



Northern Ireland  
Assembly

## Research and Information Service Briefing Paper

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28 November 2024

NIAR 269-24

# Social Licence: Background information, implementation and issues arising

### Public Finance Scrutiny Unit

This Briefing Paper – commissioned by the Public Accounts Committee in the Northern Ireland Assembly – examines the concept of “Social Licence” in various relevant sources identified through research undertaken by RalSe- Public Finance Scrutiny Unit. It sets out background information on the development of the concept and its development over time, providing examples of its implementation in other jurisdictions. The Paper will also consider issues arising; followed by some concluding remarks.

This information is provided to a Member of the Legislative Assembly (MLAs) in support of their duties, and is not intended to address the specific circumstances of any particular individual. It should not be relied upon as professional legal advice, or as a substitute for it.

## Introduction

This Briefing Paper was commissioned by the Northern Ireland Assembly's Public Accounts Committee (PAC); and has been compiled by the Public Finance Scrutiny Unit, located within the Finance and Economics Research Team of the Assembly's Research and Information Service (RaISe).

It explains what "Social Licence" in the context of government projects; first looking at its origins more generally, and then highlighting recent reports in Northern Ireland in this area – namely Northern Ireland Audit Office (NIAO) [Major Capital Projects: Follow-up Report \(2024\)](#) and the Strategic Investment Board (SIB) [The Root Causes of Delay and Cost Overruns in Major Capital Projects \(2024\)](#). Thereafter, it provides a comparative perspective, outlining Social Licence-related legislation and guidance used in other jurisdictions. Drawing on the earlier sections, the Paper identifies potential issues for consideration in terms of establishing and maintaining Social Licences during the life-cycle of a project; followed by some concluding remarks.

The Paper is presented as follows:

- [Section 1 – Background](#)
- [Section 2 – Comparative Perspective](#)
- [Section 3 – Potential Issues for Consideration](#)
- [Section 4 – Concluding Remarks](#)

The Paper's contents should not be relied upon as professional legal advice or opinion, nor as a substitute for either.

# 1 Background

It seems from research undertaken by RaiSe-PFSU that there is no agreed definition for the concept of “Social Licence”, also known as “Social Licence to Operate” (SLO). Rather, SLO is considered an intangible and informal social contract<sup>1</sup> between operators and their project stakeholders. As such, a Social Licence is not like other licences in which an operator applies to a government or governing body to be granted formal permission within a set of defined parameters. In 2003, the President of Newmont Mining Corporation summed this up when he said:

*You don't get your social license by going to a government ministry and making an application or simply paying a fee... It requires far more than money to truly become part of the communities in which you operate.<sup>2</sup>*

Examples of existing definitions used highlight examples similarities and differences between them, as noted in the below:

- United Kingdom [Civil Aviation Authority](#) define a Social Licence as:

*... the ongoing approval from stakeholders for an organisation's products, services, business practices and operations.*

*Underpinned by a 360° view of stakeholders, a social licence brings with it the tangible business benefits of being considered legitimate, credible and trustworthy.<sup>3</sup>*

- [International Atomic Energy Agency](#) defines a SLO as:

*... the situation in which a project has ongoing approval within the local community and among other stakeholders, and also has political and public acceptance. Absence of trust limits the*

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<sup>1</sup> [https://www.uwa.edu.au/oceans-institute/-/media/project/uwa/uwa/oceans-institute/publications/files/uwa\\_slo\\_offshorewindfactsheet2024\\_web.pdf](https://www.uwa.edu.au/oceans-institute/-/media/project/uwa/uwa/oceans-institute/publications/files/uwa_slo_offshorewindfactsheet2024_web.pdf)

<sup>2</sup> [Securing a Social Licence to Operate? From Stone Age to New Age Mining in Tanzania \(2010\)](#)

<sup>3</sup> <https://www.caa.co.uk/publication/download/17751>

*availability of a social licence for governments, institutions and companies to proceed with their activities.<sup>4</sup>*

It therefore seems that to obtain a SLO, those proposing a project;

*...require buy-in and engagement with a range of relevant stakeholders, including local residents, influential community members, organized interest groups, and governmental actors, all of whom might be impacted by the project's operations.<sup>5</sup>*

Without an agreed definition for the concept Social Licence, it enables those connected with a given project to interpret it in their own way. As such, operators may believe they have a Social Licence, while relevant stakeholders may not. The latter may be a higher threshold in what they believe is required for Social Licence purposes. The Montreal Economic Institute (MEI) think tank consider this issue and conclude:

*...the lack of a clear, agreed-upon definition of social licence means that developers, residents, environmental activists, and governments all use the term to denote different perspectives.<sup>6</sup>*

The Social Licence concept originally was coined by a mining executive in the mid-1990s;<sup>7</sup> and the term SLO mostly became associated with the mining industry. It emerged at a time when the mining industry was facing challenges associated with the negative impact that the industry was having on the environment and communities close to their operations. As observed by an academic in a journal article:

*...increasingly, the concerns of society were also being translated into direct action against resource projects at a local level. Such*

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<sup>4</sup> <https://www.iaea.org/resources/nuclear-communicators-toolbox/basics/trust/social-licence>

<sup>5</sup> [Responsible Data Re-use in Developing Countries: Social Licence through Public Engagement](#) – Technical Report (March 2024)

<sup>6</sup> <https://www.iedm.org/67621-the-three-pitfalls-of-social-licence/>

<sup>7</sup> <https://www.communication-director.com/issues/unwritten-contract-social-licence-operate/story-concept/>

*conflict with communities has been shown to have high financial, opportunity and personal costs to mining companies and their personnel.<sup>8</sup>*

Since the mid-1990s, the term's use expanded to a variety of industries including: various energy industries; farming and agriculture; forestry; and, the associated pulp- and paper-manufacturing.<sup>9</sup>

In the 2025 EY annual report - entitled [Top 10 risks and opportunities for mining and metals companies](#) report, published October 2024 – “License to operate” was ranked fifth. While the term “Social” is not included, the commentary accompanying this point highlights the concepts associated with SLO. The report states:

