



CDA FIELD VISIT REPORT

Operator: Total E&P Austral
Argentina
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PREFACE

CDA is a non-profit organization committed to improving the effectiveness of national and international actors who provide humanitarian assistance, engage in peace practice, undertake responsible business practice, and are involved in supporting sustainable social investment and development. CDA engages multinational corporations that operate in areas of socio-political tensions, instability, or conflict in order to improve understanding of the impacts of corporate operations on local people and societies. From this understanding and analysis, CDA works with companies to develop practical management approaches for addressing local challenges and to ensure that companies establish productive and positive relations with local communities. CDA's work in the area of responsible business practice is a vital and ongoing source of learning about effective ways to improve corporate impacts and provides the foundation for CDA's contribution to public knowledge of best practices.

In the spirit of collaborative learning, CDA has engaged with Total over a period of 12 years, visiting operations in Myanmar, Nigeria, Bolivia, Uganda, and other countries. The reports of these site visits are available on CDA's web site.¹ In continuing this work, Dost Bardouille-Crema, Director, and Sarah Cechvala, Program Manager, visited Total Austral's operations in Argentina from February 23rd – March 11th 2015. The CDA team also included an Argentinian independent consultant, Cecilia Milesi.

This report begins with an Introduction that outlines the approach and process of the field visit. Section I provides an overview of the context at the national, provincial, and local levels. Section II presents observations regarding to Total Austral's operational impact on the local and national context. Section III considers the risks and challenges that may arise from the contextual observations in relation to the company's practices. Section IV presents options for Total Austral to maintain and/or advance its responsible business practices. Section V draws the report to conclusion in light of the observations and findings detailed throughout the report.

In all CDA visits, the team makes observations and listens to stories from staff, local communities, politicians, contractors, other operators, and many other stakeholders. After crosschecking the accuracy and consistency of the feedback the team analyzes its content and provides options to company management in a way that aims to be practical and constructive. The CDA team, thus, serves as an independent channel (*porta voz*) for these stakeholders to express their opinions freely and to analyze the overlap, or discrepancies, between the various opinions. Hence, in many ways this report is not "our" report. Rather, it reflects the opinions of those company staff and stakeholders who were willing to share their observations and provide suggestions. In cases where the CDA team has made observations, the intention is always to be factually correct.

As with all CDA reports, the team invites comments and feedback on the observations, analysis, and options laid out in this Report. CDA seeks to establish partnerships among groups with different approaches, with the ultimate objective of improving the lives of people who live in the regions where companies operate. The purpose of this report is to contribute to broader discussions within the company, and between the company and other stakeholders, which will enable progress and improvement of corporate impacts on the lives of people in Argentina.

¹ See www.cdacollaborative.org

² *Puesteros* is a Spanish word that describes cattle herders or ranchers living in remote locations. For the purposes of this report

INTRODUCTION

The purpose of this trip, as with all CDA corporate field visits, was to examine and report on the interaction between corporate operations and the lives of people in areas of operations. The objective of this visit was to assess the successes and challenges of Total Austral in its relationship with its external stakeholders and communities. Specifically, this includes:

- Evaluate Total Austral engagement with stakeholders and understand perceptions regarding the nature of company-stakeholder relationships;
- Assess stakeholders' perceptions regarding Total Austral contributions to local socio-economic development, and opportunities for improvement of such initiatives; and
- Assess options for Total Austral to navigate the varying interests, between the local, provincial and federal government, joint ventures, local communities, and advocacy groups.

The trip to Argentina consisted of seven days in Buenos Aires and eight days in the province of Neuquén, including Total Austral's Neuquén-operational area, during which the CDA team focused its efforts on meeting a broad-range of stakeholders. Prior to travel, the CDA team reached out to several international stakeholders in order to hear their perspectives and insights.

In Buenos Aires, the CDA team met with Total Austral staff, contractors, other operators active in the region, industry chambers, think tank and research institutions, international NGOs, civil society organizations, and advocacy groups. In the operational areas and the provincial capital of Neuquén, the CDA team met with municipal and provincial government authorities, civil society organizations, lawyers, academics, trade union representatives (*sindicatos*), local medical and education officials, regional institutions, as well as Total Austral staff and contractors at two gas-treatment plants and at an exploration rig. Within the operational area, the CDA team visited the town of Añelo, Total Austral's three impacted communities and surrounding localities, and non-Total Austral communities located in the operational areas of other companies. Within the impacted communities, the CDA team met with representatives of the town governments, town development Commissions (*Comisiones de Fomento*), community members, Total Austral social investment project beneficiaries, representatives at schools and health posts, and cattle herders or *puesteros*² living within the locality of the impacted communities and several *puesteros* living within the limits of the provincial park, Auca Mahuida.

While the CDA team was able to access and speak with a wide-range of stakeholders, there were several factors that limited the scope of this report. Several advocacy organizations invited the team to reference their written statements regarding their position on the development of unconventional gas reserves in Argentina in lieu of meeting with the CDA team in-person. In addition, the CDA team was unable to meet with Mapuche leaders,³ community members, and stakeholders due to timing and conflicting schedules. Therefore, the report does not address issues regarding the Mapuche communities living in the region, and particularly those living near

² *Puesteros* is a Spanish word that describes cattle herders or ranchers living in remote locations. For the purposes of this report these ranchers/cattle herders will be referred to as *puesteros*.

³ The Mapuche are an indigenous group living in the Southern Cone, but specifically in parts of Argentina and Chile. For more see: Unrepresented Nations and Peoples Organization (UNPO). 2013. "Mapuche." <http://unpo.org/members/7895>

operational sites. The CDA team recognizes that this is a gap in the findings, however, because the team was unable to fully gauge all perspectives and gather all relevant information regarding these communities and their experiences, the team felt that they could not responsibly address these issues in this report.

Visits to communities and meetings in Buenos Aires, Neuquén, and in Total Austral's operational areas were carried out under the following conditions:

- CDA hired an Argentine independent consultant as a local partner to support the team's understanding of local context issues, to contribute to the team's process of analysis and reporting, and aid with translation in the case of difficulties with local dialect. While in Buenos Aires, CDA also hired a local translator to assist with very technical conversations at the policy-level. The translator and consultant were hired without Total Austral's input.
- Total Austral took the lead in arranging meetings with its joint venture partners, contractors, government officials, and think tanks based on their existing relationships, to ensure that CDA would gain access to these groups. Total Austral representatives, however, did not participate in or attend these meetings. The CDA team arranged all other meetings without support or input from the company through a comprehensive stakeholder mapping.
- In the operational area and throughout the province of Neuquén, the CDA team traveled in an unmarked vehicle driven by a local-transportation contractor hired by Total Austral.
- As in all CDA field visits, the team introduced themselves to stakeholders as independent from Total Austral and made it clear that they were visiting at the invitation of the company to observe the impacts of oil operations on local communities.
- Upon arrival at the communities or at the homes of *puesteros*, the CDA team would sometimes divide in two groups. The two teams moved separately throughout the villages and held conversations at random. In some cases, due to the limited number of community members or *puesteros*, the CDA team would meet collectively with community members and *puesteros*. In the villages, the team had discussions with local people about their perspectives and expectations concerning Total Austral, as well as the perceived impacts of other oil company operations in the area. In community visits, as in other meetings, there were no Total Austral employees present.

SECTION I – BACKGROUND CONTEXT

This section provides brief observations of the political, social, and economic context in Argentina at the national, provincial (Neuquén), and operational levels visited during the CDA mission.

1.1. NATIONAL CONTEXT

Extending more than 100 years, Argentina has an extensive history with the oil and gas sector.⁴ Primarily located in the Neuquén Basin (in the province of Neuquén) and in the southernmost region of Tierra del Fuego, the country has large oil and natural gas reserves, which have allowed the country to export natural resources for decades. While robust, the sector has experienced a range of stages including an initial phase when the industry was run through a state monopoly – Yacimientos Petrolíferos Fiscales (YPF) – followed by a period of high levels of deregulation that peaked in the 1990s, and most recently policies of nationalization.⁵

Following the economic and political crisis of 2001, Argentina returned to high rates of economic growth,⁶ which allowed the government to craft policy in a way that focused on the redistribution of wealth and expanded access to credit in order to finance domestic consumption. Upper and middle class oil and gas consumption, therefore, has increased, while at the same time some historically marginalized groups were able to enter into mass consumption markets.⁷ This large increase in consumption, coupled with a decline in conventional production, has driven the country to increase imports from neighboring Bolivia and by sea, in the form of liquid gas, in an attempt to address its energy deficit. This has led the government to spend billions of dollars on imports, which in 2014 ran the country an energy deficit of more than \$9 billion dollars.⁸

The 2010 discovery of *Vaca Muerta*, a large shale formation (roughly covering 30,000 square kilometers)⁹ in the province of Neuquén, increased expectations regarding Argentina's ability to return to energy self-sufficiency. The *Vaca Muerta* formation ranks second in the world, behind China, in potentially recoverable shale-gas reserves and ranks fourth in shale oil, which is estimated to be 27 billion barrels.¹⁰ It's mere size and potential viability (which is currently unknown as companies are still in the exploration phase), which is further escalated by the high-levels of productivity seen in the United States recently, has raised national expectations about production capacities changing the economic situation of the country.¹¹ Additionally, the discovery of *Vaca Muerta* has launched Argentina into the global discussion regarding the use of unconventional techniques of hydraulic fracturing (also referred to as fracking).¹²

⁴ Weinstein, Bernard. 2012. "In Wake of YPF Seizure, Is Argentina a Good Investment?" Southern Methodist University, Cox School of Business: Maguire Energy Institute; Dallas, TX.

<http://www.pressdocs.cox.smu.edu/maguire/ARGENTINA%20ENERGY%20PAPER%20revised%209-12-12.pdf>

⁵ Latin America Oil & Gas Handbook. 2012. Backer and MaKenzie.

http://www.bakermckenzie.com/files/Uploads/Documents/Global%20EMI/bk_la_oilgas_12.pdf

⁶ Expanding on average 1.7 percent on a quarter-by-quarter basis between 2003 and 2012 For more see:

<http://www.tradingeconomics.com/argentina/gdp-growth>

⁷ Consumer Spending in Argentina increased to 647411 ARS Million. Consumer Spending in Argentina reached an all-time high of 656310 ARS Million in the third quarter of 2013 and a record low of 349853 ARS Million in the first quarter of 2004.

