

**STAKEHOLDER MAPPING: DEMOCRACY
AND PARTICIPATION GOVERNANCE ON
THE ROMANIAN SHALE GAS DEBATE**

Abstract

Growing energy demands, rising environmental awareness, increasing fossil fuel prices and new energy technologies have placed unconventional resources high on governments' agenda. The impact of natural gas production from shale has led to a heavy debate and controversy around the hydraulic fracturing technology. Decisions that are likely to have an environmental impact, such as decisions on the shale gas development entail greater public participation. The shale gas debate begs for an inclusive definition of the stakeholder mapping concept that will not leave out any group or individual who can affect or be affected by the shale gas debate. The article concludes that portraying the key role played by stakeholders in the policy formulation process has made stakeholder analysis a vital tool and will be pivotal to policy making related to shale gas in Romania.

Keywords: shale gas, stakeholder mapping, Romania

JEL CODES: Q42, Q48

**EVIDENȚIEREA
ACTORILOR INTERESAȚI:
GUVERNANȚĂ
DEMOCRATICĂ ÎN
DEZBATEREA PE GAZELE
DE ȘIST DIN ROMÂNIA**

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Rezumat

Creșterea cererii de energie, a gradului de conștientizare asupra problemelor de mediu, prețul în creștere al combustibililor și noile tehnologii din sectorul energiei au poziționat resursele neconvenționale printre priorități pe agenda guvernelor. Impactul producției de gaze naturale din șisturi a condus la dezbateri aprinse și controverse cu privire la tehnologia fracturării hidraulice. Deciziile care sunt susceptibile a avea un impact asupra mediului, cum ar fi cele privind dezvoltarea gazelor de șist implică o participare la scară largă a publicului. Dezbaterile cu privire la gazele de șist implică o definiție cuprinzătoare a conceptului de hartă a părților interesate (*stakeholder mapping*), definiție care nu ar trebui să ignore un grup sau individ care poate afecta sau este afectat de dezvoltarea gazelor de șist. Articolul concluzionează că portretizarea rolului fiecărei părți interesate în procesul de formulare a politicilor face ca analiza părților interesate să fie un instrument crucial pentru elaborarea politicilor publice cu privire la dezvoltarea gazelor de șist în România.

Cuvinte cheie: gaze de șist, harta actorilor interesați, România



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1. INTRODUCTION

Recent advances in technology have made fracking for shale gas an economically viable solution. Nevertheless, despite the benefits that shale gas can provide, there is still much resistance and absolute hostility toward its development. Stakeholders are using the shale gas term to mean very different things. For example, the environmental organisations portray fracking as encompassing all negative aspects of oil and gas development while industry uses it to describe a process which bears significant benefits. It is therefore important to understand the different perspectives of the actors involved. For example, in an energy project, the government is de facto interested to increase contributions to state budget, safeguard the environment and score points with their electorate; private companies are interested to increase their profit margins; citizens are interested in their wellbeing, quality of life and the environment they live in; environmental NGOs are interested to protect the environment.

Romania, along with Poland, France, Sweden, Ukraine and UK is believed to hold important shale gas reserves (EIA 2012). Shale gas development in Romania fuels passionate debates about the trade-offs of energy (security, as well as economic considerations) versus environmental concerns (Vişan, 2013). To date, it proved to be a sensitive politic and societal issue in Romania (moratoria imposed and than lifted, street protests and local communities opposing the company interested in the shale gas exploration). Currently, Romania has granted exploration and exploitation permits to a company interested in assessing the economic viability of the unconventional resources in Romania (Romanian Environmental Ministry, 2013). Nonetheless, considering the rising environmental awareness among the population, the social unrest, there are different views on whether Romania needs to explore its potential for recoverable unconventional resources.

This article breaks down as follows. The first section presents the theoretical research framework, analyzing the stakeholder and stakeholder mapping and analysis concepts. Section 2 describes the methodology employed to offer an overview of main stakeholders and reviews approaches used by several scholars with the aim to find the variables relevant when mapping stakeholders. The third section proposes an analysis of key stakeholders and depicts main stakeholders involved in the process. Section 4 states the conclusions and suggestions for future research.

