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van Roozendaal, Gerarda; Verrest, Hebe

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# External CSR as strategic action in the shadow of commercial interests. A study into oil and gas companies in Trinidad and Tobago<sup>1</sup>

**Gerda van ROOZENDAAL**

**University of Groningen, the Netherlands**

**Hebe VERREST**

**University of Amsterdam, the Netherlands**

**Abstract:** In countries such as Trinidad and Tobago (T&T), the energy sector can make a significant contribution to country and community development, through corporate social responsibility (CSR). Focusing on socio-economic and environmental domains, this paper examines what drives companies to develop external CSR activities. Taking an institutional approach, combining internal features of companies with the national and international institutional context, it studies the external CSR behaviour of three energy companies operating in T&T. It concludes that the companies develop external CSR activities hardly in alliance with their core business but do show a strong interest in fence line communities. While the companies' external CSR might contribute to public goals, it is developed in an ad hoc manner, and in isolation of public policy. Instead it results from streetwise tactic behaviour. As civil society holds a weak position and the state opts for a laissez-faire approach, leaving room for the mother companies to shape CSR behaviour.

**Keywords:** CSR, Trinidad, oil.

**JEL codes:** D21, L21, L71, M14

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## 1. Introduction

In countries such as Trinidad and Tobago (T&T), the energy sector can make a significant contribution to country and community development. Oil and gas companies can support country development *directly* through payment of taxes and employment provision, or *indirectly* through their corporate social responsibility (CSR) policies. We assume meaningful contribution of CSR to development when it contributes simultaneously to a company's core activities and to public policy, as this increases both perseverance and impact range. Public policy is defined here as "(...) an intentional course of action followed by a government institution or official for resolving an issue of public concern" (Cochran et al 2009: 1-2). We are interested in how oil and gas companies' CSR addresses sustainable development, limiting 'sustainable' here to socio-economic and environmental domains.<sup>2</sup> This leads to the question: what drives companies to develop specific CSR activities? This question is answered deploying an institutional approach, allowing to combine the role of internal features of companies (such as ownership) with the national and international institutional context in which firms operate, in explaining companies' CSR behavior (see Lim and Tsutsui 2012: 70. Institutions "(...) consist of formal and informal rules, monitoring and enforcement mechanisms, and systems of meaning that define the context within which individuals, corporations, labor unions, nation-states, and other organizations operate and interact with each other" (Campbell 2004: 1). This article focuses on the position of the state and civil society organizations at a national and international level. In addition, it examines explanations for the CSR activities by focusing on the complex multi scalar institutional relationship between and among different groups of actors within and across national and global scales. We distinguish internal from external CSR activities and concentrate on external activities. We argue that the companies studied do hardly develop external CSR activities in alliance with their core business or as resulting from a sophisticated coherent strategy to contribute to sustainable development. Instead it results from *streetwise tactic behavior*.

## 2. Why studying oil and gas companies in T & T?

We analyze Trinidad's oil- and gas sector for a number of reasons. Firstly, the sector is extremely important for the country's economy. In 2013 it accounted for 43 per cent of GDP and

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<sup>2</sup> Social-economic development and environment are among the areas in which companies are expected to express their responsibility (Frynas 2009).

more than half of government's revenue. In that year it contributed to 85 per cent of export receipts. Its role in employment is modest at national level (3.4 per cent) (Central Bank of Trinidad and Tobago 2013: 8) but significant in specific, mainly fence-line communities<sup>3</sup>. Currently, T&T is among the world top five of LNG exporters (IDB 2013).<sup>4</sup>

The sector is responsible for T&T's high economic growth rates for the first decade of this century. Moreover, Trinidad improved its ranking in the Human Development Index (HDI) and in has been classified in 2014 in the high human development category, scoring above the average of the Caribbean and Latin American countries (UNDP 2015: 3-4). This change resulted mainly from improvements in the HDI's economic dimensions (Ministry of Planning and Sustainable Development no date). However, T&T is still considered to a small island developing state (UN 2013: 152) facing issues of high dependence on international trade, inequality and vulnerable environmental conditions, high costs of transportation, of communication and of infrastructure. Our interest concerns the extent to which oil companies contribute to *local* development beyond economic growth and employment, and beyond processes and procedures required by national law (e.g. minimum wages, cleaning of oil spills etc), i.e. create indirect development through CSR activities. As Frynas argues,“(t)he nature of oil and gas operations involves many interactions between companies and local communities during exploration and production, which has resulted in demands on oil companies to invest in the development of their local communities” (Frynas 2009: 187).

Secondly, oil and gas companies are increasingly known for their interest in CSR. The high impact of their operations on the social and ecological environment and its sensitivity to strong public opinions tend to make these companies more willing to develop CSR policies than industries without this impact (Jackson and Apostolakou 2009: 374, 387). Reputational risk drives them to look for ways (e.g. stakeholder engagement and schemes that support voluntary commitments) to contain damage caused by their often high-risk operations (Spence 2010): “(p)erhaps more so than in any other industry, people demand corporate social responsibility (CSR) from oil and gas companies” (Spence 2010: 60). Frynas (2009) shows that the energy sector has developed more codes of conduct than most sectors and shows more willingness to report on their environmental and social impact and to have these reports verified by others. Moreover, he argues that oil- and gas companies are increasingly “expected to assist in

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<sup>3</sup> Fence line communities are defined broadly, including those in the area where the production takes place and in the neighboring production sites.