⁸ Turner, Taos. 2014. "Argentina To Expand Oil & Gas Investment Incentives: President Kirchner Will Meet With Governors from Oil-Producing Provinces To Work on Bill." Wall Street Journal. <http://www.wsj.com/articles/argentina-to-expand-oil-gas-investment-incentives-1402448389>

⁹ Badkar, Mamta. 2012. "Everything You Need To Know About Vaca Muerta, One Of The Biggest Shale Fields Outside Of North America." Business Insider. <http://www.businessinsider.com/everything-you-need-to-know-about-vaca-muerta-2012-4>

¹⁰ Turner, Taos. 2014. "Argentina To Expand Oil & Gas Investment Incentives: President Kirchner Will Meet With Governors from Oil-Producing Provinces To Work on Bill." Wall Street Journal. <http://www.wsj.com/articles/argentina-to-expand-oil-gas-investment-incentives-1402448389>

¹¹ It should be noted, that national expectations on the formation's viability are not necessarily tempered to match the realities.

¹² It is shorthand for hydraulic fracturing and refers to how the rock is fractured apart by the high-pressure mixture. Experts also refer to a "frac job" and a "frac unit". Fracking is the process of drilling down into the earth before a high-pressure water mixture is directed at the rock to release the gas inside. Water, sand and chemicals are injected into the rock at high pressure, which allows the gas to flow out to the head of the well. For more see: <http://www.bbc.com/news/uk-14432401>

While the technique of hydraulic fracturing is not new to the oil and gas industry, the discovery of large shale formations, such as in *Vaca Muerta*, has increased the use of the technique, and with it, has brought environmental concerns into national discourse on the topic. The most vocal critiques of fracking include concerns regarding the large amount of water required for extraction as well as the potential for chemicals used in the process to contaminate groundwater – though the industry suggests that pollution incidents are the result of bad practice and are not a reflection on the technique itself.¹³ Argentina specifically has seen an increase in environmental advocacy groups (many of which are sponsored or are offshoots of international environmental groups) poised to resist the use of fracking of *Vaca Muerta*. It should be noted that some of these environmental advocacy groups also campaign for stronger legislation and oversight of the sector, including greater transparency of revenues, investments, and contracts, on top of disclosures of environmental impact.

Due to Argentina’s federal structure, each province has enacted its own constitution and regulatory framework. Moreover, powers that are not delegated to the federal government through the National Constitution remain in the province.¹⁴ In 2014, Argentina’s Federal Government amended its *ley de hidrocarburos* (Hydrocarbons Law), which incentivizes long-term, foreign investment in the sector through the growth of unconventional exploration and production. The amendment also aims to boost conventional exploration and production.¹⁵ As a consequence, both the federal and provincial governments are adopting new environmental frameworks and measures for regulating hydraulic fracturing and unconventional oil and gas extraction. This has increased discussions relating to Argentina’s oil and gas industry among parliament representatives, provincial officials, environmental and civil society groups, and in the local and national media.

It should be noted that Argentina has a historical legacy of high-levels of political and social activism and civic participation, which are deeply ingrained in its social fabric. For example, the Argentine population is, in general, highly aware of the oil and gas industry’s corporate social responsibility (CSR) programs, which when focused on environmental initiatives, are commonly perceived by the general public as greenwashing.¹⁶ In addition, there have been several cases in which strong civic activism regarding a lack of transparency in revenue flows and operational practices, combined with limited local social development, has forced several mining operators to abandon their operations/offices in certain provinces. These factors (increasing dialogue on issues of fracking, the country’s legacy of civic participation, and well-informed society) are further compounded by the 2015 elections at the national-, provincial-, and municipal-level, which have catapulted issues of energy and the environment to the top of national debate.

1.2. PROVINCIAL CONTEXT

Neuquén province has a highly diverse landscape with a large metropolitan area surrounding the capital city of Neuquén, where the provincial government along with Total Austral and many other operators and contractors are based. For decades a single political party and prominent

¹³ BBC News. 2013. “What is fracking and why is it controversial?” <http://www.bbc.com/news/uk-14432401>.

¹⁴ Latin America Oil & Gas Handbook. 2012. Backer and MaKenzie. http://www.bakermckenzie.com/files/Uploads/Documents/Global%20EMI/bk_la_oilgas_12.pdf

¹⁵ Waszkiewicz, Adam and Darren Spalding. 2015. “Reforming the Argentinian Oil and Gas Regime.” Energy Legal Blog: <http://www.energylegalblog.com/archives/2015/01/16/5924>

¹⁶ Greenwashing is when a company or organization spends more time and money claiming to be “green” through advertising and marketing than actually implementing business practices that minimize environmental impact. For more see: <http://www.greenwashingindex.com/about-greenwashing/>

family and its allies have governed the province. Concentrating power since its creation its 1961, the provincial political party¹⁷ has had longstanding links with the petroleum trade unions, and, therefore, has supported the development of oil and gas activities as it connotes high level of revenues. Overall, other stakeholders in the province are also relatively pro-industry, since oil and gas operators (national, provincial, and multinational) have been operating in the province for 40+ years and many people from Neuquén work in the *Vaca Muerta* region for operators and contractors. The discovery of the *Vaca Muerta* formation, however, has increased expectations throughout the province regarding the possibilities for increased production, revenue, and jobs that may come with it.

Neuquén is also where many civil society organizations (CSOs) that work in the province (and particularly in the *Vaca Muerta* area) are based. These groups are diverse and range from organizations specifically established to consider issues of fracking and environmental degradation to an association of local lawyers representing the interests and needs of local community members (many times called *superficiarios*).^{18 19} It should be noted that many of these actors have links to national- and even internationally-based groups, yet, are a unique and discrete set of stakeholders who are highly active in the province. Many of these CSOs are highly critical of the oil and gas sector and the use of hydraulic fracturing and its environmental consequences.

1.3. LOCAL CONTEXT

Vaca Muerta and the surrounding area (roughly 100 kilometers from the capital of Neuquén) is a large semi-arid region. This portion of the Neuquén Basin is where most of the oil and gas exploration and production occurs – including Total Austral’s operations. Due to the desert conditions of the region, the overall population density is quite low with remotely located *puesteros*, several small villages, and two major towns in the region – Añelo and Rincon de los Sauces. The larger towns serve as hubs for operators in the region (Total Austral is mostly managed from Neuquén and Añelo, while other operators, like Chevron, are managed from Rincon de los Sauces). Given the environment, many community members are either subsistence farmers and herders or work for the operators and contractors in the region – usually as laborers. Unemployment – particularly for women – is rather high among local communities.²⁰

Changing Context of Local Towns

Smaller towns and rural areas (including those in Total Austral’s operational area) in the Neuquén province have been historically excluded from both national and provincial development agendas. In general, they tend to lack robust infrastructure such as paved roads and access to water. Limited local capacity and budget that is available to local authorities further inhibit local government’s ability to develop the region for local citizens as well as the industry. Furthermore, while roughly 40 percent of the provincial budget is generated from

¹⁷ Movimiento Popular Neuquino

¹⁸ The term “*superficiarios*” refers to the community members living within and impacted by Total Austral’s operations’ areas.

¹⁹ The CDA team was informed of a case brought to the Argentine Supreme Court by the local association La Asociación de Superficiarios de la Patagonia (ASSUPA) against 18 oil companies operating in Vaca Muerta, including Total Austral, for environmental damages and liabilities that have affected *superficiarios* in the region, For more information: http://www.noticiasonline.org/index.php?option=com_content&view=article&id=4873:la-corte-llama-a-conciliar-en-juicio-a-petroleras&catid=22:actualidad2

²⁰ Some recent studies, however, do indicate that the unemployment rate in the Neuquén region is actually decreasing. For more see: http://www.lmneuquen.com.ar/noticias/2014/11/19/baja-el-desempleo-de-la-mano-de-vaca-muerta_240889

royalties paid by the oil and gas industry, this money remains highly centralized at the Neuquén-level; and therefore, small towns and rural areas with low population density see little investment dedicated to local development.²¹

Internal migration to villages and towns in the operational areas from other regions of Argentina, and in some cases other South American countries, has dramatically increased along with the shale findings. Yet, the development of local infrastructure has not kept pace with the growth of the population. For example, the town of Añelo grew in population by over 70 percent in the past eight years,²² and local residents assert that its infrastructure has hardly changed in that period. This has generated challenges, for example, with the local water system and electrical grid that, with the increasing influx of people to the town, cannot keep up with demand.

The discovery of the *Vaca Muerta* formation has also contributed to increasing expectations of the possibility of jobs and economic opportunity. Many of these new workers looking for employment opportunities are unskilled or have never worked in the oil and gas sector. All of them have expectations as to what they can gain with the *Vaca Muerta* boom in the short-term. In Añelo, and elsewhere in the region, social problems including prostitution, drug and alcohol addiction, and gambling have also emerged in recent years. In some cases, families have chosen to send their children to more peaceful environments in rural villages to receive their schooling (as opposed to the overpopulated communities like Añelo). The region has also experienced localized inflation, which has dramatically increased the cost of living and made housing unaffordable for many local residents. For example, one teacher explained to the CDA team that many teachers are unable to afford rent in Añelo, so they have to travel one to two hours each way in order to work.

Issues of Land Tenure

Land tenure is extremely irregular in Neuquén and Argentina as a whole. While oil companies have been operating in the region for decades, issues regarding land tenure and compensation continue to be a problematic topic due to the initiation of shale exploration as well as on-going compensation for environmental degradation from existing operations.

Many historical inhabitants are not provided with the basic legal entitlement to lands in which they occupy. There are commonly two types of inhabitants living on the land:

- *Dueños* or those who own the land they are living on and have a legal and official title to the land. In some cases, the CDA team heard that the owners live in cities outside the *Vaca Muerta* region, Buenos Aires, or in other provincial capitals.
- Inhabitants without official land titles. These people may be living on federally owned land without titles – though some may have some type of *tramites* or processing papers. Or, they may be people living on land that is owned by someone else but has gone unclaimed for many years.

Land-ownership in the region is concentrated within the government and the majority of the territory is fiscal land. Local advocacy groups, civil society actors, lawyers, as well as some local

²¹ URS. 2014. “Estudios de Línea de Base Social: Total Austral S.A.”

²² *Ibid.*

community members perceive that the lack of clear regulations from the government regarding land tenure (for those specifically without legal titles) benefits the companies operating in the region. It is believed by civil society groups and community members that without the regularization of land issues companies (like Total Austral) do not have a legal obligation to compensate those occupying the land and, instead, only have to pay royalties to the government for the use of land. This perspective reinforces local *superficiarios'* sentiment that little incentive exists for both operators and the provincial and national government to deal with these regulatory gaps.

Issues of Environmental Impact

In Neuquén's capital, surrounding capitals, and Buenos Aires there is social mobilization and increasing interest regarding fracking as well as monitoring environmental impacts of the oil and gas sector more generally. There are various alliances of organizations and advocacy groups that are advancing developments and debates on the issue of fracking and they work with the support of respected social leaders,²³ artists, academics, politicians, and elected parliamentarians.

