From Watching to Moving: Taking Action to Turn Social Risk into Opportunity

Last month, SGA’s special edition of Both of These Things are True flagged what you should be watching to stay on top of social risk. At Adamantine, we define “social risk” as the combined political, policy, and community factors that could delay, increase costs, or stop your project. In the second of this three-part series, Adamantine and SGA have teamed up to identify how your company can act today to turn social risk into an operational advantage.

SGA just completed its Executive Leadership conference earlier this month – and the conference themes resonate with this issue. Incoming Chair Don Raikes of Dominion Energy challenged SGA company leaders to commit to training their colleagues on the role of natural gas as a key to the sustainable future. CEO emeritus Bill Cantrell challenged companies to engage every employee as ambassadors.

Both of these things are true:

1. Opposition to natural gas is often built on hyperbole and misinformation.
2. Instead of dismissing this public concern, you must incorporate it — in all its forms — into how you chart your path forward, turning the public’s vision for the energy future into your leadership opportunity.

The Problem Path Forward:

As the first What to Watch edition covered, oppositional fronts to natural gas providers are changing quickly. These include:

- Shareholder and institutional investor pressure
- Aspirational regulatory changes
- Climate activism that targets natural gas

Further, we charted how industry leaders are forging a visionary path to the energy future, which creates pressure on your company to keep up. These include:

- Commitments to decarbonize their operations and products
- Investments in the energy future, both innovation and new business lines
- Methane mitigation across the value chain
Now we’re giving you the outline of how your company can today a) assess your social risk, b) mitigate where appropriate, and c) think about opportunities for leading the next wave of industry advancement:

1) **Determine your starting point.** Each company will bring their unique experience, needs, and work underway to the process. First, discuss your objectives with your team. Do you want to:

   - Understand your exposure?
   - Revise your business strategy to mitigate risk?
   - Be a leader in your industry?
   - Have a story to tell stakeholders?

At Adamantine, we recommend *all of these.* The external pressures are mounting so quickly that we believe a strategy that is comprehensive and proactive will create a company culture that is dynamic and resilient to the changes ahead.

Next, assess the work you’ve done to date: Do you already have an annual sustainability or corporate social responsibility (CSR) report? A robust stakeholder engagement team? Take stock of your internal resources and experience from which you can build.

   - **Engage the right people.** Even if you have an internal ESG or sustainability process, chances are you haven’t tapped your senior leadership and Board of Directors to think about social risk comprehensively.

We recommend starting this outreach informally with your senior leadership. You may then want to include a diverse group representing different operations as well as experiences within the organization. Overlooking aspects of your operations could be your future blind spot. After some informal discussions, you may want to revisit these topics with more rigor.

   - **Assess your exposure.** Here are the areas to examine (you can find more about each in issue 1)

     - Shareholder and institutional investor pressure for decarbonization and environmental action that may turn to you.
     - Aspirational regulatory changes driving energy policy and perception in your operating jurisdiction.
     - Anti-gas climate activism (including divest and local community organizing) in your operating areas.
     - Election game-changers – ‘tis the season to think about this at every political level.
     - Peer commitments to decarbonize, invest in innovation, and mitigate methane that will drive pressure on you.

   - each, ask yourself these questions:

     - What’s our current exposure level?
     - What visible threats can we reasonably anticipate?
• Which potential invisible threats lurk beyond the horizon?
• Compared with your peers – where has the bar moved?
• Is there an opportunity for leadership with this risk?
• In what way can we find shared aspirations in the context of this risk?

Then take this assessment and prioritize your risk, as you understand it today, by flagging your top three to five vulnerabilities.

• **Ground-truth with your stakeholders.** Your understanding of risk is only as good as your line of sight. Once you *think* you understand your social risk, it’s good to test your thoughts by engaging some key stakeholders. Some considerations for this effort:

  - Ground-truthing can be as modest as a half-dozen one-on-one interviews — or as involved as a subcontracted outreach survey and interviews with focus groups. We aren’t recommending a full-blown materiality assessment here – although that could be an outcome of this process, if your fact-finding leads you to determine that it would be useful.
  - When selecting your stakeholders, consider how they will perceive the survey. This can be an opportunity to further build rapport. You will want to be clear about whether they will hear back from you about results.
  - Even for a light-level assessment, consider selecting stakeholders and gathering feedback that can be both weighted and assessed with a numerical value. This will allow you to analyze the information you receive as well as craft visualizations to tell a story. Whether your audience is company leadership, employees, or external stakeholders – begin with the end in mind and gather data that you can assess and convey.
  - In addition to prescriptive data gathering, also ask open-ended questions of your key stakeholders to identify blind spots in your thinking.
  - Listen – whether or not what they say is “right” or you want to hear it.
  - Revise your risk assessment with the information you’ve received.
  - Close the loop with any commitments you made during the engagement process.

• **Craft your unique response.** Take your prioritized areas for mitigation and consider the following elements in articulating your company’s path forward:

  - *Root your response to your company’s values.* This will ensure the response is aligned with your current company culture and is authentic in its path forward.
  - *Accommodate your primary business commitments and responsibilities* by building mitigation into your business plan, not in addition to it.
  - *Articulate a vision with shared ambitions with your stakeholders,* including identifying stretch goals.
  - *Be realistic* about what you can get done and on what timeline.
  - *Assign a champion to the effort* for a path forward and give them real resources for implementation.
It matters because:

Your customers and stakeholders are now hearing that they don’t need natural gas every day in one form or another. You need to have both an understanding of how much risk this anti-gas reality poses for your company and a leadership plan for mitigating that risk.

The critical mistakes companies are making:

Reacting with industry-advocating educational materials and talking points alone. Education is mission-critical, but it isn’t enough. It’s important that you continue to evolve your thinking on what your stakeholders are thinking about energy, climate, and natural gas – and come up with a plan to evolve your risk mitigation strategy. Engaging your industry ambassadors is mission-critical as part of establishing trust and educating stakeholders.

Seize the day. Successful companies will:

- Marshall the energy, perspective, and experience of your senior leadership team and board; ensure you have a shared understanding of the risks and action required.
- Get to work assessing and mitigating your company risk. The line moves every month for natural gas companies, and the sooner we build a web of goodwill, the sooner we can engage meaningfully with an educated public.

The third installment of SGA’s Both of These Things are True will focus on companies that are leaders in their social risk mitigation strategy. Is your company a role model? Reach out to me: tisha@energythinks.com

You can subscribe to the regular edition of Both of These Things are True here.

Tisha