

## Undermining CSR mythology: The case of Canadian Oil Sands

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It is claimed that both *voluntarism* and *transparency* are defining characteristics of Corporate Social Responsibility, demarcating it from both state regulations *and* different obscured, irregular forms of greasing of local stakeholders respectively. Parts of the CSR scholarship underscore the weaknesses of voluntary approaches to corporate responsible conduct, while others uphold the strength of the concept regarding transparency and accountability.

However, findings from interviewing key company staff and stakeholders and exploring the CSR activities of the Norwegian oil company Statoil, suggest that the case of extractive industries' involvement in the Canadian oil sands turns the notion of CSR voluntarism and transparency upside down.

Due to a *reciprocity mismatch* between extractive industries and local communities, a system of irregular financial transfers from companies to communities is emerging. The outcome of *compulsory* corporation-community consultations is *confidential* agreements of compensation and social programming, supplementing or substituting government responsibilities to provide social services among its aboriginal citizens.

The intriguing emergence of what I have coined a *Public Private Pseudo Partnership* (4P) lies at the heart of this reshuffle, undermining the CSR mythology and challenging social cohesion within the extraction zone.

## **Content:**

**1. Introduction:** setting the stage, main argument(s) and findings, presenting quotes and abstract in more details, and theoretical and methodological foundations.

The Canadian Oil Sands have been subject to heated debate for decades. The discourse is messy and chaotic, with proponents and opposing groups crossing and dividing generations, Nations, political affiliations and different policy areas. In this battlefield, the oil companies play an instrumental role. Given their sheer size and economic capacities, several of the different component parts of the Oil Sand assemblage turn to the companies for political or economic support, and solutions to posing challenges.

However, there is an underlying discrepancy in the relationship between companies and communities. Oil companies are claimed to be members of host communities that should, like every other member of the community, instinctively take into consideration community concerns in its decision making process and treat community issues as priority issues without community pressure to do so (Idemudia 2010). In contrast, the worldview of the oil company is shaped by market logic driven by profitability and the assumption that everyone would benefit from oil exploration activities (Jenkins, 2004). From this follows that oil companies see government as responsible for community development and the redistribution of the wealth generated from oil exploration. However, who determines a company's licence to operate has changed. Burke (1999) argues that there has been a shift from the world's nation states and their capitals to local communities and neighbourhoods surrounding the extraction sites. One can argue that this is only partly so, due to the persistently strong national regulation of extractive industries, but in many parts of the globalized economy there is an important second sublicense, the social license to operate. This is the domain of those legitimate expectations of society that have not (yet) crystallized into law or any other manner of regulation (Eijsbouts 2008).

The idea of the corporate social contract was developed by Business Ethics scholar Thomas Donaldson: business receives from society a number of privileges, mainly in conjunction with the institutionalised legal personality, such as limited liability for shareholders and managers, in exchange for which society receives certain benefits from business (Eijsbouts 2008). Society agrees to this exchange as long as these benefits exceed the costs for society (Donaldson 1992).

In order to fulfil its part of the social contract, companies employ a wide range of Corporate Social Responsibility activities. In essence, Corporate Social Responsibility (CSR) is a by-product of corporate globalisation (Smith 2008). In the wake of the increasing globalisation of economic enterprises and activities, and the subsequent challenging regulatory environment of Nation States, CSR has been transformed from an irrelevant and often frowned-upon idea to one of the most orthodox and widely accepted concepts in the business world during the last twenty years or so (Lee 2008). The concept of CSR has been progressively rationalized and became associated with broader organizational goals such as reputation and stakeholder management.

In its original North American form (Carroll, 2008), CSR can hardly be explained without an understanding of the institutional conditions under which this idea was conceived (Brammer et al 2012). The origin of the term is often defined as the American notion of the responsible businessman (Bowen 1953), born out of the minimalist state intervention politics and the weak labour movement of the US.

Hence, in the CSR literature, the principle of *voluntarism* is predominant and implies that responsible business activities are discretionary and reach beyond the rule of law (Dentchev et al 2014, Dahlsrud 2006, Wang 2014, Lee 2008, Eijbsbouts 2008). CSR is voluntary or “beyond legal compliance”, as it is technically termed. The definition of CSR used by the EU Commission<sup>1</sup> reads: “A concept, whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (EU 2001).

The stakeholder model of CSR was developed mainly by management scholars who were frustrated by the lack of practicality of the previous theoretical models. The stakeholder model solved the problem of measurement and testing by more narrowly identifying the actors and defining their positions and function in relation to one another (Lee 2008). Within the stakeholder framework, the difference between the social and economic goals of a corporation is no longer relevant, because the central issue is the survival of the corporation (Lee 2008). Survival of a corporation is affected not only by shareholders, but also various other stakeholders such as employees, governments and customers (Donaldson and Preston

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<sup>1</sup> EU definition of CSR: Commission of the European Communities, Green Paper Promoting a European framework for Corporate Social Responsibility, COM (2001) 366 final, Brussels, 18-7-2001. In later policy documents this definition was maintained.

1995). Based on Jones (1995) it has been argued that the stakeholder model has become the central paradigm for the field of CSR (Lee 2008, Eijsbouts 2008).

