CITIZENS AWAKENING

The Paradigm Shift

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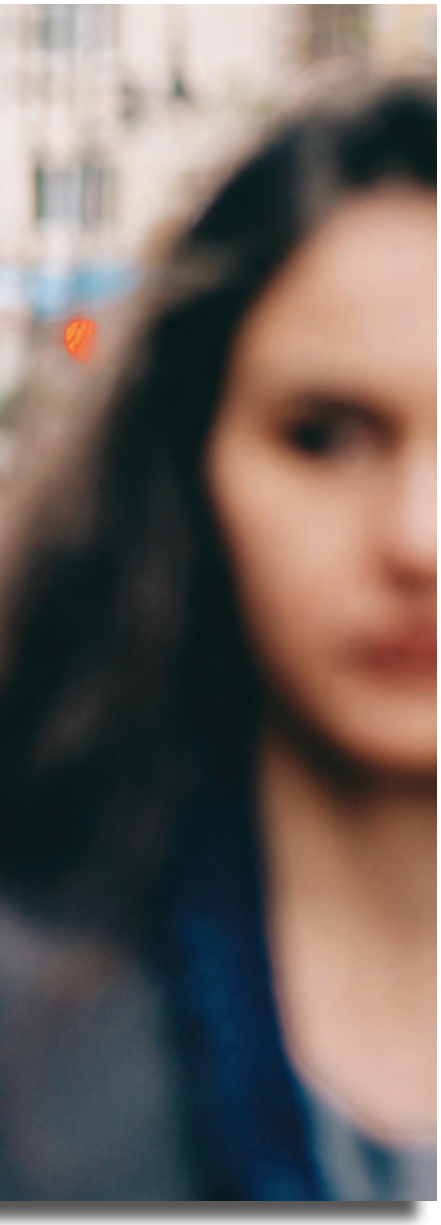

In August 2018, the Global Energy Institute of the U.S. Chamber of Commerce (USCC) published a report called, "Infrastructure Lost: Why America Cannot Afford to 'Keep it in the Ground,'" which is a well-designed study of one statewide ban on fracking and 15 energy infrastructure projects. These are projects that have been stopped, delayed, or canceled by a movement called *Keep It in The Ground* (KIITG). The report studied 15 of the hundreds of infrastructure and development projects that are under assault by well-organized and coordinated national opposition groups. It explains, "Furthermore, the projects that are part of this analysis represent only a snapshot of the countless energy activities under threat… the estimates set forth in this analysis should be considered a conservative snapshot of the potential economic harm posed."

The report goes on to list the financial losses for the 15 individual projects. The losses were calculated in the time period between January of 2010 and August 2018:

- Costs of Projects Lost: $57.9 billion
- Gross Domestic Product Lost: $91.9 billion
- Tax Revenue to Local and State Governments Lost: $20.3 billion

The data from this study should be a major concern to company CEOs, their boards of directors, shareholders and investors. Their concern should be especially focused on the costs of projects lost because of organized opposition to the 15 projects. While the losses reported are staggering, a serious and unexpected development was uncovered. In reading the study, it is now clear that the methods historically used for gaining project approval have not been working over the last 10 years. This is obviously a serious concern for infrastructure project owners and investors, and not just for today but for the future as well.

A Dated Method

Infrastructure and development projects have been relying on old paradigm methods to secure project approval in an environment that is changing to a citizen-empowered world. In the old paradigm, governments, courts and legislatures could be expected to favor resource development decisions simply as default decisions. This is an expectation that is embedded in the thinking and structure of most corporate approaches, despite its failings. Here is a common corporate path and why these tactics do not achieve their goals in our changing environment.

1. **Project uses public relations to convince the public that the project is necessary and good for them.**

   Why this no longer works: *This form of one-way communication has become ineffective.*

2. **They mobilize lawyers to interpret the laws in their favor and prepare for litigation.**

   Why this no longer works: *This sets up a non-productive "reaction and counter action" scenario.*

3. **Projects hire lobbyists to persuade governments that their corporate model is still what's best for everyone.**

   Why this no longer works: *Governments, especially state and local, are more and more focusing on concerns voiced by the people they serve.*

4. **They employ eminent domain whenever there are delays or challenges.**

   Why this no longer works: *A too-frequent use of this option is currently causing regulatory and legislative re-evaluation of this practice in some jurisdictions.*

5. **They expect the PUCs to favor project proponents as a final authority**.

   Why this no longer works: *This no longer is true in all cases.*

Prior modes of operating in today's environment are costly, as evidenced by the tens of billions of dollars forfeited as well as the loss of company effectiveness through over-reliance on these methods. Moreover, reliance on these methods leads to a loss of company goodwill, which has long-term consequences from the willingness of citizens to fight back.

The previous five items often create public reaction, and this type of reaction creates power shifts. A clear example of this power shift is evident by the 42 States which now have restrictions of some type on the use of eminent domain. (See the National Conference of State Legislature report here: http://www.ncsl.org/research/environment-and-natural-resources/eminent-domain-legislation-and-ballot-measures.aspx.) If eminent domain continues to be used *carte blanche* in place of collaboration, it is likely that we will see eminent domain use being diminished or even disappearing in some jurisdictions over the next decade. This alone is alarming.

