

Infrastructure Planning and Management **Social Environmental Risk in infrastructure Part 2**

Let us talk about the Conoco case right and we do it relatively quickly because I do not know of any of these clocks at the right time but quickly I will trust my so alright, so we have got 15 minutes which I think is fine okay, so the Conoco case is a bit of a it is a similar but different case it is about oil exploration right, so what are the basic fact of the case who wants to sort of quickly volunteer what is Conoco doing in Ecuador fantastic, so good summary right so just a paraphrase in the little bit the world needs oil Ecuador seems to have oil Ecuador does not have the capability of themselves extracting the oil they are welcome to other people coming in and extracting the oil it is good for Ecuador because they get paid a royalty and it is good for the world it is good for private companies it seem to be a win-win situation right.

So Conoco is essentially doing what and it is not just Conoco there are bunch of other who are doing drilling for oil and Ecuador, Conoco has been successful there is the particular block, block 16 and the have actually extreme found oil there but the problem is there this is the middle of the Amazon rainforest extremely bio-diverse area which you will have to destroy if you start because it is not just drilling the oil you know whatever well and getting the oil out it is also creating the pipelines to bring the allowed out it is creating paths for trucks to come in with parts in materials and all of this, so you are going to actually destroy the environment quite a bit and at the same time there also indigenous people some of whom still are quote or unquote uncivilized in the sense they are still hunter gatherers you know confirm to ancient ways in which humans live just like you know perhaps the JARAWA people is the under man's etcetera.

So and this is very important because I think there is you know there is a term there that says ethnocide or something like that it says today's philosophies is you do not impose your worldview of civilization and civilized living on all are the peoples as used to happen in the Colonial time right so these people have a particular way of living then it is in your interest to insure that they actually continue to live that way rather than trying to civilize them for your benefit and so not only do you have people affected you also have this very rare indigenous tribes there but you do not want affect at all.

So there are huge social and environmental issues here which you have to deal with one hand there is oil right, oil is profitable for Ecuador it is profitable for companies but on the other hand

you have indigenous people and rainforest that you will have to somehow tamper with right and this is and it is very similar to the BUJAGALI conundrum there is economic gain there social environmental loss how risky is this business of oil exploration and production very high risk right, what's make it high risk, so that is I think a big part of risk is that you do not know where the oil is so you actually spend a lot of money exploring and your you know chance of finding something under the earth it is pretty small normally it is less than 50 percent normally it is about 20 percent which means the other 80 percent of the time you are spending a lot of money for no return.

So first of all you are losing more money by just exploring second is when you look at the terms of this contract right most of the revenue come out actually go back to in the case Ecuador there is only small amount that you get to keep I cannot remember 20 percent or 30 percent or something like that, that the company gets to keep so when I look at it from the perspective the Ecuador government I have very little risk these guys are drilling if there is no oil they waste there money if there is oil I get 70 percent and these guys only play with the other 30 percent compensate for all the other expiration that they did not for which they did not get any oil so it is also very high risk business.


So you are always constantly asking the question is it worth my while drilling here so from Conoco perspective I am happy that I found oil here but I also have to balance all the risks together because if all of this social environment are going to be so costly for me to deal with then perhaps it is not worth just getting this 30 percent revenue out of the oil I might as well go to trans-Siberian, Russia or you know whenever else soil deposits are available so it is also very sensitive to risks is the kind of point that I am making.

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Key Players and Roles

Player	Role/Goals/Concerns
Ecuador Government	<ol style="list-style-type: none">1. Maintain and improve oil revenues, diversify Foreign Investment2. Address concerns of Indians and environmental groups
Local Indigenous groups	<ol style="list-style-type: none">1. Environmental impact threatens food chain2. Land rights are threatened3. Cultural rights are threatened4. They would welcome medical, educational facilities, jobs etc




So questionnaire or whatever these are questions that will come out of earlier, so all key players Ecuador government we talked to them the indigenous group we talked about them they have get land rights cultural rights some of them might actually welcome medical educational facilities jobs, so it is not all against the project right there could be development that comes along with the project because settlement would come in you would have roads leading up to those settlements because of the oil industry and because of which you can to get to a hospital faster etcetera so it is not all negative then there is of course Conoco.

