

An Appraisal of the Concept of Corporate Social Responsibility as a Mere Marketing Tool in the Oil and Gas Industry

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Abstract

Corporate Social Responsibility (CSR) has gained considerable prominence across the business world. The corporations discharge their CSR through various forms of social development. However, the practice of CSR has also attracted controversy and criticism. There are two opposing arguments namely (i) the corporation's profit in manifold ways by spending on CSR projects, and (ii) CSR is criticized and opposed in that it makes the corporations deviate from their primary economic roles in doing business. This debate and criticism revolve around the basic objective of the firm. Modern scholars have proposed many different objectives for firms which again also abound with raging controversy and criticism. This paper attempts to explore the origin and evolution of the term "Corporate social responsibility" (CSR), the meaning of CSR from various perspectives and the concept of CSR from the oil and gas sector. It also explores the importance of CSR in preventing reputational risk, the benefit of reputation to business in promoting social legitimacy and the importance of CSR as a viable tool for business marketing. The paper answers the question of whether CSR is just a "mere marketing tool" or has contributed to the oil and gas sector. Also, exploring the notion that CSR in the oil and gas sector is more mandatory rather than a voluntary act of service by these companies. It also explores the effect of pressure in form of stakeholder engagement on the sector.

Key Words: Corporate Social Responsibility, Marketing tool, Oil and Gas Industry, Reputation, Nigeria

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1. INTRODUCTION

The need for companies to secure ‘social legitimacy’ for their businesses by proving to contribute to society has become more important in business strategy since the inception of the term “Corporate Social Responsibility” (CSR). Through the years, the notion about CSR has evolved from a philosophic dimension to being religiously influenced, to philanthropy, and gradually to broader perceptions like promoting human rights, medical research, social development, etc. to taking responsibility for the effects of industries activities on the society e.g., through the promotion sustainable practices. The common logic of the theory that does not seem to change however, is that the basis of CSR is the need for business to be “socially responsible”. for clothing lines like Nike, it means respect for human rights by not employing child labour and ensuring the best staff welfare, for fast food chains, it means research into the health implications of their products on the consumers, while for the oil and gas, and industry, it means taking special care not to cause damage to the environment by engaging in environmentally sustainable practices such as reducing carbon emissions, investing in research in climate change, avoiding oil spills and proper clean-up responses where such occurs¹

The CSR image a company portrays proves to affect businesses significantly and can either mean a reward or consequence to businesses. People are now willing to pay higher prices for goods produced through sustainable practices while an indication that a company is not being ethical or moral in carrying out its business, will have a serious negative effect on the company².

The recent disasters in the oil and gas and sectors such as the Exxon Valdez oil spill (24th March 1989), the B.P deep-water Horizon spill (20th April 2010), and the most recent oil spill in Bodo community in Gokona council Ogoni Land, Rivers state which occurred between 2nd August and 12th September 2022 which caused a lot of public outrage and cost these companies financial losses and

¹ Professor Jędrzej George Frynas ‘CSR in oil and gas sector’ (2009) *J.W.E.L.B* 2(3) 178-195

² David Spence ‘Corporate Social Responsibility in Oil and Gas Industry: Importance of Reputational Risk’ (2011) *86 CHI-Kent L. Rev.* 59

damage to reputation as well. So much that some of these companies are still trying to recover from the negative impact it has had on their businesses. These sorts of incidences have caused the oil and gas industry to put in extra effort in ensuring environmentally sustainable practices in their operations such as the Alaska clean seas initiative to respond to environmental risk in the arctic region³ and the efforts by Exxon to reduce greenhouse gas emissions while engaging in exploration etc, to prevent further occurrences.⁴

Although CSR was initially perceived to mean that the company duty does not extend beyond the duty of the business to make a profit for its shareholders, it gradually became difficult to maintain that argument especially with the growing need for companies to maintain legitimacy. CSR has now become more relevant to the industry as well especially after the realization that addressing social problems through CSR can be converted to business opportunities⁵.

