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## **Sustainable Corporate Social Responsibility in the Development of Marginal Oil Fields in Niger Delta**

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### **Abstract:**

*The study assesses the relevance and challenges of corporate social responsibility with emphasis on sustainable development policies for economic development of marginal oil fields in Niger Delta. The proposed model of sustainable corporate social responsibility highlights the importance of changing paradigm in the design and implementation of corporate social responsibility, we conclude that to redress the situation of community challenges in the development of marginal oil fields in Niger Delta, there is the need to adopt an approach that strike a balance between economic, socio and cultural objectives..*

**Keywords:** Marginal Oil Fields. Sustainable development, Corporate social responsibility

### **1. Introduction**

One of the most challenges of business organization in contemporary Nigeria today is the issue of corporate social responsibility. During the last fifteen years, the operational environment of the crude oil and gas sector has become increasing volatile from the perspective of community relation. An attempt by the oil sector to resolve the difference appears inadequate.

Blames for the development have been tossing between the three tiers of government, industry operator. Industry operators and the community themselves. Increasing statistics of loss of lives, loss time injury, deferred production, hostage taking, etc. have led oil sector to seek alternative to relational management.

Relational experts have postulated that the problem are solvable with some more money exchanging hands. This has turned out to be a mirage as appetite for such monies have increased exponentially with dare consequences of flow restrictions or stoppages. Transparency in transaction are forcing the two sectors to reconsider monetary solutions to relational problem. The emerging approach is sustainable community development.

### **2. Objectives of the Study**

This paper discusses the context of corporate social responsibility in the light of the relevance and challenges to marginal field operations and the importance of the changing paradigm in the design and implementation of corporate social responsibility. The paper identifies corporate social responsibility as one of the critical success factors in the economic development of marginal oil fields in Nigeria. It also reviews the corporate social responsibility by some marginal field operators in Niger Delta and make some recommendations.

### **3. The Benefits Implementing CSR in Oil and Gas Development Project**

CSR had been identified as a critical business factor for oil and gas production. Thus the development of the host communities that accommodated the oil and gas needed to be of priority in order to meet the business needs and ensure profitability (Emma et al 2010).

The level of CSR engagement is dependent on corporate objective or ambition, whether the companies regard CRS as a value, a source of competitive advantages or risk management, all of which are intangible asset of modern business. Rushton (2002) noted the benefit of CSR is linked to value and brand so they are intangible asset of company. Bixner et al (1999) and Welford (2002) believe that CSR can result in enhanced image and value. CSR is linked to competitive advantages and several authors emphasized that taking a philanthropic view of CSR will bring true competitive advantages to companies and their supply chain partners; according to Porter, (2003: 28) the truly strategic way to CSR is to realize that philanthropy in the competitive context align with social and economic goals and improves the company's long term business prospect". In Harvard business review (HBS 2003), Smith emphasized that philanthropy and business units have joint forces to develop philanthropic strategies that give their company a powerful competitive edge. In summary the benefits of CSR is as follows: Significant increase in sales/production, Enhanced image, Reduced operational expenses, Reduced regulatory ownership and Increased ability to attract new customers.

### 3.1. A Review of Corporate Social Responsibility by Some Nigerian Marginal Field Operators in Niger Delta

Generally the idea of corporate social responsibilities supposes that corporation has not only economic and legal obligations, but also certain responsibilities to society, which extend beyond these obligations. The attractiveness of this definition is that it acknowledges the primacy of economic objectives and the importance of legal obligations of business but at the same time recognizes that corporate bodies have certain responsibility to society which extend beyond the parameter set by law.

In today's business world, consumers are becoming wiser, environmental issues are becoming more controversial, firm that are not socially responsible are viewed as riskier investment. Besides existing for the welfare of its stakeholders and employee a company has to contribute to the development of its immediate community in which it operates. Corporate social responsibility (CSR) is based on the belief that business is more than the traditional responsibility of making profit but also to serve the wellbeing of the society.

The question of whether and how far marginal field operators in Niger Delta should engage in CSR remains a contested issue considering that they are operating at the edge of profitability. Opponent of social responsibility argue that social involvement adds to the cost of production. It is also argued that the enormous costs of social involvement will tend to drive marginal field operators out of business.