Against this backdrop, in 2012, Total Austral was given authorization by the provincial authorities to drill an exploratory unconventional well inside one of their blocks that lies within a provincial protected area called Auca Mahuida. The process that led to Total Austral's decision to begin exploration in the protected area, however, elicited critique by several of the advocacy groups in the province. Several stakeholders (including national- and provincial-level civil society groups, environmental groups, and Total Austral employees) explained to the CDA team that prior to deciding to move forward with exploration, there was disagreement between the leadership and technicians in the provincial government over Total Austral's Environmental Impact Assessment (EIA). After receiving provincial approval for the exploration, the CDA team noted that Total Austral received backlash from national and international advocacy groups regarding the development of unconventional gas techniques in addition to the potential environmental risk that such an operation may have on the natural reserve. This criticism eventually reached Total S.A. headquarters in Paris, when international advocacy groups protested against Total Austral's decision to use unconventional techniques in the protected area.

It should be noted that, within the local villages and among *puesteros*, there is a low level of awareness or concern regarding oil and gas exploration activities within the natural reserve. The CDA team did not hear concerns specifically related to the use of hydraulic fracturing in the new areas of exploration. Community members also expressed worries regarding environmental issues related to operational impacts that are not commonly vocalized at the national-level, such as issues of excessive dust from the roads affecting the flora and fauna, high levels of traffic (which are relatively new to the area) and concerns regarding flaring near the gas-treatment plants. The CDA team noted that, on the one hand, there is little information provided to local communities regarding the environmental impact and the effects of fracking. Most local people were aware of the term fracking, but were not aware of assertions by some environmental and advocacy groups regarding possible environmental impacts of hydraulic fracturing, specifically relating to waste, water contamination, and leaks. On the other hand, community members expressed interest in having access to more information about the industry, including

²³ For example, the Nobel Peace Prize Adolfo Perez Esquivel and members of the Mothers of the Disappeared Association

operational activities, environmental management and protection, and the pros and cons of hydraulic fracturing.

SECTION II – TOTAL E&P AUSTRAL OBSERVATIONS

This section explores the social aspects of Total Austral's operations in order to capitalize upon its existing relationships and ensure positive and effective relationships between the company and its stakeholders. Even with Total Austral's longstanding presence in the region, the discovery and subsequent exploration of the *Vaca Muerta* formation has changed the scope in which Total Austral engages local communities. In response to these changes, Total Austral recently developed its policy on sustainable development and social management (*Política de Desarrollo Sostenible y de Gestión Social*) which clearly states Total Austral's principles and values: integrity, social responsibility and local development, dialogue, protection of the environment and safety and security for all. With this in mind, the observations presented in this section are organized into four related areas: land compensation, managing community requests, Total Austral's social investment initiatives, engaging key stakeholders, and Total Austral's human resources.

2.1. LAND COMPENSATION

At present, Total Austral is providing financial compensation to those holding official titles for land inside the company's operational areas. This includes all *superficiarios* who have legal documentation of the right to occupy their land. Due to the highly restrictive process for land titling, set by the provincial and national government, the number of people receiving financial compensation – from Total Austral and other operators – is quite limited. In some cases, when *superficiarios* cannot provide titles to their land, Total Austral does provide small improvement projects – such as the building and filling of water tanks in households – since they are unable to provide compensation packages. The CDA team, however, heard that, in at least one case, Total Austral had offered an improvement project to an untitled *superficio*, but the *superficio* had not heard anything back regarding the next steps and process for project implementation, and therefore, was left wondering what would be the outcomes of the project.

Total Austral's approach to addressing community related issues of land and compensation is via a Community Liaison Officer (CLO), based at their Neuquén office within the operations department. Total Austral's CLO frequently engages community members, and represents the face of Total Austral to many remote communities who would otherwise have little or no direct contact with the company. Engagement is commonly through regular phone calls along with rotating weekly visits to *puesteros* and villages. Many community members explained that they saw the CLO as an open channel of communication with Total Austral. One *puestero* explained to the CDA team that, "I have the telephone number...I can call Total in order to discuss my needs and concerns." The CDA team also heard of cases in which the CLO accompanied local community members to government offices so they could access the necessary paperwork to start the process to regularize their land tenure situation. The CDA team did, however, speak with community members who have had little or no contact with the CLO, in particular *puesteros* located in the more distant areas of Total Austral's operations blocks. These *puesteros* knew little about Total Austral's land compensation efforts and their own options for compensation.

While Total Austral maintains regular communication with community members regarding compensation issues, the CDA team did hear inconsistencies regarding *superficiarios'* understanding of their land ownership rights. The CDA team also noted, that almost all *superficiarios* dealing with issues of land tenure and compensation were working directly with a specific group of lawyers based in Neuquén in order to address and move forward their legal claims to the land. In some cases, however, local community members working with the local group of lawyers were unsure about the status of their claim in the legal proceedings.

2.2. MANAGING COMMUNITY REQUESTS

Frequent and recurring engagement with community members on matters related to land compensation has positioned the CLO to also be the primary recipient of all local community complaints and requests. The CLO receives grievances related to operational impacts on the local environment, including, for example, improvement of road conditions in areas of high truck traffic. Additionally, the CDA team noted that when Total Austral responds to community-based grievances related to operational impacts, it usually falls on the CLO to liaise between the communities and various managers from the Neuquén office, both gas-treatment plants, and the logistics team to address the issues. The CDA team heard that Total Austral receives at least four weekly requests related to community issues that require a response from the logistic teams at the plants.

While in some cases requests are directly related to Total Austral's operational impact, in many other cases the CLO collects requests that are unrelated to the operations department. For example, the CLO often compiles and addresses requests regarding the building and filling *puesteros'* water tanks or providing in-kind donations to local schools. The CDA team noted that in addition to calling the CLO when local community members and *puesteros* have issues, many of them also directly visit the main gate of Total Austral's gas-treatment plants and drill sites. When possible – which is relatively frequent – Total Austral responds to requests and helps local community members when they come to the company's gate. For example, Total Austral's medical staff based at the gas-treatment plants responds to community requests for medical support about once a week, including, on occasion, the use of Total Austral's ambulance for medical emergencies.

The CDA team did hear, however, from community members that sometimes Total Austral is slow to or does not respond to their requests, which, in some instances, leads to community backlash against Total Austral. Total Austral discussed cases in which community members have blocked road access to Total Austral staff and contractors as a method to receive immediate attention to their requests. The CLO is often the first line of contact in diffusing situations, addressing community requests, and negotiating access to resume work after roadblocks or petitions. For example, when the local community requested that Total Austral build a bridge to improve access to their town during heavy rains and flooding, the company did not respond. Community members therefore applied pressure on Total Austral by blocking the road. In response to the block, the company and local authorities engaged in a dialogue process with those community members. Negotiations lead Total Austral to agree to develop a study to move the infrastructure project forward. At the time of the CDA visit, however, the project was still unfinished and the team was not informed as to why the project was not effectively finalized.

2.3. TOTAL AUSTRAL'S SOCIAL INVESTMENT INITIATIVES

At present, Total Austral has social investment initiatives in the three impacted communities – Añelo, San Roque, and Chihuidos. Añelo is the largest community and is also the location of the main offices for many contractors. San Roque and Chihuidos are small, remote villages located inside Total Austral’s operations blocks.

<p style="text-align: center;">Total Austral Social Investment Initiatives – Añelo Region</p> <p>Projects Include:</p> <ul style="list-style-type: none">- Plant nursery project (<i>viveros</i>) in two communities- Pig farming (<i>porcino</i>) in one community- Goat rearing (<i>criaderos</i>) in one community- Clothes production for plant workers in one community <p>Direct Donations Include:</p> <ul style="list-style-type: none">- Primary school furniture and equipment- Scholarship programs to local schools, etc.- Support for building of medical centres and a swimming pool and other recreational areas in towns
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With only three impacted communities, Total Austral has a relatively small and disperse population of community stakeholders; and therefore, the company only manages five social investment projects, which are focused on community-based income generation activities. In addition, Total Austral provides funding for several scholarships for students at local schools and other ad-hoc, in-kind donations to communities – such as medical supplies, support for the development of recreation areas, and computers and furniture for schools within Total Austral’s communities. Community members and other stakeholders in the region have a broad awareness of Total Austral’s social investment projects and the company’s intention to invest in local development.

All of Total Austral’s social investment initiatives are done in conjunction with partners who operate at the national-, provincial-, or local-levels. Total Austral’s development partners include development and education NGOs based in Buenos Aires, academic institutions in Neuquén, consultancy firms with technical development expertise, provincial cooperatives, and the local and provincial governments. These partners work directly with Total Austral’s Social Investment Team, which consists of two full-time Public Affairs staff based in Buenos Aires and a part-time contractor based in Neuquén. The Public Affairs staff in Buenos Aires are responsible for the developing projects and budgets, liaising with other Total Austral management, and reporting on achievements of the social investment program. In addition to social investment, the portfolio of the team also includes public affairs, external communications, press relations, and sponsorships. The primary responsibility of the part-time staff member in Neuquén is to support implementation and to monitor the progress of the social investment activities, which requires regular visits with partners and communities who are working on the initiatives.

Several of Total Austral’s income-generating projects have been developed with a three-year funding plan and a long-term investment and business strategy, which were developed between Total Austral and its implementing partners. The Social Investment Team has also instituted a monitoring and evaluation plan for each of the projects to be tracked by the Social Investment Team and development partners. Key performance indicators in several areas including effectiveness of animal husbandry, sanitary management measures, institutional strengthening, and economic impact of productive activities have been tracked since the beginning of several of the projects and, in general, indicate positive results and improvements in the aspects of programming being tracked.

The CDA team noted that, while Total Austral emphasizes the monitoring of the development programming, various local partners explained that they find it difficult to provide proper continuity to the projects. These partners suggested that this is primarily due to gaps in the project funding model, limited long-term planning, and challenges with the project strategy, which are dependent on many different actors. In some cases, however, while local partners suggested that programmatic gaps were related to poor long-term planning by Total Austral, the company saw these issues as relating to the inability of the local partner to fulfill their obligations. For example, the pig-rearing (*porcino*) program has been successful in raising pigs and building capacity in animal husbandry among the participants, but the project does not currently include a local slaughter house, which fell under the purview of the local partner. Currently, project participants are unable to slaughter the pigs following proper hygiene standards, which puts at risk the overall investment and poses some health dangers. In this case, Total Austral explained that their programmatic obligations were completed, and the issues surrounding the last component of the project (the slaughterhouse) reflect upon its implementing partner.

The CDA team noted, that other project participants cited existing communal tensions, particularly between leadership and citizens, as a challenge for project implementation. Most specifically, in this case, the flow of information and benefits from the social investment projects, has, at times, been concentrated through a few key people. On the contrary, the CDA team also heard positives stories from one of the nursery gardens which is currently undertaking a process of expanding its business and, thus, working to ensure the sustainability of the initiative beyond Total Austral's support. Hence, opinions and performance of the projects observed were varied, with project participants indicating a need for increased support (including long-term funding support), involvement, and oversight by Total Austral staff.