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Key Players and Roles

Player	Role/Goals/Concerns
Conoco	<ol style="list-style-type: none">1. Revenues can increase by 4%2. Developing a Model Project to gain competitive advantage in such geographical areas3. \$44 Million has already been sunk in4. C.S.R
Environmental Groups <i>x Social</i>	<ol style="list-style-type: none">1. Protect ecology and biodiversity2. Prevent oil exploration at all costs3. Minimize Damage and disruption resulting from oil exploration



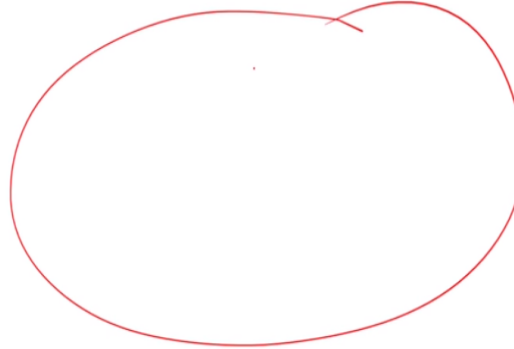
There is luckily there is so much oil in this block that this could be a game changer for Conoco from a global revenue stock price perspective, they also have this ability to developed model project and do a really good job that not only Ecuador but other governments along the world in environmentally sensitive areas start trusting them as a very environmentally conscious player etcetera, and by the way they have already put in money into the project they have already explored, so I want to try to make this work there is a profit motive for me but there are also other reasons why I want to make this work I have already put in money I could really use this to enhance my branded image if done well and then you have all of these environmental groups.

The environmental groups you have got to understand and this is the key point of this case or the environmental and social groups I should probably say on social groups, do all the environmental and social groups have the same worldview the answer is no all of them do not have the same worldview there are all on one side of the table but between themselves they do not necessarily agree and that is very important point to sort of understand for instance some of them would say so they are all here to protect Ecology and biodiversity some of them would say prevent oil exploration all cost I am sort of hard line I do not want any environmental damaged because I think the environmental situation that the world is it is highly delicate balance.

I do not want any environmental damage all such development need to be lost that is one sort of hard line you another view that look there is just no way that we can prevent development people along the world need jobs they need you petroleum etcetera whether you like it or not development is going to happen and where there is oil you going to find oil well and oil field so can we not prevent but can be minimized and these are two very different worldview one says I want to make sure that you leave right away and you know I would like and I am happy to sort of kill and murder do whatever but I want you out the other is to say I would like you to leave but I know you are bit of a pestilential presence and you would not so let me at least try to minimize the impact of what you are doing let me try to work with you and these are two very different views.

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Why did Conoco's EMP fail?



Why did Conoco's EMP fail?



- EMP cannot guarantee what non-Conoco affiliated settlers can do
- Did the discussions proceed too fast for everyone to get on board?
- **Why didn't Conoco negotiate directly with local groups?**
- Did Conoco choose an extremely contentious area?
- All parties are new to such kinds of negotiations and were therefore hesitant



So there are all kinds of view in between so what does Conoco do again like AES what did they do did they do anything to manage this situation they came up with an environmental action and this environmental action plan also seems to a rival what you call AES in the amount of discussions they have had and the creativity they want to set up this conservation thing here there they probably also done thousands of interviews or whatever they have come up with these really thick books like a remark the other day one thing you can guarantee if I come up with a thick report is that nobody will read it also whether anyone reads it or not is really thick etcetera and then what do they do.

So how did they communicate to the NGO so they know that the NGO's are opposing they have done all of this work how do they communicate before NRDC what did they try to do before NRDC entered the scene one on one talks and then there was something specific that happen in Rio Napa and then later on in Washington DC you guy's remember what happened there so that is a bit later the confidential but right at the beginning before NRDC even came in, so these guys what did these guys do you guys remember the part about the floating hotel, so they actually so they rented this sort of floating boat hotel whatever and invited all of these NGO's in and had this sort of you know meeting and in that meeting what happened there what to what extent what did Conoco do and what was the response.


So there and then they had another set of meetings in Washington DC so they are these two back to back Rio Napa, Washington DC what was what did they present and what was the response so essentially and so therefore none of the opposing parties came in and said we agree with your environment action plan and here again there are two sets of strategies you got to think about when somebody dumps so essentially I would assume that what Conoco co-ordinated was they went and presented this plan and said what do you guys think what parts of this plan work and what parts of this plan do not but when somebody comes to you with a really thick master plan that they dump on you what do you think is the likelihood that they would make changes this is like you know curriculum revision committee.