### **Voluntary and transparent**

Voluntarism implies that CSR is a discretionary act beyond the rule of law, which is foremost guided by ethical values (Bowen 1953) or the enlightened self-interest of the firm (Carroll & Shabana 2010). Scholarly contributions often emphasise the need for collaborative efforts between multiple stakeholders, including governments, to augment societal welfare, where public policy is framed and implemented in voluntary efforts by inter-organisational networks of profit and non-profit organisations (Kooiman 1993; Moon 2002; Salamon 2002; Kopenjan & Klijn 2004).

However, there has been substantial theoretical and juridical critique of the voluntary notion of CSR. Eijsbouts points to the fact that the limited liability of corporations is a license granted by the people under certain conditions. One of these conditions is the social license to operate. He points to the fact that there are no clear-cut demarcations between community expectations and the voluntary, social contributions of a company, and the rule of law. He convincingly argue for the migratory characteristics of voluntary transparency of sign-on fees, moving from voluntary to soft law, through the juridical system all the way to criminal law (hard law) and back to voluntarism in just one decade (Eijsbouts 2008).

The basic idea of the CSR concept is that business firms are a vital part of society and that they have both the power and the responsibility to conduct their affairs in ways that satisfy not only shareholders, but also other constituencies such as employees, customers, the environment and the community at large (Eijsbouts 2008). Corporations are social actors, and their economic actions are often embedded in concrete social relations (Granovetter 1985; Uzzi 1997). If social relations guide their economic actions, their socially oriented actions are even more likely to be shaped by their social relations (Aguilera *et al.* 2007; Campbell 2007). To provide an explanation for the motivation of an increasing level of corporate engagement in CSR activities, Aguilera *et al.* (2007) suggest that corporate social behaviour is driven by instrumental, relational, and moral motives (Wang 2014), responding to externalities and stakeholders with reinvented powers. CSR activities provide an “insurance-like” protection when negative events happen (Godfrey *et al.* 2009). Thus, managers have to consider the claims and needs from stakeholders (Wang 2014), and the voluntary character of CSR is flawed.

## Transparency

Transparency is a broad concept, encompassing the availability of a variety of types of information to enable public scrutiny (Gensasci and Pray 2008). Reporting on CSR activities has increasingly been put forward in the last decade, specially after the US *SOX and Bill 198* were enacted, resulting in a period of increasing pressure for CSR and CSR disclosure (Ballou, Heitger, & Landes, 2006). This is part of a general development within corporate governance, where the emergence of the transparency initiatives Transparency International (TI) and Extractive Industry Transparency Initiative (EITI) is pointing to a more comprehensive treatment of transparency within corporate and public sectors.

However, these multi-stakeholder initiatives are primarily focused on disclosure of public payments (taxes, revenues, contracts), and there is less debate on mitigating activities in the extractive industries, like the Impact Benefits Agreements (IBAs) between corporations and communities in the Canadian oil sand region.

According to Gensasci and Pray (2008) there are other models of corporate social responsibility (...) that have the potential to foster the development of accountability between a government and its citizens. For instance, certain modes of public-private partnership, including jointly managed social development funds where government is brought into the decision-making process, offer companies a constructive way to participate in the development agenda.

Important CSR initiatives have underscored the core value of transparency in responsible business conduct. Transparency International (TI), Extractive Industry Transparency Initiative (EITI) and Global Reporting Initiative (GRI) are all key global stakeholders in the CSR discourse. Particularly extractive industries have a vital role to play in fostering an environment of transparency (Genasci and Pray 2008), given the challenging operating environment of the global energy frontiers (Bridge 2001).

The EITI offers a wide variety of reporting regimes for its member states and companies regarding revenues and tax payments. However CSR activities are not subject to corresponding scrutiny. Corporations typically have considerable latitude in their CSR reporting because, with some exceptions, there are no requirements, and they have considerable freedom to engage in highly selective CSR reporting (Coombs and Holladay

2013).

Because the firm's actual level of socially responsible activities is not observed, firms have an incentive to provide a CSR report describing their activities (Bagnoli and Watts 2014). The Global Reporting Initiative (GRI), now closely aligned with the United Nations Global Compact, is touted as a comprehensive framework for CSR reporting although it is voluntary and discretionary (Coombs and Holladay 2013).). What kind of information and how much information should be disclosed remains ambiguous and the specific format of GRI reporting is completely voluntary and unregulated (ibid.).

Findings by Bagnoli and Watts (2014) indicate that companies do not have sufficient incentives to report truthfully of their CSR activities. Firms that engage in greater amounts of socially responsible activities distinguish themselves using their CSR reports, and interestingly, to develop the conditions that allow the report's audience to infer the firm's activities, the firm must exaggerate its actual level of activity. That is, the firm that engages in greater amounts of socially responsible activities also exaggerates its report: it over-promises and under-delivers (Bagnoli and Watts 2014). A role for voluntary CSR reports and voluntary assurance of the content of the report is based on a natural information asymmetry: the company knows its chosen level of socially responsible activities but the audience for the CSR report (investors, consumer and supply chain partners) does not observe this choice (Bagnoli and Watts 2014).

**3. Empirical background:** The oil sands of Canada and the sensitive politics and evolution of aboriginal consultation practices (*reciprocity mismatch*).