2.4. ENGAGING KEY STAKEHOLDERS

Engaging with National, Provincial, and Local Government Officials

For the purposes of this report and because much of the legislative oversight of the oil and gas industry is concentrated at the provincial-level, the CDA team did not meet with national authorities. The CDA team however noted that Total Austral actively works with the Argentine Chamber of Oil and Gas Producers and various sector-wide organizations, such as the *Instituto Argentino del Petroleo y del Gas* (the Oil and Gas Institute of Argentina – IAPG). While acting as collective voice for the oil and gas sector in Argentina, each of these organizations specific mandates and fulfill roles for the sector including:

- Convening oil and gas operators working in Argentina to discuss industry-wide issues;
- Negotiating labor issues among operators;
- Providing information about the industry and promoting best practices among operators; and
- Influencing the Argentine legislature to make changes that affect the members.

For example, the IAPG works with, and is funded by, many of the national, provincial, and multinational oil and gas companies operating in Argentina to improve communication and increase public knowledge and understanding of the industry, among other initiatives (including performing technical studies on the oil and gas industry and providing the industry with best practices). Shortly after the discovery of the Vaca Muerta formation, the institute launched a

working group, along with many companies in the oil and gas sector – including Total Austral, to address public concerns and contribute to the general knowledge on hydraulic fracturing.

Decentralization of power from the national government to the province has made Total Austral’s engagement with provincial authorities highly important. While the national government sets a minimum standard for operating in the country, each province sets its own legislation for regulating companies’ operations. Accordingly, Total Austral operations in the province of Tierra del Fuego are regulated under different restrictions and codes than its operations in Neuquén. Due to the longevity of Total Austral’s operations in the Neuquén basin, the company, in general, has longstanding relationships with many of the provincial government officials who work in the energy, environment, and water resources departments.

At the local-level, however, Total Austral’s relationships with local government officials are burgeoning, as exploration in *Vaca Muerta* expands and the company places more of its operational personnel in Añelo. Total Austral’s Social Investment Team interacts frequently with local government officials, particularly to consult and share information regarding projects. In local communities, Total Austral’s Social Investment Team and CLO work closely with the town Development Commissions (*Comisiones de Fomento*) via regular meetings to discuss projects, review areas for potential in-kind donations, and review additional community needs.

Total Austral’s support is welcomed and there is an interest to increase relations. Local government officials expressed an interest in moving from an ad-hoc approach of requests to a more integrated and systematic method of support through a town development plan. Several government officials expressed to the CDA team their interest in working more directly with the companies because they often do not receive enough funds expected from taxes paid by the oil and gas companies’ operations in the region. Several authorities suggested that this tax money is commonly tied up in obscure funding streams.

Masterplan for Development of Añelo Example

Añelo is facing massive change given the influx of people and demands from the increasing oil and gas activity. In this context, the local government along with the Inter-American Development Bank (IDB) and YPF have been actively devising a “Masterplan” development scheme for the town. The plan will guide investments towards necessary improvements and development policies and programs. Total Austral was invited to an introductory meeting about the “Masterplan” study and priorities during an open session with other oil companies.

Engaging Other Actors

With a wide-range of policy and environmental NGOs operating in the region, Total Austral engages each actor differently. CDA noted that Total Austral is currently working with policy and environmental actors on a range of projects which include assessments of macro-economic implications of shale investments in the country, joint work with a national institution to devise a communication and information campaign about hydraulic fracturing, and general advising on environmental policies and social impacts.

While Total Austral works closely with some NGOs, the CDA team noted that Total Austral engages to a lesser degree with advocacy actors who are perceived as “more difficult” and “political” by Total Austral. Both Total Austral and many of these advocacy groups commonly hold negative perceptions of one another, which limits dialogue between the two. The CDA

team noted that Total Austral currently does not have a strategy that includes initiating or sustaining relationships with advocacy actors. Internal confusion and lack of clarity as to why, with whom, when, and how to dialogue with advocacy actors was also a challenge that Total Austral staff discussed with CDA team.

2.6. Total Austral’s HUMAN RESOURCES

Emphasizing labor relations, Total Austral’s Human Resources (HR) department focuses on maintaining a positive relationship with trade and labor unions. Total Austral is highly active and strategically engaged with trade unions at the national-, provincial-, local-, and operational-levels on matters of employment and political relations. At the time of the CDA visit, 100 percent of employees of Total Austral and contractors were unionized. Total Austral’s staff clearly expressed an awareness of the union’s power, which can positively or negatively affect daily work as well as national policy-making.

Based in Buenos Aires and Neuquén, the HR staff are in constant communication with trade unions and managers at operational sites to ensure and maintain positive relationships. Leadership at the operational site explained that the use of an “open door policy” – in which an employee with a problem regarding their work environment can directly talk with their manager about issues – is the common approach used to address internal issues between employees, contractors, and management. Described as effective by management and employees alike, the informal “open door policy” is currently the only internal mechanism for managing grievances, and puts the onus on employees to raise concerns and issues. The CDA team noted, that trade unions are commonly the first to intervene when grievances require a more concrete response than dialogue with management.

SECTION III – ANALYSIS

Drawing upon the aforementioned observations and context, this section will present an analysis of different operational and contextual factors that may present risks to Total Austral and to all stakeholders. Insights provided in this section consider the interconnected nature of the Argentine context at the national-, provincial-, and local-levels and couples that with the observations at Total Austral’s operations. This section provides analysis for the following areas: land compensation, social investment, community engagement, and engaging key stakeholders.

3.1. LAND COMPENSATION

Irregularities in land titling and compensation have engendered vast inequalities in land rights and ownership throughout the country. While the provincial and national governments have established a clear minimum standard for compensating those with titles, the large majority of people in the Neuquén Basin (including Total Austral’s operational area) fall into a “gray area” regarding their legal rights and, therefore, their ability to access compensation for impacts from oil and gas operations. Inconsistencies in land tenure issues, further exacerbated by Total Austral’s approach to different landholders have, in many cases, forced many *superficiarios* (both titled and non-titled) to hire lawyers. Many local community members explained to the CDA team, that they have hired a local legal group because they feel they have limited power and information to negotiate with the company. Thus, in spite of the cost, *superficiarios* feel the presence of a legal representative is their only option to understand their land rights and to seek appropriate compensation. Limited national and provincial guidance for the compensation of

citizens who do not have legal titles (those living on federally owned land, private land, or land of unclear status) has influenced advocacy groups and local citizens' view that the government (in particular the provincial government) is purposefully keeping the issue unresolved for financial gain. This has translated into an unfavorable view that operators, like Total Austral, are also directly benefitting from the lack of regulatory clarity.

Further, the sheer size of the territory and volume of work can prove challenging for Total Austral's CLO in managing the negotiation process. The CLO generally uses a case-by-case approach for working with and coordinating among *superficiarios*, management, and the operation's logistics team. This approach, ultimately, has fostered a sense of inequality and resentment between neighbors and has left many with a range of unanswered questions and unfulfilled expectations. That being said, most community members that the CDA team spoke with explained that Total Austral was doing more to address compensation and land issues than most other operators in the region. Yet, the lack of a streamline, clear, and transparent approach to address all claims (which is widely understood and accepted by Total Austral, community members, and the government) poses several risks to Total Austral and its operations, including:

- Community members are leveraging outside support from lawyers who are highly critical of Total Austral and the oil and gas industry. This could pose a reputational risk with regards to how the company is perceived in dealing with land rights issues in the country. This perception could be used to further fuel advocacy groups who are critical of other aspects of Total Austral's operations; and
- Lack of a transparent and palatable approach to land tenure issues may harm Total Austral's ability to have meaningful and sustained engagement with communities in their operational areas. Frustrations arising from land issues may undermine Total Austral's social investment initiatives and could even be expressed by community backlash against Total Austral's operations.

3.2. SOCIAL INVESTMENT

The dramatic increase of outsiders entering the region, the presence of oil and gas operators, and the exploration of *Vaca Muerta* have had direct impact on the social fabric of the region. Growth in the number of migrant workers seeking employment in towns such as Añelo has affected the limited infrastructure and local capacities of municipal governments. This, coupled with the sentiment that most of the financial benefit from the oil and gas sector does not return to the municipal government for the benefit of locals, has increased expectations on oil and gas operators to directly finance positive social initiatives for local communities.

Local community members discussed Total Austral's social investment initiatives as generally positive with regard to their contributions to communities. That being said, a number of issues were raised regarding the design and implementation of the programming in its current state. At the time of the visit, the CDA team noted that even with a long-term development plan and strategy in place, community members felt that projects were not implemented effectively or sustainably in order to foster long-term income generation opportunities. In some cases, the team noted inconsistency between the planning, design, and implementation of a project in relation to how the project comes to fruition in the local community. This is seen, in particular, with projects that are jointly managed or in which responsibility for project completion is shared across several development partners. For example, the *porcino* project is perceived as a Total Austral project and, thus, failure by one of the development partners to build the

slaughterhouse (a crucial component of the success of the project) reflects poorly on the company rather than the partner organization. Incompletion of any component of the project, therefore, is a reflection on Total Austral and may create reputational risk if the company does not hold its partners accountable for fulfilling their obligations.

While the inclusion of many development actors in Total Austral's social investment strategy has brought a range of expertise to the programs, they have also made the management and delivery of successful projects more complex. Challenges in programming may stem from Total Austral's current partnering arrangements, including:

- Understanding of the approach and aims of the projects;
- Analysis of dynamics within communities and the impact of projects on local participation;
- Issues between Total Austral and its partners leading to gaps in project oversight, management, and completion due to the allocation of responsibilities;
- Perspectives on local capacity of community members to take over continuity of projects; and
- The extent to which all involved viewed projects as context-appropriate.

Discontent with the current management and oversight of projects, may pose challenges for Total Austral's social investment programs, and specifically their ability to have a sustainable, positive social impact on communities. Given the company's long-term presence in the region, this could generate risks for Total Austral in maintaining positive relationships with community members, which would not only impact the success of social investment initiatives, but may also derail compensation negotiations and undermine Total Austral's social license to operate. The CDA team noted that these issues are most related to several factors:

- *Available Resources for social investment projects* – At present, Total Austral has only two full-time staff dedicated to its social investment projects, while at the same time, the team's portfolio is much more expansive than social development initiatives. Staff therefore, are not well resourced to focus efforts on analyzing the context, designing programming through participatory means, and the monitoring and evaluating the programs. Under resourcing the social investment department may inhibit Total Austral's ability to maintain its positive relationship with communities and, in turn, may make it challenging for the company to engage with communities to fully understand needs, requests, and complaints. This could present further risk for Total Austral's operations since roadblocks are common tactics used by local communities to elicit responses to unmet requests and needs from the company.
- *Remote Management*: While Total Austral's long-term presence has positioned the company as a key contributor to the economic development of the region, managing both design and implementation of social investment efforts from Neuquén and Buenos Aires may reduce the effectiveness of the work. Attempts have been made to increase regional presence, particularly with the hiring of a part-time consultant based in Neuquén and by working closely with local NGOs and governmental officials to develop initiatives. The lack of a consistent presence at the local-level, however, limits the reach and possible impact of social development by restricting the team's ability to perform

ongoing project tracking, integrate feedback into the (re)design of programs, and understand how projects play into the social dynamics of the communities.