After I have spent you know a year revising the curriculum and then I finally say student feedback what do you guys think how serious do you think I am on actually making any changes high or low pretty low I mean that is sort of the tendency saying look you have already out in the effort what you should have done you should have come to me when your report looked like this, what do you see on the screen here what do you guys see nothing there is nothing on the screen this is when you should have come to me ,so I could have given you inputs based on those inputs you could have actually prepared a platter now you guys have gone ahead and done something and then you are just trying to check the box by having a meeting with me.

So Conoco thinks that you know they are trying to impress these guys by saying we did so much work we are serious about this come help us the NGO's interpreted completely the other direction and say look this is just of those you want to show to the world that you took us into you had a collaborated discussion with us you will put that as one other item on your check list


you guys are not serious because if you are gone so far down the path you have already decided what kind of cultural heritage center you want to build what kind of feedback are you going to expect from me and so the talk essentially fail at that point which is sort of when and then there all kind of discussion.

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Other things that went wrong

- What about the Rio Napa, DC summits? Could they have been done differently?
 - Was the process participative enough? ✓
 - Did Conoco truly seek independent input? ✓
 - Or did they just try to push through their ideas? ✓
 - Were the meetings properly facilitated? ✓
 - Were they seen as 'dialogues' or 'staging posts' or as an 'end'?
- Should the NSRC and CS meeting have been private?
 - Leak of the memo



The Rio Napa DC summits and all of that, that is when so what is the process participate enough is a equation that Conoco truly seek independent input right or do they just try to push through their ideas where these meetings properly facilitated is another question because sometimes a good facilitator can make all the difference by helping build trust in all of this where they seem as dialogues or staging posts Conoco thought they were or where they seem as an end which is what the NGO's thought this is the last stage of the process and again there are this fundamental and you can shout yourself or say no I am just putting this out.

I am willing to change everything just give me your inputs but you know people do not necessarily trust or believe you and we had a very similar exercise I remember some time as the chairman Chennai's master plan was being done when somebody said you had this fancy sort of consultation in a five star hotel but you have already release the master plan alright you are going to release it immediately you know when are you actually going to take in out inputs what kind of an exercise is this so then this you know NRDC or whatever that acronym is those guys get it

they are again an international NGO a little bit like the IRN they come in and when they talk to some of local NGO.

So they are obviously fighting for this project or fighting against this project they do not want Conoco to do all this drilling they have got that hat on they find two things which are quite interesting thing one is that they find that not everyone is completely opposed to the project right there are some NGO's that would like to see if the project can be shaped so that it is beneficial to the community alright the second thing that happens is they also sort of say look we do not really think that this project is going to go away right Ecuador needs money PETROECUADOR is out there I think it is in our best interest to actually start talking these guys to see how we can shape this project right and try to bring as much benefit as possible right.

So NRDC goes with this view there not with the view that I want you guys out but with the view that I want to work with you and there is a very important philosophical start if you are Conoco would you like NRDC or no would you like NRDC or no, I had like them right I mean I know I need to get true these guys meeting in Rio Napa and DC but disastrous I could not get through people are walking off you know pointing guns at my head and all of these kinds of things here is an NGO that was to actually negotiable here is an NGO that believes that I can build this project but would like to sort of do this.

Let me talk to these guys so from Conoco perspective they are now trying to see if this institution this organization can be there link with the other NGO's they are not able to deal with these other NGOs they did too many of them too many wide voices widely varying voices some of them do not even speak English they have no idea how to deal with this but with this one organization and NRDC or whatever they are called yes I can deal with these guys so they start dealing with they are not, NRDC now says look these guys have placed a lot of trust in me let me try to see how can actually broker deal here and so this is the dialogue that sort of goes on and somewhere there are these meeting between this you know cultural societies whatever this is CS stands for they are all these C acronyms contain (C)(13:50) and (C)(13:52) and all of that I keep getting confused between them but these guys you know have these sort of private meetings to try to see what kind of deals can be broken the problem that happens is that there is this memo that leaks of this meeting.

