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Corporate Social Responsibility and the Oil Industry in the Russian Arctic: Global Norms and Neo-Paternalism

LAURA A. HENRY, SOILI NYSTEN-HAARALA, SVETLANA TULAEVA & MARIA TYSIACHNIUK

Abstract

Examining the oil and gas industry in the Russian Arctic, this article investigates the gap between corporate social responsibility (CSR) as articulated in corporate offices and implemented at the local level. In Russia, global CSR norms interact with weak formal institutions and the strong informal expectations of state officials and local communities that companies bear responsibility for welfare and infrastructure. As a result, the concept of citizens as ‘stakeholders’ is underdeveloped. Instead, local residents remain subjects within a neo-paternalist system of governance that mimics some elements of the Soviet past. Compensation for damages to indigenous peoples has blurred legal obligations and the voluntary nature of CSR. However, the CSR in the region is constantly developing and formal methods of compensation may assist in clarifying the scope and practice of CSR.

How is Corporate Social Responsibility (CSR) enacted in practice in specific localities? How does the concept of CSR interact with existing norms and institutions? By examining actions characterised as ‘social responsibility’ by the oil and gas industry in the Nenets Autonomous Okrug (NAO) in the Russian Arctic, this article explores how expectations, practices, and institutions from the Soviet era may or may not influence the implementation of the global norm in the Russian Federation. CSR represents the effort to balance economic, environmental, and social aspects of business activity. Voluntary global CSR initiatives encourage businesses to improve transparency, consult stakeholders, and commit to standards related to the environment, labour rights and safety. However, the CSR practices that are implemented in a specific context do not necessarily conform to policies articulated in corporate offices where transnational templates inspire codes of conduct. Inevitably, CSR is

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modified and adapted to accommodate local factors. It is influenced by the demands of actors, including state administrators involved in shaping the local institutional environment for CSR, and by the expectations of stakeholders. In contemporary Russia, local factors influencing the context of CSR implementation include expectations about the behaviour of economic enterprises, the low capacity of the state to deliver welfare and infrastructure, and the lingering effects of the integration of political and economic decision-making in the Soviet period. We argue that—despite the upheaval of privatisation, the arrival of transnational corporations, and profound changes in domestic governance since the end of the Soviet regime—these local factors promote an unexpected degree of continuity with the past in relations between industry and local communities.

In particular, we examine how global CSR norms interact with the Soviet legacy of paternalist welfare provision in territories of natural resource extraction. CSR does not have a long history in Russia. In the Soviet period, state-owned enterprises and collective farms often bore responsibility for delivering social services and supporting infrastructure in local communities where they operated. In far-flung villages where natural resources were extracted, these enterprises provided electricity, water, and sewage services, as well as educational and medical facilities and even cultural programmes. These longstanding practices that had developed under the Soviet regime created expectations among local communities about companies’ role in welfare provision that persist even after privatisation, and that continue to infuse relations between state and business actors in the current period. These expectations allow for the replication of Soviet approaches to community engagement, justified under the rubric of CSR, in a form that we call ‘neo-paternalism’. Thus, we argue that global norms can be used to justify the continuation of locally rooted practices from the authoritarian past.

In this study, we consider how various actors envision and participate in CSR by focusing specifically on three types of interaction: socioeconomic partnerships between the regional government and oil and gas companies; voluntary giving by companies; and compensation for disturbances to the traditional practice of reindeer herding by the Nenets indigenous people of Russia. The flow of funding into NAO from these sources depends upon the interaction of formal rules enshrined in Russian law and informal negotiations between companies and the state and between companies and indigenous people. Ultimately, the influence of weak formal institutions is overcome by informal practices and expectations that allow the state and companies to determine the needs of the local population. These decisions, largely made without community engagement, are then reported as companies’ ‘social responsibility’ efforts. This process downplays the role of stakeholders and impedes the ability of local residents to participate in social and economic policy, although our cases show that some communities benefit more than others due to industrial impacts, enduring institutions, and active leadership.

Our examination of how local implementation of CSR by oil companies is influenced by Soviet legacies and weak formal institutions proceeds as follows. After describing the research methodology, we explore the history of CSR’s implementation in Russia, focusing on the path-dependent evolution of company support for local communities’ social services and infrastructure in the absence of adequate welfare provision from the regional or federal government. Then, we provide an overview of the history of the oil industry in the NAO and the impact of drilling oil on traditional reindeer herding. Next, we describe how negotiations among the regional administration, municipalities, reindeer herding enterprises, and the oil companies take place and examine case studies of three NAO villages. The article ends with an analysis of neo-paternalism in the practices of CSR in the Russian Arctic.
Methodology

Qualitative research methodologies for this study included semi-structured interviews, participant observation, and document analysis. The total number of interviews is 99. Interviews were conducted with oil industry representatives (12), reindeer herding enterprises (26), NGO experts (nine), representatives of regional and local authorities (24), and local residents (28) in the NAO. Interviews were collected during four research expeditions: May–June 2011 (67 interviews); April 2013 (11 interviews); April–May 2014 (12 interviews); and February–March 2015 (nine interviews) (see Appendix 1). Interviews were designed to elicit perspectives on the practice of CSR from a range of stakeholders and to compare the experiences of different communities and reindeer herding enterprises that interact with oil companies. Interviewees are identified by their professional affiliation or by a reference to an anonymised label for their village of residence. Individuals and villages are anonymised to protect their identities due to their on-going engagement with state officials and oil company representatives over benefit-sharing and compensation for damages. Villages differ in their proximity to oil industry installations and the survival of their Soviet-era social organisations and economic enterprises; Villages A and C are located near installations of several different oil companies, yet only Village C has maintained both its collective farm and herding cooperatives as community resources, while Village B is more distant from industry yet is affected indirectly by environmental damage. In addition, in 2011 focus groups were conducted in villages differing according to the economic organisation of reindeer herding and the impact of oil industry; participant observation was carried out at local community events. Researchers also conducted a focus group with company representatives at the Ardalin operations of Polar Lights company. Follow up research in subsequent years included further interviews with oil company representatives in Narian-Mar, the capital of NAO, and the city of Usinsk in the Komi Republic as well as with reindeer herders in their winter territories. Participant observation was carried out at conferences that involved oil companies and indigenous people (in Narian-Mar and Moscow), meetings of the Corporate Social Responsibility Council of the Russian Council of Industrialists and Entrepreneurs, and at CSR training workshops at the European University in St Petersburg. We contextualised information from interviews with a content analysis of legislation and documents of the oil companies, such as annual reports and codes of conduct, including Global Reporting Initiative reports.

CSR in theory and in practice

Recent decades have witnessed a global shift from state-based governance of business activity to a governance landscape that includes many varieties of private actors and voluntary regulation by companies. The framework that connects numerous governance initiatives is ‘corporate social responsibility’. CSR is generally understood as corporate self-regulation that ensures the firm’s active compliance with state-based legislation, ethical standards, and international norms. Contemporary definitions of CSR include ‘the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large’, 1 and

the responsibility of an organisation for the impacts of its decisions and activities on society and the environment through transparent and ethical behaviour that contributes to sustainable development, takes into account the expectations of stakeholders, complies with applicable law and is consistent with international norms of behaviour, is integrated into the activities of the organisation and practiced in its relationships.2

The principles that inform CSR may encompass human rights, labour practices, environmental quality, and consumer protection and engagement with stakeholders (Freeman 1984).

Historically, scholars have viewed CSR variously as company policies designed to meet public expectations (Bowen 1953), a strategy used by business to increase profits (Friedman 1970), or more normatively as the economic, legal, ethical, and discretionary obligations of business (Carroll 1999). More recently, social and environmental responsibility is seen as a risk management tool, or even a social licence to operate, for companies, as well as an integral part of their market competitiveness.3 The concept of corporate ‘stakeholders’ has developed to encompass individuals, groups, and organisations which influence the company’s decisions or experience the effects of such decisions (Freeman 2004), and who have interests that often conflict with each other (Crane & Ruebottom 2011). Theories of corporate citizenship also developed (Matten & Crane 2003), partly in response to the crisis of the welfare state, as the nation state’s inability to address many social issues became obvious. Globalisation contributed to the increasing complexity of expectations for multinational corporations. All of these processes generated the opportunity for corporations to play a major role in the protection of citizens’ rights.

