



# A Look at National Oil Companies and Corporate Citizenship

Transnational Policy and Practice

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March 2, 2007

## Conceptualizing Corporate Citizenship

- An oil company's engagement with society beyond principal economic functions, e.g. return on investment
- A contested concept without a universally accepted definition
- A broad interpretation includes a company's political, social, and environmental impacts

# Quick Quotations

- **“So the question is, do corporate executives, provided they stay within the law, have responsibilities in their business activities other than to make as much money for their stockholders as possible? And my answer to that is, no they do not.”**
  - Milton Friedman, 1976 Nobel Laureate in Economics
- **“Let us choose to unite the power of the market with the authority of universal ideals.”**
  - Kofi Annan
- **“Business practices rooted in universal values can bring social and economic gains.”**
  - Ban Ki Moon

## Areas of Study

- Human security
  - Security of person, property, livelihood
- Environmental stewardship
  - Conservation of resources
  - Ecological protection
- Sustainable economic development
  - “Social license to operate”
  - (Conflict) Risk Management
  - Local expertise, input, operation are crucial, equally so is partnering with qualified NGOs and international institutions

## Identifying A Key Problem

- In a 2006 study, UN envoy for business and human rights, Dr. John Ruggie:
- “[...] examined 65 cases of the worst human rights abuses reported by NGOs over the previous few years. Two thirds were in the extractive sector.”
- “What else was striking? The 65 cases took place in 27 countries, of which all but two were low-income countries; all scored low on governance and rule of law indicators; all scored high on corruption. Clearly, there is a negative symbiosis between weak governance and the worst corporate human rights abuses.”

## Transnational Policies

- United Nations Global Compact
- The Business Leaders Initiative on Human Rights
- Extractive Industries Transparency Initiative (EITI)
- Voluntary Principles on Security and Human Rights
- The 2003 Draft UN Norms
- Rise of Corporate Responsibility Reports & NGO-Energy Sector Dialog

## Transnational Practices

- **Statoil** in Azerbaijan and Nigeria
  - IOC social impact model; corruption, transparency; sustainable development
- **China National Petroleum** in Sudan
- **India's ONGC** in Burma/Myanmar
- **Petrobras** (Brazil) in Ecuador
- **PDVSA, Citgo Petroleum** in the USA
  - Highlights utility of multilateral tools

## Future Directions

- Dialog and cooperation are key
- IEA/OECD should have a lead role as facilitator with NOCs, which also have much to learn from each other
- International governance evolving
- A multifaceted issue: company policies and practices, on one hand; national interests and strategy on the other