Marginal oil and gas fields refer to oil fields that contain reserves that are not economical when produced by the major oil companies but might be profitable if explored by indigenous entrepreneurs due to their low overhead and operating cost as explained by (Ayodele and Frimpong, 2003). For example Mart resources undertook the following steps in the development of the Umusadege field:

- Build a strong partnership with a local Nigerian oil company
- Form integrated field development teams from Mart and local partners (joint control) The Joint Venture operations maintain more than 85% Nigerian workforce
- Engage local communities in the operations, providing employment and educational opportunities
- Increasing Local Content by using local service companies, laboratory services, and personnel

According to Mart resources Inc, (2012), managing partner and local community relationships has proved to be a challenge for many marginal field operators. A number of prospective fields could never get off the ground because of partner disputes. Also, many oil companies have historically mismanaged relationships with the local communities, which have led to difficulties in oilfield operations. Mart's success has been a result of maintaining good working relationships with its partners and local communities.

Wade (2012) posited that: "Midwestern Oil and Gas implements social projects and financially supports various social groups. These programs help to increase living standards for people as well provides opportunities for personal development". For example in the development of Ogbelle marginal field BAS a wholly indigenous company founded in 1990 provide engineering, procurement, construction and installation supervision and commissioning supervision services for the development of Ogbelle project 's production facilities. BAS also assist PETRE in organisational development specifically, BAS designed the flow lines and pipelines, the interconnection to Rumukpe manifold, the storage facilities, civil works and telecommunication system as well as receiving the flow station design by Chimex.

According to MPN SEPLAT (2012), Seplat leverages the successful onshore track record of platform (Asuokpu/Umutu marginal field-OML38) regarding community relationship management. Host communities are regarded as stakeholders and capacity building and empowerment a primary objectives in the partnership. The host communities consist of four major stake holding communities and thirty five others of smaller size. The company is committed to a programme of proactive engagement with the communities to implement sustainable development programmes. Community engagement forum is used to dialog with the communities and keep them abreast of the company's operation. There is the development of a 5-year general memorandum of understanding with the host communities. Also there were formal courtesy visit to the traditional rulers within the SEPLAT's areas of operation.

### 3.2. Challenges of Corporate Social Responsibility in Niger Delta and Marginal Field Operations

#### 3.2.1. Industry Challenge

The marginal field operators faces a number of challenges. These include technical, environmental and economic. However, the most important challenges facing the industry is the socio-political one. In fact this challenge has to some extent brought unto itself aforementioned challenges. The challenges are briefly discussed in the light of the growing importance of the social climate of the country.

#### 3.2.2. Technical Challenge

From technology angle industry challenges are shared on a global scale through research and development. There is an increasing level of offshore and deep offshore exploration and development. While technology for this terrain is largely foreign in conceptualization. Nigeria provides a fair share of opportunity to test emerging technologies.

The interplay of industry activities and onshore habitation calls for compatible technologies. This singular factor compels the industry to apply acceptable technologies. Some of the technologies used for overcoming the challenges of marginal oil fields are horizontal drilling, slim hole drilling and the use of electric pump.

Increasingly, the Nigerian industry is being challenged to provide for adequate participation of the Nigerian entrepreneurs. The issues of local are being discussed at the highest level in the land.

Economic challenges: According to Oroma (2007) financing of oil and gas development in Nigeria is a major factor militating against the development of marginal fields. The scale of investment required is beyond available government resources. It is estimated that a marginal field in the Niger Delta Basin will cost about US\$40 to US\$70mm as development cost for a few years as noted by (Offia 2011). Most marginal field awardees are short of cash to execute the work programme. As put by Offia, (2011) other ways that MOF operators can raise funds are by going to the capital market to raise funds. They can in the alternative involve private investors including foreign financial and technical partners through private issuance of shares. The MOF operators may also approach international banks, foreign equity partners, The World Bank, regional bank and financial institutions. Therefore financing of marginal field project can be achieved as follows:

- Through the technical partners
- Using investment house to raise funds in form of share, stock and bonds
- Collaborative financing approaches through banks and financial institutions coming together to form consortium or embark on loan syndication

### 3.2.3. Social-Political Challenges

Within operational areas in Niger Delta, it is observable that social control has crept out of the traditional leadership of elders. Increasing youths are demanding to take control. Many of these youths are only partially in regular employment while some are jobless. A pressure on available employment has thus mounted over time. Often, the industry is a single source of “hope”.