2 MEANING AND ORIGIN OF CORPORATE SOCIAL RESPONSIBILITY

The term “Corporate Social Responsibility” is relatively new in business corporations. However, the notion behind the term can be traced far back in history. The concept emerged as a business approach to addressing the social and environmental impact of the activities of companies on society.⁶

Frynas argues that there is no disagreement among historians on the fact that CSR can be traced to the pre-Christian times when philosophers like the Roman scholar and writer, Marcus Tullius Cicero in the first century BC in the west and his Indian counterpart Kautilya in the fourth century BC developed the theory of ‘controlled greed’ and subsequently⁷ the Islamic and Christian era came to promote the disapproval of certain business practices like usury,

³ <https://www.alaskacleanseas.org/corporate/>

⁴ corporate.exxonmobil.com/en/current-issues/climate-policy/climate-perspectives/natural-gas-reducing-ghg-emissions

⁵ Simon Caulkin (2002) ‘turn a social problem into wealth’ The Guardian

⁶ Jędrzej George Frynas ‘beyond corporate social responsibility-oil multinationals and social challenges’ (Cambridge: Cambridge university press,2009) pg1

⁷ see supra note 1 at page 3

hoarding scale tipping, etc. which were considered to bring unnecessary hardship on the society⁸.

As time went on, CSR began to attain a generally accepted structure which Archie Carol outlined in the following order:⁹

- i) Economic responsibility: This means that the company should try to meet up with the expectations of investors and consumers by making their goods and services available and to the consumers and fulfilling their obligations to investors by making a profit.
- ii) Legal responsibility: This entails the companies' duty to carry out its business activities within the provisions of law.
- iii) Ethical responsibility: This refers to the companies' duty to carry out its activities within socially established moral standards, the meaning of which tends to differ from one society to another. the meaning of what is 'moral' depends on the social values of where the company is operating for instance, what is morally acceptable in America might not necessarily be morally acceptable in china¹⁰
- iv) Philanthropy: Companies are also expected to help society by contributing to social development.

The expectations that the society has of companies to be 'socially responsible' grew with time around these four principles and began to influence the attitude that the society displays towards businesses. This meant that the 'behaviour' of companies in the society including how they conduct business activities, how labour is employed etc. began to affect businesses. In the 19th century, societies expressed dissatisfaction with certain business practices like slave labour by boycotting the products of the companies that engaged in such unacceptable practices. Thus, the pioneers of modern CSR like Cadbury and salt began with the promotion of the welfare of workers in the 19th century as a moral cursor of society. Gradually, today's debate of what CSR is becoming more inclined to

⁸ Exodus 22:25 and Qur'an 2:276

⁹ Archie B Carroll 'Pyramid of Corporate Social Responsibility: Towards the Moral Management of Organizational Stakeholders' (1991) *Business Horizons*

¹⁰ see supra note 1 at page 4

development, environmental, and human rights. And it became more global in outlook than it used to be earlier in this century or even in the 1960s¹¹.

From the foregoing, it is evident that CSR has been through series of developments, and what is considered ‘socially responsible’ has varied from generation to generation, from society to society and from industry to industry.

3 CORPORATE SOCIAL RESPONSIBILITY IN THE OIL, GAS AND ENERGY SECTOR: THE QUEST FOR ‘CLEANER ENERGY’

CSR has become a viable tool for companies in ensuring legitimacy, it is almost impossible to visit a company’s website and not come across the CSR tab somewhere on the home page. Almost every company has a CSR report. The issues contained in those CSR reports are largely influenced by the nature and effect of the companies’ activities on the society in which they operate. For this reason, the concept of CSR varies from industry to industry and from society to society. It is much like a situation of giving to society what you take from it. Hence, the clothing industry attempts to address issues of employment conditions and focuses on the responsibility of firms within the global supply chain; the tobacco industry invests in addressing the long-term health effects of smoking¹².