<sup>4</sup> In the 1990s the energy sector has become more reliant on gas than on oil (TTEITI 2013: 19).

addressing many of the world's most pressing problems including climate change and poverty" (Frynas 2009: 178).

Thirdly, extractive industries such as in the oil and gas sector are constrained in choosing their local institutional environment (see also Campbell 2007: 954), dependent as they are on the location of natural resources. This makes them an excellent case for our ambition to study how institutional contexts shape CSR practices. As such the article adds to the debate on the role of institutional factors in CSR behavior of corporations (Jackson and Apostolakou 2009; Campbell 2007). By addressing multiple institutional levels, the article provides particular opportunities to explore how simultaneously-operating but contradictory frameworks affect CSR policies. Moreover, the focus is on an institutional context in the Global South. These often differ from those in the Global North, for example in level of enforcement and monitoring of the regulatory framework, in contextual norms concerning the behavior of companies (Campbell 2007), or to the extent to which data on social and environmental impact of companies are published, accessible and monitored (Frynas 2009: 184).

After defining and classifying CSR policies and their drivers, we discuss the oil and gas sector in T&T and current CSR activities of three companies. We discuss CSR based on three dimensions: (1) the external CSR activities of companies; (2) how (if) these are connected to the companies' core business; and (3) the extent to which these activities belong to a long-term commitment.

### **3. Theoretical approach**

We define CSR following Matten and Moon (2008) as that which lies in between companies' goals to make profits and what governments actually do in terms of social policy (Matten and Moon 2008: 405)<sup>5</sup>. "The core of CSR is the idea that it reflects the social imperatives and the social consequences of business success", ... it "empirically consists of clearly articulated and communicated policies and practices of corporations and the practices of companies that reflect business responsibility for some of the wider societal good" (Matten and Moon 2008: 405), reflecting that "corporations should be responsible for issues beyond their narrow technical, economic, and legal requirements" (Lim 2012: 2). This broad conceptualization of CSR embodies a broad range of activities, including philanthropy and charity and is presented in the

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<sup>5</sup> Matten and Moon (2008, 405), on basis of Friedman (1970) actually refer to "(...) the social responsibilities of government". However, as the responsibilities of a government are not at all undisputed we are assuming this concerns the responsibilities they take upon them, rather than what is or should be expected from governments.

well-known pyramid of corporate social responsibility, developed by Carroll (e.g. 1991). Frynas (2009:180) stated that companies are responsible for “(a) their impact on society and the natural environment, sometimes beyond that of legal compliance and the liability of individuals... (b) the behavior of others with whom they do business... (and c) its relationship with wider society, be that for reasons of commercial viability or to add value to society”. These three responsibilities produce different CSR activities. Nelson (2008) identifies CSR directed at the corporation’s (core) business, when activities include not only business objectives but also ethical considerations. Such activities contribute to the first two responsibilities of Frynas. However, Nelson also identifies *external* CSR activities that bear resemblance with Frynas’ third responsibility and states that corporations can invest in (strategic) philanthropy and community development, “preferably in a manner that is aligned with the company’s core areas of competence and interest” (Nelson 2008: 2), and/or companies can “account for their interactions with governments” and support public policy, even where a government is failing to do so (Nelson 2008: 1-5). We focus on companies’ external CSR including strategic philanthropy and community investment as well as support for public policy and institution building. We examine the extent to which companies contribute to the public good and the relationship between CSR activities and the company’s core activities. It should be noted however that no strict division exists between the notions of philanthropy and supporting public policy with a commonly used, but much discussed definition of philanthropy linking it to public policy: “(...) the private giving of time or valuables (money, security, property) for public purposes” (Salomon 1992, quoted in Sulek 2010: 201). Sulek (2010: 203) further specifies and states “it is about “(w)hether philanthropy serves a public purpose, a public good, a charitable need, or simply a communicated want or desire” (Sulek 2010: 203). Serving a public good such as related to the provision of basic needs, such as shelter, education or water (Baulch 2006) has strategic and long-term elements, while replying to “a communicated want or desire” is a more ad hoc decision.

This brings us to a closely related, second aspect; the relationship between external CSR activities and the companies own area of expertise. Porter and Kramer (2002) distinguish ‘true’ strategic philanthropy, which “addresses important social and economic goals simultaneously, targeting areas of competitive context where the company and society both benefit because the fit brings unique assets and expertise” and philanthropy that lacks any connection to the firms’ expertise, is solely a matter of public relations, and is often unfocused and does not even aim to have a strong societal impact. Strategic philanthropy is in line with external CSR activities

(see Frynas 2009, explained above) or Matten and Moon's definition of CSR. Zollo (2004: 19) sees 'ordinary' philanthropy characterized by projects "aimed at short-term social impact and long-term financial gain" and in contrast to CSR, where projects are "part of a company's routine operations, with its economic profit serving the long-term goal of contributing to social welfare". This is exactly what Porter's and Kramer's concept of strategic philanthropy refers to: "a company (...) can create social change while improving the environment for long-term corporate success" (Porter and Kramer 2004: 4). They (2004: 4) see strategic philanthropy as part of CSR and, while being aware of the discussion on whether philanthropy can be seen as CSR (cf. Nelson 2008 and Porter and Kramer 2002), for this article we only consider strategic philanthropy as CSR<sup>6</sup>.