3.3. COMMUNITY ENGAGEMENT

Total Austral's primary, direct community-facing mechanisms are focused either on negotiating compensation for operational impacts via the company's CLO or implementation and oversight of social investment projects via the Societal Team. While these functions are critical, neither are focused on broad community engagement. Consultation, dialogue, and communication strategies for the sole purpose of building long-term relationships across the entire community and for gaining a deeper understanding of community perspectives and needs is currently lacking from Total's community engagement strategies.

As it stands, limiting engagement to matters of project implementation or compensation communicates to the community that the company's engagement agenda is pre-set and defined by company priorities. This can leave community members feeling as if they have few options to express their perspectives other than through disruptive behavior against operations. Hearing the range of perspectives from community members would, however, allow Total Austral to address small grievances raised by community members before they become larger conflicts. Open-ended engagement can also provide the company with a better understanding of different interest and influence patterns, including the extent to which various stakeholders have influence over each other or are being influenced by others. In this case, Total would be better prepared to manage its reactions, particularly to the anti-fracking movement, if external groups try to leverage community discontent to support advocacy agendas. Instead the company would be equipped to address root causes of grievance among the company's own local stakeholders – which may include land tenure issues, effective social investment projects, or the impacts from increased traffic and the influx of workers in the region.

The CDA team noted that upon entering a local community, community members had a long list of requests and complaints for the Total Austral representative (who was not with the CDA team at the time). This was described as common behavior from the local community who generally pass on requests to whoever is the first Total Austral representative (which is usually the CLO) to visit the community, regardless of their position. It is not, however, in the scope of the CLO to address many of the community's complaints – some of which do not even relate to Total Austral or its operations. This creates a situation in which the CLO is either managing even more work than what should fall within the purview of the job or requests go unanswered. CDA's experience suggests that when companies are unresponsive or even slow to respond to community requests or feedback, tensions can build. Grievances that may have started as small issues can quickly accumulate into a larger conflict. Thus, while contact with the community for the purpose of compensation is critical, using it as the sole mechanism of engagement is not sufficient. Ultimately, when the CLO becomes the de facto point of contact for collecting community grievances, unaddressed complaints can eventually undermine the capacity of the CLO to perform the basic tenants of their job. Community trust and confidence in the CLO may deteriorate as needs go unanswered, making conversations about compensation more challenging.

In addition to the CLO and Social Investment Team, community members go directly to the gates of the gas-treatment plants with complaints or requests, which demonstrate that they trust they can make contact or get help from Total Austral. That being said, this approach is highly reactive to community requests. Given the remote nature of many of the communities, Total Austral’s “open gate” policy favors those closest to the plant operations, or those who can afford the trip or have the determination to travel long distances. Addressing grievances in this way may create a situation in which Total Austral is seen to engage and respond to some community members over others, based on factors such as geographic location and financial means. In addition, taking a reactive approach to addressing needs or complaints communicates to locals that they must approach the company with a problem in order to be heard.

Rewarding Obstructive Behavior

When a company is seen to be slow to respond to letters of requests or non-violent expressions of complaints, but immediately responds to threats and blockages, they communicate that the most effective way to be heard by the company is to be obstructive. Rewarding destructive behavior can generate a cycle of action and reaction between the company and community that commonly grows in scale – often leading to violent conflict.

These issues highlight the lack of a grievance mechanism within the company to collect, aggregate, and respond in a timely manner to community complaints, which meets the norms set by internationally-recognized performance standards such as the United Nations Guiding Principles on Business and Human Rights.²⁴ The lack of a standard mechanism for Total Austral to process all incoming grievances (whether related to company actions or not) has generated a situation in which community members who are most vocal about their issues are the ones that are heard and responded to by the company. Instituting a formal mechanism by which the company receives and responds to complaints, however, ensures that internal management processes are put in place, complaints are being addressed, and community members are receiving responses.

3.4. ENGAGING KEY STAKEHOLDERS

This section analyzes Total Austral’s engagement with several of its key stakeholders including internal management and human resources, provincial and national government officials, other operators, and national- and provincial-level critics.

Human Resources

Similar to Total Austral’s community engagement approach, internal human resources at operations sites are highly reactive and place the onus on the employee or contractor to raise issues and concerns (either personal or interpersonal) to management via the “open door policy.” Creating a space where employees feel empowered to raise and discuss issues with their supervisors is very important and highlights Total Austral’s positive work environment. The CDA team noted, however, that when employees are unable or uncomfortable to resolve grievances with management through direct dialogue, they commonly leverage the support of their trade unions. Additionally, HR staff’s location outside of the operations sites has generated a scenario that places site/plant managers at the center of addressing any internal issues among Total Austral staff and contractors. These factors – the location of human resource staff and the

²⁴ United Nations. 2011. “Guiding Principles on Business and Human Rights: Implementing the United Nations ‘Protect, Respect, Remedy Framework.” http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf

lack of a grievance mechanism – may explain why staff commonly turns to labor unions to negotiate the changes they want to see inside the company.

Emphasizing trade union relations is critical in a context where unions have strong ties not only to local communities, but also to provincial and national political structures. This focus solely on union relations, however, highlights gaps in Total Austral’s internal human resource systems and processes. Overall, Total Austral has positive trade union relations, however, dealing with internal employee issues via the unions, as opposed to formal internal mechanisms, increases the extent to which the company has to shape its human resources management around trade unions and labor negotiations. Further, this arrangement raises the potential risk for engagement and negotiations with unions to become strained.

Additionally there are an increasing number of workers that are hired from the surrounding communities (Añelo, San Roque, Chihuidos and Neuquén) many of whom are friends and family members of those living in the communities. Employees not only represent Total Austral, but also the local communities, making the two entities inextricably linked. As a consequence, community members know most of what happens inside the blocks and at the plants and vice versa. This integration has positive and negative effects. On the positive side, some workers seem to be aware of social investments made by Total in the local communities and support such projects and initiatives. On the negative side, however, some workers are concerned by the limited response to negative operational impacts that the industry is having on local communities. Increasing interconnectivity illuminates the importance of addressing both internal and external issues directly to mitigate the possibility that these issues will transcend from community into operations.

Engaging Internal Management

The CDA team noted that, while there seems to be support for societal efforts and community investment across the organization, there are clearly varying perspectives and understanding across the management team about how external-related social issues can affect all aspects of company operations and vice versa. Although the Societal Team and the CLO are the primary communicators with local people and are expected to be responsible for maintaining cordial community relations, it is the behaviors, policies, and practices of all departments that affect people’s perceptions of the company. These behaviors also determine how the community acts and reacts towards the company. The CDA team noted that often operations and business decisions do not include an in depth understanding and analysis of the implications of social and community relations considerations (see Auca Mahuida case), which can have broader implications and pose great risks for the entire company.²⁵

Potential risks for Total Austral will arise if the company’s operations continue without adequately understanding the connection between the operational impact of the company on the community and the perception of the community towards the company. Risks may include:

- Road blocks by community members;
- Strikes that could stop operations;
- Local community members seeking outside support by engaging advocacy actors (local, provincial, national, or even international) who are highly critical of the company; or

²⁵ Internal management issues determine the success or failure of external relations, as explored further in *Getting it Right: Making Corporate-Community Relations Work*, Chapter 13. Lynne Reiner, 2009.

- Reputational risks from increasing critiques.

Engaging National & Provincial Government

In allowing the provincial governments to govern the oil and gas sector (since the national government only sets the minimum standards) there is concern regarding consistent and adequate regulation of the growing industry. A lack of engagement on the part of the sector in influencing good governance practice within the government is viewed by many groups (who represent the anti-fracking movement in Argentina and internationally) as intentional by companies who may benefit from the shortcomings of minimum standards.

A very similar pattern is seen with regard to issues of land tenure and the minimum level of engagement that Total Austral has with the provincial and national government in addressing the gaps in legislation. While Total Austral complies fully with its legal obligations, meeting the minimum standard by compensating those who have legal titles is not enough, as it does not address the large number of people who fall outside the category of legal landowners. The CDA team noted that many community members and advocacy groups felt that Total Austral (and other operators) were benefitting from this gap in legislation. As one civil society representative explained to the team, “If you only deal with complying with the law, you may find that the law is not sufficient for your risk management needs.” Community members dissatisfied with the situation may increasingly seek the help of external advocacy groups to push the company to address the issue with the government. This may trigger conflict between Total Austral and community members in ways that are currently unforeseen by the company.

Engaging Other Operators

The IAPG has become an effective mechanism for industry communication, particularly with the development of unconventional resources related to the *Vaca Muerta* discovery. As an instrument for the industry, however, IAPG may not be effective in managing expectations at the national- and provincial-levels regarding the medium- and long-term impact of the sector. Further, IAPG does not effectively reach local level actors – particularly communities inside the *Vaca Muerta* area. At the same time, broad communication to local stakeholders in the management of expectations regarding how *Vaca Muerta* will change the region in the short-, medium- and long-term is critical for all operators. Lack of a joint mechanism at the local-level for transparent, two-way communication with communities could pose risks for all operators as tensions may rise over frustrations and unmet expectations. The CDA team also noted that locally, operators have not been collectively active in local development initiatives, although it is hoped by many that this will change with the addition of corporate involvement in the Añelo development Masterplan.

Engaging National & Provincial Critics

The *Vaca Muerta* discovery has brought with it a high-level of countrywide expectations regarding the viability of the resource as well as attention to the unconventional techniques used in hydraulic fracturing of shale gas. Advocacy organizations (working on a range of local to international platforms) have leveraged these factors to publicly voice critiques of Total Austral and the oil and gas industry. Within this context, the lack of engagement and dialogue between companies and advocacy groups has propagated negative stereotypes and perceptions of each other. Further, the lack of established dialogue and engagement reinforces an action-reaction cycle in which the company has a more rapid response only after a problem has escalated. This cycle presents several risks for Total Austral:

- When “*more difficult actors*” or “*critical groups*” are not proactively and continuously engaged, prior to problems or large-scale issues arising, they will continue to criticize Total Austral and seek ways to inhibit their work.
- Without sustained dialogue to identify solutions to disagreements, critical groups will continue to create reputational risks for the company, potentially by leveraging the grievances of Total Austral’s stakeholders in order to bolster their case against the company or grow their base of support with those who are unsatisfied with the company. Galvanizing local grievances for this purpose could pose much larger risks (larger than the risk of the grievance alone) to Total Austral’s operations.
- In the absence of strong mechanisms for communication and the exchange of information between Total Austral and these groups, critics will increasingly be the first line of information to stakeholders.