The question to be answered now remains, what is CSR to the oil, gas, and energy sector?

The oil and gas sector is the most robust actor of the energy industry in the world.¹³ It is also notorious for having the most significant negative effects on the society with records of massive environmental impact/damage such as the one from Exxon Valdez on 24th March 1989, Mexico, the deep water horizon spill which occurred in the Gulf of Mexico around April 2010 and the latest oil spill that occurred in Bodo community in Gokana Council, Ogoni

¹¹ see supra at note 6 page 4

¹² see supra at note 2

¹³ Gulzan Buldybayeva (2014) ‘Both Sides of CSR Practice: A Case from Oil and Gas Industry in Kazakhstan’ *Acta Polytechnica Hungarica* vol.1.11, no2

Land in Nigeria between August and September 2022 and a host of other oil related disasters that drew attention to the industry.

The sector is also known to have caused a lot of negative socio-economic impacts especially in societies largely dependent on natural resources like Nigeria where the Niger Delta region is in crises blamed partly on the strive for control over the natural recourses (the resource curse) and outrage from the community over the damage being done to the area; see *The Bodo Community and others v The Shell Petroleum Development Company of Nigeria Ltd*¹⁴. The former Sudan struggle over control of natural resources that ultimately lead to the break-up of the country etc. is also largely blamed on the discovery and desire to control oil and gas resources in the area. The presence of natural recourses in less developed countries has led to numerous disasters and is commonly referred to as what is known as the “Oil course”. This has done significant damage to these societies and caused hardship to people; stunted development in economies due to over-dependence and so on. All these facts coupled together has turned the spotlight on the industry especially now that the world is in a state of rapid globalization and the common transboundary feature of the oil and gas industry, it seems the whole world has set its focus on the industry. The expectations mounted on the industry seems to be growing wild ranging from philanthropic, environmental, social development etc.

One finds that the CSR profile of the oil and gas energy industry is highly diverse with oil companies getting involved in all sorts of social development programs like building schools and hospitals commonly in the less developed communities (LDC), investing in sustainable energy production, and most recently renewable energy, scholarship schemes etc. This is all in a bid to keep up a positive appearance. The need to maintain a positive appearance has made it increasingly harder for the oil and gas companies to focus on the need for sustainable environmental practices because it is overburdened by a multiplicity of demands that include the high level of regulation in the oil and gas industry, pressure from stakeholders’, non-governmental organizations,

¹⁴ [2014] EWHC 1973 (TCC)

international organizations, and a long list of demands and expectations from all angles; government, community, NGOs etc. The focus of this essay will remain on the environmental implications and contributions of CSR to the oil, gas, and energy industry.

Despite all the aforementioned issues that are faced by the oil and gas industry, the industry is focusing on the environment, the growing awareness of the need to protect the environment has pressured the industry into making efforts to protect the environment. Few of which will be discussed briefly below:

i) The Oil and Gas Climate Change Initiative: This is an organization led by the CEOs of the ten companies who founded the initiative. The organization aims to show sector leadership in response to GHG emission reduction based on the agreement reached by the United Nations climate change conference (COP 21) in Paris. This indicated a significant effort to transform the energy systems.

The mission of the initiative is to channel resources towards mitigating climate change by reducing the GHG emission from the oil and gas industry operations and the use of products such as associated gas and converting it to liquefied natural gas LNG thereby meeting the growing needs more sustainably.

Member companies announced the formation of the oil and gas climate change initiative climate investments in November 2016. The organization has pledged an estimated sum of one billion dollars for the next ten years to accelerate the development of innovative technologies that will potentially reduce GHG emissions significantly. The members of the oil and gas initiative are: BP; CNPC; ENI; PEMEX; RELIANCE; REPSOL; SAUDI ARAMCO; SHELL; STATOIL; TOTAL¹⁵

ii) Shell Eco-Marathon: “Shell Eco-marathon is a global academic programme focused on energy optimisation and one of the world’s leading student engineering competitions. Over the past 35 years, the programme has consistently brought to

¹⁵ www.oilandgasclimatechangeinitiative.com/about (last assessed 2/12/2022)

life by providing more and cleaner energy solutions”.¹⁶ The shell eco marathon is an annual competition sponsored by shell challenging engineers to build and drive energy-efficient vehicles¹⁷. This program is part of shells effort to promote environmental protection through sustainable energy.

