following:



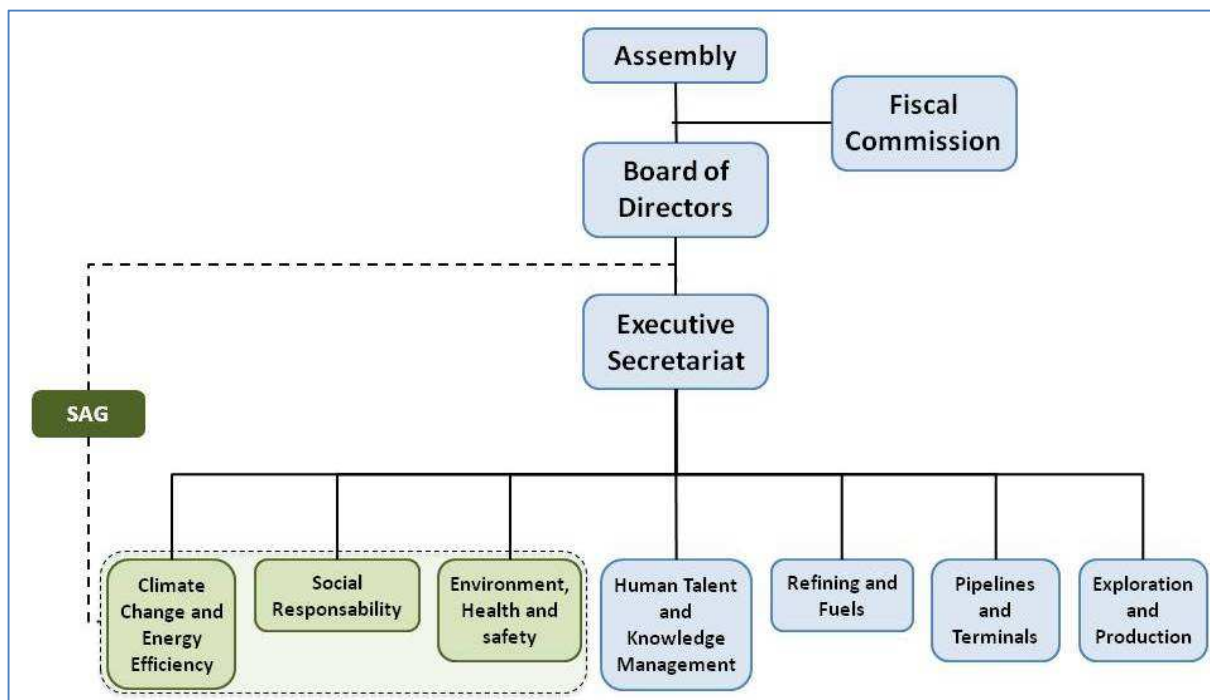
- Divergences found could be due to a low differentiation of the importance given by stakeholders to these issues (that is, all issues are considered very important).
- However, it was considered that a big divergence in very important issues for stakeholders may represent a risk for the sustainability management in companies and the industry.
- A great convergence in issues together with a high Importance given by industry and stakeholders were an opportunity for working together (for example, governance; oil spills; ethics, bribery and corruption; human rights)

## 5. ARPEL Governance Issues

- Given that the discussion that took place and that is described below, it was understood that the best name for this group should be **“Sustainability Advisory Group”**.
- The proposal of **integration of the Sustainability Advisory Group – SAG** (made by the Board of Directors) was considered acceptable: the **Chairs of the 3 sustainability committees of ARPEL**, on the understanding that the SAG would not be a Committee but it would play a coordination role considering the following aspects:
  - Strategic role; NOT operative – e.g., it does not carry out projects by itself
  - Planning role; NOT execution – e.g., develop guidelines for the ARPEL/CIDA project
  - Advising role; NOT prescription – e.g., provide guidelines to committees without affecting their normal operation
  - Consolidation role – e.g., individually, the 3 committees identify cross-cutting issues that they can/should not develop independently and are presented to be considered by the SAG. To the extent that guidelines proposed to develop cross-cutting issues/projects are approved by the SAG, it will present it to the Board of Directors who would be responsible for approving the recommendation and - eventually- the allocation of the resources required for them to be developed
  - Provide help with the periodical survey on emerging and strategic/cross-cutting issues to be considered as input for the ARPEL Strategic Plan
  - Provide support in the organization of ARPEL biannual Conferences
  - An important job that the SAG should have is to identify innovative mechanisms in the area of communication of sustainability issues within ARPEL, in particular sustainability leadership and culture issues.
- It is pointed out the fact that, even though cross-cutting issues are identified at strategic level, sustainability committees should coordinate their work with operational committees so that they receive the impact of their work. For this, participants recommended that each committee – individually- carried out a monitoring of emerging issues to be considered at strategic level. In this respect, it was suggested that –prior to each meeting of each of the 3 committees- their Chairpersons held a teleconference to discuss possibilities of common/cross-cutting issues.



