



CRITICAL RESOURCE

Responsible Shale Gas?

Pathway to best practice



Critical Resource
September 2014

Why Critical Resource? Why this project?

Critical Resource's 'Pathway to best practice' explores whether the shale gas industry can become fully acceptable to stakeholders by developing in an environmentally and socially responsible manner.

About this project:

- Our aim is to define whether voluntary action by the industry, above and beyond regulatory standards, and aligned with international best practices, can help build stakeholder trust
- We have undertaken in-depth engagement with key stakeholders, including around 40 leading environmental groups, academics, politicians, regulators and industry representatives



About Critical Resource:

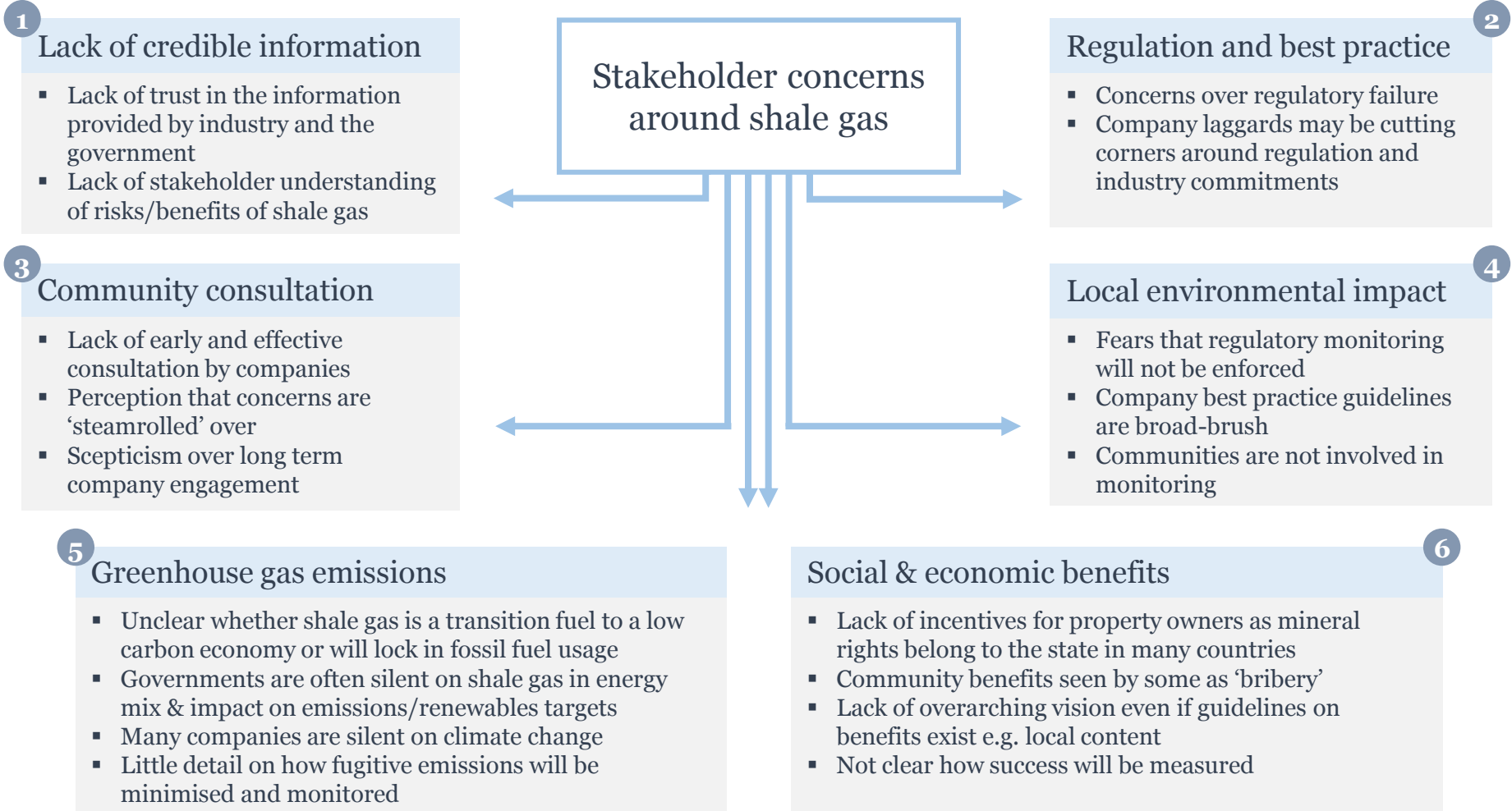
- We support and advocate for responsible practices in the natural resource sector. We have analysed or worked on 200+ resource projects globally from the perspective of the 'license to operate'
- Our team brings together leading experts on socio-political and environmental issues (e.g. former Chatham House, UN) and former executives who have helped drive industry best practices
- Our Senior Advisory Panel includes Prof Sir Paul Collier (leading Oxford resources expert), Lord John Browne (ex-CEO of BP)* and Bill Emmott (former editor of *The Economist*)



* Declaration: Lord Browne provides general strategic guidance to Critical Resource, but is not involved with this specific initiative. Lord Browne is also a director of Cuadrilla.