### **The Oil Sands**

The oil sands of Northeastern Alberta, Canada are the third largest petroleum reserve in the world, third only to Saudi Arabia and Venezuela. Utilizing current technology, approximately 169 billion barrels of oil sands, or nine per cent of the entire initial in-place resource—estimated at 1.8 trillion barrels—can be recovered economically. With technological innovation a much greater proportion of Alberta's oil sands resource is claimed to be recovered in the future (Athabasca regional plan 2012-2022). The expansion of oil sands development in the region has created substantial employment opportunities, attracting workers from across Canada and around the world. This has contributed to significant

population growth in the region, especially in the Regional Municipality of Wood Buffalo where the majority of growth has occurred in Fort McMurray (ibid). However, recent drop in oil prices has put thousands out of work, creating tensions between oil companies and communities.

The oil sands region of Canada is primarily situated in the Northeastern part of the province of Alberta, until recently relatively sparsely populated by different aboriginal groups of First Nation or Métis origin. Like in many extraction zones, the oil sands region encompasses traditional lands of aboriginal people. Centuries of disputes over title to land and protection of aboriginal rights have created a troublesome and challenging environment for global companies to engage with. But in order to understand the CSR practices of companies within the Oil Sands region, we have to understand the ongoing national discourse around aboriginal title and rights.

### **Aboriginal Title and Rights**

Aboriginal rights and title, used here as terms of art in Canadian law, represent important approaches to protecting aboriginal use and ownership of traditional lands and resources. Aboriginal title is a type of right, but it provides stronger legal protection in the form of land ownership than do other rights (Harvard Law School 2010). In the 1997 case *Delgamuukw v. British Columbia*, the Supreme Court of Canada described aboriginal title as a unique type of land interest that arises out of aboriginal possession and occupation before British sovereignty.<sup>2</sup> In cases of justification, the title is a communal, collective right to land held by all members of an aboriginal nation. Aboriginal title includes land use rights and mineral rights, as long as the current use of land doesn't destroy the land for use by future generations (Delgamuukw 1997).

However, the protection of aboriginal title is not absolute, and infringement by the Crown can be justified under several circumstances. In the case of *R vs Sparrow*, infringement might be

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<sup>2</sup> However, determining whether aboriginal title is justified is a time consuming, expensive and difficult task for many aboriginal communities. The Supreme Court of Canada has granted declaration of aboriginal title to more than 1,700 square kilometres of land in British Columbia to the Tsilhqot'in First Nation, the first time the court has made such a ruling regarding aboriginal land. The events that lead to the case was ignited in 1983, making it a 30 year long battle.

justified if there is a valid legislative objective and then considers whether the particular regulation gives priority to First Nations, infringes as little as possible, provides fair compensation in case of expropriation, and occurs after appropriate consultation (Sparrow 1990). In practice, this lack of clarity of and detail on the infringement analysis has meant that, in order to prevent infringement upon their rights, First Nations often have to resort to litigation, a strategy that has been both costly and time consuming (Harvard Law School 2010). The supreme court of Canada has mandated a greater focus on the government's fiduciary duty toward First Nation people, and on providing economic compensation for infringements of aboriginal title. The case of *Tsilhqot'in Nation v British Columbia* (2014) ruled that consent is needed from First Nations holding aboriginal title over an area if infringement of their title is tried.

The growing power of aboriginal communities through these court case battles over their lands have forced both the Crown and companies to become more careful in their dealings with issues concerning industrial developments on traditional lands<sup>3</sup>.

### **Impact and Benefit Agreements**

One way to minimise the negative impacts of mining projects and to ensure local benefit is through the negotiation of binding agreements between companies and communities. In Canada, these agreements are commonly called impact benefits agreements (IBA). These agreements are mechanisms for establishing formal relationships between mining companies and local communities. Their primary purposes are: i) to address the adverse effects of commercial mining activities on local communities and their environments, and ii) to ensure that First Nations receive benefits from the development of mineral resources (Sosa and Keenan 2001).

IBAs are negotiated when there are aboriginal land claims, rights or title, or regulated through law. In other instances, where IBAs are not sought through First Nation and or resource rights nor are required under a land claim agreement, government may demand that an IBA be negotiated for a specific project, on an ad hoc basis. Such a requirement may be part of an overall social policy to benefit Aboriginal communities or may result because the mine is

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<sup>3</sup> Environmental impact assessments are required before extraction begins, but these assessments are not performed until after permits have been awarded, allowing the government to approve projects quickly and begin receiving revenues (Resource Governance 2013).

predicted to have a significant social and/or environmental impact. Governments may also require negotiation on a case-by-case basis in order to satisfy their fiduciary obligation towards Aboriginal peoples <sup>4</sup>(citation). This requirement may be imposed more frequently in areas where land claims are outstanding. Finally, mining companies may view IBAs as a beneficial tool and thus be willing to negotiate them despite the absence of legal requirements to do so. IBAs can be a good public relations practice and can help garner local support for a project, thus reducing its social risk (Sosa and Keenan 2001)

IBAs are commonly treated as private contracts between the signatories.