Social Ecology

Society—and the communities within which these projects must succeed—are continuing to change. Our team has been writing about these changes for the past decade, having published 34 columns in *Right of Way Magazine* under the banner, **Social Ecology: The Science of Community.** The major paradigm shift we have been tracking and writing about has been the emergence of how people view and relate to their geographic place, not only in the United States but world-wide. This recent recognition of the strong relationship people have with their geographic place has been some 20 years in the making. It has revealed that power is the ability of the individual to directly participate in, predict and control their environment in a manner that maintains or improves their well-being and that of their neighbors.

This definition highlights how important place-based relationships are and that no solutions generated solely by a corporation will now reliably deliver projects. Economic arguments and project talking points fail in the face of local quality of life issues. The sense of national loyalty that drove the old paradigm, such as people recognizing that oil and its products are good for all of us, no longer works. Yet we still see this approach in ads for energy development and delivery.

By not understanding this power shift to the people in their local geographic communities, the necessity of understanding and working with the local issues goes unaddressed. This neglect has allowed issues to be taken away from local communities by opposition groups and then nationalized into anti-development movements. The USCC Report and prior *Right of Way Magazine* columns detail the results of this nationalization process. Formal opposition groups have quite effectively trained over 3,000 project opponents that can be fielded over night to any place in the country to oppose projects. This unified approach, which is very effective, puts the individual efforts of separate companies at a disadvantage. There does not appear to be any coordinated or unified effort for companies to pool their thinking, strategy and resources to address this nationalization movement. If not addressed, the $417 billion investment projected for energy infrastructure noted in the USCC Report will either be spent on disruption-related costs or will never be spent at all.

Shifting to Prevention

In order to combat this nationalization of local issues, several things must happen. Infrastructure companies must operate in a manner that maintains the project issues at the local level. Focus and activity need to be shifted from the national scene to local arenas. If people are locally engaged to produce benefits or to manage impacts to their benefit, it is very difficult for outside groups to get a foothold. It is when there is no local empowerment of individuals and their communities that outsiders can capture the issues, take them national and control the discourse. The reverse is true as well—issues kept at the local level through local engagement do not become disruptive, thereby saving time, money and the project itself.

The new paradigm for infrastructure companies is to think "issue prevention." Social Ecology is fundamentally an issue prevention process that is available to anyone that wants to work with people up front in their environment to produce positive results for both the project and the local citizens. Central to this approach is to avoid meeting formats, which are polarizing by their nature, and to enter into the routines of local people. Social Ecology provides that ability

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to keep issues local. It is interesting to note that the structure for operating preventively is already available to companies through right of way agents that function at the local level. The only other known organizational structure designed in this manner is the US Forest Service. It has the district ranger at the local level providing productive and extremely valuable community interface to prevent citizen issues from becoming disruptive.

Valuable Right of Way Agents

The right of way agent's function, if strategically organized in a more open and creative manner, can have startling effects on the bottom line for investors and companies via empowered community engagement. As mentioned above in the USCC's Report, $57.9 billion of corporate money has been lost to organized opposition. What if a minor percentage of that lost money was committed up front to the right of way teams who will work to resolve and prevent issues with communities of impact? For the projects of the USCC Report, keeping the projects out of disruption by committing $5 billion would have saved the project owners over $53 billion—effectively, a return of about 10 times the invested funds. The development money saved, as well as the overall profits from an operational project, would accrue to the project owners, shareholders and investors. And this would also be a huge win for the community, as well as the corporate stakeholders. In fact, the benefits would be even greater, as companies would enjoy the long-term gains associated with an improved reputation.

In addition to the potential for important cost savings, there is another significant benefit of the preventative or Social Ecology approach. It is effective in helping to avoid the multi-year delays that are project killers in many situations. The initial portion of the approach does require time to complete, but it can take place at the same time as other in-house early phase activities. In contrast, the extended delays frequently generated by opposition groups, can bring a total stop to the project for years. This is never a good option for a project owner or their investors.

The True Stakeholders

The old paradigm insists that spending money trying to save a project is always practical and successful. The facts no longer support that argument in today's project environments. However, one well-recognized fact is that it can be a difficult internal process for companies to justify spending money on prevention. If projects are to survive, the seemingly radical way of preventive thinking will have to rise within corporations to the level of new policy to address essential changes in management strategy and operations. And for the benefit of the project owners and their projects, it needs to happen sooner rather than later. Company goodwill—always tough to earn and easy to lose—will either benefit or suffer from how this is done. Either way, it is increasingly critical to lasting success and profitability when delivering infrastructure.

Fortunately, some corporations are now recognizing and accepting that citizens and communities are true stakeholders with a critical role to play. From the perspective of land agents, their understanding of the new paradigm has been rapidly developing in recent years. Over a decade ago, IRWA took its first steps on the path to recognizing Social Ecology as an important tool for members to utilize and further the Association's mission to improve people's quality of life through infrastructure development. That initial step began the transition into the preventive paradigm for project development and management. An important aspect of the transition is that IRWA's individual members are becoming, through their experience and training, the world's largest Social Ecology resource.

And now that project owners have this valuable resource available, they can facilitate *their* transition to the new paradigm and join citizens and communities in the brave new world of real collaboration and successful projects. ✪

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