SAG governance in the ARPEL structure would be the one shown below.



## 6. Status of the ARPEL/CIDA Project

- The general scope of the proposal seemed reasonable and it was understood that the incorporation of the mining sector, grouping it with our sector under the big umbrella of “extractive sectors” should not be included in the Concept Paper due to the different maturity and performance level that both sectors have.
- It was understood that the SAG would play an important role in the evaluation of the Concept Paper that will be prepared by ARPEL to be presented to CIDA, aligning it with the issues identified in the survey as well as those developed in the Workshop.

## 7. What next?

The industry work on sustainability issues should consider the cooperation with stakeholders on issues of common interest. The survey carried out by ARPEL was a good approach to understanding priority issues of stakeholders, but it is important to further explore the priorities according to the different stakeholders’ categories.

The results of the discussions of this workshop will be used in the elaboration of an ARPEL Sustainability Strategic Plan, under the umbrella of – and aligned with- the ARPEL Strategic Plan, which will be presented to the ARPEL Board of Directors for its consideration.

Even when cross-cutting aspects will be submitted to a close scrutiny by the SAG to be considered in ARPEL at a strategic level, the management aspects connected with the issues of the survey should be analyzed by each committee individually.



## Annex 1 – Workshop Agenda

September 13, 2012 - Montevideo, URUGUAY

Issue	Objective
<b>Background of the issue</b>	Focus issues and understand/agree the objectives of the Workshop
<b>Sustainability survey</b>	Analyze main results: industry/stakeholders priorities, segmentation of issues according to their strategic nature, next steps
<b>ARPEL Sustainability Steering Committee</b>	Recommend name, governance objectives and mechanisms for the Sustainability Steering Committee, and its relation with ARPEL committees in general and with sustainability ones in particular
<b>ARPEL-CIDA</b>	Present status of possible cooperation ARPEL-CIDA. Identify possible areas to be focused transversely.



## Annex 2 – Workshop Participants

<b>Name</b>	<b>Company</b>	<b>Steering Committee</b>
<b>Mariela Fresia</b>	ANCAP	CASYSIA
<b>Miguel Nodar</b>	ANCAP	CASYSIA (Alternate)
<b>Freddy Sponton</b>	ANCAP	CASYSIA (Alternate)
<b>Pablo Bernengo</b>	ANCAP	SRC
<b>Edison Raffaele</b>	ANCAP	SRC
<b>Soledad Rodríguez</b>	ANCAP	SRC (Alternate)
<b>Andrés Pavía</b>	ECOPETROL	CASYSIA
<b>Marcela Fajardo</b>	ECOPETROL	SRC
<b>Maria Del Carmen Tonelli</b>	ECOPETROL	SRC (Alternate)
<b>Andrés González Rey</b>	ECOPETROL	SRC (Alternate)
<b>Guillermina Viuchy</b>	HOCOL	CASYSIA
<b>Luis Fernando Betancourt</b>	PEMEX	CASYSIA [and CCEEC (Alternate)]
<b>Vicente Schmall</b>	PETROBRAS	CCEEC
<b>Alyne De Castro</b>	PETROBRAS	SRC - 2012-2014
<b>Janice Helena de Oliveira</b>	PETROBRAS	SRC - 2012-2014
<b>Shyam Dyal</b>	PETROTRIN	CASYSIA
<b>Sandra Martinez</b>	PLUSPETROL	SRC
<b>Carlos Videla</b>	Repsol	CASYSIA
<b>Eduardo García</b>	Repsol	SRC
<b>Gloria Vidal</b>	Repsol	SRC (Alternate)
<b>Miguel Moyano</b>	ARPEL	
<b>Irene Alfaro</b>	ARPEL	



Javier de Viana 1018 - 11200 Montevideo, Uruguay  
Tel.: +598 - 2410 6993 - Fax: +598 - 2410 9207  
E-mail: [info@arpel.org.uy](mailto:info@arpel.org.uy)  
Web site: <http://www.arpel.org>