There are many global governance initiatives designed to promote and codify CSR. The UN Global Compact, ILO Tripartite Declaration, OECD Guidelines, the Responsible Care Initiative and other initiatives represent codes of conduct that serve as principled guidelines for business actors (Hale & Held 2011). Other institutions, such as the Global Reporting Initiative and the Voluntary Principles on Security and Human Rights, focus on voluntary disclosure and reporting with the goals of sharing ‘best practices’ across industries and improvement over time (Williams 2004). Certification systems, such as ISO 14000, help firms manage environmental risk based on general guidelines. Product certification schemes, such as the Forest Stewardship Council and Programme for the Endorsement of Forest Certification for timber and Marine Stewardship Council for seafood, tend to be more stringent and require third party auditing. There is no global governance regime that regulates the oil industry.4 As a strategic resource, oil companies generally wield a high level of influence with states and are less subject to pressure from consumer preferences. Although oil and gas corporations, often under pressure by NGOs, are involved in various global initiatives, such as the UN Global Compact, the Global Reporting Initiative, and the environmental management system ISO 14000 (Boasson et al. 2006), they primarily rely on internal corporate CSR policies


3For an overview of theoretical approaches to CSR, see Garriga and Mele (2004).

4The Extractive Industry Transparency Initiative is a relatively new organisation that attempts to track revenue from natural resource industries in order to combat corruption (see http://eiti.org/eiti). The Equitable Origin certification scheme is still in the early stages of its development (see http://www.equitableorigin.com/home/).
for managing environmental and social risks. In some cases, these principles and standards are incorporated into contracts with the governments of the countries where they operate, enhancing enforcement of these standards. However, in most cases there is no third party oversight to force the implementation of CSR policies. That said, oil companies’ activities are closely scrutinised by government agencies and environmental NGOs. This scrutiny is linked to past problems, including oil spills, land rights disputes with actors including indigenous people, and close relationships with corrupt or authoritarian regimes (Williams 2004; O’Faircheallaigh & Ali 2008; Behrends et al. 2011; Gilberthorpe & Hilson 2014).

Ultimately, corporate CSR policies straddle the divide between formal and informal rules. State regulation, global voluntary standards and codes of conduct, company policies, and conditions on the ground all interact to produce varied outcomes. In institutional economics, North suggested that formal institutions are official rules, such as legislation and other regulations as well as formal contracts concluded among parties that constrain behaviour. Informal institutions are the ‘rules of the game’ that shape actors’ choices and may include traditional styles of work, values and beliefs, and varying modes of thought. Informal and formal institutions may not change at the same pace (North 1996, pp. 6, 92–104; 2005, pp. 160–65). For example, legislation can be rewritten, but its enforcement depends on the level of support from informal institutions. Weak enforcement of law may be a sign of weak formal institutions and the persistence of informal agreements and practices. The mix of formal and informal institutions in a specific context is to some degree path-dependent, rooted in the institutional legacies of a particular state, market, or industry. In the section below, we argue that the confluence of weak formal institutions, informal expectations about welfare from the Soviet era, and behind-the-scenes state pressure on companies have resulted in a form of CSR that we call neo-paternalism.

**CSR, oil, and neo-paternalism in Russia**

Widely agreed upon definitions of CSR at the international level obscure how the concept is interpreted and implemented in different contexts. Inevitably there is a gap between CSR as envisioned in multinational headquarters and CSR as practised in local communities. There are several factors that contribute to this gap. As noted above, the major global governance institutions that promote CSR are voluntary and offer guidelines rather than strict rules and standards. In addition, in less-developed states where the resources are extracted, companies may see the market incentives that induce robust CSR policies to protect brand reputation as less important than they are for the consumers in more economically developed states. Companies that are partially state-owned, as well as smaller corporations, may find their relationship with national and sub-national governments more influential on the ground than formal CSR policies. As Frynas states, “‘being socially responsible” can mean different things to different people in different countries’ (Frynas 2009, p. 179). In practice, the implementation of CSR is likely to be shaped in part by local norms, expectations, and authority structures. For example, representatives of Russian firms tend to define CSR to include basic activities such as ‘paying taxes, creating employment, [and] abiding by the law’ (Kuznetsov et al. 2009, p. 41) or simply do not see CSR as a relevant issue for their business (Crane et al. 2013, p. 20). The Russian state’s role in the oil and gas sector remains significant. In the wake of the disintegration of the Soviet Union, some state-owned oil and gas companies were privatised
or partly privatised, only to return to state control in the following years; lucrative companies were fought over by the oligarchs—the wealthy elite who emerged in the 1990s—as well as between the oligarchs and the state after Vladimir Putin became the president in 2000. Throughout there have been widespread accusations of high-level corruption and rent-seeking in the oil and gas sector (Krukov 2001; Gustafson 2012). In 1997, Putin defended his doctoral dissertation at the St Petersburg Gornii Institute arguing that national natural resources are far too important to be left to the mercy of market forces (Putin 1997). As president and prime minister, Putin has consistently demanded that the state take a leading strategic role in determining the use of natural resources. Although the Russian government might prefer to maintain exclusive control of the natural resources sector, it does not have sufficient technological know-how and financial resources to develop in the oil industry on its own, particularly in the challenging conditions of the Arctic. As a result, Russian enterprises have engaged in numerous joint ventures with multinational oil companies.

The concept of CSR in Russia’s oil and gas sector gained ground due to several trends. Pressure on companies to adopt CSR policies has been driven by competition for export markets, the need for foreign investment, and the opportunity to participate in multinational consortiums to develop oil and gas resources. As noted above, the ownership status of Russia’s oil companies has been highly unstable, contributing to rapidly changing CSR policies. Multinational oil companies have exported their CSR policies and participation in global codes of conduct to far-flung outposts of oil extraction (Knizhnikov & Wilson 2010, pp. 9–10). Simultaneously, the concept of ‘social responsibility’ promoted domestically through joint ventures and foreign investment is now embraced by many Russian corporate actors, including a majority of those in the oil and gas industry (Shvarts et al. 2013). WWF Russia carried out a survey of Russian oil and gas companies with production exceeding 3 million tonnes in 2010 and found that 62% have used Global Reporting Initiative’s concept of social responsibility (Shvarts et al. 2013). WWF also found that 92% of Russia’s largest oil and gas companies have ISO 14000 certificates (Shvarts et al. 2013). Overall, Russian oil and gas companies appear to prefer to invest in social infrastructure such as schools and sports halls, while Western oil companies may be more likely to invest money in community development and social entrepreneurship, as they have in some Russian regions such as Sakhalin.

In a survey of Russian managers on their CSR policies and practices, Khonyakova and Tulaeva (2013) found that market incentives, specifically the requirements of investors and partners, were the main reason that firms adopted CSR policies. ‘Corporate culture’ is cited as the second most important factor in the adoption of CSR policies in survey responses. The expectations of local communities are ranked as the third factor in why companies develop CSR policies. The expectation of the Russian authorities is ranked fourth in influencing corporate CSR, implying that CSR to some degree serves as an instrument for reducing transaction costs domestically. NGOs were seen as having the lowest level of impact on CSR policies, according to the survey. Russian law did not appear to play a role in promoting CSR; in fact, legal factors such as the lack of incentives for charitable giving were seen as an obstacle to the development of CSR. The survey also reveals that, in the opinions of Russian corporate managers, the practice of CSR overlaps with charitable giving and has a strong public relations angle. Despite differences in how CSR is implemented by Russian and multinational companies, domestic and multinational companies also exhibit some similarities. For example, oil companies in Russia, domestic and multinational, have largely resisted
relations with NGOs and limited their communication with the public (Knizhnikov & Wilson 2010, p. 19; Yakovleva 2011). NGOs’ efforts to establish partnerships with oil companies to implement social initiatives and develop social programmes for local communities generally have not been welcomed. Despite this, there have been a few successful NGO campaigns against oil projects in Russia, including the effort by the NGO Environmental Sakhalin Watch (Ekologicheskaya Vakhta Sakhalina) to change the route for the underwater pipeline being built by Sakhalin Energy (Bradshaw 2010) and the campaign by the NGO Baikal Wave (Baikal'skaya Volya) to halt Transneft’s construction of Eastern Siberia–Pacific Ocean pipeline along the shores of Lake Baikal.

Although CSR is a global norm, its implementation in Russia is heavily influenced by local preferences and practices. Soviet ideas about social responsibility have persisted into the current period, demonstrating the interaction of formal institutions and the legacy of informal expectations from the past. These expectations are most notably tied to welfare provision. In the Soviet period, as Cook has argued, a social contract developed between the Soviet state and society in which the regime constructed a cradle-to-grave welfare system, including full employment, stable prices, inexpensive housing, free health care and education, in exchange for participation in state-sponsored political mobilisation and labour tranquillity (Cook 1993). The implicit threat of repression was also used to pacify the population, resulting in a coercive contract rather than voluntary agreement between state and society. Soviet welfare policies were paternalistic in that they were designed to reinforce the state’s authority and promote the state’s priorities in economic development; welfare did not evolve from consultation with the public about their needs and interests and did not provide choice for citizens. State-owned enterprises and collective farms generally were charged with the direct provision of welfare services such as child care, community centres, vacations, cultural activities, and often some portion of housing for their employees (McAuley 1979). In the NAO, prior to the discovery of oil and gas, the kolkhozy, or state farms engaged in reindeer husbandry, delivered many social services. This model of state welfare provision based on collective, rather than individual rights, fostered a worldview that has persisted into the post-Soviet period (Stammler 2011, pp. 248–49).