In sum, this study concentrates on Nelson's (2008) *external* activities, and looks for the activities that may also support public policy goals and the extent to which these activities advance business core activities. While internal CSR is by definition integrated, external activities can be more or less integrated. *Integrated* external activities are in line with the core production of a company (such as the strategic philanthropy), while *non-integrated* external activities are not in line with a company's limited or broader core production interests.

Having specified CSR for this article, we now turn to discussing what drives CSR. CSR drivers can consist of a company's internal dynamics and/or its external environment. Studies show that focusing on 'firm level' considerations (such as in Carroll's pyramid (Lim 2012,5)) fails to explain the increasing attention of corporations for CSR, hence external institutional factors play a role as well (Lim 2012: 121-122; Lim and Tsutsui 2012: 73, 75; Campbell 2007: 951). This justifies a governance approach, which deals with relations between diverse state and non-state actors at multiple levels and how decisions are taken and implemented (Beall and Fox 2009). Governance is deeply political and characterized by formal and informal politics, processes and institutions mediating relationships between actors (Torfin et al., 2012). Therefore CSR governance analysis requires a focus on diverse institutions and the interactions between them.

Many attempts have been made to specify external factors and how they shape CSR policies. Moon (2007) distinguishes between market (customers, (business) consumers, investors and potential employees), social (media, in particular nongovernmental organizations' -

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<sup>6</sup> However, the concept has been criticized as being motivated too much by business considerations (Leisinger and Schmitt no date, 6).

NGOs - campaigns), governmental (public calls, facilities, support or soft regulation) and globalization (transnational movements of companies and exposure to global CSR initiatives) drivers. Lim and Tsutsui (2012)<sup>7</sup>, see institutional factors operating at international and national level; the international political-economic environment, and the national economic system. According to Campbell (2007) six drivers are important: the state's regulatory framework and its means to monitor a firm's social behavior (1); self-regulation of firms, for example through industrial organizations, especially when the state or courts also support this (2); non-governmental actors at national level (3); the existence of a normative environment influencing the behavior of companies (4); belonging to a trade or employers' organization that has an interest in advancing CSR amongst its members (5); mechanisms of dialogue with stakeholders, sometimes prescribed by law (6). In an overview study of CSR research, Anguinis and Clavis (2012) distinguish between the institutional, organizational and individual level in understanding the origin and effect of CSR. On the institutional level they emphasize the role of stakeholders in 'forcing' firms into CSR-activities to maintain or gain good reputation, access to resources and/or revenues. While they do not make this explicit, this capacity of stakeholders depends on levels of democracy and strength of civil society in a country. On an organizational level, factors such as mission, norms and values or reputation may impact the behavior of firms (Anguinis and Clavis 2012: 941). Our discussion of CSR drivers distinguishes between the government, organizational, private sector and societal drivers.

#### **4. Methodology**

This study is based on an embedded single case study design (Yin 2009, 46), examining three companies with different ownership structures within the single case of T&T. We chose T&T because it is a democratic country in the Global South, economically dependent on its abundant oil and gas resources. The importance of the oil sector in Trinidad, the powerful position of the state, the weaker position of civil society and the informality and complexity of the small society are expected to shape CSR policies in Trinidad and Tobago (Verrest et al. 2013).

Assuming it matters whether a company is part of a well-established oil and gas company, or whether it has to develop a CSR strategy on its own, without the internal back-up

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<sup>7</sup> Lim and Tsutsui studied CSR adoption in 99 countries over a 7-year period and saw the nature of CSR either as a baseline commitment (stated commitment by companies to CSR), a ceremonial commitment (commitment by companies without real action, such as regular self-reporting on their activities) or a substantive commitment (more substantial reporting by companies). The effects of the factors depend on the kind of commitment.

and perhaps enforcement, we chose companies with distinct ownership structures: BP Trinidad and Tobago (BPTT, foreign-owned), Petroleum Company of Trinidad and Tobago (Petrotrin, state-owned) and Atlantic Liquefied National Gas (Atlantic LNG foreign/state owned). BPTT and Petrotrin are active in the actual exploitation and production of gas and oil and are the largest producers in Trinidad of respectively gas and oil (TTEITI 2013: 21-22; IDB 2013). BPTT is owned by British Petroleum (BP) (UK, 70%) and by Spanish Repsol (30%) (BPTT no date). Atlantic LNG converts natural gas into liquefied natural gas (LNG) (TTEITI 2013: 21) and is the largest contributor to T&T's exports and the country's only LNG producer. It is owned by several companies, including British Gas (BG), BP Barbados, Shell, a silent Chinese partner, the National Gas Company of Trinidad and Tobago, and until recently, Repsol (Atlantic 2013a, 2015; TEITTI 2013: 21; interview Atlantic, 28 November 2013). Considering ownership differentiation not only highlights an important organizational characteristic, it also contributes to the existing knowledge about state-owned companies and CSR (Frynas 2009: 184).