*Enhancing community impact and Indigenous trust remains high on the agenda of miners and investors. Around the world, communities and governments expect miners to do more to support communities now and leave a positive legacy for the future.<sup>10</sup>*

The report continues:

*Companies that empower Indigenous communities as partners are creating the foundation for long-term relationships and strengthening the brand. Mine closure is another opportunity to strengthen community relationships and leave a positive legacy but only 5% of our respondents see it as a key issue.<sup>11</sup>*

Once the concept was adopted by industry and the groups affected, scholarly work on SLO developed. A notable example of this was the work of [Boutilier & Thomson](#) (2011), which established models of SLOs. Thomson and Boutilier identified four levels of a SLO. Figure 1 below presents their findings on the

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<sup>8</sup> [The social licence to operate: a critical](#) review - Forestry: An International Journal of Forest Research, Volume 89, Issue 5, 15 September 2016, Pages 477–488

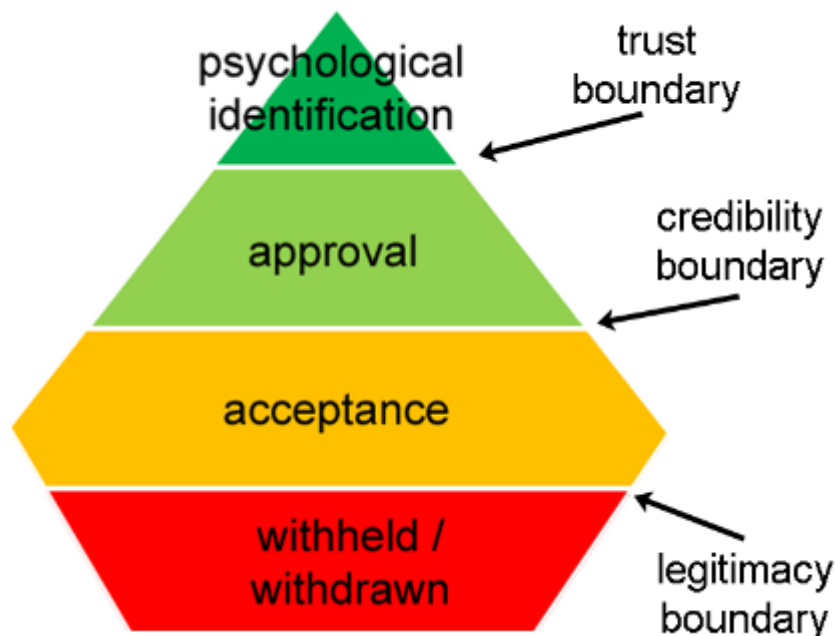
<sup>9</sup> See footnote 8 immediately above

<sup>10</sup> [https://www.ey.com/en\\_uk/insights/energy-resources/risks-opportunities](https://www.ey.com/en_uk/insights/energy-resources/risks-opportunities)

<sup>11</sup> See footnote 10 immediately above

level of buy-in from communities, as determined by a project's legitimacy, credibility and the trust put in the operators:

**Figure 1. The “pyramid” model of the SLO**



**Source:** [Modelling and measuring the social license to operate \(Thomson & Boutilier 2011\)](#)

The model was then developed into a “four-factor model” - namely:

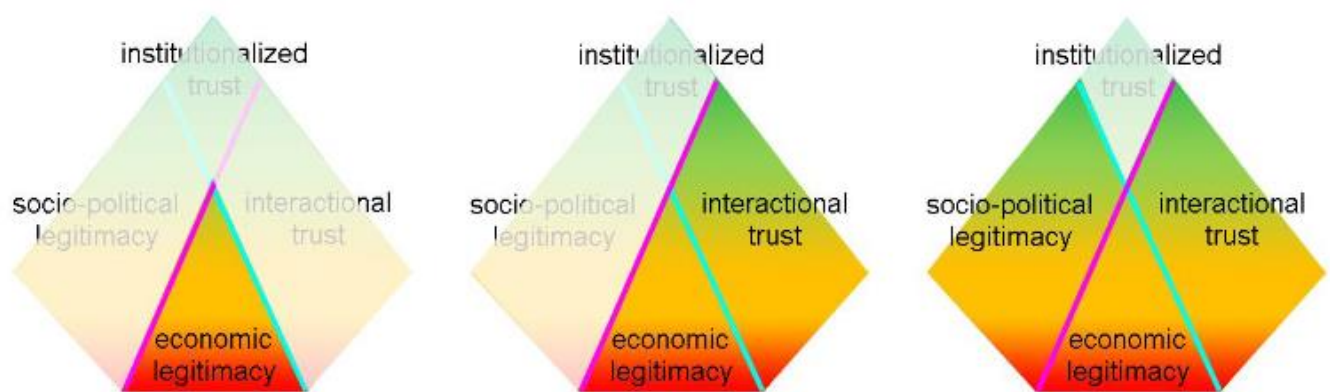
- 1. Economic legitimacy
- 2a. Socio-political legitimacy
- 2B. Interactional trust
- 3. Institutionalised trust

The model places a grading to these factors, with economic legitimacy as the minimal factor required for acceptance, without it most stakeholders will withhold or withdraw SLO. If socio-political legitimacy or interactional trust is lacking, SLO is less likely, if both are missing SLO is rarely obtained.

Institutionalised trust is the ultimate aim of an operator with their stakeholders in which each have due regard for each other's interests. In attempting to achieve those four factors, acceptance and approval of a project strengthens and achieves greater buy-in. Therefore, under the four-factor model, approval for a project may be granted, despite certain factors missing or lacking.

Figure 2 below presents the theory of the four-factor model, which is linked to the “Pyramid model” in that the colour change from red to green represents the level of buy-in gained for a project. The four-factor model shows all four factors are not required, but the more factors that a project can obtain, then greater stakeholder acceptance and approval is received:

**Figure 2. Four-Factor Model - Granting of SLO based presence or absence of each factor**



More detail on the ‘four-factor model’ can be found at [Appendix 1](#).

## 2 Comparative Perspective

Based on research undertaken by RalSe-PFSU to date, no specific piece of Social Licence legislation per se could be identified in any jurisdiction. However, other legislation linked to similar concepts - such as Corporate Social Responsibility (CSR), Environmental, Social, and Governance (ESG), Community Benefit – could be identified. Those noted concepts appear to align with the Social Licence principles set out in [Section 1](#) above.