- iii) Exxon mobile corporate citizenship report: Exxon has also taken significant steps towards being responsible for the impact of its activities on the environment. This is reflected in its corporate citizenship report that is dedicated to showcasing the company’s effort towards preventing, managing, and responding to climate change risks. These efforts include; Emergency preparedness for the prevention and response to oil spills, air emission reductions, ecosystem services, freshwater management, site remediation etc. The environmental reform is reported in the corporate citizenship reports. The report indicates that progress is being made by the company in achieving energy efficiency.¹⁸
- iv) Alaska Clean Seas Organization: The Alaska clean seas (ACS) is a non-profit oil spill response corporative created by a group of oil and gas companies that engage in or intend to undertake oil and gas exploration, development, production, and pipeline transport activities on the north slope of Alaska. The organization was initially formed in 1979 as ABSORB. It is structured to provide emergency response for both trained people and equipment and respond to and manage oil spills in the area¹⁹.

These efforts, along with several other initiatives reported by oil companies stand to assure society that the oil and gas industry is progressing in the quest for cleaner energy and the damages are also shown to reflect in recent records. There appear to be fewer oil spills and the industry seems to be more responsible for the environment.

¹⁶ <https://www.makethefuture.shell/en-gb/shell-eco-marathon> (assessed 2/12/2022)

¹⁷ <http://www.shell.com/energy-and-innovation/shell-ecomarathon.html>

¹⁸ <http://corporate.exxonmobil.com/en/community/corporate-citizenship-report/about-this-report>

¹⁹ <https://www.alaskacleanseas.org/corporate/> (2/12/2022)

However, there are speculations that these reports are not as effective as they claim to be and that the figures and progress being published by these companies are not what they claim. The term **greenwashing** has been developed to represent this assumption. The term Green Washing is defined as the coordinated attempt to hide unpleasant facts especially in a political context: this occurs in a situation where a company spends more time trying to prove that it is practicing sustainable energy when in fact it is not.²⁰

The greenwashing index was created to check the activities of these energy companies and other industries as well to ensure that they do not deceive society using environmental sustainability. The greenwashing index is promoted by Enviro-media Social Marketing in collaboration with the University of Oregon School of Journalism and Communication.²¹

Two things can be inferred from this growing trend:

The first is that environmental protection has become so important to society that companies are striving to maintain an environmentally friendly image at all costs even if it is not true to attract customers. The second point that is derived from this is that people are aware of the dubious actions and are making efforts to ensure that the claims of such organizations are genuine.

4 THE CONCEPT OF CSR AS A “MERE MARKETING TOOL” IN THE OIL AND GAS SECTOR: REGULATION, STAKEHOLDER ENGAGEMENT, AND THE NEED TO MAINTAIN LEGITIMACY

CSR has classically been argued to maintain that a business has no duty towards the society that extends beyond the narrow obligation it accepts of making profits for the shareholder and to make that money within the limits of the law²². It was thus argued that CSR is voluntary and that any contribution a company makes to society is out of mere generosity and not a mandatory contribution

²⁰ <https://dictionary.cambridge.org/dictionary/english/greenwashing> (last assessed 2/12/2022)

²¹ <http://greenwashingindex.com/about-greenwashing/#purpose>

²² Milton Freidman, (1970) 'the social responsibility of business is to make profits' New York times magazine 9th September 1970.

this was the perception that Friedman favoured²³. Only a few definitions like that given by Carroll contemplated any form of compulsion.