For example, the Nunavut Land Claims Agreement states that IBAs “may be enforced by either party in accordance with the common law of contract”. While earlier agreements focussed on employment, more recent IBAs may include environmental restrictions, social and cultural programs, dispute resolution mechanisms and revenue sharing provisions, among other elements. In the context of government cutbacks to social programs and environmental regulation, the wide scope of these agreements and the reduced government role in their negotiation and execution has led to criticism that IBAs are a form of government downloading that sees companies act as welfare providers and communities as environmental watchdogs.

Companies may view IBAs as a tool to secure First Nations’ support for a project and may insist that this be a stated purpose in the agreement. By the same token, companies may seek to include, in this introductory section or elsewhere in the text, a clause prohibiting First Nation parties from opposing a project during the government licensing or environmental assessment process (Sosa and Keenan 2001).

IBAs may include clauses ensuring that local communities receive other economic benefits from the mine, apart from employment. These benefits commonly include royalties, profit shares or fixed cash amounts that are linked to specific events in the lifetime of the mine. The section of an IBA that is focussed on financial contributions may also include compensation to individuals who suffer losses caused by the operation of the mine for example, hunters (Sosa and Keenan 2001)

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<sup>4</sup> Canadian governments’ fiduciary relationship with First Nations requires them to act in the best interest of First Nations and to protect Aboriginal rights.

Despite several decades of IBA negotiations in Canada, the corresponding literature is fairly recent and includes little analysis regarding the success of these agreements (Sosa and Keenan 2001).

Confidentiality is often imposed by the corporate party during IBA negotiations. The parties can discuss the agreement with third parties in a general way but cannot go into specific details. Some IBAs also include a clause that forbids the First Nation party from releasing any confidential information obtained through the negotiation of the agreement, after the negotiation has ended, except when there is a legal obligation to release such information. In other cases, the entire agreement is confidential (Sosa and Keenan 2001).

Confidentiality clauses are a contentious issue. While it is understandable that a company may wish to treat some parts of an agreement confidentially, such as those clauses that could affect its share price, confidentiality clauses significantly limit the extent to which Aboriginal communities can learn from each other's experiences and the extent to which the general public and government are informed about such agreements. In addition, when multiple First Nation parties negotiate separate agreements with the same company, confidentiality prevents them from working together, strengthening their bargaining position and negotiating fair agreements (Sosa and Keenan 2001).

For the most part, agreements are confidential documents restricted to the parties to the agreement. Accordingly, for this study, specific signed IBAs were not reviewed. This is not to say, however, that their content is unknown. Many of those interviewed were able to share the general content of agreements, either final or in the process of negotiation (.

In addition to the monetary costs, there are the social costs of having community leaders consumed by the often prolonged information-gathering and negotiation processes associated with IBAs.

There is scepticism about whether IBAs are good tools for the promotion of long-term Aboriginal economic development given the boom-bust nature of mining.

There is a concern that the use of IBAs for environmental regulation purposes will undermine the development and application of strong, universally applicable legal regulatory systems.

Moreover, the tying of environmental performance to negotiations concerning the transfer of economic benefits may result in trade-offs that weaken environmental protection.

Very often IBA negotiations occur within short time frames that do not allow communities to digest all the information about the project, seek advice from consultants with appropriate expertise and make an informed decision.

### **The social fabric of the Hot Zone**

Today, in the midst of the Athabasca Oil Sands Area, we find Conklin, a small community of Métis<sup>5</sup> people in the municipality of Wood Buffalo, Alberta. Conklin is a paradox: it is in the middle of nowhere but in the middle of everything. Until the recent completion of Highway 881 between Lac La Biche and Fort McMurray, Conklin was one of the most isolated locations in Alberta (Conklin Métis Local 193, 2012). Despite its isolation, Conklin is a community that is at the centre of the oil sands development that will be a driving force in Canada's economy until the bitumen is gone. Information provided to the Conklin Resource Development Advisory Committee by developers indicates that within 30 kilometres of the community, production will increase from fewer than 100,000 bbl/day in 2010 to, at least, 1,750,000 bbl/day by 2020 (ibid.).

Here, the Métis people have conducted trapping, hunting, fishing and harvesting practices for over a hundred years, living of the land – in the land. From the outside eye, the community on the surface looks very much like many other small northern settlements, with a mix of residential housing and basic services (community centre, school, water treatment/delivery, gas station, confectionary, post office, fire protection, waste disposal, electricity, telephone). The ways in which the community is organised socially, however, is quite different (White et al 2012).

The SAGD operations combined with the ancillary high-voltage transmission lines and bitumen pipelines have greatly impacted what used to be a traditional Metis community. Today, the pressures of development have made Conklin unaffordable to many, if not most,

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<sup>5</sup> The Métis are recognized in the Constitution Act of 1982 as one of Canada's three Aboriginal peoples. The term Métis has not had a precise definition since the latter half of the nineteenth century when it clearly described people of mixed French and Native ancestry.

community members who struggle to afford decent housing and basic necessities. The traditional way of life based on hunting, fishing, trapping, and gathering is quickly becoming impossible for the Metis of Conklin (Conklin Métis Local 193, 2012). According to the community, the cumulative impact of the (...) SAGD projects, transmission line projects, and other pipelines will have a deleterious effect on the ability of the Metis of Conklin to practice their constitutionally protected aboriginal rights<sup>6</sup>.