Our focus on these three oil companies in Trinidad and Tobago allows for an analysis of internal characteristics in the form of ownership of a company and the external institutional environment in which it operates.

Our analysis is based on three company interviews, additional email correspondence, five interviews with key players in the field of CSR in T&T, and review of the most recent corporate documents (CSR reports and websites). We aim to provide insight into how the three companies operate and how companies are involved with the community and the population at large<sup>8</sup>.

## **5. External CSR policies in the oil and gas sector in Trinidad and Tobago**

The energy sector is probably responsible for the largest CSR investments in T&T. A 2007 CSR study in T&T showed, based on disclosed data, that 61% of total CSR expenditure originated from this sector (Balboni et al. 2007: 30-31). We classify and analyze the activities of the three companies mentioned, according to the following elements: (1) how the company reports on its external activities; (2) the kind of external CSR the company performs; and (3) the focus

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<sup>8</sup> The non-corporate interviews were conducted with representatives of the Oilfield Workers' Trade Union, the Trinidad and Tobago Extractive Industry Transparency Initiative (TTEITI) Secretariat, a conservation organization, UNDP and the Energy Chamber.

of its CSR. We see the level of reporting as an illustration of how serious the company takes CSR, and the type and focus of CSR activities to inform us about the role that the corporations assume.

### *Atlantic LNG*

Atlantic LNG's 2014 report provides a comprehensive insight in its 'sustainability' efforts but, while it did so in the past, does not report on the impact of CSR efforts (interview Atlantic LNG, 28 November 2013)<sup>9</sup>. Their understanding of sustainability is broad, including internal and external activities. Atlantic LNG discusses external CSR activities under the heading of Community Development. These cover the area of sports (swimming, cricket and football), education, local economic development and environmental advocacy, the program's national and local level. In 2014 Atlantic spent almost US\$ 2.5 million US\$ on external CSR: US\$ 1,586,784 or 63% on programs, US\$ 375,450 on donations and US\$ 517,283 on sponsorship (Atlantic 2014: 17)<sup>10</sup>. Under the heading Environment, the report discusses several environmental programs. However, as these aim at reducing the environmental impact of company activities and focus on oil spills, flaring, emissions and energy use, they are internal CSR activities, and excluded from this analysis. The environmental programs that are part of the Community Development focus on advocacy and include sponsorship of a turtle tagging program and environmental education of primary school children.

A substantial part of Atlantic activities are by definition ad hoc: in 2014 individual requests for donation and sponsorship took up 36% of the budget. However, the majority of activities are not necessarily ad hoc as they may serve a public purpose, for example by making services available for a longer period in the area of housing and education. In the past, Atlantic had an agreement with T&T's government to invest in arts and culture in the Point Fortin fence line community. Eye catching in terms of economic development is the Local Economic Development Programme (LED) that Atlantic and Inter-American Development Bank started in 2012, in which Atlantic invests US\$ 1.1 million for three years. This program's attempt "to support economic diversification, the development of micro, small and medium enterprises" (Atlantic 2013b: 53), for example through microfinancing. It is concentrated in the southwest

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<sup>9</sup> Shell, which reports on sustainability efforts in separate reports, does not report on T&T in the latest reports checked (Shell 2012; Shell 2013).

<sup>10</sup> As the destination of its donations and sponsorships are not specified in the report, they are not taken further into account.

of Trinidad and will in a later stage transfer knowledge to other regions (Email correspondence Atlantic 3 July 2014; Atlantic 2012: 29-44; Atlantic 2013b: 52-63)<sup>11</sup>. While Atlantic's external CSR is long term and often not ad hoc, it lacks integration (with the exception of the training in skills related to Atlantic's activities) and is disconnected from the area where the expertise of the company and the needs of society meet. Therefore, it is not considered as a fully 'strategic' form of philanthropy.

### *BPTT*

BPTT's CSR reporting is rather shallow and included in reports of its mother companies: BP does report less extensively than Repsol on its CSR activities in T&T.<sup>12,13</sup> BPTT (2015a) has spent about 47 million US\$ over the past 10 years on 'community and social investment' in T&T and its website shows the projects it supports, but omits information on how much it spends on these projects, or the time span of the donations. From available information, activities appear to focus on the Mayaro region (BPTT 2013a). Here BPTT supports education and micro-finance through MIPED<sup>14</sup> and Habitat for Humanity, support for arts and culture such as parang and steel pan, a community centre (BPTT 2014), and a reforestation and educational awareness program (Mendes 2015). Interestingly, while BPTT contributes to public policy goals (sports, education, culture), sometimes for several years, there is hardly any integration with its own field of expertise. An exception to this is its funding of Bachelor and Master programmes and individual scholarships at the University of the West Indies (respectively the Petroleum Geosciences programme and the programmes in Petroleum and Reservoir Engineering). Although the total amount of funding to these programmes is unclear, it is more than 900,000 US\$ annually (BPTT 2013b; BPTT 2015b)<sup>15</sup>. On basis of this information we assume

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<sup>11</sup> The activities of the companies are assessed with respect to where the majority of their activities take place.

