

AHC WG3 social licence: discussion and next steps

Summary

- The paper sets out the outcomes from discussions of the June meeting of AHC Working Group 3 (WG3), which addressed an AHC social licence survey and what that should mean for an industry social licence undertaking.
- Eighteen people participated in the meeting, with a spread across peak bodies, industry, governments and research organisations.
- Key themes that emerged in discussion included the remit of the AHC in this space, the nature of social licence and what it means to different people, and how participants viewed risk and industry transparency.
- Participants tended to agree that there were two workstreams required from the start: a higher-level principles statement and a more targeted community-focused (and possibly use-based) document.

Context

In the National Hydrogen Strategy (NHS) the AHC is to lead and design a set of industry undertakings to guide the development of Australia's hydrogen industry. This should happen in collaboration with governments. The set of undertakings will specify appropriate principles to safeguard the community, communicate issues and engage with regulators.

Consistent with community expectations of social licence undertakings, the industry is also expected to:

- provide accurate information and respond to community concerns in a way that meets both legislative requirements and community expectations; and
- work with local communities to ensure benefits are distributed as fairly as possible. A focus on local outcomes will help to build trust in both project developers and government regulators. (p. 60)

AHC surveyed its members and key stakeholders in May 2020 to collect views about how it might consider and develop the industry undertaking(s).

This brief report reflects the opinions of stakeholders present at the WG3 meeting on 3rd June 2020. The purpose of the meeting was to understand the May 2020 survey results and determine a way forward.

WG3 Participants

Participants in the second meeting of WG3 were spread across sectors. As shown in Table 1, the attendees hold a wide range of roles across industry, academia, and government. In general, attendees all had some responsibility for shaping the engagement and strategy space for their respective organisations.

Table 1 – Meeting attendees by role

	Organisation	Organisational area/role – Person 1	Organisational area/role – Person 2	Organisational area/role – Person 3
Peak bodies & research	AHC	CEO & WG3 Chair		
	AER	Knowledge sharing team		
	CSIRO	Responsible Innovation	Hydrogen Energy Platform team	
	FFCRC staff	CEO	Program Coordinator, RMIT researcher	
	FFCRC researcher	College of Business & Law (RMIT)	Centre for Natural Gas (UQ)	
Industry	GHD	Future energy market team		
	Toyota Australia	Government relations team		
	Viva Energy	Strategic business development team		
	Origin Energy	Stakeholder lead		
Government	SA Government	Energy policy team	NHS implementation	Energy programs and Services
	NSW Government	Program Manager for Green Power	Hydrogen strategy team	
	VIC Government	NHS implementation		

Key themes

Nine themes emerged in the discussion about the May 2020 survey data.

Top four themes

AHC leadership role

There was some difference of opinion about how to interpret the AHC’s task under the NHS. One view is that the AHC is meant to provide an overarching governance framework (or viewpoint) for its members as they develop their joint and separate efforts in the hydrogen space. The other view is that AHC has a risk mitigation role for the industry.

If the AHC pursues the governance framework approach, some participants imagined that government would also play a critical role. The ‘top down’ approach is thought to prevent issues down the track. Although the issues were not clearly defined, there was a sense that they would relate to the development of a set of principles which AHC members would both reference and use. Developing a common set of principles and communication guidance regarding hydrogen would be a valuable service the AHC could provide its membership.

If the AHC pursues the risk mitigation approach, the focus would be on bottom-up community education, social licence and trust issues. The biggest risk, according to one researcher, is a void of

authoritative information. That void can be swiftly filled by others who may be unreliable. Once authoritative control of information is lost, trust and social licence are damaged.

Two concrete suggestions emerged. The first is to build on the previous fact sheets on hydrogen. The second is to collate the approaches already in practice amongst the AHC membership. Most of the relevant organisations' social licence practice approaches are already publicly available. It would be useful to know what the baseline is across the AHC membership and build upon it.

Social licence

There are two main issues regarding social licence to operate (SLO): the principles for activity to support the SLO; and the mechanisms used to engage with stakeholders. There are also questions of scope, scale and purpose. SLO can be addressed at the local, state/territory, or national levels. It can be focussed on one or several stakeholder groups.

The emerging hydrogen space has several key stakeholder groups, including domestic consumers, industrial consumers, host communities (which have not all been identified yet), government bodies, and employees of energy companies and relevant contractors. It will not be appropriate to use the same approach for all. However, messages about hydrogen need to be consistent across stakeholder groups.

There was a view expressed that the outcome of the SLO work should be some level of transparency and certainty about how the industry will engage, communicate and inform stakeholders about operational responsibilities as companies move into the delivery phase.

The SLO messaging will need to prioritise gaining and maintaining trust with stakeholders, especially those outside the industry. Care must be taken to engage *with* external stakeholders, not to talk *at* them. When proponents spend more time presenting their point of view and less time listening to external stakeholders, trust is eroded and SLO issues become amplified.

Education

The view on education within WG3 is that it is to manage community-based risk, where communities who do not understand the industry and hydrogen issues represent danger to the industry if they believe the wrong thing or do not feel consulted. This topic was interwoven with the suggestions for AHC focus on a risk mitigation role, as above.