In the 1990s, responsibility for social services and infrastructure was transferred in part to regions and newly created municipalities which suddenly became responsible for their own self-government. Municipalities lacked the resources necessary to take on maintenance and services. Federal tax and budgetary legislation has effectively prevented the necessary transfer of resources and decision-making to the local level (Nysten-Haarala 2013). In practice, municipalities look to the regional governments for funds and many regions in turn depend upon negotiated subsidies from the federal government. This creates a dilemma in welfare provision. As Remington and his co-authors state, ‘Because many of these [social] services had been administered through state enterprises, the end of the planned economy meant that state enterprises could not afford to maintain them, but neither could regional and local governments afford to take them over’ (Remington et al. 2013, p. 1858). Under conditions of scarce or variable resources, regional and municipal governments have fallen back on their previous expectations that companies act as distributors of welfare. This approach takes advantage of the growing prevalence global norm of CSR, implicating both private and public companies as past expectations are retained even as the formal legal rules and the nature of

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company ownership have changed. Companies not only pay taxes, but under the heading of CSR they also conclude socioeconomic partnerships with the regional governor, appointed by the Russian president, and provide additional voluntary funds for infrastructure and welfare in local communities. The state encourages, or even requires, this type of support. The need to substitute for social support previously supplied by the state enterprises and state farms, the weak legal and regulatory environment, and local expectations interact to create a path-dependent phenomenon that, together with the current tax policy, often results in a conflation of CSR and a new form of paternalism.

Neo-paternalism results when the state is incapable of providing welfare to distant communities; instead the state administration pressures private and public corporations to step in to support local infrastructure and take on some aspects of welfare provision. Governors ‘are expected to maintain social stability in their regions while at the same time ensuring a steady flow of budget revenue to the centre’ and, as a result, ‘pressing short-run demands … can pre-empt a long-term development strategy’ (Remington et al. 2013, p. 1856). The state, negotiating with the corporations, identifies which kinds of infrastructure and which social needs need to be addressed. Company managers may employ their social responsibility strategically since these negotiations bring them closer to state decision-makers and may provide them a competitive advantage (Frynas 2005, p. 584). Negotiations generally occur behind closed doors without public input. This welfare provision by firms under state pressure is characterised by both sets of actors as part of ‘corporate social responsibility’ policy. In the Russian context, it is seen as a voluntary action. However, neo-paternalism eschews stakeholder engagement, disempowering local actors and encouraging new forms of dependency to develop among the local population. Aspects of infrastructure and welfare are bestowed as gifts, while a longer-term strategy of sustainable development for the region is neglected. Thus, the interaction between strong informal institutions, many rooted in the Soviet experience, and weak formal institutions of the contemporary Russian state has encouraged companies to maintain an important role in social welfare and infrastructure provision in the local communities. Neo-paternalism has evolved in welfare provision—at least in geographically remote communities in areas of natural resource extraction.

Oil companies, CSR, and reindeer herders in the Nenets Autonomous Okrug

The Nenets Autonomous Okrug (NAO) is located in northwestern Russia, bordering the Barents Sea. Most of the territory of the NAO is located above the Arctic Circle and comprises tundra and forest tundra ecosystems. The NAO is an autonomous area of the Russian Federation located inside Arkhangel’sk oblast’; the administrative centre of the territory where the governor and parliament are based is the city of Narian-Mar. The total population of the okrug is just over 48,000, and includes members of the Russian and Komi ethnic groups, as well as 7,500 Nenets who are classified as an ‘indigenous small-numbered population of the North’ (korennye malochislennye narody Severa). Traditionally, the Nenets people relied on reindeer herding as a significant economic activity. In the Soviet period, the state supported Nenets indigenous communities in the Arctic through subsidies to local communities and the provision of goods and services through state collective farms that raised reindeer. The economic collapse of the Soviet Union disrupted these patterns of welfare support and devastated the collective farms. As of the mid-2000s, approximately 2,500 Nenets
were still engaged in herding 120,000 reindeer in the region (Stammler & Forbes 2006, p. 51). Additionally, herders from the Komi Republic also migrate annually with their reindeer across the NAO territory to the Barents Sea.

Oil exploration in the NAO began in the Soviet era. In the 1970s, a Soviet geological survey expedition discovered multiple oil reserves in the region and commercial oil production began in the area in the late 1980s and early 1990s. According to a 2013 government brochure, 98% of all companies active in NAO are involved in the oil and gas sector. Estimated reserves in the region encompass 1.2 billion tonnes of oil, and 525 billion cubic metres of gas. Experts predict that by 2027 the annual oil production will be 37 million tonnes (Sukhanovskii 2013). However, in the Arctic, oil is drilled in extreme conditions and requires expensive technology; therefore, future production is uncertain. Multinational oil companies of Russian origin dominate the industry in NAO. Lukoil is the regional oil giant with a number of subsidiaries operating in both NAO and Komi Republic. Since the 1990s, Lukoil’s strategic partner has been ConocoPhillips, which owned 20% of Lukoil shares and was the co-owner of Narianmarneftegaz (Lukoil owned 70% of shares and ConocoPhillips 30%). However, in 2010 ConocoPhillips sold its Lukoil shares and in 2012 sold its shares in Narianmarneftegaz (Shiryayevskaya & Klump 2012). Rosneft and ConocoPhillips also have been involved in a joint venture, each owning half of the Polar Lights company that has had operations in the Ardalin deposit since the 1990s. In 2013, oil production in Ardalin fell, and in 2014 both ConocoPhillips and Rosneft decided to sell their shares in Polar Lights. In 2014 ConocoPhillips announced that, in response to sanctions against Russia, it would not continue to work in Russian oil fields. The oil companies Total, Statoil, and Zarubezneft, a Russian firm along with its subsidiary RusVietPetro, remain active in the NAO’s Kharyaga deposit, operating under a production sharing agreement. In 2014, Lukoil and Bashneft set up a joint venture, Vostock NAO, which is also drilling in the Kharyaga area.

The NAO economy is oil-dependent; the percentage revenue from the oil industry to the NAO regional economy is the largest in the Russian Federation. In the 2000s, the NAO experienced annual GDP growth of approximately 17% (Centre for Strategies Development 2008–2009), a rate that slowed down only in 2013–2015. Taxes from the oil industry are unevenly divided, with 95% going to the Russian federal budget and only 5% to the regional budget, as a result of 2002 federal budgetary legislation. The result was to make the regions highly dependent on the federal centre. One exception is the Kharyaga oil field, where under the conditions of the production sharing agreement mentioned above, the NAO has received 10% of the income generated since 2006 (Stammler & Peskov 2008, p. 835). Money is channelled through the Nenets Oil Company, owned by the NAO regional administration. The NAO government also collects property and transportation taxes from companies. As a result, the NAO budget has among the highest surpluses of Russia’s regional budgets (Sukhanovskii 2013). Arkhangel’sk oblast’ and Komi Republic compete for revenues from oil production in the NAO. The Timan-Pechora oil field stretches from Komi to the NAO. Some oil companies

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8 The NAO is allowed to make such agreements due to its status as an autonomous okrug.
that operate in the NAO send tax revenue to the Komi Republic, where they are registered, or to Moscow, where their headquarters are located.

Despite this dispersed revenue, the NAO authorities have to cope with the environmental impacts and social disruption of the oil industry in a delicate Arctic ecosystem (Kumpula et al. 2011), and administer a remote territory with severe climatic and transportation challenges. Since the start of commercial hydrocarbon development in the 1990s, the state has come to rely on oil and gas companies to support infrastructure and services in towns and villages. Local communities and indigenous reindeer herders also have shifted their expectations for social support from the state to the companies active in the NAO. However, as studies of indigenous peoples in other oil-producing regions in Russia have shown, the oil industry has little awareness of or interest in traditional land use rights and traditional economies, generally does a poor job engaging with the public, and has little incentive (beyond state pressure) to engage in voluntary social responsibility on indigenous issues (Fondahl & Sirina 2006; Yakovleva 2011, pp. 715, 717; 2014).