In addition, RalSe-PFSU research has highlighted frameworks and guidance established by governments and corporate bodies to help meet Social Licence principles.

This section outlines the above-noted findings in four countries - United Kingdom, Republic of Ireland, Canada and Australia.

### 2.1 United Kingdom

In the United Kingdom, there is no legislation concerning Social Licence per se. However, various policies and regulatory frameworks align with Social Licence principles in that they require consultation, transparency and public participation in decision-making processes, which could be informative to the PAC. Table 1 below provides a list of such legislation, policy and regulations (note the list is not intended to be exhaustive):

**Table 1. United Kingdom legislation, policy or regulations that align with Social Licence**

Legislation, policy or regulations	Description
<a href="#">Localism Act (2011)</a>	<p>Included in the Act is a requirement to consult communities before submitting certain planning applications. The Government states:</p> <p><i>To further strengthen the role of local communities in planning, the Act introduces a new requirement for developers to consult local communities before submitting planning applications for certain developments. This gives local people a chance to comment when there is still genuine scope to make changes to proposals.</i><sup>12</sup></p>
<a href="#">Public Services (Social Value) Act 2012</a>	<p>This Act requires an authority to “...consider whether to undertake any consultation as to the matters”, where</p> <p><i>(a) how what is proposed to be procured might improve the economic, social and environmental well-being of the relevant area, and</i></p> <p><i>and;</i></p> <p><i>(b) how, in conducting the process of procurement, it might act with a view to securing that improvement</i><sup>13</sup></p>

<sup>12</sup> <https://assets.publishing.service.gov.uk/media/5a79a0b740f0b642860d98a2/1896534.pdf>

<sup>13</sup> <https://www.legislation.gov.uk/ukpga/2012/3/section/1>



<a href="#">The Town and Country Planning (Environmental Impact Assessment) Regulations 2017</a>	<p>This Act requires Environmental Impact Assessment to be carried out when certain development is given planning permission through the town and country planning system. The Government state:</p> <p><i>The aim of Environmental Impact Assessment is also to ensure that the public are given early and effective opportunities to participate in the decision-making procedures.</i><sup>14</sup></p>
<a href="#">Net Zero Strategy: Build Back Greener (2021)</a>	<p>This Strategy includes a section on Empowering the Public and Business to Make Green Choices. Within that section, the Government states it will:</p> <p><i>Give people opportunities to participate in and shape our plans for reaching net zero, thereby improving policy design, buy-in and uptake of policies.</i><sup>15</sup></p>

The contents of Table 1 highlight how the intention of certain actions or requirements in government legislation and guidance could assist in the context of Social Licence.

### 2.1.1 United Kingdom industry and Social Licence

While the concept of Social Licence is not defined by government (central or devolved) in the United Kingdom, certain sectors operating within the United Kingdom have adopted Social Licences as part of their operations. For example, the United Kingdom Civil Aviation Authority has published [Social Licence to Operate: Concept Guide for New Technologies](#). That guidance is to support the aviation industry build social engagement into their development strategy; a key part of it.

<sup>14</sup> <https://www.gov.uk/guidance/environmental-impact-assessment>

<sup>15</sup> <https://www.gov.uk/government/publications/net-zero-strategy>

Another notable sector in the United Kingdom which has considered and adopted Social Licence principles is the equestrian sector. Consideration of Social Licence in this sector has developed as result of:

*...questions are increasingly being raised about the involvement of horses in sport due to concerns about their welfare and safety.<sup>16</sup>*

A Joint Paper - published by the United Kingdom based [World Horse Welfare](#) and the University of Nottingham in 2022 and entitled [Social Licence to Operate: What can equestrian sports learn from other industries?](#) - considers the change to the industries Social Licence over time, notably that where once, “the public’s....attitude regarding animal-use activities that were once deemed socially acceptable”<sup>17</sup>. The report considers a number of factors, such as rise in vegetarianism, technology allowing secret filming, social media and advances in scientific knowledge; and observes that all these are contributing to the diminishing of the industries’ Social Licence. The Paper concludes:

*It is against this backdrop of changing public attitudes, technological advances, and scientific progress that animal-use industries must pay attention to the maintenance of their social licences—licences that are under threat of erosion in the current climate.<sup>18</sup>*

This example observes the changing nature of the Social Licence, in that the activity in question has adapted over time, but the core activity remains the same. Moreover, it observes wider societal change, which has meant the industry is having to adapt and improve to recovery its Social Licence. As the Paper highlights, the consequences could be existential if not achieved. It states:

*Industries that fail to take these steps invite regulation and/or legislation that controls or bans their activities.<sup>19</sup>*

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<sup>16</sup> <https://www.worldhorsewelfare.org/what-we-do/sport-and-leisure-horses/what-is-a-social-licence-to-operate>

<sup>17</sup> [Social Licence to Operate: What can equestrian sports learn from other industries? \(2022\)](#)

<sup>18</sup> See footnote 17 immediately above

<sup>19</sup> See footnote 16

## 2.2 Republic of Ireland

As in the United Kingdom, there is no specific legislation concerning Social Licence, but rather the principles of Social Licence resonate with other legislation and guidance provided by the Irish Government. The following sub-sections provide examples of legislation, policy and regulations (note the list is not intended to be exhaustive).