Gradually as businesses started to grow in number and competition in all aspects of industry intensified, managers began to see the benefits of effective CSR in strategic planning, and society's expectations also grew. It became some sort of instrument for society that helps individuals to navigate through the numerous options available to them. This brought about the concept of legitimacy. Legitimacy in summary refers to the positive perception that society has of an organization arising from, among other things a good CSR profile.²⁴

As far as being a tool for promoting environmentally sustainable practices in oil gas industries, some companies are yet to present satisfactory records of efforts to protect the environment. Although it is pertinent to point out progress is being recorded especially considering the efforts by the oil gas and energy companies to be environmentally friendly as enumerated in the previous topic thus the situation is not as bad as it used to be in the early part of the century, especially due to increased regulation, greater awareness of environmental impacts and the advent of non-governmental organizations (NGOs) who focus on such projects as environmental protection, and increased participation in communities. People are now aware of the dangers and effects of these unsustainable practices and are resisting them and showing their disapproval. e.g., in the case of Bodo community v shell²⁵ case in Nigeria etc.

The success of CSR in ensuring environmental sustainability is influenced by numerous factors, for instance, in developing countries, the desperation of government to attract investors and get economic benefits for their nations and level of poverty and illiteracy in such communities affects the willingness and efforts of companies

²³ *ibid*

²⁴ Allen Shocker, Prakash Sethi (1974) 'an approach to incorporating social preferences in developing corporate action strategies' *California management review* July 1973.

²⁵ See *supra* at note 14

to invest in environmentally sustainable practices, especially when it cost more to ensure environmentally sustainable practices. Again, this is gradually changing particularly in the case of multinational companies that are increasingly feeling the effect of the failure to keep clean records. The world is gradually becoming a global society, and bad business for shell in Nigeria will mean bad business for shell overall. With consistent progressive advancements in technology, and the influence of social media in the world, everyone now has a phone, and every phone has a camera coupled with the availability of the internet. It is becoming more difficult for companies to sweep such issues under the rug and increasingly easy to expose these climate injustices with just the click of a button.

Concerns about the environmental impact of oil exploration in the arctic have also contributed to the push for effective CSR in the oil, gas and energy sector. Environmental activists, NGOs government communities etc, have played a major role in ensuring that oil companies are more cautious of how they carry out their activities. This can be classified as stakeholder engagement, and it is proving to be effective. Major players in the push for environmentally sustainable practices by the industries include the following:

- i) United Nations Framework Convention on Climate Change (UNFCCC): this is one of the key players in the initiation of environmentally effective practices in oil and gas companies. The UNFCCC has played a major role in uniting the world against climate change with the help of the Kyoto protocol which is a product of the UNFCCC. Both protocols aim to help countries stabilize GHG concentration in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system and mitigate climate change²⁶.
- ii) Organization for Economic Corporation and Development (OECD): The OECD has a mission of promoting policies that will improve the economic and social well-being of people around the world. The organization, OECD helps governments around the world to support new sources of growth innovation

²⁶ http://unfccc.int/essential_background/convention/items/6036.php

environmentally friendly growth strategies and the development of emerging economies²⁷

- iii) Global Reporting Initiative (GRI): This is an independent international organization that helps businesses, governments, and other organizations understand and communicate the impact of business on critical sustainability issues such as climate change, corruption and so on²⁸.
- iv) UN Global Compact: which encourages businesses to commit to sustainability and take responsibility in achieving a better world. The organization aims to bring together a global movement of companies and stakeholders by doing business in a responsible manner aligning with the principles on human rights, labour, environment and anti-corruption.²⁹

They also encourage companies to act on the advancement of broader societal goals such as the sustainable development goals (SDGs) with emphasis on collaboration and innovation.³⁰

The list of organizations that have contributed to the progress of environmentally sustainable practice in the world cannot be exhausted, we have the Friends of Earth (FOE), Earth watch³¹, International Energy Agency (IEA)³², International Organization for Standardization (ISO 1400)³³. These organizations have guided member and non-member countries alike to develop regulations to control the activities of the oil and gas and energy sector that may potentially damage its environment. The fact that they are not part of the company CSR is also a bonus because this will help to guarantee transparency in monitoring the activities of these countries and help to avoid greenwashing.