The impact of the oil industry on reindeer herding in NAO

A number of indigenous Nenets people continue the traditional, semi-nomadic practice of reindeer herding even as national and transnational companies explore for and drill in the vast oil and gas reserves of the region. For the state administration of the NAO, the challenge is to strike a balance between the potential revenue from the oil industry and the interests of local communities whose way of life is based on a close relationship with nature. The authorities claim that they seek to preserve traditional Nenets culture while simultaneously fostering economic development, a balance that is difficult to achieve in practice and a tension present in many areas where indigenous people and extractive industries coexist (O’Faircheallaigh & Ali 2008; Frynas 2009; Behrends et al. 2011; Gilberthorpe & Hilson 2014).

The life of modern Nenets reindeer herders is a blend of centuries-old traditions, practices developed in the Soviet period, and responses to the economic disruptions of the post-Soviet period. The seasonal routes of the reindeer herds follow the oil deposits stretching from the Komi Republic to the NAO and the Barents Sea (see Figure 1). In the NAO, reindeer herders come primarily from the Nenets ethnic group, with a few drawn from the Komi ethnic group or of mixed heritage (Sukhanovskii 2013). As they have for decades, the herders traverse the tundra with their reindeer, using some customary tools and clothing and practising traditional Nenets rituals. During the Soviet period, encouraged by the Communist party-dominated state, the Nenets people shifted from a nomadic way of life to a partially settled lifestyle in which herders live in settlements organised around collective farms for a portion of the year and engage in herding seasonally (Golovnev & Osherenko 1999). Families were separated as the children of herders were sent to village boarding schools during the academic year and joined their families in the tundra during the summer. Lacking the experience of year-round herding and life on the tundra, fewer children were interested in reindeer herding following high school graduation and the number of herders began to decline.

Over the past 20 years, since the collapse of the Soviet regime, the herders’ way of life has undergone even more dramatic change. In the 1990s, many Soviet collective farms based on reindeer, fishing, and fur production collapsed; only a few farms that raise reindeer meat for sale still operate. These remaining farms rely on a meat processing company in Narian-Mar
that has a near monopoly and is able to set the price for meat. In rural areas, local residents generally support themselves through reindeer herding as part of local brigades. Reindeer herders face many obstacles to selling what they produce, including low prices and long distances to markets. As a result, some of the meat raised by reindeer herders is never processed. Indeed, it is common in villages to see unsanctioned landfills that include the remains of
reindeer. Local residents also engage in subsistence activities, such as hunting and fishing, for survival. In NAO, reindeer herding enterprises lease agricultural land from the state, a practice that does not allow herders to demand land use rights through the formation of an obshchina (family group), as indigenous people are able to do in several other territories within the Russian Federation. Villagers experience an array of problems related to alcoholism and unemployment. Unemployment is exacerbated by state policies. State-funded infrastructure projects often do not employ local residents; the contract is awarded to the lowest bidder, generally an outside construction firm. Thus, due to the intervention of new political and economic regimes in the past half-century, the lifestyle of traditional reindeer herders has been confronted by numerous challenges, in addition to oil production.

Oil development is an increasingly visible issue in the region. The public perception of oil companies and their role in economic and social development in local communities in NAO varies widely. Villagers perceive the arrival of oil companies as a threat to their traditional way of life due to the loss of grazing land for reindeer and damage to the tundra ecosystem from industrial development and pollution. However, the oil industry simultaneously is seen as important to Russia’s national economic development. Residents also recognise the opportunity to obtain financial support from oil companies at the local level. The possibility of increased wealth from the development of the oil industry is captured by residents’ oft-repeated phrase ‘milk the oilmen’ and a broader discourse related to ‘living off’ of the oil industry.9 This discourse is based on the popular perception that companies have unlimited financial resources. It also is rooted in the Soviet period and the expectation that it is the responsibility of the enterprise to maintain the infrastructure of settlements and towns where they work. The region has limited resources to deal with the social and environmental disruption related to oil drilling and transport. Therefore, NAO authorities and local communities expect companies to provide additional non-tax resources to ameliorate these problems. This web of expectations influences the development and practice of oil companies’ CSR programmes in the NAO in two forms—socioeconomic partnerships with the regional government and voluntary giving by companies. In addition, since 2013, reindeer herding collectives have been seeking compensation for damages from the oil and gas industry, a third form of resource transfer from industry to local residents.

The oil and gas industry generates a variety of complaints among villagers, some related to dashed expectations and others linked to material damage to reindeer herding. First, the NAO lacks oil and gas refining facilities; oil and gas are transported outside the region for processing. As a result, gasoline prices for local residents remain high. Second, although many oil companies have active drilling operations in the region, they employ few local people. In part, this is because locals do not have the relevant skills. However, local residents also see the practice of hiring outsiders as a way of cutting costs. A village official from Village C states, ‘It is more profitable to recruit people from central Russia—pay them 30,000 and they are happy. In the North, we need different pay rates’.10 Over time, the oil and gas industry has prompted an influx of workers, some of whom compete with local communities for

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9Interviews with villagers in May–June 2011.
10Interview with director of the municipality, Village C, 7 June 2011. At the time of interviewing, 30,000 rubles equalled approximately $1,000 per month. This, however, is only the basic salary without any of the additional payments and benefits which make working for the oil companies highly attractive.
resources like freshwater fish and some of whom become involved in poaching wildlife on which indigenous people depend (Kumpula et al. 2011, p. 559).

A more central issue is land use and the decreasing availability of grazing land for the reindeer herds. Grazing land has been lost to drilling, pipeline construction, and the development of other industry infrastructure. Reindeer herders lament the loss of land that they have traditionally used for their seasonal migrations. A resident of Village C stated, ‘to no longer be on my land feels as though I have lost my home. Here we have a very respectful attitude toward the land. … The oil company comes and as a result, part of the land is taken away’. At the same time, the companies have a legal right to drill because the reindeer herders are not the owners of the land—the state is—and the companies have obtained a licence from the state. An oil company manager, asked about these issues, emphasised the legal situation, ‘to begin doing our work, we need two licenses: one license for production and one for the land. Anyway land belongs to the state, not to the herders’. State ownership of land and natural resources is part of the Soviet legacy. The rights of indigenous peoples to land use have not been widely debated in the post-Soviet period; instead disputes between the federal state and the regions over the control of resources take place behind the scenes. Land use issues are exacerbated by the fact that Nenets families generally have three or more children and land for grazing and home construction may be in short supply. The Nenets people are aware of the broader on-going discussions of indigenous land rights through networking with other indigenous organisations. However, they have not been able to highlight the issue in NAO, where state ownership of leased agricultural land limits their political opportunities.

Pipelines also disrupt the migratory routes of reindeer. Companies take different approaches to constructing crossing points and bridges for reindeer traversing the tundra. For example, in the region near Village A, ConocoPhillips has built corridors for reindeer over and under the pipeline; residents say that these bridges are well planned and are used by reindeer. However, some companies construct crossing points that are too far apart—up to eight kilometres—and it is hard for the reindeer to find them, while others build arches in the pipeline that are too low to the ground for the reindeer to use. ‘Companies make calculations as they try to construct [reindeer crossings] as cheaply as possible’, stated an NGO Yasavei representative in Narian-Mar. Referring to a particular case, the Yasavei representative continued, ‘it was important to raise a bridge above the pipeline, but [the company] did not do it. They said it was impossible. Then it turned out that it was possible, just more expensive’. An aggravating factor is that oil companies in the NAO do not share pipeline infrastructure; initially, some firms made an effort to negotiate shared pipeline arrangements, but they failed to agree. Each company has built its own pipeline, leading to irrational situations. The vice-governor of the NAO acknowledged, ‘near Karataika, there are eight pipes all going parallel to one another. Each pipeline has crossings for reindeer in different places. For the reindeer, passage is impossible. A large territory for reindeer is lost because of that situation’.

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11 For a similar problem in the Yamalo-Nenets region, see Stammler and Forbes (2006, p. 50).
12 Interview with a local newspaper editor, Village C, 12 June 2011.
13 Interview with a representative of Narianmarneftegaz, 13 June 2011.
14 Interview with a Yasavei representative, 28 May 2011.
15 Interview with the NAO vice-governor, 4 April 2014.
Land use problems also arise due to oil spills that contaminate grazing land and bodies of water. In the 1990s, during the early years of drilling in the region, the negative environmental impact of the industry was significant and very visible, leading to some conflict between communities and companies. A resident of Village C remembers, ‘it was terrible what was happening! The entire territory of grazing land was destroyed. Iron, metal, and garbage—all of it was left behind’. Another member of the village states, ‘These spills occur everywhere—and how do they combat the spill? They just detonate an explosion and soil from the explosion covers the oil that was spilled. That way nobody can see it’. The villagers and reindeer herders are usually the first to see an oil spill and to report it to the company and the state agency. By law, Rosprirodnadzor, the federal Natural Resources Oversight Service that verifies compliance with environmental laws and regulations, should document these violations. Yet in practice the agency often is not capable of mounting an investigation. Because of the distances involved and the expense of travelling by helicopter, the agency has sufficient funds to check each company only once every three years. When they do investigate, they must rely on the company itself to provide a helicopter for transportation to the spill. This practice is subject to manipulation. A leader of a cooperative based in Village C complains, ‘the company arranges the flight in such a way that the spill is invisible, or for a time when they have already covered it with soil’. These complaints by local residents reinforce the expectation of companies’ voluntary support for communities, in addition to compensation for reindeer herders.