### 2.2.1 Environmental Impact Assessment (EIA) Regulations

Similar to the United Kingdom, the [Planning and Development Act 2000 \(as amended\)](#) specifies planning requirements for “the carrying out of any works on, in, over or under land or the making of any material change in the use of any structures or other land”.<sup>20</sup> The Act requires:

*during the course of a pre-application consultation, require a prospective applicant to give notice to the public or to carry out consultations with the public in advance of an application being submitted, including -*

*(i) the erection or fixing of notice or notices on the site in a form to be specified by the Board,*

*(ii) the provision of a specific place or a specific website to make available the application, environmental impact statement and any other relevant documentation for inspection or purchase at a fee not exceeding the reasonable cost of making a copy,*

*(iii) the use of local or national media, or*

*(iv) the holding of meetings, with any person or body or for the public<sup>21</sup>*

### 2.2.2 Climate Action Plan 2024

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<sup>20</sup> <https://www.irishstatutebook.ie/eli/2000/act/30/enacted/en/print>

<sup>21</sup> See footnote 20 immediately above

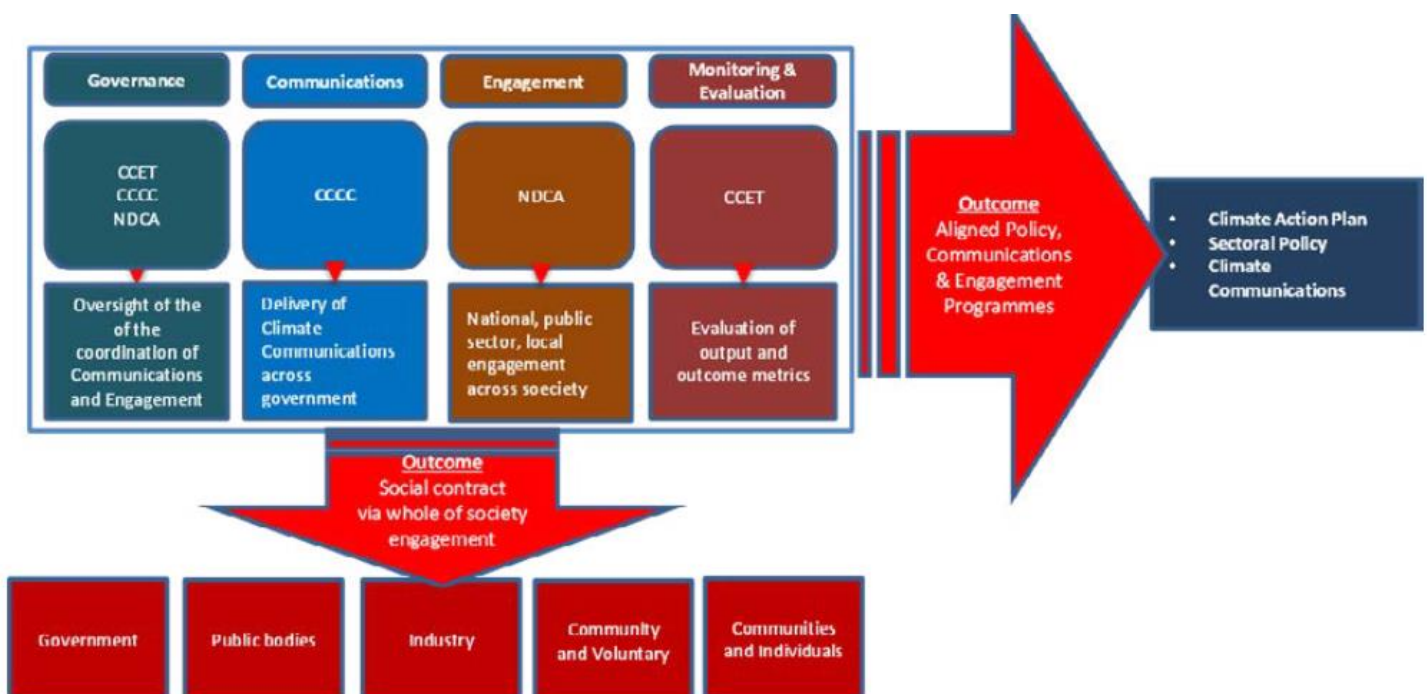
The [Climate Action Plan 2024](#) acknowledges the need to involve citizen's in the process. Section 9 of the Plan covers Citizens Engagement, stating:

*Delivering on our climate ambition requires that the Government and the people of Ireland come together in a strengthened social contract for climate action and the co-creation of real solutions to these challenges.*<sup>22</sup>

As part of engagement with the public to get support and buy-in for the actions required to address climate change, the Irish Government has created a number of forums for discussion with stakeholders to achieve the outcome of a “social contract via whole of society engagement.”<sup>23</sup> Figure 3 below gives an overview of the citizen engagement actives being used to achieve the desired outcome. There are a number of forums involved, including:

- Climate Communications Coordination Committee (CCCC)
- Climate Communications and Engagement Taskforce (CCET)
- National Dialogue on Climate Action (NDCA)

**Figure 3. Overview of citizen engagement in relation to Climate Change**



<sup>22</sup> <https://assets.gov.ie/296414/7a06bae1-4c1c-4cdc-ac36-978e3119362e.pdf>

<sup>23</sup> See footnote 22 immediately above

Source: [Irish Government Climate Action Plan 2024](#)

### 2.2.3 The Aarhus Convention

The Republic of Ireland, along with the United Kingdom, is a signatory to the [Aarhus Convention](#) - a United Nations (UN) convention adopted in 1998. The Aarhus Convention emphasises public rights to access information, participate in decision-making and seek justice in environmental matters. It guarantees the public three key rights on environmental issues - namely:

- Access to information – *refers to the public's right to receive environmental information held by public authorities. This includes information on; the state of the environment, policies or measures affecting the environment and public health and safety where these are affected by the state of the environment*<sup>24</sup>
- Public participation – *refers to the public's right to participate in environmental decision-making. Public authorities are required to allow the general public and environmental NGOs to meaningfully participate in decision-making regarding projects affecting the environment and plans and programmes relating to the environment*<sup>25</sup>
- Access to justice – *refers to the public's right to review by a court or another independent body to ensure that public authorities respect the rights to access to information and public participation, and environmental law in genera*<sup>26</sup>

The key Convention rights support Social Licence by empowering communities to be active participants in the approval process for development projects.