²⁷ <http://www.oecd.org/about/>

²⁸ <https://www.globalreporting.org/Information/about-gri/Pages/default.aspx>

²⁹ <https://www.unglobalcompact.org/what-is-gc/mission>

³⁰ *ibid*

³¹ <http://eu.earthwatch.org/About>

³² <https://www.iea.org/>

³³ <https://www.iso.org/about-us.html>

5 CONCLUSION

The impact of the oil and gas industry on the environment is undeniably a major cause for concern to the whole world. Not only does it affect businesses reputation but its effects on the health, social and economic wellbeing of host communities has been felt in past experiences like the BP Deep-water Horizon oil spill, the Exxon Valdez oil spill the, and the deteriorating conditions in the arctic can all be linked to unsustainable practice in the oil, gas, and energy industry. Hence, there is a need to ensure that all the necessary measures are being utilized to reduce the negative impacts and this is done by ensuring good CSR in these companies that must be designed to address these issues to supplement government effort in line with their environmental objectives.

It is granted that the argument that CSR in the oil, gas, and energy industry is a mere marketing tool that helps to promote business. However, it is also necessary to acknowledge its contributions to mitigation and adaptation of climate change to point out that the lack of it too is highly detrimental both to the business and general public especially as it affects our energy dependence. It also proves that the actions of these companies significantly affect the business of these companies because the negative impact of a bad company reputation is business is unquantifiable. One can attribute this to the popular saying that “if you do good, you do it for yourself and if you do bad, you do it for yourself”. Either way, the companies will have to include an effective CSR profile in their business strategy to ensure it maintains ‘legitimacy’.

Another important point to note is the pressure from stakeholders on the industries. The increased awareness of the need for environmental protection even to a point that mandating CSR through law is currently being considered has seen the emergence of so many anti-environmental-abuse enthusiasts that keep breathing down the necks of the oil and gas companies and keeping them under pressure to carry out operations in an environmentally sustainable manner which they always ensure to include in the company CSR.

Currently there is a bill popularly known as the CSR bill that is before the national assembly for consideration³⁴

It is also worthy of note that even where companies desire to maintain Effective CSR towards the environment, the task is made difficult for such companies especially in Less Developed Countries (LDC) that are economically dependent on such companies as Nigeria. What ensues is that the government ends up mounting its social responsibilities on these companies under the guise of “local content” or some other way causing them to focus more on social development rather than on environmentally concerned issues.

Another problem with these LDCs is corruption and sometimes desperation to attract investors due to lack of diversified economy which pushes them to overlook some environmental abuses on the part of oil companies. A classic example is Nigeria and the gas flaring problems that are still not fully resolved.

The chronic corrupt practices of government officials that have eaten deep into the system has affected the potential contribution of CSR to help address the gas flaring issue.

The recent efforts of these industries are, although not full-blown, but beginning to be noticed. Oil and gas companies are now investing in renewable energy and that raises the hope for the environment that an environmental change is imminent, even if it is still in its infancy. This goes to say that at the moment, the CSR efforts of oil and gas companies are although new and just beginning to thrive, the companies are making efforts to see that it has contributed to the environment but, it is still at a premature stage, non the less when the opportunity arises, the companies and major stake holders in the industry do not hesitate to whip out a flashy CSR report to brag about its “sustainable environmental practices” and boast about their contribution to the environment.

Egotiations and consultations are more likely to succeed if the judge is ready as a last resort, to interpret and apply the states’ mitigation obligation in admissibility of a disputes before her.

³⁴ Nwagwu, I. (2016) The CSR bill and doing business in Nigeria’ (business day March 24, 2016) <https://businessday.ng/analysis/article/the-csr-bill-and-doing-business-in-nigeria/>. (Assessed 2/12/2022)