<sup>12</sup> BP did conduct an environmental impact report on T&T in 2009 but did not address the wider CSR policies. In 2013, BP reports a worldwide expenditure of almost US\$ 79 million on community investment, which was formulated as: "BP's social investments, the contributions we make to social and community programmes in locations where we operate, support development activities that aim for a meaningful and sustainable impact. We look for social investment opportunities that are relevant to local needs, aligned with BP's business, and offer partnerships with local organizations" (BP 2013: 46).

<sup>13</sup> While Repsol, the minority owner of BPTT, has a more extensive way of reporting, it is unclear whether this reporting concerns its BPTT operations. Repsol reported that it held consultation with people in the fence line communities of Mayaro and Guayaguayare which resulted in different projects, such as a water conservation project and activities that contribute to the economic development of the regions, such as training courses in different areas (Repsol 2013, 175-197). According to its CSR report it financed social investments in T&T for a total amount of 430.000 euro in 2013 (Repsol 2013, 188).

<sup>14</sup> Established by BPTT in 2001 and independent in 2007.

<sup>15</sup> The amount does not include internships, scholarships and some other activities of the Geoscience programma.

that the integrated activities are a relatively small part of the total spent on community development and social investment.

### *Petrotrin*

Of the examined companies, Petrotrin provides the least insight in its CSR operations. Until recently no reports were available, the website provided very little information, and financial information was absent. Petrotrin's 2012-2013 reporting on CSR shows improvement in terms of information provided, financial data is absent from this report (see Petrotrin no date). Financial data from other sources is too little to draw conclusions from (see Petrotrin 2013a). The website sees environment, people and CSR as the three components of its sustainability activities, but the CSR report speaks of people, community, environment and health/safety. The CSR heading on the website appears to be more or less equalized to community development in the CSR report. The information available shows that the bulk of Petrotrin's CSR activities takes place in fence line communities in Southern Trinidad (interview Petrotrin, 29 November 2013). A similar pattern occurs as we have seen before. Petrotrin supports educational programmes and scholarships, cultural activities such as parang and steel pan groups, sport programmes and activities, community centers and an emergency and disaster relief organization. Moreover, it participates in volunteer programmes and supports community development through ad hoc initiatives. Finally it contributes to environmental awareness programs (Mendes 2015) and finances projects with environmental aspects (Petrotrin 2013b, 2014). Criteria for selection are partly historical, e.g. the previous owners of the refinery, Texaco and BP, also supported music and sport activities (interview Petrotrin, 29 November 2013). While, similar to the other companies, most of Petrotrin's activities are projects with a public purpose, Petrotrin's support is generally ad hoc, including for example the distribution of food and toys<sup>16</sup>. Activities need to become more strategically integrated, as acknowledged by the company itself (see Petrotrin 2013a).

The table below synthesizes the information available. The most important conclusion is that CSR activities predominantly lack integration with companies' core activities. In addition, we can conclude that the three companies differ in how they report, with Atlantic LNG being the most transparent and comprehensive, and that all companies (especially the two oil companies) extensively deal with fence line communities. More importantly, while all have a

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<sup>16</sup> However, due to the lack of financial background provided this is remains an impression.

large amount of CSR activities that contribute to public policy goals, this appears a reflection of the natural arena for companies to operate in (sports, culture etc.) rather than being the result of strategic collaboration with government agencies. Nevertheless, projects such as LED and MIPED do attempt to make long-term public commitments. External environmental activities of the companies are limited and focusing mainly on environmental awareness and education.<sup>17</sup>

**Table 1. Summery characteristics of the three companies in external CSR**

Company Category	Atlantic	BPTT	Petrotrin
<b>Reporting</b>	+	-	--
<b>External activities</b>			
<b>Focus activities</b>	National and local.	Mainly fence line.	Mainly fence line.
<b>Nature and level of integration</b>	Predominantly long term/ little integration.	Ad hoc and long term/ little integration.	Ad hoc and long term/ little integration.
<b>Budget</b>	In 2014: US\$ 2.5 million, US\$1,586,784 (programs) + US\$ 375,450 (donations) + US\$ 517,283 (sponsorships)	Annually US\$ 4.7 million.	No information provided.
<b>Thematic focus</b>	Education, sports, local economic development, housing, environmental advocacy.	Education, arts and culture, enterprise development, environment, housing.	Education, culture, sports, emergencies and disaster relief, community centers, volunteer programs, environmental advocacy, nature conservation.

Sources: Compiled on basis of Atlantic 2012, 2013b, 2014; BPTT 2012a/b, 2014, 2015a/b; Mendes 2015; Petrotrin, 2013a/b, 2014, interview 29 November 2013.