If the AHC could liaise with, and share information about, industry participants as they pursue their hydrogen projects, it might be easier for external stakeholders to understand the broad parameters of how and why hydrogen is being developed.

Risk management

Further to the above, one of the biggest concerns of WG3 relates to the topic of risk. For about half the participants, the answer to preventing or responding to social risk is for AHC to pursue education and engagement.

Education and engagement approaches need to prioritise safety, as well as the different pathways to developing and delivering hydrogen.

Risk management should also draw from the principled approach (top down) role that the AHC might play.

Secondary concerns

Regulatory licence

AHC does not have a mandate to establish or guide the development of regulations. However, AHC has the potential to exercise influence in the regulatory space on behalf of its members. There may be efficient ways to indicate that particular energy providers are adhering to the regulatory regimes around the country as they come into force. One suggestion was to use a star system, modelled after the energy-efficiency star system on appliances. A second reference was the Green Star accreditation system for voluntary self-regulation to encourage industry to lift its own game.

Survey Design

There was discussion about the survey methods and the validity of findings. The clear message here was that the survey delivered some contradictory findings which the attendees could not reconcile. There was a discussion about which were more relevant opinions expressed through the survey and why these results may not paint an accurate picture of the views of those surveyed.

Trust

Trust was not a central theme, but it is worth noting as it intersects with the themes of social licence and the AHC's role within the hydrogen space. Attendees made a link between trust and the provision of an over-arching, principled framework that leads to clear communication. Good governance of the hydrogen sector, or at least of the AHC membership, is central to the maintenance of trust.

Government role

Government emerged as a key stakeholder of the hydrogen space both at the national and local council levels. Governments need to be part of the AHC journey even if they are not members.

Economic licence

Economic considerations did emerge as a minor theme. AHC members are mindful of production, benefits, emissions/environmental impacts, and the tension between collaboration and competition with energy providers. These issues will all need to be managed within a coordinated framework.

Discussion

Risk

In general, it seems that industry and government WG3 participants considered lack of community/consumer education about hydrogen as a material risk. Some of the participants also felt that risk mitigation was the main purpose of the AHC. It may be worth exploring this further, perhaps in some targeted interviews.

Education

The WG3 participants had a strong preference for education as a means of mitigating risk.

However, there was some sense in the meeting that some participants saw education as flowing only from industry/government to external stakeholders.

Although there is a great deal that professionals know about hydrogen, it does not mean that more information and more education is the best way to engage external stakeholders. This is an area where AHC can helpfully shape explore and lead hydrogen messaging and an industry understanding of the (bi-directional) communication flows

Top down + bottom up: a matter of trust

People tend to expect that major changes in the community are occurring under the direction of someone, hiccups in the process can reduce community trust in institutions and industry to the point where SLO is revoked. A recent example is the roll out of the smart meters in Victoria, which was introduced to the community as a basic technical upgrade, not the more far-reaching consumer matter that it became. After some communication missteps, the programme was not embraced by consumers and eroded trust in the energy industry.

Consequently, it is prudent for the AHC to consider a coordinated, two-pronged approach. The AHC could reasonably work with government and other peak bodies to develop and deliver some principled, overarching frameworks within which the industry can govern itself within the relevant regulatory regimes.

The AHC can also work with local councils, individual hydrogen development projects, and smaller scale stakeholders to organically take the Australian people along the hydrogen journey.

Approaching the hydrogen space from two, complementary directions may indeed have the greatest effect on building and maintaining trust in the short to medium term. It may be worthwhile to have two different sub-groups within WG3 to work through the issues in each stream of work, in dialogue with each other, to deliberate a way forward that includes both.

It would be prudent to learn from the COVID-19 suite of responses when developing both streams of work. In general, government and industry repurposed existing mechanisms to funnel resources and benefits to where they were most needed. In terms of pivoting the energy sector towards hydrogen, using established consultation structures already in place could enhance the legitimacy of the hydrogen sector.

Complexity of SLO considerations

SLO issues are notoriously thorny. There are two further matters to consider in addition to the matters discussed at the WG3 meeting .

First, most of the SLO issues have been focusing on domestic consumers and community members. However, industrial consumers face their own SLO issues regarding their eco-friendliness and responsible resource stewardship. If hydrogen can be shown as an asset to industrial consumer profiles, then hydrogen can be part of their solution to SLO challenges.

Second, SLO considerations are modulated by proximity in time and space. Any number of internal and external stakeholders can have opinions, now and/or in the future. It is important to distinguish

stakeholder relevance, or salience, as SLO strategies are being collated, shared, and modified for use.

Collaboration

The last discussion point is on the topic of collaboration. There are obvious synergies that the AHC can maximise in terms of working with other research, innovation, and SLO nodes such as the FFCRC, the Energy Charter, the AER, and similar. Perhaps a series of high-level discussions could be organised.

Action areas

- Gather current SLO practice guidance from AHC members.
- Gather researcher frameworks/lessons learned material from interested researchers.
- Convene a sub-group to work on developing 5-10 principles for AHC members and five most important outcomes per the NHS 2030 measures of success
- Convene a sub-group to work on developing a community-based document.
- Develop a 6-12 month plan towards a schedule of meetings focused around deliverables for industry and governments.