According to the community, the traditional harvesting territory of the Conklin Métis covers about 10 000 km<sup>2</sup>, stretching from Wiau and Grist Lakes in the south to Algar and Gordon Lakes in the north (LKR XO Environmental screening 2011). Long before the introduction of the provincial trap line registration system in 1942, Conklin Métis families had established trapping areas. Some have been seen continuous use for six generations or more, in living memory. Definitive boundaries were eventually imposed in the 1940s as the province began exercising control over natural resources through trap line registrations, covering large parts of the traditional harvesting territory (White et al 2012). The Conklin trappers were very active in the early 1970s, but in later years, many trap lines ended up being sold because of low fur prices and a shortage of cash. According to Conklin elders, the capacity to generate a

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<sup>6</sup> R. v. Powley, [2003] 2 S.C.R. 207, 2003 SCC 43.

living from trapping no longer exists (ibid: 31), both due to lack of wildlife, oil sands developments and provincial wildlife regulations.

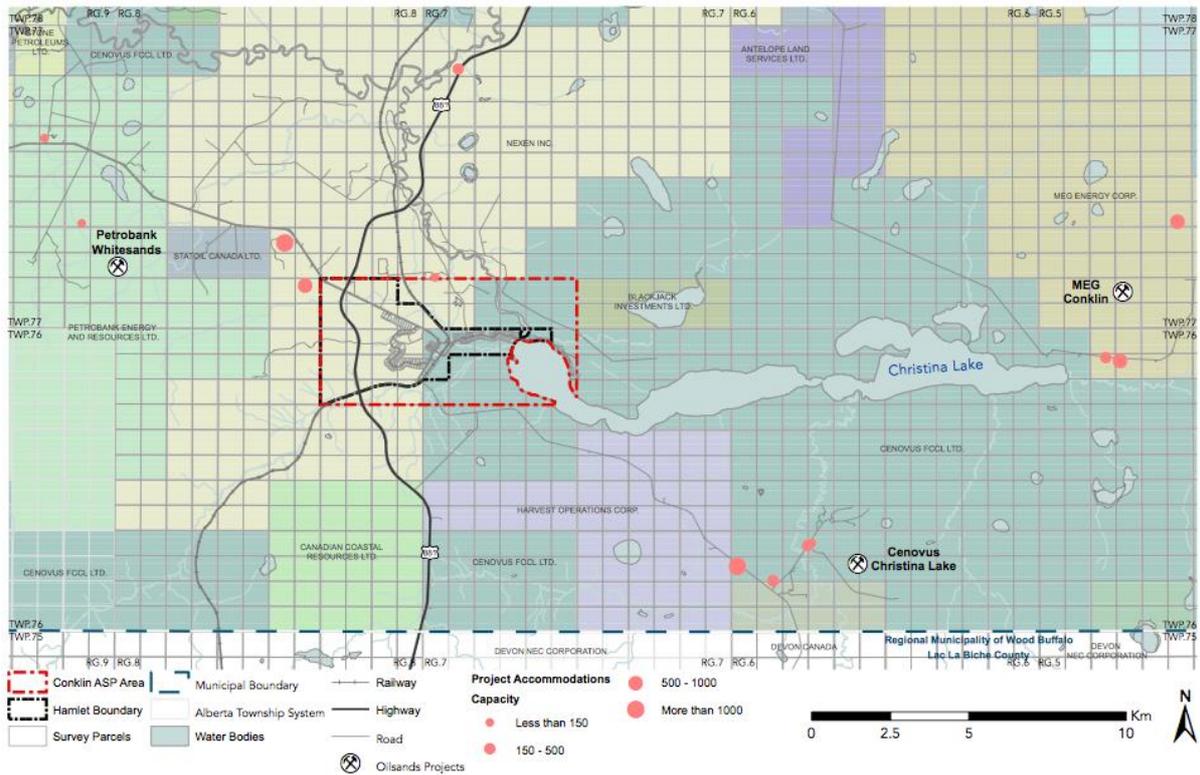
In the present day, community members are finding it increasingly difficult to access traditional lands. Old trails have been destroyed or upgraded into roads for trucking, numerous new seismic cutlines have been created throughout formerly intact lands and longstanding routes have been restricted or blocked by oil developers (White et al.: 36). Development has caused rapid decline in animals, berries and plants, as well as a decrease in air and water quality (ibid: 74).

Work camps are everywhere in the Regional Municipality of Wood Buffalo, the 68,000 square kilometre region surrounding Fort McMurray and the Athabasca oil sands. A 2012 census found 40,000 mobile workers working at nearly 100 projects here, rivalling Fort McMurray's 73,000 residents. The number of mobile workers is likely closer to 60,000, officials suggest, since the census tally is based on a low season and camp capacity was recently estimated at 92,000 beds (Edmonton Journal 2013).

The history of the Conklin Métis is a microcosm of the complex history of the Métis in Canada. That larger history is characterised by recurring cycles of Métis peoples' settlement, displacement, dispossession and dispersion from traditional homelands and movements to new lands has been repeated throughout Canadian history (White et al 2012).

### **The stakeholders of the Hot Zone**

Alongside the Conklin Métis community, there are several stakeholders with vested interests in the Extractive Hot Zone of Conklin, Alberta. The Municipality of Wood Buffalo, the biggest municipality of Alberta plays an important and instrumental role in the formation of the community settlement of Conklin.