2. STAKEHOLDER MAPPING

Literature has advanced the hypothesis that low stakeholder engagement in energy projects is ineffective and is likely to lead to social unrest and project delays or even cancelation (Malone et al., 2009; Feenstra et al., 2010) pushing for proper communication and involvement of stakeholders (Wolsink, 2007; NEARCO, 2011). This is why, stakeholder participation in energy (and especially environmental) decision-making has been progressively embedded into national policies (Stringer et al., 2006). Participation in environmental decision-making is more and more perceived as a democratic right (enforced as such by the Aarhus Convention).

There are several advantages to involving stakeholders in the decision making. First, it is argued that the quality and durability of decisions is likely to be greater (Beierle, 2002; Reed et al., 2009). Second, more comprehensive information inputs leads to decisions taken based on evidence and science. Third, setting a multi-issue agenda, through stakeholder dialogues is effective in moving away from issues which cannot be resolved due to fundamental differences in stakeholders' views (Australian Government, 2008, Greenwood et al., 1993). Forth, it may increase public trust in decisions and civil society (Richards et al., 2004). Nevertheless, there is little evidence to the actual evidence as few claims have been tested.

The literature on the stakeholder mapping concept yields a broad range of definitions. The widely used definition of stakeholder is the one advanced by Freeman in 1984, which states that a stakeholder is any group or individual who can affect or is affected by the achievement of the organization's objectives. Freeman et al. (2007) use the terms primary and secondary stakeholders. Primary stakeholders are employees, financiers, suppliers, communities and customers. Secondary stakeholders are competitors, consumer advocate groups, special interest groups, media and government (Freeman et al., 2007). Nonetheless, the definition is not ideal considering its focus on actors within an organization. Some stakeholder theories propose a narrower and more instrumental definition of stakeholders as those groups or individuals without whose support the organisation would cease to exist (Bowie, 1988). The shale gas debate begs for an inclusive definition, that will not leave out any group or individual who can affect or is affected by the shale gas debate. Freeman (1984, p. 53) argues that the notion of stakeholder has to include a number of groups who may not be "legitimate" in the sense that they will have vastly different values and agendas. To make it more suitable for the project context, in this research a distinction is made between internal and external stakeholders. Internal stakeholders (central to the debate) are the companies (project developers, hence the investors, the operator and subcontractors) with the initiative and a direct business stake in the project, as well as the government

(and relevant ministries) who is the main decision maker. External stakeholders are the individuals, businesses and organizations which are confronted with this initiative, or act out of interests of an affected group of people (local communities, population at large).

The article tries to answer one main question, who are the stakeholders involved in the process. Nonetheless, there is no simple answer to this as the multitude of different stakeholders involved increases the complexity. First, given the sensitive topic, some stakeholders may capture more media attention, even though they are not relevant to the debate. For example, environmental NGOs use internet and social networks to advocate their messages and are followed by several thousands of people. Second, the weight of the actors (their power) varies and some are likely to have a more significant impact on the decision making process and may not be portrayed as such. Third, the stakeholder concept is mostly contested due to the definition of what is a legitimate and rightful stake. This is more straightforward when applied to business management where the legitimate stakeholders are the stockholders. When applied in public policy and especially on highly politicized topics such as shale gas, this gets overly complicated.

Stakeholder mapping and analysis, initially a tool used in business management has been adapted and progressively used in policy formulation and especially in natural resources management (Reed et al. 2009). Mitchell et al. (1997) have advanced a list of useful guidelines to be used when identifying stakeholders. Nonetheless, the article argues that those are not enough considering that this is a highly contested topic, highly politicised and concerns large populations.

Stakeholder analysis is usually conducted through three approaches (Donaldson and Preston, 1995; Friedman and Miles, 2006).

First, descriptive stakeholder analysis describes the relationship between a particular event and its stakeholders (Donaldson and Preston, 1995) and is necessary before undertaking one of the two other approaches, normative and instrumental analysis. Second, normative approach emphasizes the legitimacy of stakeholder involvement and empowerment in decision making (the three variables taken into consideration when depicting the normative approach are shown in Figure 1).