### 2.2.4 Extractive Industries and Mining

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<sup>24</sup> [https://environment.ec.europa.eu/law-and-governance/aarhus\\_en](https://environment.ec.europa.eu/law-and-governance/aarhus_en)

<sup>25</sup> See footnote 24 immediately above

<sup>26</sup> See footnote 24

In December 2022, the Irish Government published [Policy Statement on Mineral Exploration and Mining](#), to make public and stakeholder participation a key priority in that sector. The Policy stated:

*Public acceptance is important for mineral exploration and mining activities and requires engaging with the public to identify and address any concerns about the exploration mining sectors and how they interact with local communities.<sup>27</sup>*

Notably, the Policy directly referred to Social Licence, under the theme of “increasing awareness and participation”; setting out that one of the Policy’s principles is:

*Fair, transparent and proportionate public participation in regulating Mineral Exploration and Mining is necessary to ensure the social legitimacy or licence of these activities. ‘Social licence’ is the acceptance of mineral exploration and mining by employees, community stakeholders and the general public. The extended stakeholder network that adjudicates social licence include investors, environmental groups, human rights activists, financial institutions and national and local governments.<sup>28</sup>*

## 2.3 Canada

In Canada, there is long-established practice of Social Licencing, particularly in the extractive industries like mining and oil, as it was a Canadian mining executive who is reported to have coined the term in the mid-1990s. Within the country’s regulatory frameworks, there are community consultation provisions. This has been especially evident in the context of Indigenous Peoples and projects like pipelines and mining operations; therein, companies often have engaged in extensive stakeholder consultations to secure social approval.

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<sup>27</sup> <https://www.gov.ie/en/publication/3a2bb-policy-statement-on-mineral-exploration-and-mining/>

<sup>28</sup> See footnote 24 immediately above

That use arises from Canada's Constitution Act (1982), Section 35, recognising and affirming aboriginal and treaty rights and establishing a duty to consult. The Canadian Government confirms, stating it:

*...has a duty to consult and, where appropriate, accommodate Indigenous groups when it considers conduct that might adversely impact potential or established Aboriginal or treaty rights.<sup>29</sup>*

The above was important as a number of significant mining projects are conducted on aboriginal lands.

Years later, in 2019, the Canadian Parliament enacted the [Impact Assessment Act 2019](#) (IAA 2019), which mandated impact assessments for projects likely to have significant environmental or social effects within federal jurisdiction. The IAA 2019 included requirements for Indigenous consultation, community engagement and a focus on sustainability. It replaced the Canadian [Environmental Assessment Act, 2012](#), and its regulations which formed the framework of law for federal environmental assessments in Canada.

Prior to the introduction of the IAA 2019, the Canadian Environmental Assessment Agency commissioned a report; [Good Practice in Social Impact Assessment](#). The report considered Social Impact Assessments (SIA) and good practice in implementing approaches and techniques in the process. The Report referenced SLO, stating:

*Community engagement is critical to achieve a social licence to operate, and often this community acceptance is often attained through the use of the SIA process, given the emphasis and importance of community engagement in the SIA approach.<sup>30</sup>*

## 2.4 Australia

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<sup>29</sup> <https://www.rcaanc-cirnac.gc.ca/eng/1100100031843/1539869205136>

<sup>30</sup> <https://www.canada.ca/content/dam/iaac-acei/documents/research/Good-Practices-in-Social-Impact-Assessment-Golder-March-2019.pdf>



The concept of SLO is established in political and policy discourse in Australia. Several examples highlight how the Australian Government has referred to or considered the concept of SLO, as outlined throughout this sub-section.

For example, in 2017, the Australian Prime Minister, after a meeting with gas companies, stated:

*The gas companies – I have no doubt – are very well aware they operate with the benefit of a social licence from the Australian people... And they cannot expect to maintain that if while billions of dollars of gas are being exported, Australians are left short.*<sup>31</sup>

In 2018, the Committee on Industry, Innovation, Science and Resources (CIISR) of the Australian Parliament conducted an [Inquiry into how the mining sector can support businesses in regional economies](#). [Section 6](#) of that report considered SLOs. The CIISR received evidence from a number of organisations and individuals on the importance of companies' social licences to operate in the mining sector. That evidence also considered:

*what can cause this relationship to break down, and how it can be improved to the benefit of both mining companies and regional communities.*<sup>32</sup>

In summary, the evidence given to the CIISR highlighted a range of issues, including tracking implementation of those company commitments made by and existing lack of long-term planning. The Committee report recommended introducing a code of conduct for social licenses but did not go so far as recommending legislation.

Some respondents to the Committee Inquiry also cited existing government frameworks at the state level, which encourage companies to expand their SLO. Those frameworks included requirements for SIAs as part of state governments'

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<sup>31</sup> <https://pmtranscripts.pmc.gov.au/release/transcript-40816>

<sup>32</sup> [https://www.aph.gov.au/Parliamentary\\_Business/Committees/House/Former\\_Committees/Industry\\_Innovation\\_Science\\_and\\_Resources/MiningSector/Report/section?id=committees%2Freportrep%2F024209%2F26615](https://www.aph.gov.au/Parliamentary_Business/Committees/House/Former_Committees/Industry_Innovation_Science_and_Resources/MiningSector/Report/section?id=committees%2Freportrep%2F024209%2F26615)



Environmental Impact Assessment (EIA) processes. However, the Regional Australian Institute, submitted that:

*...the disappointing outcomes for local communities from many mining projects approved under these arrangements suggest this approach is insufficient.*<sup>33</sup>

Also cited in the CIISR report was the creation of Community Consultative Committee (CCC). Respondents noted, however, that CCCs were not a requirement and even when they were established, participants found them to be “slow and bureaucratic”.<sup>34</sup>

The CIISR also considered legislation, specifically the [Strong and Sustainable Resource Communities Act 2017 \(Queensland\)](#). The Act was at a state level - in Queensland – and was “designed to ensure residents of communities near large resource projects benefit from these projects”.<sup>35</sup> The CIISR noted that the Act provided a basis for increasing mining companies’ SLO, as it required:

*...large resource projects to prepare a social impact assessment which is to be done in consultation with stakeholders. The social impact assessment requires the project to develop management plans for worker management, housing plans, local procurement, community wellbeing and stakeholder engagement.*<sup>36</sup>

Another identified piece of legislation was the [Electricity Infrastructure Investment Act 2020 \(New South Wales\)](#). Notably, this Act empowers the New South Wales (NSW) government to prohibit projects connecting to the grid within a renewable energy zone if there would be “significant opposition from the community in the local area”<sup>37</sup>, in an effort to maintain goodwill with the local community. Speaking at a forum hosted by the Clean Energy Council, the