Auca Mahuida Case

Exploration activities undertaken by Total Austral in the natural reserve of Auca Mahuida generated backlash within the province, and brought about negative attention in the form of protests and an anti-Total Austral campaign at the national level, and was even escalated to an international-level campaign against the company in France. Given high levels of activism against the use of hydraulic fracturing (which is currently a very divisive topic in Argentina) the decision to move forward with exploration in Auca Mahuida elicited strong retaliation against the company’s operations and affected its long-standing reputation in country.

Total Austral explained to the CDA team that the company followed the legal process to obtain permissions for the operation, including an environmental impact assessment (EIA) that Total Austral presented to provincial officials. Despite internal disagreement within the provincial government regarding the efficacy of the EIA and of undertaking exploration activities inside the park, an official approval was granted (based on Argentine Law) and the company began operations. Advocacy groups (based in Neuquén, Buenos Aires, and internationally), however, leveraged this decision in order to raise awareness about the potential negative impacts associated with hydraulic fracturing while also calling into question the environmental integrity of Total Austral. The CDA team noted several gaps in Total Austral’s approach in the case of Auca Mahuida that begot the incident and exacerbated the situation:

- *Stakeholder and context analysis* – An analysis of key stakeholders (both supporters and spoilers) and the context should be included in the company’s risk analysis for every new project. Such analysis allows the company to better understand scenarios and the potential conflict areas, predict the social implications of business decisions, and analyze the social risks and gaps in legislation that may affect the business.
- *Engagement of “critical actors”* – Limited dialogue and engagement with more “difficult actors” or “actors critical of the company” means there are missed opportunities to build mutual understanding and thus mitigate conflict risks. Developing an understanding for the intentions and perceptions of these actors can foster an environment for mutual growth and improved outcomes for both actors.
- *Reactive approach* – Taking a reactive approach to both internal and external issues creates a cycle in which the External Relations department acts as a de facto fire-fighting brigade, and the company operates in a continued crisis-response mode to stakeholder and community issues.
- *Cross-department decision-making* – Internal decisions will impact external relations regardless of how big or small the decision. Ensuring that all departments, including the Societal and External Relations team, play an integral role as part of the risk analysis and decision-making process means that decisions will be reviewed through all relevant risk lenses. This can make the difference between a successful, stable project (reducing management and staff time spent on addressing social crises) and one that experiences instability and strife.

Making changes in the aforementioned areas could give Total Austral the capacity to mitigate operational risks and respond appropriately to situations of concern with stakeholders.

SECTION IV – OPTIONS

Total Austral's intensions are to deliver positive benefits of oil and gas exploration and production to locally impacted communities. Ensuring that local communities, and the country more broadly, benefit from its presence is a clear objective and priority for Total Austral. Developing constructive relationships and having positive engagements with its stakeholders, including the government (national and provincial), local communities, other operators, advocacy groups and industry critics, and others working in the region are critical for Total Austral to achieve and maintain this objective. At the same time, the success of Total Austral's community-facing activities will be dependent on the extent to which the company is prepared to make strategic investment in the effective management of its programming. An integrated and localized approach is required in order to increase two-way, on-going dialogue with external and internal stakeholders, and promote effective programming and evaluation of social impacts. With this in mind, this section provides options for Total Austral to consider in order to achieve and maintain positive relationships with stakeholders at all levels and to implement effective social investment projects that lead to positive, sustainable impacts for the region.

4.1. NATIONAL AND PROVINCIAL LEVEL OPTIONS

4.1.1. Engage National and Provincial Government Officials about Land Issues

As a multinational company known for instituting best practices across its global operations, most stakeholders at the national- and provincial-level articulated an expectation that Total Austral should more proactively share best practices and ideas in order to help the development of clearer public policies and regulatory frameworks regarding land tenure. At present, there are established spaces, such as the Federal Organization of Oil and Gas Producing States, which can be used to facilitate dialogue with the government on topics of land tenure.

- *Option:* Through existing sectorial fora, Total Austral can enlist other companies, that are dealing with the same issues, to approach the government on difficult conversations regarding the challenges encountered when doing business related to unresolved land issues in operational areas. Total Austral could, for example, organize capacity building for functionaries of the province, engage in all consultations opened by the government in order to devise sound policies and legislation, and provide information on best practices both in written, on-line, and face-to-face forums and multi-stakeholders dialogue spaces.
- *Option:* While the government and oil and gas sector has made progress in relation to organizing land tenure issues, Total Austral can explore creative options for developing an agreement (*convenio*) with non-titled *puesteros* and community members. The agreement could include the current, actual dwellers of the land. The intention of such an initiative could be for the company to provide some type of financial or social support that would benefit the human development and dignity to those directly impacted by operations without needing to recognize the dwellers beyond their legal rights.
- *Option:* As part of a larger stakeholder engagement strategy, Total Austral can engage more formally with land tenure organizations such as *La Asociación de Superficiarios de*

la Patagonia (ASSUPA) and other interest groups who are attempting to push for the regularization of land. The company may find that the aims and ultimate objectives of these organizations are more aligned with those of the company than previously thought, which may help to position Total Austral as an ally. At the very least, the effort of engagement will serve the company as a barometer on local and regional expectations on issues such as land tenure of the oil and gas sector.

- *Option:* Total Austral can be more proactive and supportive to help *superficiarios* with the process of obtaining their land occupation certificates/titles. In order to achieve this, Total Austral must incorporate additional activities into its community engagement strategy.
- *Option:* Total Austral can explore how it may be able to leverage its position within the private sector in Argentina in order to support the Ley Usucapion.²⁶

4.1.2. Communication and Dialogue with Key Stakeholders

Total Austral has the opportunity to improve its communication strategy such that relevant stakeholders are appropriately engaged at the local- and provincial-levels. As one a civil society representative explained to the CDA team, “Total Austral engages well, but late.” Meaning that while Total Austral engages many of the appropriate actors, it commonly uses a reactive approach, as opposed to collaborative and consistent form engagement. Total Austral should reach out more consistently to a broad range of stakeholders impacted by its operations. More consistent communication will require both two-way and one-way information campaigns – including town-hall style meetings, informational seminars etc. Furthermore, Total Austral should consider adapting specific communication tools, language, and methodologies that are developed and shaped for each audience.

- *Option:* Total Austral should continue and even increase its efforts in active participation in dialogue and joint-planning fora. There is a clear openness within the company to proactively participate in cross-sectorial dialogue and joint sessions enabling a more effective and coordinated approach towards conflict prevention in the region and positive socio-economic impacts. A newly formed provincial-level Dialogue Roundtable (*Neuquén Mesa de Dialogo*) is intended to increase understanding and sharing of effective strategies using a multi-sectorial approach. With greater dialogue and sharing of information, it is believed, the capacity of local institutions will be strengthened to more effectively engage with the oil and gas sector. Total can participate in this Roundtable in order to advance its support of local institutions, which may also build partnerships between Total Austral and local groups. Expanding Total Austral’s involvement in multi-stakeholder forums provides an opportunity to be seen as socially

²⁶ Ley of Usucapion is an Argentine usurpation law that determines the acquisition of ownership to land based on consistent and uninterrupted use of the land over a specific amount of time. “La usucapión es la adquisición del dominio por continuar en la posesión durante el tiempo determinado por la Ley. Es una forma de adquirir el dominio consistente en la obtención de un derecho por el transcurso del tiempo, por el uso de una cosa en forma constante e ininterrumpida. Se trata de la prescripción adquisitiva de dominio por contraposición a la prescripción liberatoria o extintiva por el cual por el transcurso del tiempo se extinguen las obligaciones. Es posible conceptualizar a la usucapión, como el derecho por el cual, el poseedor de una cosa, adquiere la propiedad de ella por la continuación de la posesión, durante el tiempo fijado por la ley, posterior a los trámites judiciales encaminados a su efectivización.” For more see: <http://realesuni.blogspot.com.br/2006/06/leccion-18-la-usucapion.html>.

responsible actor by other stakeholders, rather than through self-promotion within the company's own communication or marketing strategy.

- *Option:* Total Austral might consider constituting an environmental “advisory panel” consisting of a range of advisors, including “critical friends” among environmental NGOs. The group could meet regularly two or three times a year, and would include participation by senior company management in a position to make decisions. As a group, it would be important to determine where the meetings would take place and, if necessary, whether or not there should be different advisory panels at the national- and provincial-level. The agenda in these meetings would be designed by the NGOs, with the understanding that the company would want to review agenda items in advance. This would provide an opportunity for company management to hear more direct feedback on expectations outside of Buenos Aires, at the provincial- and local-level. At the same time, the company must always be clear, and proactive in communicating, what Total Austral cannot and will not do. It is important to set realistic expectations and maintain a reputation for honesty and integrity.

APPROACHES FOR WORKING WITH ADVOCACY NGOS ANDS GROUPS

When subject to outside criticism, companies tend to react defensively and “stay off/below the radar” of advocacy NGOs. This approach only reinforces the image of the company as rigid and thus strengthens the case of critics. Instead, approaches for dealing with advocacy NGOs constructively could include:

- *Invite ideas, suggestions, and feedback from a wide audience.* A transparent approach to communicating with external stakeholders generates options for the company to become more forward-looking and decrease the perception that a company only responds when it feels it has to defend its activities.
- *Provide positive information ahead of a problem.* Issuing information ahead of problems allows external stakeholders to perform due diligence before a company becomes subjected to campaigns. When a company only presents its positive efforts during such a campaign, it loses credibility and can easily be interpreted as covering-up.
- *Involve human rights stakeholders.* Take the opportunity for external stakeholders to help the company look at and consider the human rights dimensions of its actions.
- *Establish a formal structure for Company-NGO engagement.* Naturally, such attempts are only credible when the company follows through on the suggestions and recommendations made by NGO members.

Discussion offers the following advantages:

- ✓ It lends credibility to the company’s intention to engage constructively with critics.
 - ✓ The company gets a “face” in the eyes of the NGOs, rather than being seen as a faceless corporate entity.
 - ✓ NGOs know they have the attention of the company, and therefore do not feel their only avenue for attention is through the media.
 - ✓ NGOs that are part of the group start to hold each other accountable. While each group may want to use different levels of pressure, the process of the group engaging as a whole works to regulate the engagement.
- *Invite stakeholders to visit the company’s operations.* This allows external stakeholders to better understand operations and correct one another’s information and move toward a collective agreement on key facts regarding the company’s activities.
 - *Agree on benchmarks.* Advocacy NGOs are very good at identifying and voicing a problem, but often less good at offering solutions. This underscores the need to establish generally agreed upon benchmarks toward which the company can work.
 - *Give credit to the advocacy NGOs and acknowledge when they impact the company’s behavior.* Companies can explain in the Annual Report how the engagement has changed their behavior.
 - *Communicate social responsibility messages on the company website.* Keep in mind that researchers of advocacy NGOs generally make extensive use of the web.
 - *Use advocacy NGOs’ messages to further the ideas of CSR managers within the company.* Frequently, these are the same issues that CSR managers are raising, but for which they have difficulty finding support.

