Technical Annex to the *Economic Note* entitled "Social Licence: Three Pitfalls" published by the MEI on March 1st, 2017

In the context of research carried out in preparing the *Economic Note* entitled "Social Licence: Three Pitfalls," certain aspects which were not elaborated upon in the text of the *Note* nonetheless seemed instructive. This *Technical Annex* provides additional detail on three of them:

1. the history of the concept of social licence;
2. the uranium mine project of Strateco Resources, as seen by Alain Dubuc; and
3. the agreement between Kinder Morgan (Trans Mountain) and British Columbia.

History of the concept of social licence

The expression "social licence" goes back at least as far as the 1980s and describes the presence, or not, of support among a local community for a large-scale project, for example the installation of a wind farm for the production of electricity. However, the expression is often attributed to Jim Cooney, who popularized it in a talk he gave in 1997 during a World Bank conference.

Cooney, a Canadian who was a mining company executive at the time, was using this expression to describe the existence of a two-part approval process for mining projects, one made up of legal requirements and the other resting on the support of local communities. Above all, he was describing the reality for projects in parts of the world where disadvantaged communities have ill-defined property rights that are poorly defended by existing institutions, which they don't trust.

A long article by The Canadian Press, published notably in *Maclean's* magazine, credits Jim Cooney with having coined the term and notes some doubts he has about the meaning given to social licence in public debates today.

> Source: The Canadian Press, "How social license came to dominate the pipeline debate in Canada," *Maclean's*, May 22, 2016.
> http://www.macleans.ca/economy/business/how-social-licence-came-to-dominate-the-pipeline-debate-in-canada/

The uranium mine project of Strateco Resources, as seen by Alain Dubuc of *La Presse*

In an illuminating piece, columnist Alain Dubuc turns a critical eye on the concept of social licence based on the concrete case of the Otish Mountains uranium mine north of Chibougamau. This project, led by Strateco Resources, had been hailed in the context of the Quebec government's announcements surrounding its Plan Nord.

In 2009, another uranium mine project, this one near Sept-Îles, aroused strong opposition. The region's doctors pushed the confrontation to the point of threatening to resign en masse. Following this dispute, the Quebec government decided, in effect, to impose the equivalent of a moratorium on uranium mining, including the Strateco Resources project, which was not even the object of the doctors' protest. After having received the necessary permits, the company was unable to move forward with its activities. Today, it is suing the government for $200 million.

Alain Dubuc notes that "the uranium mining file was characterized by improvisation and emotion, and dominated by a fuzzy, sprawling concept, that of social licence." The doctors, who were credible sources in the eyes of the population, took part in the debate "out of personal conviction rather than by virtue of their scientific knowledge. They threatened to leave the region if the exploration work took place. This indefensible blackmail provoked a panic among elected officials and set off a movement, even though North Shore region's public health authority, based on the experience of Saskatchewan, concluded that there were no serious risks."

Along the same lines, the President of the Canadian Nuclear Safety Commission declared, regarding the moratorium, that "[i]t is clear that the BAPE's recommendation not to proceed is based on the perceived lack of social acceptance and not on proven science." The gap between the concept of social licence and the reality supported by scientific analysis appears substantial. Alain Dubuc adds that "if emotions have their place in public debate and decision-making, facts also have theirs. Quebec, under both the Marois and Couillard governments, has deviated from factual, scientific rigour on this file."

As for the supposed lack of social licence in the case of uranium mining, the columnist points out that "if there is a social licence problem, it is in good part because of the frightening of the population. It was a perfectly circular dynamic, whereby those who fuelled this fear, activist groups and a portion of the medical community, use this same fear to block projects."

> Source: Alain Dubuc, "Uranium : Le cafouillage québécois," *La Presse*, January 12, 2017. http://plus.lapresse.ca/screens/88802cbb-d819-431c-b72f-c90a32941b54%7C_0.html

The agreement between Kinder Morgan (Trans Mountain) and British Columbia

Approved by the federal government on November 30, 2016, this pipeline is a doubling of an existing pipeline that goes from Edmonton to Burnaby, British Columbia. The government of this province had supported this project, since it respected five conditions that had been set out previously.

The troubling part of this support, and the part that was a point of contention, came from the fifth condition, which requested financial compensation from the developer of the project. This condition "was all about money and local politics," in the words of former federal Liberal MP Martha Hall Findlay. *The Globe and Mail*'s editorial team pointed out that this was no more and no less than a payment of around $1 billion over twenty years "in exchange for being permitted to expand the capacity of the Trans Mountain pipeline."

By demanding such an agreement, the Premier of British Columbia had no other motive than a "desire to demonstrate to voters that she has wrung a financial concession out of Kinder Morgan," maintained the *Globe*, and this was done solely by "leveraging her government's ability to prevent the pipeline's expansion."

"We don't hold each other up for ransom in this country," wrote Martha Hall Findlay. "At least, we haven't for 150 years." The problem with this agreement is the precedent that it sets. In a country like Canada, which was built in large part on major infrastructure crossing the borders of different provinces and on free trade, such a precedent is dangerous.

> Sources: Editorial, "B.C. pipeline fee (or is it a tax?) sets a terrible precedent," *The Globe & Mail*, January 16, 2017; Martha Hall Findlay "B.C.'s pipeline demands set a dangerous precedent," *The Globe & Mail*, January 24, 2017.