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<sup>33</sup> See footnote 32 immediately above

<sup>34</sup> See footnote 32

<sup>35</sup> See footnote 32

<sup>36</sup> See footnote 32

<sup>37</sup> <https://legislation.nsw.gov.au/view/pdf/asmade/act-2020-44>

Director for Energy Infrastructure and Zones in the NSW Government referenced the noted Act, stating:

*Social licence is absolutely central to the delivery of Renewable Energy Zones and the electricity infrastructure roadmap and its enabling legislation.*<sup>38</sup>

In July 2024, the Energy and Climate Change Ministerial Council (ECMC)<sup>39</sup>, on behalf of the Australian Government, published [National Guidelines for Community engagement and benefits for electricity transmission projects](#). The purpose of the guidelines was "...to elevate and reinforce the importance of building social licence with communities". The principles underpinning those Guidelines are provided at [Appendix 3 of this Paper](#).

### 3 Potential Issues for Consideration

Drawing on the earlier sections in this Paper, several Social Licence-related considerations arise, which are thematically presented in the following sub-sections. Those considerations are supplemented with observations from additional sources - academic, sectoral bodies and government – as identified during RaISe-PFSU searches:

#### [3.1 Stakeholders](#)

#### [3.2 Project fluidity](#)

#### [3.3 Project need verses stakeholder objection](#)

#### [3.4 Democratic mandate](#)

### 3.1 Stakeholders

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<sup>38</sup> <https://reneweconomy.com.au/social-licence-emerges-as-critical-issue-for-renewable-energy-zones-nsw-says/>

<sup>39</sup> The ECMC is a forum for the Commonwealth, Australian states and territories, and New Zealand to work together on priority issues of national significance and key reforms in the energy and climate change sectors.

A social licence is typically between a developer and stakeholders. There may be difficulties in identifying all relevant stakeholders in the project that is to be carried out. The scale and scope of a project may influence the range of stakeholders involved; and it not necessarily the case that stakeholders are “local” to the project – meaning that a project may have regional or national impact or that, for instance, its environmental impact concerns national or international groups. Academic research carried out by the Tarantula Project, a consortium of academics from independent research institutions and universities with the mineral extraction sector in Europe, made that finding. In considering the mineral extraction sector, Tarantula Project research found that:

*Companies tend to limit the stakeholders to communities who live nearby the operations and especially to vocal and organised groups, while non-residents or opponents are excluded or even criminalised<sup>40</sup>*

Moreover, other academic research found that where stakeholders have been identified, a further issue may be conflicting interests of different stakeholder groups. As the requirements of each group may be very different or even contradictory, that research observed that one size will not fit all in how those running a project respond. In such a situation, it found that it is possible to meet the demands of one group, while at the same time losing the buy-in of another. Such research carried into the related area of CSR found:

*Each stakeholder group has a set of interests, and each of these interests can be aligned with, unrelated to or in conflict with the interests of any other group<sup>41</sup>*

That research continued:

*Sometimes the company’s key stakeholders may hold beliefs that are mutually contradictory and the company cannot meet all of them.<sup>42</sup>*

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<sup>40</sup> <https://h2020-tarantula.eu/what-is-the-value-of-the-social-license-to-operate-concept-for-resource-extraction/>

<sup>41</sup> <https://www.alliedacademies.org/articles/corporate-social-responsibility-and-conflicting-stakeholder-interests-using-matching-and-advocacy-approaches-to-align-initiatives-with-issues.pdf>

<sup>42</sup> See footnote 41 immediately above

Finally, RalSe-PFSU found from its searches that stakeholder expectation also was a consideration, as failure to limit or establish realistic expectations can lead to issues as a project develops. Moreover, it seems that engagement with stakeholders that leads to agreements or promises of action or commitments not to do something, then a Social Licence can be diminished or lost, if those are broken during the project. For example, commitments made to create jobs in an area can see a small number employed, despite communities' high expectations that large numbers would gain employment. If such a commitment is not set out clearly, perhaps with figures, then there may not be a "meeting of the minds" between the parties, as those running a project may perceive they are meeting the commitments, but stakeholders' expectations were different, and consequently stakeholders' trust may be lost, along with their buy-in for the project.

### 3.2 Project fluidity

By their nature, projects are dynamic; they change from inception to completion, with unexpected events occurring during the process. Equally, by its very nature, Social Licence can be revoked anytime, for any reason. As such, while a SLO may have been gained at the beginning of a process, if changes occur a SLO can be diminished or lost. On-going engagement with stakeholders is important to update those affected on changes. Transparency and openness can build trust, which then can limit objections and allow mitigations to be put in place. The loss of a Social Licence is more likely if stakeholders feel they have been deceived, or are unaware of events that impact them. This issue has been raised in the by the Australian Energy and Climate Change Ministerial Council, Guidelines on [Community engagement and benefits for electricity transmission projects](#), which states:

*As social licence is dynamic and can change at different project stages, transmission developers must continuously monitor how well they are responding to a community's concerns and interests. When social licence is not maintained, transmission developers should evaluate the impact of their activities against the factors for social licence and strategically review their engagement strategies and*

*plans. Transmission developers should then adapt their engagement to better involve the community, minimise project impacts and optimise community outcomes.*<sup>43</sup>

### 3.3 Project need versus stakeholder objection

A project may be restricted by funding availability, legal restrictions, planning approval or environmental concerns in its location or route taken - for example, in the case of a road project. Therefore, the ability to address the concerns of stakeholders is limited. As such, gaining Social Licence may be limited. In such circumstances, continued stakeholder engagement may still be required, to try to limit objections and provide mitigations where possible. Tarantula Project also identified this issue in its research and concluded:

*Stakeholder engagement is often limited to and focused on the purpose of continuing extractive operations without disruptions or substantial alterations. There seems little space for the questions, concerns and propositions of stakeholders (often perceived as opposing the activity), which – if taken seriously – may require substantial alterations to industry plans.*<sup>44</sup>

### 3.4 Democratic mandate

Both the [Macdonald-Laurier Institute](#) and [MEI](#), both public policy think tanks based in Canada, have raised concerns that the desire to gain Social Licence for a project can lead to an undermining of democracy. In this, some feel too much power lies with certain stakeholder groups objecting to a project, despite wider buy-in from the public; and those elected to represent such stakeholders, have been elected on commitments to complete a project.