Following the perceived neglect of years, further social pressure is exerted on the industry to exhibit “Corporate social responsibilities”. This pressure is often in the forms of payment (gifts, donations, access fees, time allowances, cultural respect, status recognition, various assistances, sponsorship, bail, ransoms, etc.) request for project funding and delivery, and so on. In more recent times, economic reasons have heightened the social pressure in the form of militant actions. These have led to production deferment, lock-outs, lost time injuries or even loss of life.

For a couple of reasons, CSR is a prime issue in the development of marginal oil fields in Niger Delta where there is a very high sense of being marginalized and cheated out of the oil wealth the land produce and this situation has led to disharmony. Inadequate corporate social responsibilities efforts and activities or inadequacy of it can result in many problems for the marginal oil field operators. These problem areas will include: Sabotage, Hostility, Arson, spreading of destructive rumours, fictitious petition writing company, Kidnapping, an outright attack on the one company’s employee or installation, pilfering, stealing demonstration and destruction of oil/gas infrastructure.

The vulnerability of the infrastructure to sabotage is underscored by the poor property rights, enforcement regime and exclusion technology employed to protect it. The technology of excluding potential saboteurs and community collaborators from the complex oil and gas infrastructure in a sustainable manner is costly and implementing such technology may threaten the very profitability of investment in the infrastructure as put by (Pedro and Joshua 2014).

Representation by host community is usually a problem so is the location or siting of projects in community development project. So political and Community Challenges as a result of ineffective corporate social responsibility affect the development of marginal fields in Niger Delta.

The business day report of (15th April, 2013) stated as follows:

- “Youths in Esit Eket Local Government Area of Akwa Ibom State have threatened to disrupt operations at Frontier Oil, operator of Uquo marginal oil field, over the non-implementation of a Memorandum of Understanding (MoU) the company signed with stakeholders in the area.”
- “We are not against the exploration of gas in our communities but we vehemently reject the present situation where your company now operates with a manipulated communiqué in place of a signed MoU, to the detriment of our collective interest”, the youths stated.

Tonye (2009) noted that some venture abroad have been frustrated out of Nigeria, for example, Vit Oil was involved with Goland petroleum in Oriri field, until community crisis created extensive delay, forcing the company to leave. The Africa oil and gas report (16th August 2013) posited that Security issues are still a challenge and oil theft is becoming very rampant now. Pipelines are being tapped and destroyed every other day, leading to companies declaring force majeure to their crude oil supply commitments. It is even worse for operators like marginal field operators with facilities in the swamp areas, which pass through the creeks of the Niger Delta, where illegal refineries are rampant. In an ideal society, a marginal field operator should be making profit, but the reverse is the case in Nigeria, as the marginal field program is bedevilled with loads of problems and discouragement mainly due to insecurity and poverty. Also environmental considerations and public opposition to oil and gas projects affect opportunities for investment and the cost of projects.

### *3.3. License to Operate and the Social Contract*

Operating licenses are issued by the Federal government based on the set criteria. However, events around the globe have developed a more constraining operating license. The provision of an enabling environment for the operation by host communities has become most vital once the initial government license has been obtained. The first official process to this is the environmental impact assessment (EIA). This assessment recognises for the emplacement of a community-operator relationship and mutual development. Following the approval of the EIA both parties would be expected to execute the “agreement”. However the performance of this social task and public responsibility by the operator may not entirely guarantee a full long term operating license.

#### 4. Niger Delta Exploration Company (NDEP) and the Host Community Relation. A Model of Sustainable Community Development

NDEP (with) the other companies to which it is affiliated) has a general philosophy concerning the management of host community relations that is being adopted for and will guide the implementation of the Ogbelle project a marginal field. The essence of NDEP's host community relations philosophy can be summarized as follows:

An indigenous oil and gas group, NDEP uses its better understanding of the problems faced both by the operating companies and the host communities in approaching the development of the environment in which it operates as well as issue of compensation payments. For each of its project, NDEP sets up a joint venture. A condition of each of these ventures is that 5% (five percent) of the net pre-tax profits of the joint venture is plough back into an endowment fund of a Community Development Trust established by NDEP for the benefit of the host communities in which the projects' development facilities are situated.

In each case, the relative project joint venture will include NDEP, a public company in which the Host Communities will be invited to invest in the same way as everybody else. In this way, each Host Community, and each individual unit, can indirectly own equity in the project to the extent that it can afford.