The Conklin Area Structure Plan was developed by the Regional Municipality of Wood Buffalo (RMWB/the Municipality) as the main planning tool for the area, in collaboration with Conklin’s residents and key stakeholders. Here, the municipality lays out the foundation for future developments within the limited boundaries of Conklin settlement. The municipality provides basic services as water and waste management, etc., and establish policies that promote orderly and sustainable land uses in the area; and integrate existing and future infrastructure requirements with generalized land uses (Conklin ASP 2013). The Area Structure Plan (ASP) seeks to reconcile the community’s desire to preserve the character of the Hamlet with the reality of increasing pressures of industrial development occurring in close proximity.

The provincial government of Alberta is the main executive body of Alberta. Historically, Albertans have elected governments with large majorities and kept them in power for a long time. The Progressive Conservative party has been in government from 1971 to present. The provincial government responsibilities include property and civil rights, administration of justice, natural resources and the environment, education, health, and welfare. Provincial taxing powers are limited to direct taxation within the province, ie, personal and corporate income taxes, consumer taxes and certain property taxes. From their jurisdiction over the management and sale of public lands, timber and ownership of natural resources, the

provinces derive authority for the principal source of nontax revenues. According to a 1982 constitutional amendment (92A), the provinces were granted an unrestricted taxing power ("any mode or system") in the natural-resource field. This amendment, which clarified and expanded provincial legislative and taxing powers over non-renewable resources, forestry resources and electrical energy (The Canadian Encyclopaedia 2014). In relation to natural resource management in the Hot Zones, the provincial government hand out all leasing licences, and are compelled by law to consult aboriginal peoples before issuing permissions to start extraction activities.

The consultative process is handled by the newly established Aboriginal Consultation Office (2013). The Crown's duty to consult is rooted in the honour of the Crown and the protection afforded to Aboriginal and Treaty rights under section 35 of the Constitution Act, 1982. Consultation is a process intended to help parties understand and consider the potential adverse impacts of anticipated Crown decisions on the exercise of Treaty rights and traditional uses (Guidelines on Consultations 2014).

This duty to consult has been delegated in most cases to the corporate proponents of the extractive projects.

The Oil Companies are strong proponents of the industrial developments in the extractive zone, and the area of Conklin contains around 15 of them. Statoil Canada Ltd. (Statoil) has assets in the Alberta oil sands, developing and operating the Kai Kos Dehseh (KKD) Leases, which contain more than two billion barrels of estimated recoverable resources. Statoil employs more than 800 people and is headquartered in Calgary, Alberta.

Leismer, which began operating in 2010, is a research and development facility where the company test and pilot new technologies and approaches on a small scale. Successful ones are then moved to full-scale production. Leismer's current facilities are designed to produce 20,000 bpd, however the project has regulatory approval to produce 40,000 bpd. To increase production, Statoil has submitted construction, operation and environmental plans for Leismer Acceleration Phase 2 (LAP2) to the Alberta Energy Regulator (AER) and Alberta Environment and Sustainable Resource Development (AESRD). Statoil also has regulatory approval to produce 40,000 bpd from its Corner lease area. This project is however postponed due to temporary lack of profitability (interview 2014).

Statoil's consultation, engagement and investment activities are focused on communities in and around the KKD Leases. KKD Leases encompass two historical treaties that include four First Nation communities as well as Métis rights-bearing communities. These include Heart Lake First Nation, Beaver Lake Cree Nation, Chipewyan Prairie Dene First Nation and Fort McMurray First Nation #468. Also included are the Hamlet of Chard, Conklin Métis Local, and Anzac/ Willow Lake Métis Local (Statoil 2013). Social investments, contractual obligations and gifts count for about CAD 2.5 million/yr (2013), mainly through the "Sustainable Community Initiative (SCI), originally launched by a five-party group of oil companies, the Local Opportunity Centre in Conklin, the 881 Business Incubation Centre and several educational initiatives and collaborations (Statoil 2013).

*The Economist* states it well: "all things considered, there is much to be said for leaving social and economic policy to governments. They, at least, are accountable to voters."

This statement alludes to an important principle: corporations are not-and should not be required to become -development experts. Rather, they must not stand in the way of development and should at a minimum support those initiatives that attempt to address the key development challenges in the communities in which they operate. In the case of the extractive industries, this means supporting efforts to create systems of accountability between government and people.

### **Reciprocity revisited**

*The gift economy is more visible than the market. The resultant distribution of goods and services is more readily subject to public scrutiny and judgements of fairness than are the results of market exchange (Douglas 1990).*

*Like the Trojans, in receiving gifts we can unwittingly be embracing our own enslavement (Rajak 2011).*

Reciprocity is one of the most important properties of the links connecting entities in networked systems (Wasserman & Faust, 1994; Garlaschelli & Loffredo, 2004; Boccaletti et al., 2006; Skvoretz & Agneessens, 2007; Zamora-Lopez et al., 2008, Weng et al. 2013) Reciprocity runs like a red thread through several branches of the academy, from the social sciences of anthropology, sociology and economy to the natural sciences of mathematics, computer science, physics and theoretical biology (see for instance Simmel 1950, Mauss

1954, Gouldner 1960, Granovetter 1973, Berg et al 1995, Arnsperger 2000, Gintis 2000, Bowles and Gintis 2004, Novac and Sigmund 2005, Falk and Fichbacher 2006, Wang et al 2013,).