However, those making the above point do not reject the idea that people, groups and organisations have the right to object to proposals. Instead, it

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<sup>43</sup> <https://www.energy.gov.au/sites/default/files/2024-07/national-guidelines-community-engagement-benefits-electricity-transmission-projects.pdf>

<sup>44</sup> See footnote 40

argues that support for projects can be measured different ways, and balance should be struck. There is also concern that organisations, which have a platform and ability to get their point heard through the media and other channels, have a disproportionate impact on debate in comparison to other stakeholders which may have other points of view or indeed support the project. The MEI published a report, entitled [The Three Pitfalls of Social Licence](#), wherein MEI considered the threat posed to the rule of law in relation to Social Licence and concluded:

*Ultimately, it is up to the government to establish the rules that allow the public interest, as well as particular and local interests, to be taken into account. While the institutions are far from perfect, the countervailing power of citizens is not found in arbitrary decisions and fits of temper, but in the legal defence of their rights, and ultimately in their role as voters.<sup>45</sup>*

## 4 Concluding Remarks

As has been examined in this Paper, Social Licence is intangible. It is not like other licences that are required for businesses to operate, and are applied for or purchased to obtain a certificate or “piece of paper”. Instead, Social Licence requires the building and maintaining of the relationship between those carrying out a project and the stakeholders affected by it.

The concept of Social Licence has become well established in the mining and mineral extraction sectors since its formulation in the mid-1990’s. Thereafter, other sectors began to consider the concept in terms of their own industries. Notably, similar concepts - such as CSR and ESG - have also become established company investment practices. In terms of ESG, a consultancy firm published an article entitled - [Does ESG really matter—and why?](#). That article considered:

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<sup>45</sup> <https://www.iedm.org/67621-the-three-pitfalls-of-social-licence/>

*...the need for companies to understand and address their externalities is likely to become essential to maintaining their social license.<sup>46</sup>*

As a theory, SLO has the potential to reduce cost, prevent legal proceedings that delay projects, along with other issues that arise when those trying to initiate a project receive buy-in from relevant stakeholders. To successfully implement SLO, organisations have been supported by sectoral organisations and governments which have created guidance. That has included frameworks, tools and policies to help achieve a Social Licence

A recurring theme while assessing the concept of SLO is the idea that part of the difficulty in maintaining SLO through a project is that by its nature: they are fluid and dynamic in that circumstances change from project to project, based on the externalities of location, community and by type of project, and during a project's progression circumstances may change. For example, unexpected problems may occur that extend construction time, increase the need for access road usage, affect utilities in an area to allow for work to proceed. Any number of issues can develop, which necessitate a renegotiation of terms because the environment has changed since consent was obtained early in the process. Failure to address concerns or to engage with stakeholders can affect trust and lead to the SLO's withdrawal. As such, as shown in Appendix [2](#) and [3](#), guidance in this area recommends on-going evaluation, engagement and reporting to maintain buy-in from stakeholders.

As highlighted earlier in this Paper, at present, specific Social Licence legislation has not been identified. However, a number of pieces of legislation exist in jurisdictions across the world appear to contribute to the process of engagement with stakeholders and align with the principles of Social Licence discussed at the start of this Paper. While the issues identified in [Section 3](#) show how it may be difficult to legislate in this area, [Section 2](#) highlights regulations and requirements that assist operators in meeting to some extent the principles relating to Social Licence.

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<sup>46</sup> <https://www.mckinsey.com/capabilities/sustainability/our-insights/does-esg-really-matter-and-why/>

Social Licence in theory is an outcome of engagement, communication and ongoing evaluation of stakeholder's perspectives of a project. This can be difficult as perspectives across stakeholders can vary or be contradictory. The level of buy-in from groups and individuals can differ greatly. As noted in [Section 3](#), some groups have access to resources that others do not, and thus minority opposition can be more powerful than majority approval.

However, in principle, the ambition to obtain Social Licence should be a key consideration when engaging in a project. Gaining as much Social Licence as possible helps limit the problems and the costs associated with addressing such problems. That requires continuing evaluation through the project life-cycle, as advised by the United Kingdom CAA to those in the aviation sector:

*A social licence is not a static state and can be lost more quickly than it can be obtained. No organisation can afford to be complacent.<sup>47</sup>*

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<sup>47</sup> <https://www.caa.co.uk/publication/download/17751>



## Appendix 1: Four Factors Constituting Three Levels of SLO

<b>Level &amp; Label</b>	<b>Description</b>	<b>Role in Determining SLO Levels as Described in Thomson &amp; Boutilier Pyramid Model</b>
<b>1. Economic legitimacy</b>	The perception that the project/company offers a benefit to the perceiver.	If lacking, most stakeholders will withhold or withdraw the SLO. If present, many will grant an acceptance level of SLO.
<b>2a. Socio-political legitimacy</b>	The perception that the project/company contributes to the well-being of the region, respects the local way of life, meets expectations about its role in society, and acts according to stakeholders' views of fairness.	If lacking, approval level of SLO is less likely. If both this and interactional trust (2a & 2b) are lacking, approval level is rarely granted by any stakeholder.
<b>2b. Interactional trust</b>	The perception that the company and its management listens, responds, keeps promises, engages in mutual dialogue, and exhibits reciprocity in its interactions.	If lacking, approval level of SLO is less likely. If both this and socio-political legitimacy (2a & 2b) are lacking, approval level is rarely granted.
<b>3. Institutionalized trust</b>	The perception that relations between the stakeholders' institutions (e.g., the community's representative organizations) and the project/company are based on an enduring regard for each other's interests.	If lacking, psychological identification is unlikely. If lacking but both socio-political legitimacy and interactional trust are present (2a & 2b), most stakeholders will grant approval level of SLO.