UNDP studies (2007, 2012) concluded that CSR activities in T&T are charitable<sup>18</sup> rather than strategic, reflecting the importance that companies attach to reputation (Balboni et al 2007: 54; Poppen 2012: 23). However, the 2007 study indicated that energy and related industries are “(...) often predetermining their areas of intervention and thus moving away from traditional

<sup>17</sup> Most environmental issues reported by the three companies are part of their internal activities and mainly aiming at minimizing or repairing damage (oil spill, flares) and improving business processes (energy use, waste management). From the reports, these activities appear to result from goals and standards set by the (mother) companies. Many activities are actually not voluntary undertakings but required following conclusions of Environmental Impact Assessment (Mendes 2015).

<sup>18</sup> We use ordinary philanthropy and charity interchangeably.

charitable contributions” (Balboni et al 2007: 34). Our study shows, however, that while in this regard these kinds of industries in T&T may distinguish themselves from others, they are still a long way from strategic philanthropy as defined by Porter and Kramer (2002). Their activities mostly fail to connect social aims to the firms’ expertise and needs, making support more a matter of public relations; they do not thoroughly report on the nature, size and impact of their work; and tend to be unfocused distributing their CSR budget over many and very diverse projects.

This produces a specific T&T form of external CSR: strongly focusing on local community needs, supporting public policy as an afterthought, and lacking integration with the company’s own needs and interests. T&T’s external CSR can be seen as – to put it in Porter and Kramer’s words, a ‘communal obligation’, providing “support of civic, welfare, and educational organizations, motivated by the company’s desire to be a good citizen” or a ‘goodwill building’ effort, to “support causes favored by employees, customers or community leaders, often necessitated by the quid pro quo of business and the desire to improve the company’s relationships” (Porter and Kramer 2002: 67). In what follows, we attempt to explain this specific CSR form from considering drivers shaping CSR practices of studied companies. While this kind of non-integrated external CSR is worldwide more common than the integrated strategic form, we argue that in the case of T&T it is also shaped by the specific relationship of companies with the government and non-state actors.

## **6. CSR policies in the T&T energy sector from an institutional perspective**

The institutional context in T&T is characterized by a powerful- i.e. omnipresent, not necessarily effective, regulating or just - state and political system. Party politics are strong and shape governance practice and culture. Non-state actors and local governments are considered barriers between the national political party and voters (Gaffar la Guerre 2002: 28). With the exception of organized labour and business, there are few professional associations and civil society organizations able to be meaningfully involved in issues regarding implications of business on CSR domains. Social relations in Caribbean societies are complex and multi-layered, with actors often having multiple interests in participation and multiple relations with other stakeholders. The importance of individuals therefore is very important and the existence of ‘old boys networks’, consisting of business and political elites highly likely (e.g. Punnett, Greenidge 2009; Clarke, Charles 2012).

The T&T government embraces the private sector and considers it the main source for national development. The dominant concept of development in T&T is a classic understanding of development as economic growth and belief that benefits of economic growth will trickle down to create social-economic improvements, e.g. in health, education and social factors. For this economic growth to be realized, the private sector in general, and the energy sector in particular, are crucial. This is reflected in the government developed 'vision 2020', targeting a 'developed country status' by 2020 through high economic growth rates, the development of substantial infrastructural projects and acquiring important political and diplomatic positions in the region. In its mid-term policy framework (2011) the government states to aim at "building a competitive, innovation-driven economy" (Government of Trinidad and Tobago 2011: 7), based on four dimensions: "being internationally competitive within the domestic market, being competitive enough in the global market to systematically expand exports particularly in niche areas, developing locally-based firms with global presence and attracting international firms that regard our human talent pool as a competitive asset in a knowledge-based, technologically-driven economy" (Government of Trinidad and Tobago 2011: 7). The energy sector is crucial to these plans. The high dependency of the country and government on the energy sector for revenues and its role in realizing future goals are expected to be reflected in government policies and practices. One example of this is the subsidies on fuel, established in the 1970s to protect consumers against sharp rises in energy prices. The subsidies are paid by the energy sector to a maximum of 4% of their gross income, and the remainder is paid for by the state (in 2009 1.9% of GDP). While providing some kind of social safety, these subsidies promote uneconomic use of energy and prohibit the development of alternative energy sources, (Iwaro, Mwasha 2010). What is more, the dependence on the energy sector (and belief in the role of the wider private sector) results in few restrictions by the government on the private sector or little incentives stimulating the sector to develop CSR-policies. Therefore, it comes as no surprise that the T&T law does not require companies to supply specific information about CSR activities (UNCTAD 2010: 8-12). The lack of government regulation and the little endorsement of CSR may hamper the development of public-private partnerships as oil and gas companies do not consider this fruitful.