Negotiating CSR in NAO

There are three forms of resource transfer between oil and gas companies and the residents of NAO: socioeconomic partnerships; voluntary giving; and direct compensation. The practice of corporate responsibility in the NAO is primarily based on socioeconomic partnerships or agreements. Characterised as private–public partnerships (chastno-gosudarstvennogo partnerstva), executives from company head offices negotiate with the NAO governor to determine the level and type of social support that they will provide to the region. Under these socioeconomic agreements, companies bestow a significant—albeit variable—amount of funding to the state budget. In addition to agreements at the gubernatorial level, oil companies provide support to the administration of the Polar district, a sub-regional administrative unit. Many companies go beyond socioeconomic agreements to provide voluntarily funds for cultural events, education, and other activities in local communities as part of broader social programmes that fall under the umbrella of CSR. As a result of both funding from socioeconomic partnerships and voluntary giving, oil companies have constructed a cultural centre and museum, health care facilities, schools, sports halls, and slaughterhouses for reindeer herders in NAO. For example, in voluntary giving programmes, Lukoil provided funding to support a public health programme known as ‘Krasnyi Chum’ and companies such as Total and ConocoPhillips have built schools in villages. Funding also has been used to subsidise transportation from villages to the administrative centre. Socioeconomic partnerships

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16Interview with a cultural worker, Village C, 11 June 2011.
17Interview with reindeer herder 1, Village C, 10 June 2011.
18Interview with a representative of the Department of Natural Resources and Ecology, 7 April 2015.
19Interview with the leader of a reindeer herding brigade, 11 June 2011.
and voluntary social support have played a role in improving the quality of life in Narian-Mar and some villages, enhancing health care and creating educational opportunities for the widely scattered NAO population.

These socioeconomic partnerships are only semi-formal, however. In the early years of oil industry development, the agreements were completely informal. Later a NAO regional law articulated the rules and procedures to guide these partnerships, but the resulting agreements are still a product of closed-door negotiations. There are no rules that regulate the amount companies are required to contribute to the territory. An adviser to the NAO governor describes the process:

Here work is done on the basis of public–private partnership. After the okrug authorities generate consensus on which problems within the territory must be addressed, then there is an appeal to the oil companies—that is, to see which problems are they willing to take upon themselves to resolve, because they work within the territory [and] the people involved with them work in the okrug. In any case, companies have to work in this social environment.

The adviser continued, stating:

The oil companies’ decide that, yes, they believe [a project] is socially important, socially significant, and they have the necessary support for it. This is formalised through an agreement on socioeconomic development, as legally required. The money comes to the budget and then the necessary purchases are made through budgetary procedures.\(^{20}\)

In the end, the level and type of support depend almost entirely on the outcome of the company’s negotiations with the governor. Factors such as the number of years that a company has been active in the region, the stage of development of its oil production, and the quantity of oil produced all influence the agreement. For example, companies undertaking geological surveys are asked for less support than those engaged in commercial drilling. The substance of the agreement is somewhat influenced by the attitude of company officials and the company’s internal CSR policies, which may be more robust in multinational firms and more rooted in Soviet era practices in Russian state-owned companies. Personal ties and connections to the federal government in Moscow also play a role. As one industry representative commented, ‘the state does not control the process [of determining private–public partnerships]’.\(^{21}\)

Ultimately, the level of funding from partnerships and voluntary giving is negotiable and discussions occur in private, without public input.

For most of the post-Soviet period, compensation for damages was also viewed as part of CSR, but it has increasingly become a separate issue with its own legal process. Based on the global principles of CSR as well as Russian law, the oil industry has a special responsibility to indigenous reindeer herders whose livelihoods are disrupted by oil development and whose traditional land use is infringed. While companies must have a licence to exploit resources on state-owned territories, they also need ‘consent’ from the reindeer herders who traditionally use the territory and to compensate them for any damage. Formal legislation concerning compensation existed, but was not fully elaborated prior to 2009. The federal Law on the Guarantee of Rights of the Indigenous and Small-Numbered Peoples of the Russian Federation (1999) laid out the need for the consent of the local indigenous peoples and the right to

\(^{20}\)Interview with an adviser to NAO governor, 1 June 2011.

\(^{21}\)Interview with an adviser to NAO governor, 1 June 2011.
damages.\textsuperscript{22} This law includes indigenous peoples’ right to assist in carrying out ecological and ethnological impact assessments, as well as a role in enforcing environmental protection laws. The NAO has its own regional legislation on the rights of indigenous peoples as well. The NAO regional Law on Reindeer Herding (Article 17.4) gives the right to represent the Nenets people to the Association ‘Yasavei’, an NGO, and consent is determined in consultation with the association. Article 29 of the Land Law of the NAO (2005) allows damages to be claimed by indigenous groups or individuals. Prior to 2009, federal legislation did not offer a method for calculating the cost of damages to the traditional livelihood of indigenous peoples, however. Instead Articles 77–79 of the Federal Law on Protection of the Environment could be applied, but this model was created for assessing environmental, not social, damage; in practice, the ecological impact assessment has been diluted to a mere documentary mechanism.\textsuperscript{23} The federal Law on the Guarantee of Rights of the Indigenous and Small-Numbered Peoples (Article 1.6.) defines ethnological assessment as evaluating ‘socio-cultural effects on the indigenous communities’, and mentions that the indigenous peoples have a right to participate in this assessment (Article 6.8). These assessments have been carried out in Sakhalin and Yamalo-Nenets okrug, but not in NAO (Dahlman et al. 2011). The NAO has its own decree on the metrics to be applied to calculate damage, but these metrics were never endorsed by the Association ‘Yasavei’ (Dahlman et al. 2011).

In 2009, a methodology for assessing damages and metrics for paying compensation that is clearer and easier to use was finally developed at the federal level. However, with one exception, neither it nor NAO’s own metrics for compensation were applied in the region before 2013. Prior to that, indigenous people could in principle take a company to court. However, indigenous people have not brought legal cases against oil companies in the NAO. Moreover, reindeer herders generally did not inform the state authorities about their negotiations with oil companies over damages—or about the amount of voluntary support negotiated—as herders fear that this could lead to a reduction in their support from the regional government, or that they might be required to share funding with their municipality. Companies may be more forthcoming about compensation and voluntary agreements with herders in order to reduce their obligations. A representative of the Northern Lights company recalled:

\textit{if we gave a lot of support one year to [a reindeer collective], some unnecessary donations from the state might be cut. … When we built a religious school in Narian Mar which costs us 30 million rubles, we asked state authorities that they take care of [a particular reindeer cooperative] this year.}\textsuperscript{24}

While herders have mostly relied on informal negotiations—the outcome of which has varied due to differences in their information and knowledge of the law—the use of new federal methodology for calculating the damage to reindeer herders’ income has grown and by 2013 the majority of NAO reindeer enterprises had begun to apply it.\textsuperscript{25}

Formal compensation for damages paid by companies is still highly variable and often coexists, in various combinations, with funding to support indigenous peoples’ traditional

\textsuperscript{22}See Appendix 2 for a list of the laws and decrees referenced in this article.


\textsuperscript{24}Lawyer of the Northern Lights company, Usinsk, 25 February 2015.

\textsuperscript{25}Representative of the administration of the Polar region, 9 June 2011.
holidays and sports events under the rubric of socioeconomic agreements and voluntary giving. For example, since 2013, RusVietPetro has paid compensation for damages to two reindeer enterprises Druzba Narodov and Izemski Olenevod using this methodology; Izemski Olenevod has received compensation for damage from several oil companies and also retained a very modest social-economic agreement negotiated with Narianmarmeftegaz that was upheld for the three-year contracted term, even after Lukoil took over the company.26 Put’ Ilícha, another reindeer collective, had a long-term social economic agreement until 2014 and then pursued compensation for damages in 2015.27 In a contrasting example another reindeer herding enterprise has continued to structure its interaction with the company Arcticneft mostly in the form of in-kind support and barter, illustrating the variation in approaches among herders.28 Overall, it seems that following the shift from social-economic agreements to formal compensation for damages, oil companies have had to pay greater sums than they did in the past.29 Formal methods for calculating legally-mandated compensation from oil companies appear to be slow moving from under the umbrella of CSR, possibly changing perceptions of what companies owe reindeer herders.