So what happens to the other how do the other NGOs view this leaked memo, so the other NGO said look what are you guys doing here, I mean are you guys working hand in glove with Conoco because that is what the memo seem to suggest we have had some confidential discussions we expect that to be confidential we do not expect you guys to put that into a memo and we do not expect that memo to be shared with Conoco, so first of all there is a breach of trust second whose side are you on anyway, are you pretending to be on my side but actually on Conoco side trying to sort of hush ourselves down and get the project going what is the deal with you guys.

So this is complete lack of trust now saying it is an in NSRC sort of says look I thought we were all one team here right we all are trying to fight against the project , we want to sort of try to make sure that environment harm is reduced and these other NGOs you know come in and say no no, that is absolutely not the case we had certain intention okay and you guys are betraying our intention essentially you are trying to work with Conoco trying to get the project done I am not sure you are representing my best interest right and so there is larger disintegration of the whole NGO ecosystem where rather than all of these guys ganging up there being one single point of contact that Conoco talks to which is what Conoco also wanted NRDC or NSRC.

Whatever these guys are no longer the representative for all the other NGOs, which means Conoco job just got a million times harder and I can no longer a deal with one person and hope that they will convince everyone else I know I have to deal with everybody else because lack of trust between all these are the other NGOs.

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Other issues

- Very small ZOPA
 - Most Huorani's were against this development
 - Environmental groups were very fragmented and each had their own views
 - Some Env groups NEEDED to oppose to get funding!
- Scientific EIA seemed missing



'Go' or 'No Go'?



There is something that will be talked about in a couple of classes called a zone of possible agreement but it turns out that the zone of possible agreement also was quite small here so the HUORANI is were against this they did not want developmental at all environment groups we have just seemed a very fragmented some environmental groups from needed to oppose it for to continue to get there funding maybe.

So there is very difficult to bring people onto a same page and find a solution that works for the majority right and in that case you know that if there are large number of people opposing every solution you can see that the product is not going to go very right and you know that the

scientific environmental impact assessment scene missing like Arjun was saying I cherry-pick this number you cherry-pick that number me do not really know what the truth so Conoco gets to a point when their board has to make a decision do I go ahead with this project or do I not so if you are Conoco what would you do how many of you would go ahead with the project but find a way to go ahead with the project how many if you would dup the project okay.

So you dump the project how are you going to pay your salaries this year okay but as lucrative 80 percent four out of your final have got oil here PETROECUADOR is going to sort of they are going to help you with all of this so they shifted the boundaries to make it less environmentally sensitive but the HUORANI reservation was now given that so it was it became more socially sensitive and less environmentally sensitive but yes so and Conoco certainly is sharing the blame with the government in fact there was that tribunal which also awarded in the governments favor saying you know somebody said this law of hydroelectric you know hydro power whatever you know petroleum hydrocarbon development right somebody petitions saying that is an illegal law right and The tribunal looked at it also known as perfectly legal there is nothing illegal about what Conoco doing if the government is given permission.

Let us go ahead there certainly are hand-and-foot, hand-in-glove but so this is the question right I mean this is a huge financial opportunity here but at the same time it looks it is good looking more and more messy it is looks like there might be civil war that breaks out people have talked about the violence of the HUARANI right so they come in and ask no question and just cut off the heads of people you know you do not want your employees getting hit well that is the point.

So public opinion may not matter but then what kind of reputation do those oil companies have well so that is what we were looking at it saying we were no worse than the other guys so yeah this is the way then oil industry work right so that is another reason to go with the project so all of this have to be waited for Conoco to consider whether they go in or not.

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'Go' Option 2 – Develop Outside of Yasuni National Park boundaries



Pros	Cons
<ul style="list-style-type: none">Aligns better with tribunals and Special Interest Groups	<ul style="list-style-type: none">Low economic rewardsSets a potential bad precedent



And there are also several sub option right so developed block as planned we have talked about that develop just outside national park boundaries as one option right, so you do not actually develop they have got a number of hits right on oil, so you do not develop the ones that are in the path unfortunately the most lucrative ones are in the park the ones with the most oil so I mean there are no economic rewards if you go outside that park also said some bad put you know precedent.