As adapted from Issue Paper: Corporate – NGO Relationships, Corporate Engagement Program, CDA. February 2003

<http://www.cdacollaborative.org/media/52739/Corporate-NGO-Relationships.pdf>

4.1.3. Increase Transparency and Accountability

While Total Austral is seen to have an “open door” policy and is willing to address inquiries and concerns, the clear expectation expressed across all stakeholders is that the company should move beyond maintaining a “low profile” to more proactively share and disclose key information. A more integrated socio-political communication approach will facilitate Total Austral’s sound and transparent engagement with all actors affected by its operations.

- *Option:* Total Austral can translate the CDA report into Spanish in order to demonstrate accountability to the effort, willingness to share findings, and commitment to taking on the recommendations. This would include finding appropriate options for reporting back

to all stakeholders the findings of the report and subsequent action taken by the company.

- *Option:* Many stakeholders expressed the expectation that information related to taxes paid by Total Austral to the government should be available to all citizens, following the standards set out by the *Extractive Industry Transparency Initiative* and *Publish What you Pay*. Publishing what Total Austral pays can assist in avoiding negative linkages in relation to perceptions of corruption. Such action might translate into increased levels of transparency within the provincial government regarding reinvestment of revenues into social services. Making this information public will also help to demonstrate how Total Austral complies with national law and promotes national development.
- *Option:* Many stakeholders stressed the importance of an online communication strategy that reflects the company's commitment to transparency. This would entail updating, adding, and improving information provided on the Total Austral website to include:
 - Basic operations information such as projects, locations, stages of investment;
 - Social investment efforts and outcomes of monitoring and evaluation efforts;
 - Revenues and tax information;
 - Environmental impact assessments (EIAs) and disclosure of chemicals used in operations;
 - Studies (internal and external) on water management and impact; and
 - Information on safety and security standards at operational sites.
- *Option:* Total Austral should publicly set a standard of avoiding exploration in natural reserves and other protected areas despite legal allowances within Argentine law. Social and cultural considerations on issues like this need to be understood by the company when making future business decisions.

4.2. LOCAL-LEVEL OPTIONS

Getting on the right side of communities means the establishment of working and constructive relationships, which will make communities less interested in aligning with NGOs that have animosity towards Total Austral and may not share the community's agenda. As one local civil society representative explained, "When communities know what to expect from companies, the likelihood of jealousy and conflict is reduced."

4.2.1. Addressing Local Grievances

A more integrated and inclusive community relations strategy, that goes beyond legal compensation negotiations with land owners, will enable Total Austral to build a more proactive relationship with *superficiarios* that prevents them from blocking the road in order to get what they need.

- *Option:* Total Austral needs to implement a grievance mechanism following United Nations Guiding Principles on Business and Human Rights (Ruggie standards). Establishing a reliable channel to address grievances will benefit the local communities and stakeholders as well as to the company. Furthermore, a grievance mechanism will

enable better analysis and understanding of ongoing community issues and a way to manage the response appropriately across the entire company.

- *Option:* Total Austral should develop a community maintenance register, which is a database system that is accessible across the company. This database should include information on financial compensation to landowners and all other *superficiaarios* and track community requests. With this system Total Austral will be able to follow every decision, the rationale behind it, and the

investment of time and resources (financial or in-kind) allocated to the betterment of the local communities impacted by the operations. Such a system would allow for a more accurate view of pre-fixed annual funding for community needs and enable the logistics team to plan for this work, rather than drawing their time away from operational requirements. Sharing this information in local information meetings will help to prevent community discontent due to lack of information, and thwart internal conflict arising from competition among community members for projects and benefits. Finally, such a mechanism would help better plan for yearly activities related with community relations.

- *Option:* Total Austral could institute a publicly managed community maintenance fund that manages and provides for responding to community needs and requests. The fund might have a fixed annual amount provided by Total Austral, and would need to be managed publicly, transparently, and jointly by Total Austral and the local community leadership and members. To be effective, Total Austral would need a system, designed jointly by Total Austral and the community, by which community members present requests to the a committee (including Total Austral and local community members) regarding projects needed. From this, a transparent and fair process would need to be instituted for deciding how to manage and respond to requests. To determine the annual amount allotted to the fund, the Social Investment Team and CLO along with the Logistics Team could perform a review of the current registry of community requests to determine amount spent. Setting up and instituting the system would need careful consideration and broad consultation, perhaps with the support of a third-party organization that can help to ensure the process is transparent, fair, and free of potential corruption. Ultimately, however, if formal criteria for evaluating community requests can be established, the number of such request would diminish as community members become aware of the criteria. Delinking community demands from

IPIECA Community Grievance Mechanism Toolbox

Wherever oil and gas companies do business, engaging with affected communities and responding to their concerns is essential to operating successfully whilst ensuring respect for human rights. Processes that allow concerns to be raised and remedied are an important method of achieving this aim. To address this need, IPIECA, the global oil and gas industry association for environmental and social issues, launched a set of practical tools to enable oil and gas companies to create, implement, and raise awareness of community grievance mechanisms. When applied effectively they offer the prospect of a more efficient, immediate, and inexpensive form of dispute resolution for both companies and communities.

IPIECA. 2014. "Community Grievance Mechanisms Toolbox (CGMs). <http://www.ipieca.org/publication/community-grievance-mechanism-toolbox>

operational activities would also further reduce the potential for threats of road blockages in order for community needs to be addressed.

Total E&P Bolivia (TEPBO) Example

In this operational context, social investment is a key element of TEPBO’s approach to community relations, particularly with respect to Guaraní communities (the local indigenous community). As many Guaraní communities are unlikely to benefit at all from TEPBO’s compensation and easement payments to the Zonal Captains, social investment is one of the few ways that TEPBO can ensure that its impacts on communities are “net positive.” TEPBO has adopted a set of principles that are intended to ensure that the benefits of its social investments reach their intended recipients and have broad, positive impacts within communities.

- Social investment initiatives should benefit communities, rather than individuals.
- Projects must be requested by communities themselves or address identified community needs. TEPBO assesses needs through dialogue with community members, communal Captains, and Zonal Captains.
- Ownership over assets furnished by TEPBO (e.g. a school bus, building materials) may not be individual. Some of TEPBO’s stakeholder communities have sought to register as legal entities in order to be able to request projects that involve the acquisition of such assets by communities themselves.
- TEPBO transfers funds for social investment projects directly to project implementers, or TEPBO itself purchases materials for projects. Social investment funds are not transferred to communities or their representatives directly.

Community members, for their part, have a good understanding of these principles and their rationales. Frequent community requests for projects have led to a good amount of discussion about social investment between TEPBO and affected communities. TEPBO has also rejected a number of requests by community members on the grounds that they did not meet the criteria (e.g. an individual’s request for a tractor for personal use), which have thus been discussed extensively.

Bardouille-Crema, Dost, Miller, Ben and Raul Alcazar. 2014. “Total E&P Boliveria (TEPBO) Field Site Visit Report.” CDA: Cambridge, MA.

4.2.2. Demonstrate Accountability and Practice Broad Engagement

Although public consultation is not mandatory according to Argentine oil and gas regulations, the necessity for public consultations is considered international best practice in order to better listen, understand, and respond to the questions, concerns, and needs of citizens and stakeholders impacted by project activities.

- *Option:* Total Austral should consider holding public consultations for each new operations project. Some members of the Neuquén government (environment, water resources, etc.) indicated that, although it is not required by Argentine law, companies are free to hold public consultations and, what’s more, those officials offered support with material and information during these sessions. Listening to stakeholder concerns and feedback regarding projects that have environmental and social impacts can be a valuable source of information that can improve project design and outcomes and help a company to identify and control external risks. Considered as part of international best practice standards, consultation allows the company to learn how external parties view the project and its intended risks, impacts, opportunities, and mitigation measures.

Consultation will not be a single conversation, but a series of opportunities to create understanding about the project among those it will likely affect.²⁷

Stakeholder Engagement and Public Consultation

Public consultation is a two-way process of dialogue between the company and its stakeholders. Stakeholder consultation is really about initiating and sustaining constructive external relationships over time. Companies that start the process early and take a long-term, strategic view are, in essence, developing their local “social license to operate.” To support companies in this process, the International Finance Corporation (IFC) has developed several Good Practice Handbooks on Stakeholder Engagement and Public Consultation as well as Guidance notes for preparing public consultations.

Sequeira, Debra, and Michael Warner. 2007. *Stakeholder engagement: a good practice handbook for companies doing business in emerging markets*. Washington, D.C., U.S.A.: International Finance Corporation.

- **Option:** Total Austral can facilitate open space dialogue sessions within the communities in order to actively listen to all citizens and share sound information with them. The Societal Team and the CLO should jointly organize these sessions in order to share information such as how the company is managing its operations and its approach to societal decisions. Taking this approach allows Total Austral to “get ahead” of its critics and the information they might choose to share with the community by being the first to communicate more systematically with communities. These sessions are an opportunity for Total Austral to:
 - Demonstrate the breadth of its portfolio in social development activities and report back sound monitoring and evaluation findings presented in a way that is understandable for local citizens;
 - Share information in relation to the company’s operations, including environmental impacts and management, business decisions that directly or indirectly affect communities, and approaches to compensations for operational impacts;
 - Listen to needs and ideas of local community members, which not only promotes mutual respect and understanding but can also add to the context analysis undertaken internally by Total Austral staff. The exchange of information among community members may be the opportune time to invite advocacy groups and lawyers (on certain occasions) with the aim to sustain a joint and dialogical problem-solving approach; and
 - Provide oil and gas informational sessions to local communities (beyond those reached in IAPG’s campaigns), including an introduction to *what is fracking?* current exploration and production activities underway, and future plans of the company – even when future plans are uncertain. Explaining why those plans are uncertain can be an effective way to manage expectations.

- **Option:** To complement regular community meetings, Total Austral can also consider other options for engaging local community members (including both beneficiaries and non-beneficiaries of social investment programs) through less structured and more open-ended communication. Such visits should also include:

²⁷ Sequeira, Debra, and Michael Warner. 2007. *Stakeholder engagement: a good practice handbook for companies doing business in emerging markets*. Washington, D.C., U.S.A.: International Finance Corporation.