What we have learnt from stakeholders

After extensive consultation with key stakeholders in civil society, government, investors and industry, we identified six areas of concern:



Pathway to best practice

We have designed a draft 'Pathway to best practice', intended to guide companies at the project level.

- The Pathway comprises six practical modules, based on international best practice, that companies can implement voluntarily (i.e., above and beyond regulatory standards). These correspond to the six key concerns identified previously.
- Companies following the Pathway will be providing strong assurance to stakeholders that they are following best practice, mitigating environmental impacts and conferring sustainable benefits.

1

Informed stakeholders

- Independent information, support and engagement to help stakeholders make informed decisions

3

Community compact

- A process for earlier engagement, two-way dialogue, trackable agreements and sustained engagement

5

Climate action plan

- Practical actions to ensure shale gas forms part of a transition to a low-carbon economy

Responsible Shale Gas? Pathway to best practice

2

Assurance on standards

- Independent assurance that environmental regulation and best-practice standards (e.g. in UK UKOOG Guidelines) are being rigorously implemented

4

Community monitoring

- A process for community involvement in monitoring and evaluating local impacts – during exploration and production

6

Regional legacy

- A process for sustainable, long-term benefits to communities and regions

Modules 1 & 2: high level outline

1



Informed stakeholder

Independent information, support and engagement to help stakeholders make informed decisions

Materials developed in partnership with independent experts to provide information on: industry basics; international best practice; social, environmental and economic impacts

Workshops and training carried out by independent partners to inform stakeholders and answer questions

Publically accessible website and key information for stakeholders to pose questions and find answers

International best practice

Use of independent sources – such as NGOs – is common internationally where stakeholders are suspicious of firms' agendas

Example partner organisations

- Universities and research institutes
- Respected NGOs

2



Assurance on standards

Independent assurance that environmental regulation and best-practice standards (e.g. in UK UKOOG Guidelines) are being rigorously implemented

Transparent disclosure and reporting on compliance with environmental regulation and voluntary industry best-practice standards

Reporting based on commonly-agreed format and indicators

Externally verified by a trusted independent party

Results widely communicated

International best practice

To ensure compliance and build trust companies agree common reporting standards (e.g. GRI), and externally verify their data

Example partner organisations

- Environmental NGOs
- Independent issue experts
- Assurance and auditing expert bodies

Modules 3 & 4: high level outline

3



Community compact

A process for earlier engagement, two-way dialogue, trackable agreements and sustained engagement

Partnerships with trusted organisations who accompany outreach & monitor company commitments

Iterative engagement programme beginning at least 6-9 months pre-drilling – based on commitment to listen to concerns and adapt plans accordingly

Community charter detailing agreements made

Suite of feedback mechanisms to communicate how concerns have been integrated into operations

International best practice

Early-stage consultation is a key prerequisite for companies to obtain the 'social license'

Example partner organisations

- Environmental NGOs
- Scientific bodies or research councils

4



Community monitoring

A process for community involvement in monitoring and evaluating local impacts during exploration and production

Baseline data acquisition

Training of local community representatives

Community monitoring of environmental conditions during exploration and production

Community evaluation - comparing baseline conditions with conditions after activity

International best practice

Participatory monitoring processes are common in extractive projects globally

Example partner organisations

- NGOs
- Laboratories
- Science departments of universities

Modules 5 & 6: high level outline

5



Climate action plan

Practical actions to ensure shale gas forms part of a transition to a low-carbon economy

Clear operational emissions targets; monitoring programme with independent research institution

Support to existing industry alliances advocating for international action on climate change

Active involvement in domestic debates advocating for a policy framework which ensures shale gas is a transition fuel

Partnerships and pilot projects to support CCS research

International best practice

Responsible companies have increasingly advocated in favour of international climate action and strengthened controls on emissions

Example partner organisations

- Scientific research institutes
- Carbon disclosure schemes

6



Regional legacy

A process for sustainable, long-term benefits to communities and regions

Consultation with key stakeholders on regional needs

An integrated strategy which combines benefits from companies (jobs, sourcing, local payments, potential local equity etc.) with government benefits (from taxes, rates etc.) within an overarching regional vision

Funding and partnerships support for implementation

Independently monitored and evaluated success indicators

International best practice

Extractive companies increasingly support regional development in collaboration with regional agencies, NGOs and donors

Example partner organisations

- Research councils
- Business associations
- Regional development agencies



For more information please contact us:

info@c-resource.com

Website: www.c-resource.com