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'Go' Option 3 – Extend Government deadline, more participatory meetings, Block 16 as a pilot before Block 22



Pros	Cons
<ul style="list-style-type: none">Restart participatory discussions the right way and get all groups to contribute and to buy inPotential win-win and sets a good precedentEconomic and social gains	<ul style="list-style-type: none">More money could be spent with little to show for it. Groups might continue to protest and stall projectDelay and new EMP can affect project economics





The option three is let us do more participatory meeting let us do a pilot you know let us try to get people on board etcetera that is great that could work but more money could be spent in with very little to show there is no guarantee than all of these NGO's will come around just because you did a successful pilot.

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'No Go' Option 1 – Seek alternative Block for Development

Pros	Cons
<ul style="list-style-type: none"> ■ Can build a reputation in a less contentious area and then come back to Block 16 ■ Can continue to develop relations with SIG's that will help in Block 16 ■ Some economic and reputational gains 	<ul style="list-style-type: none"> ■ Loss of face ■ \$ 44 Million sunk costs lost ■ Block 16 may go to someone else ■ Other locations might have similar issues





No go or and then go to Ecuador and say look give me another block which is less environmentally sensitive for me to develop there is a bit of loss of face hey how do I know that there is oil there right so that is those are some issues or withdrawal completely so the point again it is not so simple as go no go right so there are multiple shades of withdrawal completely and we know the pros and cons there.

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What happened next?

- Conoco was unsure about the Ecuadorian Government's continued support
- Other opportunities beckoned
- Faced with stakeholder conflicts, top management decided to withdraw from the project



So essentially what happened Conoco essentially said look we do not know how well and this goes back to tell man's point, I do not know how well the government will share the blame will be with me at some point will they say sorry we do not know enough about this, this capitalistic or operator is the one who is really sabotage all our environmental wealth or whatever it, so they were not really sure about the governments continued support and there is oil as part was saying there is enough oil in other parts of the world where there seems to be a reasonable likelihood of being able to drill and find those you know find those oil aquifers or whatever you call them, so faced to stakeholder conflicts top management said life is too short enough is enough let us go elsewhere.

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Some thoughts on the Role of NGO's



1. NGO's can delay and contribute negatively to a project
positively
2. NGO's are a KEY Player in today's world
– they have the resources and the voice to make a difference



So again the key point is and at key points today is NGOs can contribute can delay project and can contribute I would either say positively or negatively to the project, possibly what IRN did in BUJAGALI was a good thing for BUJAGALI I do not know if and possibly what was done here might have been a good thing from an Amazon rainforest in HUARANI perspective but that is not always the case of the point is NGOs can and social activist environment activist these days particularly have enough of a voice to really stall projects.

The other important point is it is not as if you can bunch all of them into one category saying environmental activist are and they have this homogenous traits as we are seen here each of them have there are tons of different organization each of them have their own perspective they themselves may not able to come together so you are not dealing with just one set of protestors you could potentially be dealing with a number of people and therefore essentially you need to have good strategies is in place in terms of how do we you know transact with these kinds of peoples what were people what do we do how do we become more transparent how do we build coalition and so on.

So the point of the cases for the last couple of weeks was to say there tons of risk there are construction risk, there are political risk, social risks, economic risks, there all kinds of ways in which projects can become impacted there you can get impacted the way you know Vadodara HALOL toll road was you can be impacted the way BUJAGALI dam was you can have

objections from many side and all of which might lead to delay in project execution which means people are benefitting from that project much later might lead to increase in cost etcetera.

Sometimes these might be beneficial like you know NGO coming in and ensuring that there is a transparent process sometimes they may not but these are factors that you cannot afford to ignore, so project face a ton of risk and essentially we look primarily at a lot fail projects over the last few class right but this then conclude module three where we have looked at the kind of risks and helps us segue into module for starting from tomorrow we are sort of saying we know enough about infrastructure we know about things that can go wrong we know about the kinds of risks what can we do how do we manage stakeholders better.

How do we control economic fluctuation better or prepare for them better what are tools and techniques yes we have seen a few things that people have done two thousand five hundred page environmental reports etcetera but that does not seem to be sufficient are there other things we can and should do so starting tomorrow we are going to start looking at a series of ideas on things that some of which may already be done on project but many of which are not to try to see what else could we do differently on projects to minimize the impact of these kind of risks.