

Investing in Fragile Contexts: A Case Study of Chevron Nigeria

Background to Chevron in Nigeria:

Chevron is one of the world's leading integrated energy companies. Its roots go back to the formation of Pacific Coast Oil Company in 1876. That company later became Standard Oil Company of California and, subsequently, Chevron Corporation. Chevron acquired Gulf Oil Corporation in 1984, merged with Texaco (formerly The Texas Fuel Company, formed in Beaumont, Texas, in 1901) in 2001 and acquired Unocal in 2005. These mergers and acquisitions have strengthened Chevron's position as an energy industry leader, increasing its crude oil and natural gas assets around the world. Chevron is involved in virtually every facet of the energy industry. It has a diverse and highly skilled global workforce of approximately 64,700 employees. Its business operations traverse 100 countries. In 2014, Chevron's average net production was 2.571 million oil-equivalent barrels per day. About 74 percent of that production occurred outside the United States. At the end of 2014, Chevron had a global refining capacity of 1.9 million barrels of oil per day.

Challenges:

Nigeria is the most populous country in Africa and has the largest economy on the continent. It has an estimated population of 170million people who are from different ethnic backgrounds and speak more than 200 languages. The country has a high rate of unemployment and poverty, and outbreaks of violent, inter-ethnic conflicts are rife. Governance and transparency is sometimes a challenge. Nigeria gained its independence from Great Britain in October, 1960 and Chevron arrived in the country a year after. Chevron Nigeria Limited (CNL) has continued to operate in the country through 55 years of a variable social, political and economic history, including 8 military coups d'état, a 30-month civil war, intermittent ethnic conflicts and militant insurgencies. Nigeria is blessed with enormous natural resources and replete with potentially lucrative business opportunities. CNL has established itself ahead of competition in managing the social, economic and environmental challenges associated with doing business in a fragile context.

The role of Chevron:

In 2003, a series of increasingly violent clashes between two age-long ethnic rivals in the Niger Delta area of Nigeria--where most of the oil exploration and production takes place--came to a head. Several villages were destroyed in the fracas and many community members lost their lives. The use of small arms and improvised devises by militant gangs, oil theft and pipeline sabotage would later compound the situation. CNL airlifted nearly 3,000 displaced villagers from communities closest to its operations to safer areas of refuge. The Company then evacuated its own staff from its swamp locations and shut in about a third of its production until the situation became safer and more stable. During the intervening 18 months, intensive stakeholder engagement and a holistic risk assessment led to the establishment of the Global Memorandum of Understanding (GMOU) model in 2005. The GMOU model is a community driven approach to stakeholder engagement and sustainable development in local communities. The GMoU model is based on the CNL process of managing social performance as an integral part of ensuring business performance. The formula is relatively simple and based on proven experience: Integrating stakeholder engagement, social risk assessment and social investment leads to improvement in social performance. The GMOU model calls for a multi-stakeholder approach to community engagement and sustainable development. This involves participatory partnership among state governments, community representatives, Non-Governmental organisations/Voluntary Agencies, donor organisations and CNL.

Five of the key principles underpinning the GMOU model are:

- Community ownership of the development process
- Inclusiveness through participation by different stakeholders as partners
- Transparency and Accountability in company/community relations
- Proactive conflict mitigation and peace building through continuous risk assessment and improved grievance mechanism
- Non-stop monitoring and evaluation for continuous process improvement.

Results and impact:

The implementation of the new model has helped to manage violent conflicts and address lack of community capacity, unemployment and other social risks. The GMoU has been in operation for ten years and has established CNL as industry leader in social performance in Nigeria. The model has been reviewed by independent assessors and agreements re-negotiated and endorsed by stakeholders in 2008 and again in 2012. The GMoU model has been adopted by other companies in Nigeria.

Partnership Initiatives for the Niger Delta (PIND)

Five years after launching the GMoU model, the Foundation for Partnership Initiatives for the Niger Delta (PIND) was established. It is a not-for-profit foundation located in Nigeria to serve the entire Niger Delta beyond the communities in the areas where CNL has its operations. Chevron has committed \$90 million to the initiative over a ten-year period from 2010 to 2019. PIND focuses on alleviating poverty and promoting peace in the region. Its activities are structured along four distinct programs:

- An **economic development** program focused on generating opportunities for pro-poor market development and employment generation.
- A **capacity building** program that is building the service delivery and engagement capacity of government, civil society and communities.
- A **peace-building** program that strengthens conflict resolution mechanisms for enabling integrated peace and economic growth.
- An **analysis & advocacy** program that improves analysis and understanding of systemic constraints to growth in the Niger Delta region.

PIND complements Chevron Nigeria's existing social investment efforts by working to address systemic causes of social problems in the Niger Delta region; these include conflict, poverty, unemployment and weak institutional capacity. As a partnership initiative, PIND pulls in resources from a diverse range of stakeholders and donors to help tackle the region's development needs.

Among the tangible outcomes of the company's efforts is a measurable improvement in the security of the operating environment, a substantial improvement in the health, education and economic wellbeing of local communities and most of all, a remarkable improvement in the cordial relationship between the local communities and the Company. Beyond its direct business investments in the oil and gas sector of the economy, Chevron continues to make social investments to mitigate conflict, develop skilled employees from local communities, improve access to education and health care, and boost local and regional economies.

Keywords: social investment, governance, community engagement, Nigeria

Sector: Oil & gas