On basis of the three cases we have illustrated that company ownership matters, be it limited. For state-owned Petrotrin politics influence its selection of projects. Several ministers represent constituencies in Southern Trinidad. Petrotrin supports their projects as long as these align their own goals (interview Petrotrin, 29 November 2014). While BPTT and Atlantic LNG more often support projects with a public purpose than Petrotrin, Atlantic stresses that some

sectors are the responsibility of the government, e.g. highway development, to which they do not wish to contribute (interview Atlantic, 28 November 2013). BPTT stipulates that to achieve its central goal of capacity building, it “specifically works through *non-governmental and community-based organisations* since such organisations are in the best position to understand the needs of the community and to deliver these programmes” (BPTT 2014 – italics added). This indicates that while Petrotrin’s external CSR is more than the other two companies shaped by local politics, the company is not necessarily concerned about its public role in deciding on its external CSR. The different ownership structures create weaker links between the other two companies and the political environment in deciding what they do. Interestingly, the company most active in CSR, also in terms of reporting, has a mixed state-private ownership. In order to explain this, other internal features of the companies have to be taken into account, such as on the level of organizational and individual features of the companies involved (see Anguinis and Clavis 2012).

After a long delay, last year the T&T government (with the help of the UNDP) developed a new CSR policy, aiming at facilitating strategic CSR through measures such as tax incentives, stimulate better – but still voluntary - reporting on CSR and stimulate to refocus companies’ activities to address specific needs (Ministry of Trade, Industry, Investment and Communications 2015). Expectations of the implications of such a policy for the companies discussed are low. It is questioned how the policy would change practices of companies that are too big to benefit from tax incentives (interview UNDP, 27 November 2013). Indeed, it focuses specifically at small and medium enterprises (Ministry of Trade, Industry, Investment and Communications 2015). The private sector itself has established self-regulatory initiatives such as candidate country status for T&T at the Extractive Industries Transparency Initiative and the development of a Corporate Governance Code in 2013 by the Caribbean Corporate Governance Institute, the Trinidad and Tobago Chamber of Industry and Commerce and the Trinidad and Tobago Stock. The Code’s vision on social responsibility is limited to “(t)here should be active co-operation between corporations and stakeholders in creating wealth, employment, and the sustainability of financially sound enterprises”, stating that “(s)takeholder interests include employee, environmental, social, governance and economic matters” (Corporate Governance Code 2013: 19), and lacks concrete steps for improvement. Another attempt from the private sector to stimulate CSR in the energy sector came from the Energy Chamber (of which BPTT and Petrotrin are members). However, this initiative mainly targets small and medium size

members, and not the big oil companies, that have their own CSR policies (interview Energy Chamber, 29 November 2013).

The next question is whether the weak link between external CSR activities and the companies' core activities can be explained from the relationship of companies (and to a lesser extent the state) with society. While civil society organizations' influence on oil companies is rather limited, it is not absent. For example, in 2014 the Oil Workers Trade Union (OWTU) pressured the government to take steps towards state-owned Petrotrin, whose oil spills were affecting the environment and people in several communities. Failure by the government to address this has let the OWTU to (unsuccessfully) call in Greenpeace for assistance (Boodram 2014). Societal relationships of oil- and gas companies are more with local (fence line) communities than with NGOs. Of all their potential stakeholders, the sector itself sees local communities and employees as the most important ones (Balboni et al.: 34-39). Being sensitive to protest and pressure, representatives of the studies companies indicate that CSR activities serve to smoothen the relationships with the communities they work in, resulting in localized activities mainly in fence line communities (interview Petrotrin 29 November 2013; interview Energy Chamber 29 November 2013). CSR activities result from fear that these communities can negatively affect the companies, rather than a motivation to contribute to local development, and may evoke a CSR strategy to support fence line community groups through philanthropy without integrate policies with the companies' core activities. BPTT concentrates its CSR activities in Mayaro, where its Galeota terminal is located. Pressure from the Mayaro community is the main reason for investing in sustainable social and economic development in the area (interview BPTT, 26 November 2013). And Atlantic LNG states that: "(b)y cultivating relationships with the community of Point Fortin and its environs, we seek to protect our license to operate" (Atlantic 2013b: 17). Petrotrin's refinery and its offshore oil platforms are situated in the Southern Trinidad. The many exposed assets (i.e. pipelines) create a high dependency on the surrounding communities and explains why the large majority of its CSR activities are focused on this area. The importance of fear is also illustrated by Petrotrin response to pressure outside the area of external CSR. While Petrotrin claims that its seismic activities do not cause harm (Trinidad Guardian 2013a), local fishermen's organizations argue that the activities are harmful for fish stock and cause a loss of income. Pressure by these organizations led Petrotrin to develop compensation mechanisms such as exploring new sources of income for fisherman (e.g. mussels and oyster farming), enabling developing skills for alternative careers (interview Petrotrin, 29 November 2014) and payment of compensation fees to fishermen. Between 2010 and 2013, five oil companies paid TT\$77.3 million (about US\$ 11 million) to compensate for

the seismic activities of oil companies. BPTT claimed that in 2012 they paid more than TT\$ 8,000 (almost US\$ 1240) per boat on a monthly basis during periods of activity (Trinidad Guardian 2013b).