There is a strong notion that reciprocity is a central concept in human interaction. Empirical evidence indicates that persons typically divide their neighbourhood into core and peripheral members, directing strong (large weight) ties toward core members and keeping only weak (small weight) ties with peripheral members (Granovetter, 1973; Marsden, 1987). Georg Simmel remarks that social equilibrium and cohesion could not exist without the reciprocity of service and return service, and that all contacts among men rest on the schema of giving and returning the equivalence (1950:387).

In (many societies), exchanges and contracts take place in the form of presents; in theory these are voluntary, in reality they are given and reciprocated obligatory (Mauss 1954). In the world as a whole, the major transfer of goods has historically been by cycles of obligatory returns of gifts (Douglas 1990). There have been attempts to separate the gift exchange and reciprocity procedures from otherwise “market based” rationalities (see for instance Mauss 1954, Gintis 2000). But as Arnsperger suggests (2000), Mauss’ reciprocity scheme can be rather well explained in terms of the strategies of agents playing a repeated, tit-for-tat type game: in equilibrium, (1) no agent has any interest in not giving (possibly more than he received in the previous stage of the game) because the future sanction in terms of social exclusion would outweigh the short-run gain; and (2) no agent has any interest in refusing a gift, for much the same reason. Therefore, rational calculation seems to fit rather well with the conclusions that Mauss draws from his data. Gintis hints to the same notion when he states that without strong reciprocity, then, human society would likely be quite differently organized than it is, and we likely would be considerably less successful as a species (Gintis 2000). Thus, there seems to be a “rational choice” of reciprocity within human interaction.

As an antonym to the term “reciprocity”, referring to a mutually contingent exchange of benefits or gratifications, one might find “exploitation”, referring to a relationship in which unearned income results from certain kinds of unequal exchange (Gouldner 1960). However, exploitation, as Gouldner finds it, is a too value laden concept, and instead he coins the term “reciprocity imbalance” (ibid). At the extraction site, a different kind of imbalance is taking place.

## **Geographies of scales and assemblages**

There is an on-going shift of geography as a scientific discipline from a “science of space” towards the study of the spatial dimension of society, which means a thorough analysis of the constitution of society through space. One of many geographical contributions to the social sciences is the concept of scales. A key insight that runs through most contributions in human geography is that scales should be seen as relational (Howitt 1998). This means that a particular scale can only be understood in relation to other scales and in relation to the political, social and spatial processes that create and change them (Haarstad 2014).

Globalisation represents a rescaling of state structures to global, regional and urban spaces through a complex array of institutional networks and practices (Brenner 2004). Governance initiatives like taxation and licenses related to fixed natural resources can take (and are currently taking) place within networks and structures that cannot be properly understood within the traditional ideas of scales as discrete units within a global to local hierarchy (Haarstad 2014). Correspondingly, processes happening at one scale cannot be fully understood without taking into account processes at other scales and between scales.

## **The extraction site**

The discursive field surrounding commodity supply zones has become more complex as conventional constructions of resource space are increasingly challenged (Bridge 2001). There is an increasing ambivalence about the role of primary commodities and the places that supply them. With the expansion of globalised corporations, intensified global communications and increased interaction intersecting different scales, from the global to the local, we learn to know that the extraction sites and their surroundings are filled with historic and present social materiality and life, entanglements of human and nonhuman agents with their own discourses, histories and realities. These places have become sites of cultural spectacle, key sites in and through which we witness the broader socio-political and ecological relations in which post-industrial society is enmeshed (ibid). In other words: From below, or from the extraction site itself, the habitants (and field researcher) will observe the realities in a complete different way. Again, to employ the geographical metaphor – from below the topography and topology reveals itself as tangible structures, as layers, as scales and as hierarchies.

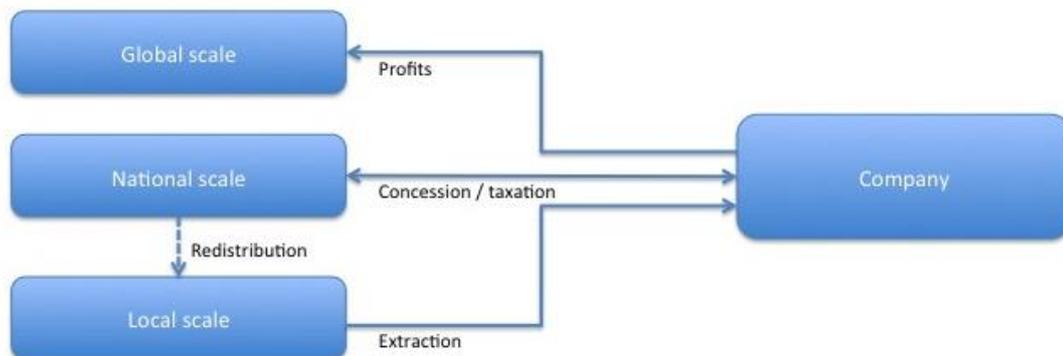
I have previously advocated for an empirically driven, multi-dimensional assemblage approach to geographic realities, where both the processes constituting components of both the social and the natural world – assemblages - and the different socio-spatial organisation of heterogeneous entities make out the analytical basis of any geographical analysis of particular empirical events (Wanvik 2014). “Assemblages” because all components comprise of assembled others, “multi-dimensional” because there are vital understandings and benefits to be drawn from including geographical concepts such as “territory”, “networks”, and above all: “scales” into a notion of assembled realities (Jessop et al 2008). This effort, derived from de Landa, has been to show through empirical analysis, how at each scale, the properties of the whole emerge from the interactions between parts, bearing in mind that the more simple entities are themselves assemblages of sorts (Escobar 2007, De Landa 2006).