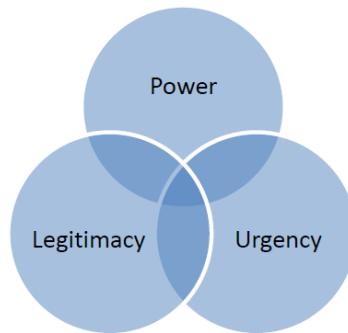


FIGURE 1. VARIABLES TAKEN INTO CONSIDERATION FOR STAKEHOLDER ANALYSIS

Source: Adapted from Mitchell et al., 1997

Literature (Boatright, 1994; Hendry, 2001; Friedman and Miles, 2006) has portrayed the normative approach as identifying the stakeholders responsible in their legal and institutional context (the ones that have the power and legitimacy) in a particular debate. Building on democracy literature (Elster, 1998), it can be argued that people are entitled to participate in the management of the environment/context they live in. Third, instrumental approach to stakeholder analysis is aimed to help organisations/policy makers identify, explain and manage stakeholders' views, roles and interest so that a desired outcome is achieved. Being a more practical approach it has been largely employed in business management with the aim to understand and influence stakeholders (Freeman 1984). Considering the aim of this article, to map stakeholders in the shale gas debate in Romania, the instrumental approach would be a perfect fit considering that tool has been used in the natural resource management literature (Johnson et al., 2004) to overcome obstacles to the adoption of new technologies, adapt technologies to relevant user groups, or to disseminate the same technologies in different ways to different groups. Nonetheless, the analysis begs first for a descriptive approach aimed to ease the other two approaches. Furthermore, due to length constraints of the article, just a descriptive approach will be employed for the purpose of this article.

The three main variables used when mapping stakeholder are power, legitimacy and urgency. Mitchell et al. 1997 suggest that a stakeholder group has power when it can impose its will on the firm, especially through the control of resources. This classification can help, for example weight the stakeholders whose power may help them have an enhanced capacity to disrupt and capture public attention. The context related to shale gas development in Romania is rather complex considering that it involves several parties, multiple perspectives, overlapping relationships, divergent objectives and in particular different expectations. The article maps out main stakeholders with the aim to create a

platform for negotiation, one that contributes to learning between stakeholders, as it helps build long-term relationships and better understanding of stakeholder concerns and expectations.

3. STAKEHOLDER MAPPING ON THE SHALE GAS DEBATE: THE ROMANIAN CONTEXT

In order to assess who are the key internal and external stakeholders in the project, a basic stakeholder analysis must be performed. In this chapter the roles and interests of the internal and external stakeholders are portrayed. These stakeholder profiles are sketched with the use of generally available information and interviews (Ivan 2012).