Only those herders that are affected in the immediate area of oil drilling are entitled to directly negotiate with oil companies for legal compensation for damages, however. Other reindeer herders seek support through the regional budget or companies’ voluntary social programmes which are characterised under the rubric of the company’s CSR, as well as labelled charitable giving. In discussions with oil companies, reindeer herders tend to frame their demands by appealing to norms of social support from the Soviet period, while company representatives tend to justify their response based on economic factors. Usually voluntary assistance to villages is relatively small and is not monetary, but in kind. Oil companies may provide assistance by purchasing specific items for villages, offering scholarships to university students, subsidising transportation for villagers, or building winter roads. Even more informally, individuals at oil company installations in the tundra may engage in barter with reindeer herders, provide herders medicine and food, or allow them to store equipment at the installation site.30 A cooperative project between the Norwegian Polar Institute and the Association ‘Yasavei’ studying informal agreements between companies and reindeer herders found several challenging aspects of these informal agreements (Dahlman et al. 2011). The agreements tend to be short-term, are often confidential, and lack consultation with a range of local stakeholders. As a result, multiple communities may be engaged in negotiations with a company simultaneously without adequate knowledge about each other’s demands. Finally, some oil companies do not negotiate with local communities at all if residents are not engaged in reindeer herding. Often communities have a mixed population of Nenets, Komi, and Russian residents, and several types of economic activity. In places where there is no active herding, companies consider negotiations with the regional government to be sufficient fulfilment of their obligation to engage stakeholders under CSR.

26 Interview with the director of Izemsko Olenevod, Sizyabsk, 5 March 2015.
27 Interview with the representative of RusVietpetro, Usinsk, 2 March 2015.
28 Interview with the director of reindeer herding enterprise Kolguev, 8 April 2014.
29 Interview with Lukoil-Komi manager, 25 February 2015.
30 Participant observation, Ardalin; see also Kumpula et al. (2011, p. 559).
Over time, the shift to a formal method for compensating reindeer herders for damages has sharpened the distinction between legal compensation and CSR, leaving charitable contributions to support sport and holidays as well as informal welfare support in the realm of CSR. Yet, beyond legal compensation, formal institutions to guide company–community engagement are lacking or are superseded by informal negotiations.

Case studies: three villages in NAO

Which communities have engaged most effectively in relations with oil companies in NAO? Interaction between local residents, reindeer herders, and companies varies across local communities because the impact of oil development in each village is different and the ability of community leaders to navigate formal and informal institutions varies, as demonstrated by evidence from the three villages where we conducted fieldwork. Since this research occurred during a period when informal negotiations predominated, it reflects the practices shaping to socioeconomic partnerships and voluntary giving, rather than formal compensation. It also highlights support for reindeer herding brigades, as opposed to support for the municipalities as a whole.

In Village B, reindeer grazing land is located far from oil industry development. For that reason, the herders do not receive direct compensation from oil companies, although they benefit from funds provided by industry to the NAO budget. In recent years, through voluntary social giving, oil companies have provided funds to build a modern gymnasium and a few houses for reindeer herders in Village B. The lack of oil infrastructure near Village B is seen as an advantage rather than a disadvantage by many residents who expressed the opinion that oil drilling leads to irreversible damage to the natural environment. A villager stated:

once, in an area with oil development, I saw reindeer there moving as though in a bad dream. Large machines were all around, immediately in the reindeer’s path, and the land all ploughed under. We had the oil companies working here in the 1970s, and the land healed only ten years ago.  

Another villager remarked, ‘pumping out oil damages rivers. They all become shallow. There is no flooding, no fish. The fish move down to places where the water is constant. This happened couple of years ago’. In the coming years, however, the lands around Village B are also expected to be a site of oil production, creating new challenges for herders in the village. Thus far, however, Village B engages with companies only indirectly, through funding to the regional budget and an occasional and relatively low level of voluntary giving directly to reindeer herders.

Several large oil companies conduct operations in the grazing land around Village A. As a result, groups of herders have negotiated socioeconomic agreements, and since 2013 compensation for damage, with representatives of different companies. The village administration has received occasional informal support from oil companies. The representative of several reindeer herding households describes their 2011 socioeconomic agreement, stating ‘we are negotiating by ourselves so these are symbolic prices. To ask a big company to buy one

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31Interview with reindeer herder 2, Village B, 5 June 2011.  
32Interview with reindeer herder 1, Village B, 5 June 2011.
tractor in two years, it is almost nothing—half a tractor per year! So for them it is funny money.

We are not asking for much’. Interview with representatives of reindeer herder cooperative 1, Village A, 30 May 2011.

This person also acknowledges benefits from companies’ contribution to the regional budget, stating, ‘through state’s social programme, lots of homes have been built’. Oil companies rarely engage in direct agreements with local communities, but in the case of Village A, under the guidance of a very energetic municipal leader, a multinational consortium of oil companies built a new school building in the community.

Herding reindeer in proximity to oil development creates an opportunity to negotiate compensation with oil companies, but quality of life suffers regardless of compensation, including poor air quality and increased pressure on grazing land. A local resident of Village A commented, ‘there is strong smog from the burning. We are concerned about it. We cannot let our children go outside because there has been such a cloud over the village’. Interview with a retired person, Village A, 4 June 2011.

The development of oil fields and the construction of pipelines make it impossible to herd reindeer on traditional migratory routes. A reindeer herder stated, ‘we have only certain amount of biological resources. We are limited. That is, our current conditions do not allow us to increase the reindeer population for the simple reason that we do not have enough pasture land’. Interview with a representative of reindeer herder cooperative 1, Village A, 30 May 2011.

As discussed, reindeer herders have been able to negotiate compensation from oil companies, but the administration of the village and residents who are not involved in traditional reindeer herding generally are not formally entitled to these types of support, although they experience adverse effects of the activities of oil drilling. ‘They [the companies] sent us to the okrug administration for support. All large contributions go to the okrug and we are not able to ask the companies directly’, remarked a resident of the village. Interview with a school director, Village A, 4 June 2011.

Despite some on-going challenges, however, Village A offers an example of negotiated coexistence among reindeer herders, the local community and the oil industry based on the full range of informal and short-term social agreements, voluntary giving, and compensation for damages.

In Village C, reindeer herders from both the collective farm and reindeer cooperative interact frequently with oil companies that operate on their grazing territory. The reindeer cooperative was among the first to pursue formal compensation for damages. The leader of the reindeer cooperative has become very experienced in negotiating with oil companies, using diverse mechanisms and different types of leverage. This leader first learned to pursue the community’s interests—in this case, the right to sell fur products—through the courts in the 1980s, during the Soviet era, when he was still a member of the collective farm. He recalled, ‘I realised that in fact laws exist which can be used on our behalf. Then my attitude to the law became that if there is a law, we must implement it’. Interview with a representative of a reindeer cooperative, Village C, 12 June 2011.

His exceptional experience with the legal system shapes the cooperative’s interactions with the oil companies throughout the post-Soviet period, even prior to the 2009 federal law. This leader remembers advice he was given by early oil survey teams, ‘when we were working with geologists, they told us, “Guys, we would help you, but we have no money. But when the oil companies come, they have a lot of money and they will help you more”’. Interview with a representative of a reindeer cooperative, Village C, 12 June 2011.

When the oil industry began to develop near the village, the leadership of the cooperative was eager to seek compensation. Initially, the
herders’ negotiations with oil companies were difficult, in part because of the high expectations of the local community and the oil companies’ unwillingness to interact directly with the herders’ cooperative, instead of the regional administration. Ultimately, the herders used the Regional Law of the Nenets Autonomous Okrug on the Regulation of Land Relationships in the Territory and the Federal Law on the Guarantees of Rights of the Indigenous and Small-Numbered Peoples of the Russian Federation as the main tools to defend their interests in their disputes with oil companies and to seek compensation. With financial support from the district administration, the reindeer cooperative conducted a geological and botanical survey of their territory necessary to calculate the impact of oil infrastructure development. The leader appealed to a Moscow expert who estimated compensation for damages from land confiscated for oil infrastructure. With this estimate in hand, the leader appealed directly to companies operating on the herders’ territory: ‘well, I came, saying, “Here is what we think you owe us. If you reckon it is less, give us an estimate as proof”. And they had already prepared to build the pipeline’. The cooperative signed its first formal agreement for compensation with an oil company in 2001. Other reindeer herding enterprises did not use this same strategy until 2013 in part because of how difficult it has been to complete an ecological and ethnological assessment, an expensive and complicated task. The case of the cooperative is a rare early instance in which an active leader successfully used the formal law to protect the rights of reindeer herders rather than relying on informal negotiations.