Geographic scale, referring to the nested hierarchy of bounded spaces of differing size, such as the local, regional, national and global, is a familiar and taken-for-granted concept for political geographers and political analysts (Delaney and Leitner 1997). As an analytical concept, scale helps us understand relationships between the specific and the general (Haarstad 2014). Haarstad identifies what he calls a scale problem or “mismatch” in resource and energy governance (ibid: 88), related to how resources are extracted on one scale, while having environmental effects on another scale. Correspondingly, I identify what I call a “reciprocity mismatch” across scales regarding social investments and tentatively reciprocity between corporations and communities within extractive sites.

The dichotomy between the “bountiful emptiness” and “cultural spectacle”, derived from the global and the local scales respectively, challenges us. And it challenges the practices of extraction concessions, reciprocity and the power play between companies and local communities and authorities. Although the colonial concession has evolved, exclusive and geographically very specific rights of access to sovereign mineral resources remain the norm (Bridge 2009), but the idea of states being the prime concession giver of natural resources in a given area challenges people’s conceptions of reciprocity and ownership to local resources.

Because whilst the concession holder - the company – transfer both royalties and taxes to central or regional governments in exchange for concession rights, the communities within the primary commodity supply zones are left with next to nothing. Rightfully, there is a national-local redistribution of tax revenues back to the communities, but the perceived

situation is that the national government collects revenues for the extraction of local resources at the expense of local development (see figure 1).



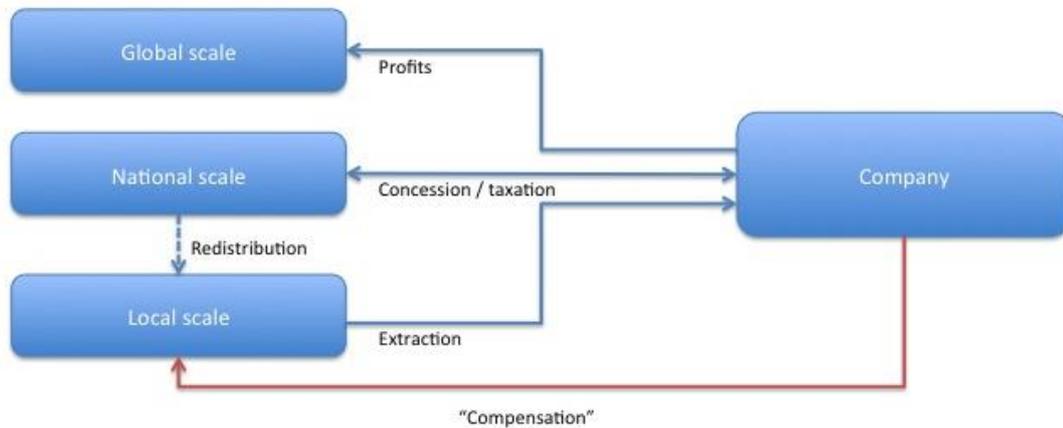
**Figure 1: Reciprocity mismatch (Author's own)**

But as we shall see, the practices of redistribution are both obsolete and skewed, rendering the local communities (or parts of these communities) powerless and empty-handed in the face of transnational resource extraction. My assumption is that this off-the-scale reciprocity is midwife to different mediating and mitigating practices between corporations and communities, such as cumbersome bureaucracy (red tape), bribes, facilitation fees, etc. (see figure 2).

### **A community of reciprocity**

The touchstone of social capital is the principle of generalised reciprocity (Putnam 2000:134). The cultural spectacle constituting the local communities in and around extraction sites are saturated with social capital at play, and in this context, the corporation is just another actor within the assemblage, within the social field of everyday life. I argue that it is in this perspective we have to treat corporate activities and conducts within the primary commodity supply zones. If a company extract huge amounts of natural resources from an area, or transfer resources back into the community, it becomes part and parcel of the social exchange of gifts and resources within a community. However, empirical findings show that the transnational extractive industries rather are transcending geographical scales and disturbing the social fabric of local communities. They extract the resources at one scale, buy concessions and pay their taxes at a different scale, and collect their profits at yet another. In order to compensate for the lack of reciprocity at the local scale, extractive industries often

find themselves in a quagmire of irregular resource transfer claims from all kinds of local actors – from private entrepreneurs to local government officials (see figure 2).



**Figure 2: Reciprocity mismatch compensated (author's own)**

**3a. Duty to consult** – evolution and implementation

**3b. Impact and Benefits Agreements**, evolution and implementation of *Public-Private Pseudo Partnerships*

**4. Theoretical foundation:** assemblage theory and territorialisation

**5. Methodological considerations.**

**6. Discussion**

**7. Conclusions**

**8. Further research**