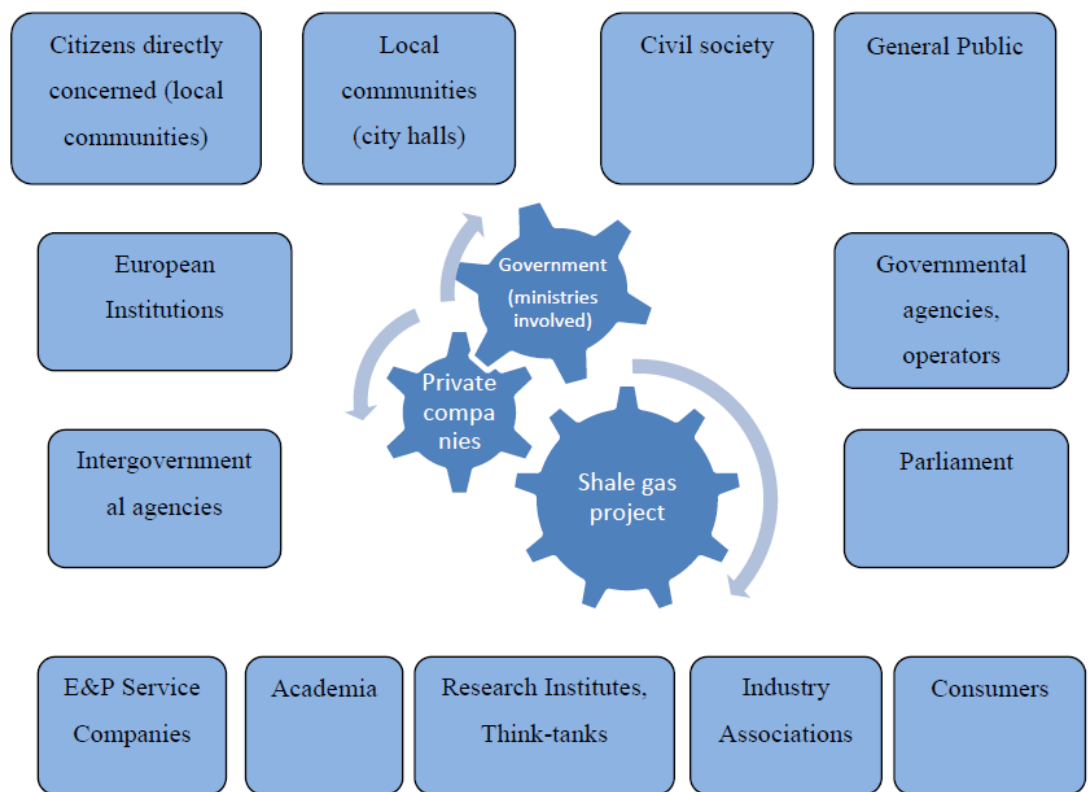


FIGURE 2. STAKEHOLDER MAPPING ON THE SHALE GAS DEBATE

Source: Author's depiction

Figure 2 above reveals the entire spectrum of key stakeholders at this moment in the project. Due to the dynamics in the project this is just a caption of the current stakeholder arena and when the situation changes in the future a different make-up could be more relevant. At the heart of the shale gas debate is the government with its central ministries: the energy ministry and the environmental ministry. The Ministry of Energy owns / manages shares in state-owned companies; and promotes the energy strategy and pushes for exploration of the unconventional resources with the aim to assess the

economic viability of shale gas. The environmental ministry aims to keep the environment healthy within the confines of economic development and social progress. Furthermore, it has competences in setting a limit on greenhouse-gas emissions; control the use of drinking water and its subsequent decontamination. The finance ministry is keen on increasing contributions to state budget through taxes and royalties from the oil and gas, as well as mining sector.

The private operator interested to weight the economic viability of the unconventional resource in Romania, Chevron has received exploration permits for three wells in Vaslui county. The company is active in about 180 countries in gas and oil production and has started in May 2014 the drilling in one of the sites.

Parliament. The most important player on energy-related laws in Parliament is the industries and services committee in the lower chamber. The Parliament has very little accountability and donors always preferred to push legislation through Government, to control the end-result. However, Parliament reviews Government decrees / Ordinances – if Parliament is not “on board” with the conditionality proposed by donors, the measures promoted in Government are diluted or reversed in Parliament in a few months after adoption in Government.

European Commission is responsible for initiating most environmental legislation, primarily through the Directorate-General for Environment. As the European Parliament has acquired more formal powers and greater influence, it has developed a reputation of an ‘environmental champion’, particularly through its Environment Committee, and is widely acknowledged to have played a constructive role in pushing the EU’s environmental agenda, often working closely with the Commission (Burns 2005).

There are some intergovernmental agencies that ease exchange knowledge and policy learning while pushing for implementing good governance concepts when managing the unconventional resources. For example, the Extractive Industries Transparency Initiative (EITI) is a global coalition of governments, companies and civil society working together to improve openness and accountable management of revenues from natural resources.

For citizens directly concerned, the main issues are: living in a safe environment, risk of drinking contaminated water, as well as having peaceful place of residence, risk of loss of property. For citizens not directly involved, the issues may vary. Most of them advocate for bringing safety for everyone having as main concern the environment and profitability of the project for the state budget and whether the government is capable of managing the likely risks.

The local municipalities where exploration of shale gas occurs, the communities living close to oil refineries have raised concerns over their safety and have leverage over the permitting process of shale gas exploration and exploitation. The mayors are mainly interested to appease their electorate and thus are inclined to take more into consideration population's expectations.

Environmental NGOs (most relevant NGOs are Vira, România Fără Ei, Facebook groups against fracking) plays a vital role in the shaping and implementation of participatory democracy and is likely to have a major impact on the project. They were the first to use mass media to challenge the project, confronting the government and Chevron's representatives. They were also involved in educating and informing local communities.

Industry associations are not very well represented and have not so far been vocal on the issue. Nevertheless, considering they reunite some of the major oil & gas companies in the world, those are likely to play a key role in the development of shale gas. Major gas consumers (especially the energy intensive industries are likely to play a significant role as they are interested to have more and cheaper resources available). There are several research institutes and energy related think tanks that have built a reputation of independent actors (ROEC, EFOR, World Energy Council). Several reputed academics (mainly geologist) have been involved so far in the development of shale gas resources and have been part of research teams tasked to develop an understanding of the profitability of the unconventional gas reserves, assess the likelihood of recoverable unconventional resources, the as well as compliance with the regulatory framework).

To sum up, the shale gas debate represents an interesting case study showing a complex situation involving multiple actors, with varied levels of power and demands (see Figure 3 below). Nevertheless, considering the outrage and lack of social acceptance, we may argue that it suffers from a legitimacy gap. Stakeholders are no longer silent, they are more aware of the issues and push for social responsibility and accountability from the companies developing resources and from the government managing the development.