- Meeting with members of the community whom Total Austral does not know or whom the company knows to a lesser degree than their project beneficiaries;
- Engage in conversations that are open-ended, iterative, and do not include pre-determined questions;
- Give community members the opportunity to explain both positive and negative experiences they have so that Total Austral can hear a broader-range of community perceptions on potential areas of conflict and risk (community social dynamics, concern about dust from operations traffic, behavior of contractors, or other potential flash-point grievances); and
- Occasionally include members of the drilling, management, or human resource teams in community visits to provide the opportunity for community concerns to be heard more broadly, and so that risks that could arise from negative social impact is understood by all of Total Austral.

“In the local context, perceptions [of local stakeholders] are more important than reality.”

~National NGO Representative

4.2.3. Increase the Capacity and Staffing of Teams Responsible for Community-Facing Activities
A broader and more proactive engagement strategy would mean additional staff resources are necessary in order to respond more effectively to increasing social and community demands.

- **Option:** Total Austral should consider locating staff focused on community development issues at the gas-treatment plants. Staff working on a daily-basis close to or within the operational areas of the processing plants are essential to respond to and channel community requests, receive requests at the plant gates, provide support in the monitoring of social investment projects, and organize regular community meetings and interactions. These staff would be able to coordinate regular visits to communities and *puesteros*, listen to options provided by local people, and be an on-going source of information to locals, which can help decrease levels of discontent. An initial and small investment in human resources would far outweigh the costs of roadblocks, shut downs, or escalating tension and conflict in the future. The information and decisions made from these regular group and individual meetings will be vital to inform the Societal Team in Neuquén and Buenos Aires as they manage a broader community strategy and “maintenance fund” and can provide important information for context analysis necessary for business decisions.
- **Option:** Total Austral can consider building a cadre of Community-Based Promoters or Environmental Promoters who can support the efforts of communication and sharing information at the local-level. Trained by the Societal Team, with the support of the environmental and operations departments, “promoters” would engage local community members as a conduit for sharing information not only about the company and its operations but also providing feedback to the company on community questions, concerns, fears, and hopes. With a small travel stipend, the “promoters” would have a broader reach than Total Austral community relations staff.
- **Option:** Revising roles and responsibilities between the CLO (engaging communities on compensation) and the Social Investment Teams in order to make sure that coordination is clearly agreed upon is essential for Total Austral. Joint reflection and

analysis sessions between the Societal Team and the CLO team, as well as with partners receiving funds from Total Austral can be conducted regularly in order to achieve greater results in coordination and programming.

- *Option:* Organize informational sessions or workshops at the gas-treatment plants in order to develop a better understanding of the surrounding communities among employees and contractors. Workshops for employees at the plants could provide information on the societal work undertaken by Total Austral, and might mobilize employees' interest in being involved in community initiatives. CDA's experience suggests, that in the mid- and long-term, this positive flow of information increases a sense of belonging and wellbeing of staff.

4.2.4. Strategic and Effective Social Investment

While the Societal Team has developed a strategy and clear performance indicators for the company's social investment efforts, the program needs a more strategic, long-term vision for effecting change that achieves sustainable development outcomes.

- *Option:* Develop a long-term, flexible strategic plan, consistent with the company's business objectives. This strategy would require the company to develop a long-term view, beyond the three or four year programming strategies, of the overall impact that the company and its stakeholders envision for the region. Total Austral should start by determining a clear theory of change²⁸ for the process that the company is aiming to achieve over the course of all of its social investment projects, but also based on existing community capacities and arising needs. This process can be undertaken through consultations with development partners, community leaders, and members. This strategy could include building technical skills both at local- and national-level, which will allow for a broader impact not dependent on Total Austral's future presence.
- *Option:* Institute clear lines of accountability between the company, development partners, and the community. Local organizations, institutions, and governmental partners are important to sound and sustainable development projects (as seen with several of Total Austral's current initiatives). While taking a partnership approach is important, it can also create challenges when ensuring the effective and proper delivery of all components of a development project. Clear processes and lines of accountability between the actors involved, might include: constant check-ins among the partners and local community members (prior to the development of the project, during, and after its completion), adequate grievance mechanisms to receive, process, and respond to issues or complaints with the project, and adequate mechanisms to ensure that the project is done to the standards of all involved.
- *Option:* Total Austral should use a participatory approach (or community-based or driven approach)²⁹ for the design, development, implementation, and monitoring and evaluation (and feedback) process of its social programming. The company needs to generate spaces for all direct and indirect local participants to share their experiences

²⁸ A Theory of Change describes the types of interventions (a single program or a comprehensive community initiative) required to bring about a long-term goal and the approaches necessary to achieve it. <http://cdacollaborative.org/publications/reflecting-on-peace-practice/rpp-tools/prediction-grid-theory-of-change-checker/>

²⁹ For more see: <http://www.worldbank.org/en/topic/communitydrivendevelopment/overview>

and ideas in relation to what, how, when, and why each Total Austral intervention is decided. This means including listening and participatory design methodologies within the whole program-project cycle. Participatory planning and evaluation workshops could be used to map contradictions and problems among participants and discuss how to prevent more tensions at the local level over project discontent.

Participatory Development Process

Collaboration/joint decision-making and empowerment/shared control represent what most participatory development practitioners consider to be genuine participation. In each of these stages, stakeholders are actively engaged and sustained results are achieved. In collaboration, for example, people are invited by outsiders to meet a predetermined objective: the development professional or organization identifies the problem or issues to be discussed, and calls a group together to collaborate on that topic. The stakeholders may not have initiated the collaboration, but they significantly influence the results. Groups or subgroups are formed that build networks and improve structures or practices. People themselves and the projects on which they work change as a result of their interaction. The stakeholders' ideas change the project design or implementation plan, or contribute to a new policy or strategy. Most importantly, the development professional or organization that solicited stakeholder involvement takes the peoples' perspectives seriously and acts on them.

Ondrik, Richard S. 2005. "Participatory Approaches to National Development Planning." Asian Development Bank: www.worldbank.org

- *Option:* Integrate Total Austral's strategic societal investment plans with the Añelo Masterplan and consider the extent to which it is possible for the company to support the efforts, agreements, and established priorities set-up in this plan. Decisions on social investment should be made with the Masterplan in mind, while also respecting all stakeholders' desires – particularly Total Austral's communities. This is important because, while bolstering the Masterplan is essential, Total Austral also needs to maintain its commitment for positive social impacts for the other communities in its operational area. For example, local challenges regarding high levels of unskilled labor (particularly in Añelo and the operational area) will be more systematically addressed through the Masterplan, as opposed to an individual initiative by Total Austral. A Total Austral only approach to an issue such as unskilled labor may result in a piecemeal approach or a duplication in efforts (between the various operators, NGOs, and local, provincial, and national government) whereas the Masterplan represents a larger coordinated way to address the issue overall. A balance between government plans and the community needs should be found as the Societal Team develops its own long-term, strategic plan for its communities.

4.3. OPTIONS FOR BUILDING LEADERSHIP TOWARDS ORGANIZATIONAL CHANGE

4.3.1. Effective and Coordinated Management

The ability of Total Austral to achieve effective social management and have a sustainable positive impact on stakeholders and communities requires a vision of leadership that is set from within and from the top of the organization, in order to ensure that teams at all levels of the company are working together and sharing information.

- *Option:* Organize joint strategic analysis between Logistics, Legal, Security and Safety, Human Resources, Business Development, Community Relations and Social Investment Teams in order to adapt to context changes and ensure that all decisions are constructively supporting each other’s work. These sessions should be held on a regular basis, in particular in advance of any new exploration or construction campaign. Using an external facilitator for these sessions would help to bring the team together.

Outcomes of Joint Strategic Analysis

- A sound and holistic context analysis including an interactive mapping of actors that helps to distinguish risks, opportunities, and potential actions in order to improve social impacts.
- Socio-political analysis that is integrated into all business plans and decisions. The Social Baseline Study (see URS. 2014. “Estudios de Línea de Base Social: Total Austral S.A.”) recently developed will be helpful, however, this should be considered a “living document” that evolves through ongoing context analysis.
- Coordination on who is doing what and when, in order to overcome the challenge of task duplication, disorganization of responses to community needs, and confusion at local-level in relation to external-facing activities by Total Austral, including its contact via the gate, the medical doctor, the CLO, the Social Investment Team, and others.
- Clear and aligned strategic approach to external communication at all levels and across stakeholders, in order to ensure that Total Austral’s messaging is as intentional among national, provincial, and local stakeholders. This can also help Total Austral ensure that it takes a proactive approach to its messaging before other stakeholders, advocacy or otherwise, share information in a manner that fits their messaging.

4.3.2. Human Resources Management

The wellbeing of Total Austral’s workers on-site is an integral aspect of worker performance and operational success. Currently, operational sites are equipped with medical services and sports facilities.

- *Option:* The implementation of a more holistic human resources strategy should include the following:
 - A grievance mechanism as part of company’s internal human resources engagement strategy. Total Austral’s grievance mechanism should be a broad-reaching tool that provides both external and internal stakeholders with an outlet to address complaints and concerns;
 - Structured group conversations in order to hear suggestions towards improving management and day-to-day living conditions in the plants;
 - Institute use of “suggestion boxes” as an easy way to receive and be seen to be open to feedback;
 - Integrate discussion of social issues into regular “toolbox talks” including mental health wellbeing and issues related to workers’ home life;
 - Institute a rewards structure that promotes commitment, belonging, and wellbeing on site; and
 - Include briefings on social issues and the societal program within induction trainings to new staff and contractors.

- *Option:* Institute a Human Resources staff (HR) position at the gas-treatment plants in order to regularly assess human resources issues including monitoring of grievances and supporting managers with difficult conversations. Having an HR staff present at the plants on a daily basis may mitigate the use of the trade unions to resolve internal disputes between employees and decrease the amount of time and resources spent dealing with issues that are escalated to Neuquén and Buenos Aires.

SECTION V – CONCLUSION

This report aims to bring observations from the field visit to develop a robust and sound analysis that provides concrete options for Total Austral to consider in its bid to improve its social impacts. The options presented in this report are divided into three main thematic areas (national- and provincial-level options, local-level options, and options for building leadership towards organizational change), which are highly interconnected. The high level of interdependence between the options is because all local, regional, and national actors are consistently working, operating, and relating to each other in a dynamic and complex way, which is generating a fast flow of information. This information is constantly shaping both perceptions and reactions among all levels of stakeholders. Decisions made at every level of the company (whether perceived positively or negatively) have a direct impact on the improvement or deterioration of the socio-political system in which Total Austral operates. To this end, the overall analysis and strategic approach of Total Austral in Argentina merits a joint approach across the company based on robust cross-departmental communication.

The findings of this report suggest that Total Austral should consider options for broader engagement with all of its stakeholders (including local communities, regional and national government officials, other operators, civil society actors, NGOs operating in the country, and advocacy groups) in order to maintain and advance its responsible business reputation. As Total Austral develops and implements new strategies, it may find opportunities to exponentially increase the positive impact of its efforts with regards to the long-term capacities and development in the *Vaca Muerta* region and more broadly across the country.