The aims and objects of the aforementioned community and Environment Development Trust fund include:

- Understanding and financing of host community projects for the advancement and sustainable development of host communities
- Advancement and propagation of education and learning generally in the Host Communities
- Enhancing and supporting local initiatives that deals with protection of the environment in the host Communities
- Facilitating employment opportunities and capacity building in the Host Communities
- Development of projects of public utilities to the Host communities
- Advancement of other purpose beneficial to the Host Communities in general

NDEP or its associates structured the Community and environmental Development trust to operate ultimately as a distinct corporate body whose operations, though supported by NDEP and its associated companies is not managed by it. It has representation from the Host communities on its advisory board and is overseen by professionals in various discipline as appropriate. There are separate funds for each set of Host communities relative to each project.

The community and Environmental Development Trust Endowment fund is invested to produce an income that is used to support Host Community development project. Trust consulted appropriate local stakeholders to identify such projects. Since the income from the Endowment Fund will continue to accrue even at the end of the project life, the trust may be able to take on continuing commitments.

The trust at various time work in concert with relevant government agencies, local and international NGOs and private bodies whose interest are similar and which target the same beneficiaries. Proper execution of the model has greatly ameliorated most problems presently experiences regarding community relations in the development of oil and gas operations and resulted in the establishment of cordial relationship among all stakeholders in each project.

#### 5. Research Methodology

An extensive literature review on the economic development of marginal oil field development was carried out and specifically the Ogbelle marginal field development project in Nigeria was used as a case study.

#### 6. Results and Discussion

##### 6.1. Understanding Sustainable Development

Despite the intense interaction between the industry and the "communities" relationship, in general cannot be fully described as cordial. Concrete display and evidence of displeasure ranges from:

1. Difficult demands, schedule and targets,
2. Disruption to operations
3. Deferred production
4. Pipeline vandalism,
5. Legal suits (much based on environmental degradation and pollution),
6. Lack of trust,
7. Threat to life,
8. Violence,
9. Loss of life,
10. Damage to properties,
11. Vandalism of facilities and
12. Breach of agreement etc.

Some authors have attempted to address these demonstrations and suggest reasons for their propagation. The reason include: poverty, insufficient information, ineffective communication, unprofessional practice, greed, governance permissiveness, absence of core values. All this point to unsustainable approaches, unsustainable relationship, unsustainable practice and unsustainable developments.

### 6.2. Sustainable Community Development

The idea of CSR means that business organizations' have responsibilities that goes beyond mere profit making and encompasses voluntary activities and actions that affect people, their community and natural environment to provide sustainable community development SCD.

"The term sustainable development has been defined as development that meets the needs of the present generation without compromising the ability of future generations to meet their needs. (Brundtland Report, 1987).

In striving for SCD, marginal field operators in Niger Delta must guarantee fairness and equity in the local communities by "maintaining the tripod balance (between PEOPLE, PLANET and PROFIT), while Producing an increasing stream of benefits or services to individuals and the entire society on a long term basis and also avoiding the external cost of environmentally damaging and natural resource-wasteful policy.

Some marginal field operators have adopted a working definition of sustainable development of achieving a harmonious balance between people's needs and the earth resources between benefits and costs in both a short and long term. These companies in this regard has policy to ensure that sustainable development is embedded in the company's operation and practice. This is demonstrated in the model developed for relationship with the host community

NEDP has had a fair share in the demonstrations within the industry as described earlier. The company has identified some basic parameters developers for delivery of sustainable community development.

- Broadband development not restricted to host community
- Community ownership of its development. This enhances loyalty, sense of belonging through self-development action identification, planning and implementing as well as reducing suspicion.
- Accelerating partnership for growth of peaceful co-existence
- Adopting a bottom-up instead of top-top bottom approach and involving the hierarchy on collaborative terms
- People and environment
- No cash payment to communities other than those specified for legitimate business
- Continued assessment and dialogue during all phases of project development.

### 6.3. Paradigm Shift to Sustainable Corporate Social Responsibility

We all know we are in the midst of change of paradigm, in the midst of change in the rules and principles for effective CSR. The question we need to ask is what this change or transformation means when we look at CSR and marginal field operators. It simply means the needs to revise, redefine, reassess and rethink the issue of CSR by MFO, one of our basic tasks is to redefine the field of activity by widening the scope of what we call CSR. The changes are quite dramatic (see table 1).