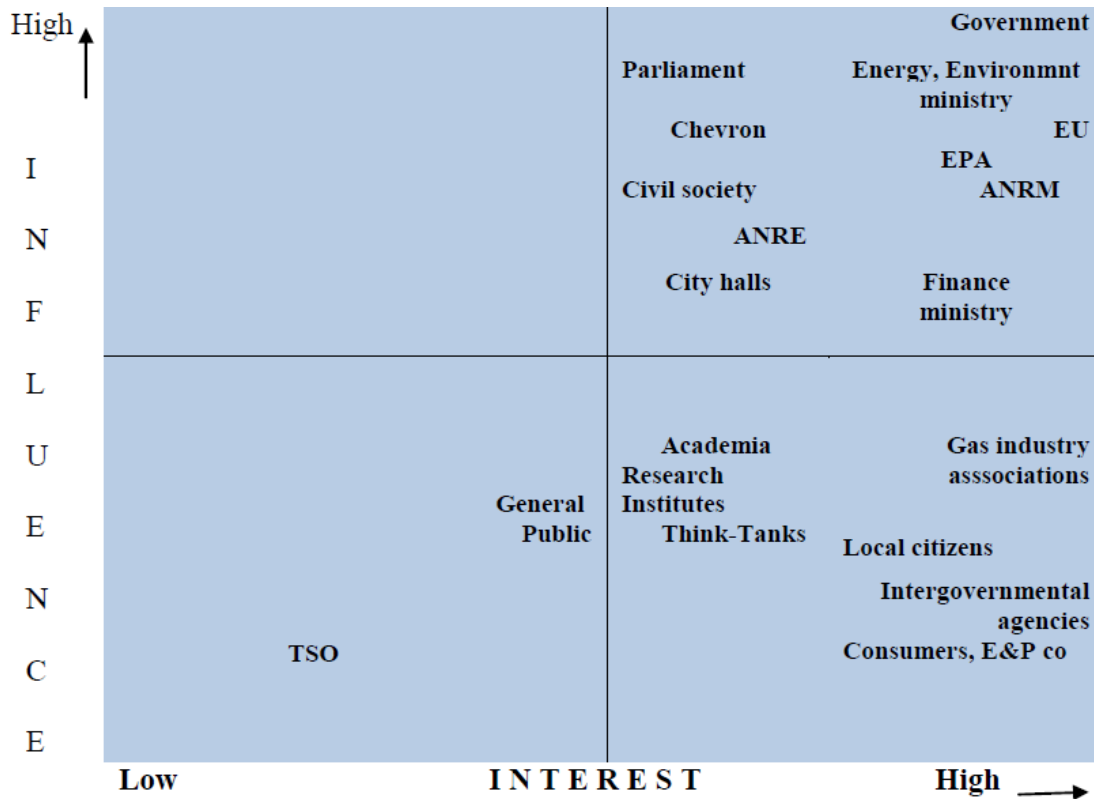


FIGURE 3. STAKEHOLDER ANALYSIS ON THE SHALE GAS DEBATE: THE ROMANIAN CONTEXT

Source: Author's depiction

4. CONCLUSION

The article has provided a basic, descriptive stakeholder mapping. Nevertheless, interviews should be carried on the basis of stakeholders' functions and responsibilities, their role in the shale exploration project. Stakeholders could be identified through informal contacts, through the media, as well as through shale gas related events (workshops, conferences, debates). The responses to the semi-structured interviews can help sketch the current stakeholders' expectations of the proposed exploration project. The most relevant indicators of societal acceptance will be assessed in a qualitative manner. Furthermore, the research can be followed by a quantitative assessment, carried on a large population. Public inquiry (and in particular questionnaire) is often used when controversial projects lead to outrage. This was widely used for inquiries into proposed nuclear installations (for example in Britain). Q-methodology methodology can be employed with the aim to assess an individual's subjectivity. The method is used to assess a person's perspective on a subject and comparing it to those of others. In this particular case, Q-methodology can be used to capture and understand the diversity of perspectives

on natural gas from shale. Furthermore it allows the identification of common grounds as well as divergent views. An overview of stakeholder perspectives can be useful in the shale gas development for identifying differences in values and interests that need to be discussed, as well as creating awareness among a broad range of stakeholders.

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