**Source:** [Modelling and measuring the social license to operate](#) (Thomson & Boutilier 2011)

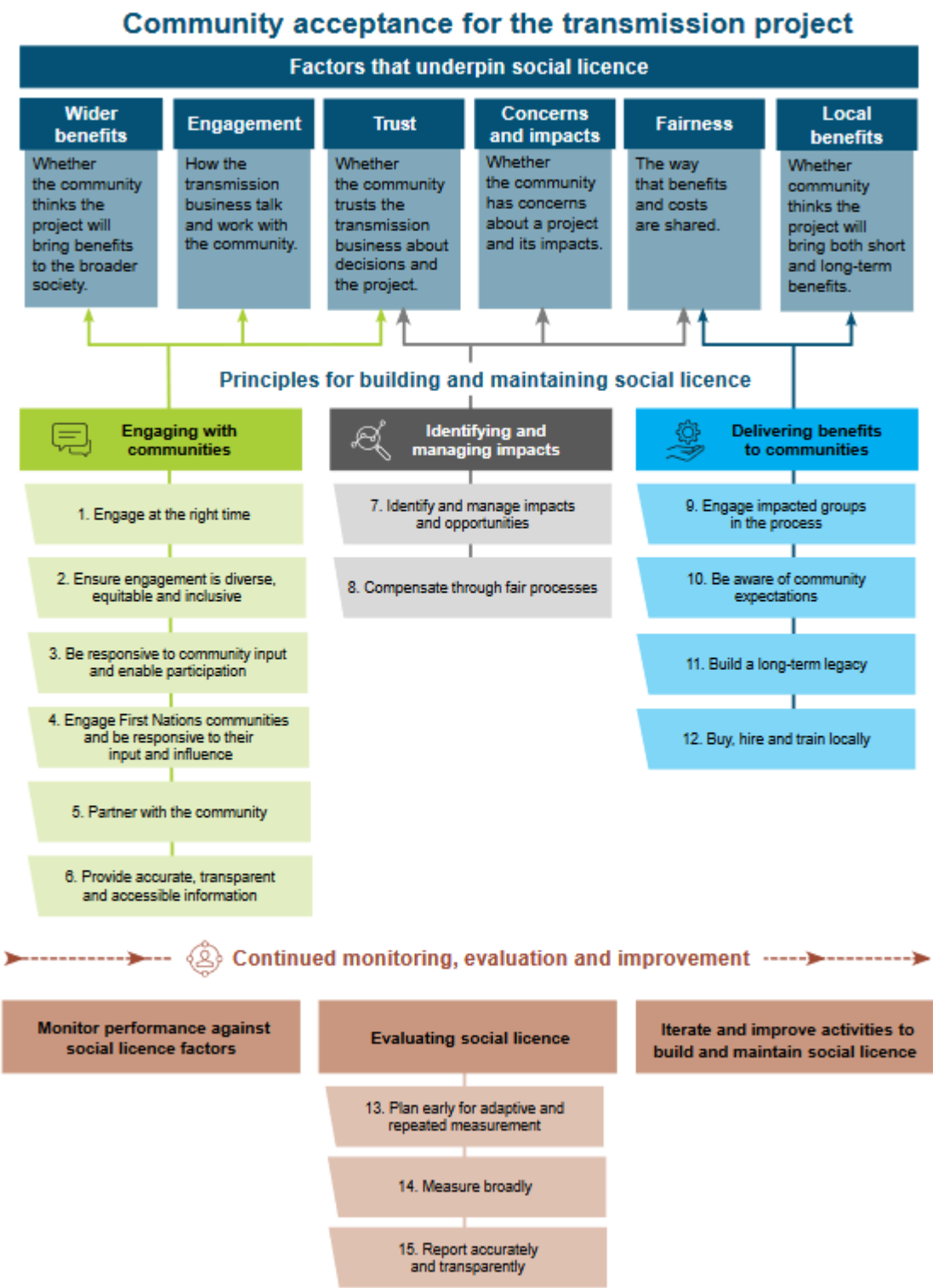
## Appendix 2. Summary Transgrid's integrated Social Licence approach of related tools, policies and plans

Objective	Achieve social licence, measured as broad community and stakeholder acceptance of Transgrid and it's major transmission projects							
Element	Engagement					Delivery Outcomes		
	Community and Stakeholders		Landowners		Indigenous Community	Local social and economic Outcomes	Aboriginal Participation & Development	Community Investment
Approach	Listen to and take into account the needs, aspirations, and concerns of our stakeholders	Involve stakeholders in a constructive and transparent manner on the need for energy infrastructure, impacts and benefits	Have robust and transparent route selection processes which consider community feedback in decision making	Ensure compensation for landowners is fair, equitable and transparent	Incorporate Indigenous communities' aspirations and cultural heritage aspects in our planning and execution	Impacted communities receive demonstrable employment and economic opportunities through project delivery	Incorporate Indigenous communities' aspirations and cultural heritage aspects in our planning and execution	Ensure impacted communities receive substantial benefits that adequately address social legacy expectations
Project level delivery	Community, Government and Stakeholder Engagement Plan	Community Consultative Groups	Route selection process	Place Manager and land Access Officer Engagement	Yura Ngura Indigenous Advisory support	Local Workforce Participation and Development Plan	Aboriginal Participation Plan	TG Community Investment and Benefit Strategy
	Social Impact Assessment	Place Manager Engagement	Community Consultative Groups	Access through consent to enter	Reconciliation Action Plan	Local Industry Participation Plan	Aboriginal Procurement Plan	Social Impact and Opportunity Workshops
		TAC Engagement	Environmental Impact Statement (EIS) or REF engagement Where applicable	Property Management Plan	Cultural Heritage assessment			Project Community Investment and Benefits Plans
		AEMC, AEIC and AER Engagements		Easement negotiations, acquisition, and compensation				Strategic Partnerships and Major Project Program initiatives
				Strategic Benefit Payments				Community Partnership Grants
				Social legacy options analysis and CBA				
				Investigating near neighbours payments				

Ongoing engagement with our stakeholders, monitoring, evaluation and reporting to ensure the optimal outcomes for consumers and communities.

Source: [Transgrid Social Licence Framework](#) (2023)

Appendix 3. Community engagement and benefits for electricity transmission projects – Guideline principles



Source: [National Guidelines for Community engagement and benefits for electricity transmission projects](#) (2024)