In general, these cases illustrate the difficulties that communities still reeling from post-Soviet economic dislocation have had in obtaining substantial support from companies or in influencing what form the support takes. In the case of Village B, we see that communities that are not directly affected by oil development must rely on the regional budget for social support. Village C illustrates a rare case in which formal institutions were used instead of informal negotiations. In Village A, we see a community that is engaged in all aspects of CSR funding—informal and formal agreements, voluntary giving, and funding through the regional budget—to support local infrastructure and services. These cases suggest that—in the absence of formal stakeholder engagement policies—villages that face direct and clear impacts from the oil industry, that have institutions (such as cooperatives) that have survived from the Soviet period, and that have active leadership are likely to fare better under existing CSR policies.

**Neo-paternalism and the practice of CSR**

Oil companies have assisted in providing infrastructure and welfare support to the NAO—through socioeconomic partnerships, voluntary giving, and (previously negotiated, now formal) compensation. On the one hand, funding from oil companies helps to maintain and enhance the infrastructure of the NAO, which prior to the ‘oil era’ was eroding due to the post-Soviet economic crisis. On the other hand, the current process of determining how much and what kind of support will be provided does not allow for public participation in long-term planning or contribute to the sustainable development of the territory. Ideally, under the global norm of CSR, the decision of how the funds are to be spent should be determined through dialogue with stakeholders—local officials, NGOs, and local communities. Instead, it is largely decided at the higher levels of the NAO administration and in corporate offices.

39 Interview with a representative of reindeer cooperative, Village C, 12 June 2011.
This has led to the construction of high profile but less essential amenities in the NAO, such as the ‘ice palace’ hockey arena in Narian-Mar, in addition to more valuable institutions such as a large new regional hospital. It also may contribute to the general dependence of the territory and its residents on the largesse of oil companies. CSR as currently implemented in NAO reinforces paternalistic patterns in how the state and business relate to society. This type of neo-paternalism has led to unexpected continuity with the Soviet past, as communities still look to enterprises for essential support yet generally play a passive role in community development and, until 2013, largely did not exercise their formal legal rights.

This pattern of neo-paternalist engagement results from a confluence of factors: the okrug administration’s need for funds to administer a large, sparsely populated territory; the oil companies’ own preferences for charitable giving as part of the CSR; and the population’s expectations of how economic actors should relate to local communities. In the end, the way in which CSR is practised at the local level in NAO has only minimally engaged with existing laws and regulations and does little to reinforce the rule of law. Russia’s federal government owns the land, claims a leading role in deciding on the use of natural resources, and retains most of the revenues from the oil and gas industry. The processes of negotiating socioeconomic partnerships, selecting priorities for voluntary giving, and providing compensation for damages demonstrate the interaction of formal institutions and informal ‘rules of the game’ shaped by the legacy of expectations based in the Soviet past. Typically, partnerships are negotiated on a case-by-case basis and are influenced by factors such as the relationship among the companies and authorities and the future prospects of further contribution from the company. In fact, the government does not systematically track the environmental effects of oil development nor take into account these externalities as part of the cost to the territory and its residents. Local residents’ expectations for compensation instead mostly originate in the Soviet period when companies were broadly engaged in welfare provision. Oil companies, on the other hand, perceive this compensation as voluntary and part of their charitable activities. Companies prefer to donate schools, housing, transportation, scholarships, and other compensation in kind rather than provide funding to let communities determine their own priorities. In effect, informal negotiations allow the companies to decide what level and what kind of compensation local communities deserve.

Federal laws on compensation for damages by the oil and gas industry tended to be declarative in nature and little used in practice. The absence of clear formal rules was a hindrance that was only ameliorated starting in 2013 as reindeer herding enterprises have moved to a formal federal compensation method. Reindeer herders have received more compensation through this method than through informal negotiations where they were a weaker party and had difficulty proving damages. Formal compensation rules also encourage companies to differentiate among compensation and voluntary CSR. However, neo-paternalism still persists in the relationships between communities and oil companies, as well as between companies and NAO authorities. More domestic legislation and formal rules on CSR to local communities might alter this picture, but a significant body of under-utilised legislation already exists. Local residents have a low level of knowledge about their formal rights and a low level of trust in formal institutions. In interviews, they demonstrate a preference for informal negotiations. Under these conditions, it is not surprising that many interviewees claim that they prefer their quality of life during the Soviet period or a fatalistic attitude about the future.

Soviet ideas about the economic enterprises’ responsibility for welfare and infrastructure continue to shape the interaction of actors, as does the idea that the state—or now the oil
company—‘knows best’ the needs of the local population without consulting them directly. In the end, it appears that social policy in NAO is directed more at pre-empting a negative public response to oil and gas development rather than toward sustainable development. In fact, in terms of economic development, it is not clear whether the NAO authorities have a vision of how to use funding made available from socioeconomic partnerships to ensure the region’s future stability. Oil company representatives remark that there does not appear to be a long-term plan for the development of the NAO. They suggest that this type of plan would allow companies to invest in social programmes more strategically. An oil company manager comments, ‘we participate in okrug development programmes, but we cannot assess the region’s needs in order to choose where to contribute’.40 The focus on developing infrastructure neglects the issues of investment in human capital, entrepreneurship, and small and medium size businesses. Local residents have not been empowered, gaining experience in either designing or implementing CSR-supported projects. A representative of the Narian-Mar administration acknowledges:

When the oil ends, this level of well-being will end. People here are not accustomed to entrepreneurship. If the law changes again, this money will disappear from okrug. Right now, people, especially reindeer herders, take everything for granted—the subsidies, benefits, and support from oil companies. The strategy for developing the Arctic is in the hands of the oil industry.41

Some villagers have even more pessimistic predictions. A resident of Village C stated, ‘they will exhaust all the oil and abandon us with our problems. The tundra will take many years to restore itself’.42

Conclusion

This research has identified a gap between how CSR is conceived in corporate offices and how it is implemented in practice at the local level. In response to the expectations of investors and partners, oil and gas companies have begun to develop CSR policies in the NAO in the Russian Arctic, primarily through socioeconomic partnerships demanded by the state and voluntary charitable giving. We see that the global CSR discourse is adapted as it comes into contact with local norms and institutions of state authority. CSR norms interact with the very weak formal institutions of Russian law and the strong informal expectations of a range of actors, including the expectations of state officials and local communities that companies bear some responsibility for welfare support and infrastructure. However, there is little expectation that citizens will be incorporated into an on-going dialogue as stakeholders; instead they remain subjects within a neo-paternalist system of community governance—although some communities are better positioned to take advantage of this system than others. The application of new formal metrics in calculating the compensation for reindeer herding companies is a recent exception to these neo-paternalist practices. As such, it provides hope for the use of stronger formal institutions in protecting the rights of indigenous peoples, and may even lead to acceptance of the right of land use by indigenous peoples in practice. For now, their

40 Interview with a representative of the Polar Lights company, 30 May 2011.
41 Interview with a deputy director of the Department of Natural Resources, 1 June 2011.
42 Interview with retired person 1, Village C, 7 June 2011.
rights still exist on a declaratory level, constrained by the Soviet legacy that gives the state the ownership of land and natural resources and ultimate priority in land use. Overall, socioeconomic partnerships between oil companies and regional entities are designed and implemented in a manner that reinscribes many aspects of Soviet paternalism in a new form. The state has partially ‘privatised’ distribution of welfare to the companies. Priorities for economic development and community support are determined in a top-down process of behind-the-scenes negotiations between the NAO governor and company headquarters. There is no formal representation of community interests, little consultation with communities about their needs, and few mechanisms of participation. This system of regional funding, with companies providing the support necessary to avert a collapse in welfare provision and infrastructure, serves the needs of the federal centre, much as social policy benefited the Soviet state. Indeed, it is the familiarity of this model to most of the actors involved which has enabled neo-paternalism. However, another enabling factor is the convenient and seemingly modern and globalised characterisation of this engagement under the rubric of ‘corporate social responsibility’. In this way, norms from the previous regime and a specific interpretation of new global norms interact and reinforce each other.

NAO residents have deployed the tools available to them to further their interests. They have greater tax revenues than other remote regions in Russia, and they have negotiated additional social support from oil companies. Yet state pressure on corporate actors to adapt the meaning of CSR to serve state interests has become a substitute for a formal sustainable development policy in the Arctic. At the extreme, the lack of a federal policy toward Arctic communities has meant that public and private actors jointly plunder the rich hydrocarbon wealth of the region, leaving the local people to rely on the social policies of corporations that understandably are more interested in drilling oil than taking a leading role in welfare. The blurred division between formal rules and informal negotiations in the longer run may hinder the development of more routine, transparent, and participatory forms of both CSR and welfare provision. It also obstructs the formulation of a longer-term vision for the peoples of the Russian Arctic.