## 7. Conclusions

This article addresses the question how oil and gas companies contribute to sustainable development in T&T through their external CSR-activities. More specifically we examined what drives this CSR-behavior, explaining this from an institutional governance approach. The relatively widespread adoption of CSR-policies worldwide in this sector, the importance of the sector for T&T's economy and the multiplicity of institutional links with various actors at multiple levels, make this case relevant for understanding how institutional relations and contexts drive CSR specificities. Our analysis shows that the majority of the external CSR activities oil and gas companies in T&T have developed are not integrated with the companies' core activities but focus on the realization of social, cultural, educational and sometimes environmental facilities or activities. CSR is characterized by a strong interest in the fence line communities and developed in isolation of public policy or proper analysis of local needs, notwithstanding the fact that external CSR might contribute to public goals. External CSR programs show a mixture of long-term programs and ad hoc donations. As such, external CSR does contribute to development in T&T, be it often at a local, often rather ad hoc manner and without linking it to broader sustainability goals.

From our institutional analysis arises the picture that oil- and gas companies operating in Trinidad are not guided with regard to CSR. The government, highly dependent on the energy sector for revenues, is modest in its ambitions for regulation or support. The NGOs' room for maneuver seems to be limited as benefits derived from the energy sector make the general public rather receptive of these companies. The civil society's weak position on a national level makes its successes limited. Also international NGOs, e.g. Greenpeace who are very active elsewhere (e.g. Nigeria) in critiquing and monitoring oil companies, are largely absent in T&T and the countries' civil society has not been able to mobilize their involvement.

Although basing conclusions on three case studies inevitably has its limitations, the results do suggest that mother companies do play a role in setting standards for CSR and the reporting mechanism. This is shown by the fact that the least-detailed reporting is conducted by the state-owned company. Yet, mother company's standards are not strict and provide much

opportunity for local adaptation to state and civil society demands. The main external actors shaping CSR in Trinidad and Tobago are local communities and in particular, where it concerns the oil companies, fence line communities. In relation to these communities, oil and gas companies act strategically. By responding to ad hoc demands for donations and contributing not only to labour opportunities in these communities but to a broad set of facilities that shape social and cultural features and quality of life in these communities, energy companies create a rather positive image of themselves in these communities. What is more, when people (e.g. fisherman) are affected by the sector and call for support, the sector responds with payments and thereby silences potential protest. These activities are what Porter and Kramer (2002) call 'communal obligation' and 'goodwill building'. The activities do not match what the same authors call 'true' strategic philanthropy but are very tactically designed as they allow the companies to conduct their business in a fairly undisturbed manner. As such also these external activities of oil- and gas companies in Trinidad can be seen as actions in the shadow of commercial interests, creating receptive communities for business activities.

The above analysis raises new questions for research. Ownership seems to matter in determining external CSR activities but international comparison could shed light on the specific conditions determining how state-owned or foreign companies relate to the state in developing their external CSR. Such international comparison could also clarify the role of national and international NGOs in shaping companies' behavior, both with regard to internal and external CSR activities. Given the fact that T&T is a special case, highly dependent on oil and gas but not attracting attention on a global scale, like Nigeria, such comparison would be very valuable.

This study started from the assumption that strategic philanthropy and, related to this, contribution to public policy both contribute to development in a meaningful way, as it would increase the perseverance and impact range of CSR. However, this assumption itself warrants further study. A country like T&T, where companies engage in a wide variety of activities, would be a fertile ground for such study. It would help to reveal whether integration with core activities is indeed a meaningful way to take part in CSR and if it really adds to the long-term needs of communities.

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***Zewnętrzne CSR jako strategiczne działanie w cieniu komercyjnych interesów. Badania firm naftowych i gazowych w Trynidadzie i Tobago***

***Streszczenie***

W krajach takich jak Trynidad i Tobago (T&T) sektor energetyczny może w znaczącym stopniu przyczynić się do rozwoju kraju i społeczności poprzez społeczną odpowiedzialność biznesu (CSR). Koncentrując się na społeczno-gospodarczych i środowiskowych aspektach, niniejszy artykuł przedstawia badania dotyczące czynników skłaniających przedsiębiorstwa do rozwoju zewnętrznych działań w ramach CSR. Stosując podejście instytucjonalne, połączono wewnętrzne cechy przedsiębiorstw z instytucjonalnym kontekstem narodowym i międzynarodowym, dzięki czemu przestudiowano zewnętrzne zachowanie w ramach CSR trzech firm energetycznych funkcjonujących w T&T. stwierdzono, że przedsiębiorstwa rozwijają CSR nie tyle w obrębie swojej głównej działalności, co by pokazać silne zainteresowanie społecznością. O ile zewnętrzne CSR może przyczynić się do osiągnięcia celów publicznych, o tyle jest rozwijane na zasadzie ad hoc i w izolacji od polityki publicznej. Wynika natomiast z „cwanego” zagrania taktycznego, ponieważ społeczeństwo posiada słabą pozycję, a państwo optuje za podejściem laissez-faire, umożliwiając spółkom matkom kształtować dowolnie ich CSR.

***Słowa kluczowe:*** CSR, Trynidad, ropa naftowa