

19 June 2017

SYSTEMS THINKING, CORPORATE SOCIAL RESPONSIBILITY (CSR) AND CREATING SHARED VALUE (CSV) FOR THE ENERGY INDUSTRY IN THE TWENTY FIRST CENTURY: PART IV

CSR, CSV and their Influence on Corporate Decision Making

In my fourth article I consider ways in which CSR/CSV dynamics can affect corporate decision making in the energy sector, looking in particular at the example of Eni and how it has approached the matter of climate change.

Papua New Guinea is experiencing one of the largest capital investments in its history through the Papua New Guinea Liquified Natural Gas Project. The country must put in place the necessary governance and accountability mechanisms to ensure that the benefits of this investment are captured and fairly distributed among the nation's stakeholders. At the same time, business needs a working regulatory framework in place.

In addition to making substantial direct investments in local human capital, workforce skills and enterprise development, it is important for the projects success to work with government to strengthen the enabling business environment, improve infrastructure and build capacity on revenue transparency, revenue management and broader development planning and implementation. *This is an example of the kind of project that extractives companies are currently involved in across the world. Their project timelines extend over decades, and rely on the communities and countries in which they operate for success.*

The sector often operates in isolated, remote areas that lack effective local and national governments and offer few public services. The societal and business imperatives to create shared value are undeniable.

The issue of climate change is of increasing importance for extractives companies, when considering ways in which they can create shared value with society. Otherwise they face the very real possibility of losing their Social License to Operate, as well as revenue as climate change starts to impact on the world. Eni is an example of an energy company which has faced up to the reality of climate change, and the conclusions of the Paris Conference, in order to preserve its viability as a business.

Eni has responded to the climate change challenge with the development of its model for the sustainable development of energy resources, and the company's new mission: a model able to combine financial solidity and social and environmental sustainability in order to face the dual challenge of maximizing the rising demand for energy and fighting climate change.

Prospect Law Ltd
23 Berkeley Square, London W1J 6HE
T +44 (0)20 7947 5354

Regus House, Pegasus Business Park, Castle
Donington, Derbyshire DE74 2TZ
T +44 (0)1332 818 785

 @prospectupdate
E info@prospectlaw.co.uk
www.prospectlaw.co.uk

19 June 2017

This model has focused on cooperation with the countries in which it operates, minimizing risks and the impact of its activities, as well as defining a clear road map towards a low carbon future. Eni has acknowledged the need to limit temperature increases below 2 degrees centigrade, outlining a strategy based on a carbon footprint reduction, low carbon portfolio and a commitment on renewables – while at the same time maximizing access to energy. Development projects for residents in areas of its upstream activity are crucial to the company's strategy, including economic diversification, health care, access to water, education and infrastructure development.

The old model of CSR is dead. It has been replaced by the idea of the Creation of Shared Value – an idea to drive the very core purpose of companies. The increasing fragility of the nation state is a leitmotif of the twenty first century, as decentralization, devolution, globalization, political deadlock and austerity all combine to reduce the power of national governments to significantly impose their will on development. The opportunities for companies to increase profitability by adopting business models based on the concept of CSV are enormous.

In this blog I have considered the relevance of CSV to governance and accountability issues, and how Eni has responded to the challenges posed to the energy sector in terms of how it creates shared value.

By Mark Jenkins

Prospect Law and Prospect Advisory provide a unique combination of legal and technical advisory services for clients involved in energy, infrastructure and natural resource projects in the UK and internationally.

This article is not intended to constitute legal advice and Prospect Law and Prospect Advisory accepts no responsibility for loss or damage incurred as a result of reliance on its content. Specific legal advice should be taken in relation to any issues or concerns of readers which are raised by this article.

This article remains the copyright property of Prospect Law and Prospect Advisory and neither the article nor any part of it may be published or copied without the prior written permission of the directors of Prospect Law and Prospect Advisory.

For more information please contact us on 020 7947 5354 or by email on: info@prospectlaw.co.uk.

Prospect Law Ltd
23 Berkeley Square, London W1J 6HE
T +44 (0)20 7947 5354

Regus House, Pegasus Business Park, Castle
Donington, Derbyshire DE74 2TZ
T +44 (0)1332 818 785

 @prospectupdate
E info@prospectlaw.co.uk
www.prospectlaw.co.uk