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Putin, V. V. (1997) Strategiccheskoe planirovanie vospriyazhda mineral’no-syr’evykh baz na usloviya v uslovivakh formirovaniya rynochnyh otoshenii, PhD thesis, Economics Faculty, St Petersburg Gornyi Institut, St Petersburg.


### Appendix 1. List of interviews

<table>
<thead>
<tr>
<th>Date</th>
<th>Place</th>
<th>Category</th>
<th>Interviews</th>
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</thead>
<tbody>
<tr>
<td>28 May–14 June 2011, NAO</td>
<td>Narian-Mar</td>
<td>Experts of NGOs</td>
<td>Representative of the regional movement Izviatas (2 June 2011)</td>
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<td>Researchers at the reindeer husbandry experimental station (1 June 2011)</td>
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<td>Vice-president, member and Duma Deputy of Polar district (28 May 2011)</td>
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<td>Yasavei executive director (6 June 2011)</td>
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<td></td>
<td>Local residents</td>
<td>Local newspaper editor (6 June 2011)</td>
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<td>NAO administration</td>
<td>Adviser to the NAO Governor (1 June 2011)</td>
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<td>Deputy director of the Department of Natural Resources (1 June 2011)</td>
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<td>Director of the Agency on Indigenous People and Traditional Nature Use (1 June 2011)</td>
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<td>Representative of the administration of the Polar region (9 June 2011)</td>
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<td>Oil industry representatives</td>
<td>Representatives of Lukoil-Komi company (29 May 2011)</td>
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<td>Representative of Nenets Oil company (13 June 2011)</td>
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<td>Representative of the Polar Lights company (13 June 2011)</td>
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<td>Representative of Nariannameftegaz company (13 June 2011)</td>
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<td>Representative of Total oil company (13 June 2011)</td>
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<td>Reindeer herding enterprises</td>
<td>Deputy director of a reindeer enterprise (28 May 2011)</td>
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<td>Director of a reindeer herding cooperative (14 June 2011)</td>
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<td>Indigenous Nenets people, living in Narian-Mar previously involved in reindeer herding 1 (2 June 2011)</td>
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<td>Indigenous Nenets people, living in Narian-Mar previously involved in reindeer herding 2 (2 June 2011)</td>
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<td>Indigenous Nenets people, living in Narian-Mar previously involved in reindeer herding 3 (3 June 2011)</td>
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<tr>
<td>Village A</td>
<td>Local residents</td>
<td>Director of the boarding school (4 June 2011)</td>
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<td>School director (4 June 2011)</td>
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<td>Housing employee (4 June 2011)</td>
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<td>Retired person (4 June 2011)</td>
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<td>Municipality</td>
<td>Director of municipality (4 June 2011)</td>
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<td>Director of the People’s Deputy Council (4 June 2011)</td>
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<td>People’s Deputy member (4 June 2011)</td>
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<td>Reindeer herding enterprises</td>
<td>Representatives of reindeer herder cooperative 1 (30 May 2011)</td>
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<td>Representatives of reindeer herder cooperative 2 (30 May 2011)</td>
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<td>Representatives of reindeer herder cooperative 3 (30 May 2011)</td>
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<tr>
<td>Village B</td>
<td>Local residents</td>
<td>Director of the kindergarten (4 June 2011)</td>
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</tbody>
</table>
### Appendix 1. (Continued)

<table>
<thead>
<tr>
<th>Date</th>
<th>Place</th>
<th>Category</th>
<th>Interviews</th>
</tr>
</thead>
</table>
|            |       | Municipality                          | Director of municipality (4 June 2011)  
|            |       |                                       | Director of the People’s Deputy Council (4 June 2011)  
|            |       |                                       | Director of the housing commission (4 June 2011)  
|            |       |                                       | People’s Deputy member 1 (4 June 2011)  
|            |       |                                       | People’s Deputy member 2 (4 June 2011)  
|            |       | Reindeer herders                      | Director of the brigade (5 June 2011)  
|            |       |                                       | Reindeer herder 1 (5 June 2011)  
|            |       |                                       | Reindeer herder 2 (5 June 2011)  
|            |       |                                       | Reindeer herder 3 (5 June 2011)  
|            |       |                                       | Reindeer herder 4 (5 June 2011)  
|            | Village C | Local residents                  | Director of folk group (9 June 2011)  
|            |       |                                       | Director of veteran’s council (11 June 2011)  
|            |       |                                       | Folk group singer (9 June 2011)  
|            |       |                                       | Hunter (8 June 2011)  
|            |       |                                       | Local newspaper editor (12 June 2011)  
|            |       |                                       | Retired person 1 (7 June 2011)  
|            |       |                                       | Retired person 2 (7 June 2011)  
|            |       |                                       | Teachers of Nenets language and culture (12 June 2011)  
|            |       |                                       | Teacher of mathematics (12 June 2011)  
|            |       |                                       | Teacher of literature (12 June 2011)  
|            |       | Municipality                          | Director of the municipality (7 June 2011)  
|            |       |                                       | Director of the People’s Deputy Council (7 June 2011)  
|            |       |                                       | People’s Deputy member (7 June 2011)  
|            |       | Reindeer herders                      | Director of the brigade (10 June 2011)  
|            |       |                                       | Dispatcher at the reindeer cooperative (12 June 2011)  
|            |       |                                       | Reindeer herder 1 (10 June 2011)  
|            |       |                                       | Reindeer herder 2 (11 June 2011)  
|            |       |                                       | Reindeer herder 3 (11 June 2011)  
|            |       |                                       | Representative of reindeer cooperative (12 June 2011)  

(Continued)
### Appendix I. (Continued)

<table>
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<tr>
<th>Date: 21–24 April 2013, NAO</th>
<th>Location: Narian-Mar</th>
<th>Participants</th>
</tr>
</thead>
</table>
| **Ardalin oil deposit**     | Oil industry representatives | Polar Lights company representatives: Director of oil and gas development (30 May 2011)  
                             |                     | Polar Lights company representatives: Deputy director of oil and gas development (30 May 2011)  
                             | Experts of NGOs     | Director of the regional movement Izviitas (24 April 2013)  
                             |                     | Yasavei executive director and lawyers (23 April 2013)  
                             |                     | Yasavei, lawyer 1 (23 April 2013)  
                             |                     | Yasavei, lawyer 2 (23 April 2013)  
                             | Local residents     | Museum historian (22 April 2013)  
                             | NAO administration  | Adviser to the NAO governor (24 April 2013)  
                             |                     | Deputy director of social issues (22 April 2013)  
                             |                     | Deputy director of administration on infrastructural development (22 April 2013)  
                             |                     | Director of education and youth policy (23 April 2013)  
                             |                     | Director of management department on indigenous peoples (25 April 2013)  
                             |                     | Director of cultural department (25 April 2013)  
| **3 April–7 May 2014, NAO** | Narian-Mar | Experts of NGOs |
|                             |                     | WWF representative at NAO (7 April 2014)  
                             |                     | Director of experimental station (11 April 2014)  
                             |                     | Director of the Society of Natural History (28 April 2014)  
                             |                     | Director of the Museum of Natural History (7 April 2014)  
                             |                     | Nenets Museum of Natural History (13 April 2014)  
                             |                     | Representative of Narian-Mar socio-humanitarian college (13 April 2014)  
                             | Local residents     | Deputy director of Management of Natural Resources (4 April 2014)  
                             | NAO administration  | Director of the Department of Natural Resources and Ecology (7 April 2014)  
                             |                     | Vice-governor (4 April 2014)  
                             | Reindeer herders     | Current director of a reindeer herding enterprise (18 April 2014)  
                             |                     | Former director of a reindeer herding enterprise (17 April 2014)  
                             |                     | Hear of reindeer enterprise (8 April 2014)  
| **18 February–9 March 2015, Komi Republic** | Usinsk | Oil industry representatives |
|                             |                     | Deputy director of the Department of Public Relations, Lukoil-Komi (25 February 2015)  
                             |                     | Director of the Department of Public Relations, Lukoil-Komi (25 February 2015)  
                             |                     | Lawyer at Northern Lights (25 February 2015)  
                             |                     | Logistics’ coordinator, Lukoil-Komi (26 February 2015)  
                             |                     | Representative of RusVietPetro (2 March 2015)  
|                             | Sizyabk            | Reindeer herders |
|                             |                     | Deputy director of a reindeer herding enterprise (5 March 2015)  
                             |                     | Director of a reindeer herding enterprise (5 March 2015)  
                             |                     | Head of the brigade of a reindeer herding enterprise (5 March 2015)  
                             |                     | Veterinarian of a reindeer herding enterprise (5 March 2015)  

Appendix 2. Laws and decrees