Previous Paradigm	Present Paradigm
Community assistance	Sustainable community Development
Mercenary attitude toward the society or environment	Missionary attitude towards the society or environment in which they operate. However the ability to become missionary is relative
Adaptive strategy. Firm response to social demands if only they are forced to do so	Interactive strategy: Firm attempt to harmonize the needs of the society with the goal of the firm.
Motivated by normative (altruistic CSR)	Motivated by self-interest (strategic CSR)
Mandatory or obligatory	Voluntary
Regulator or regulatory	Core values or corporate organization
CSR expenditure are perceived as a tax that will diminish the firm ability to create value	CSR expenditure are seen as cost of doing business and the firm sees CSR as an instrument in form set of competence

Table 1: Change in Paradigm in corporate social responsibility

Sources: Authors computation

These are only few of the fundamental changes in outlook that marginal field operators need to make in order to guarantee that they can take proper advantages of the opportunities offered by this paradigm.

But the essential thing they must be clear about is the need to re-examine their ideas and experience.

- What work yesterday will probably not work today
- What failed yesterday could work today

We would like to advance some ideas about what, in our view are the way forward, the concepts and attitudes marginal field operators need to change in order to take full advantages of the new condition.

- The approach to Corporate social responsibility
- The nature of responsibility
- The motive of the responsibility

#### 6.4. Approach

The stakeholder approach has become central to the CSR concept as the battle for market competition intensifies. The use of stakeholder management is an effective instrument to generate long-term profitability and shareholder value.

#### 6.5. Nature of corporate responsibility

CSR initiatives according to the reviewed literature as being threefold.

1. Mandatory: (When carrying out the responsibility is mandated by law or code.)
2. Obligatory: (When the industry norms, stakeholder pressure make it obligatory.)
3. Voluntary: (The corporate entity takes up social activities of its own volition)

We argue and posit our view that the obligatory and mandatory responsibilities do not constitute CSR and may very well be termed as *Corporate Responsibility*. For any activity to be labelled as CSR *must be voluntary* in nature.

#### 6.6. Motive

CSR is a voluntary corporate commitment that enhances the business society interface and meaningfully contributes to the elevation of the quality of human life thereby. With strategic CSR, corporations "give back" to their constituencies because they believe it to be in *their best financial interests* to do so. This is "philanthropy aligned with profit motives"

The oil industry is currently transiting from Community Assistance (CA) and Community Development (CD) to Sustainable Community Development (SCD). This will involve better engagement with communities by involving them in plans and projects, capacity building through empowering the people and providing gainful employment and training for self-employment and eventual ownership of the project.

Community development therefore, is not just giving back but making a lasting difference in the social and economic livelihood of the communities in which we are part of. "Development is a process of providing disadvantaged people the opportunities to realize and improve their knowledge, attitude and skills to utilize, sustain and improve their productivity of available resources within their environment. By so doing, we move closer to creating a world that works for all.

Development of marginal oil field projects requires a major level of community involvement. Evidence about the relationship between beneficiary involvement in project design and management, the efficiency of implementation, cost recovery and project sustainability is accumulating. Hence involving key players would enhance the sustainability of marginal field development project. Therefore, development of marginal oil field projects requires a major level of community involvement. In the past, those projects with a high level of community involvement - consensus, support, and participation - have been the ones which have proven the most successful. Community participation creates ownership, and ownership leads to success.

Even the best planned field development project ultimately may be frustrated if the local community is not brought fully into the process. Local community members are in the best position to assess their willingness to support the project efforts and to choose the best options once those options have been explained to them. Local ownership is important for project sustainability; and provides a link between the project and the community. It increases the communication between the villagers and marginal field developers and allows a project to be seen as more of a local response to local needs than a government-imposed, top-down development.

#### 6.7. Conclusions

We have made an attempt in this paper on analysis of the peculiarities of CSR which makes it difficult for MFO to operate successfully in Niger Delta. The CSR of some successful operators of marginal fields in Niger Delta were reviewed and the performance highlighted. The outstanding success which some MFO have recorded bears testimony that sustainable CSR can support the development of marginal field if only they respond creatively to the needs of their operational environment. The importance of changing paradigm in the design and implementation of CSR was discussed. Dialogue pertaining to the sustainable development of marginal oil field should, out of necessity, include all stakeholders: the State, the community, and oil companies. The outcome of such dialogue should be the development of a coherent policy, which is essential for sustainable petroleum resource development.

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