

Understanding Social Licence

Introduction

Social licence refers to the level of community acceptance and trust in a project or its proponent.

It reflects the goodwill and approval of stakeholders, including residents, landholders and businesses, and is critical to the success of projects that significantly impact local communities. It is not a formal regulatory approval, but a social contract that must be earned and maintained over time.

Council's role is to represent its community, advocating for them to ensure projects are delivered in ways that reflect local values, avoid community harm and provide genuine benefits. Councils can guide proponents to undertake early engagement, communicate openly and broadly, and understand the priorities and needs of communities.

Through stakeholder engagement, drawing on local knowledge and fostering long-term relationships, councils can influence project outcomes, guide proponent behaviour to meet community expectations and ensure benefits are distributed across the community fairly. Building and maintaining social licence requires ongoing dialogue across all stages of the project lifecycle, not just at the approvals stage.

When social licence is well-managed, it can strengthen local communities and boost economic conditions. A loss of social licence can erode community trust, especially if projects fail to deliver promised benefits or face backlash from concerned communities. For proponents, poor management of social licence can lead to reputational, operational or financial risks.

Trust is central

Trust is fundamental to achieving and maintaining social licence. The two key elements – procedural fairness and distributional fairness – are critical to building and sustaining community trust.

Procedural fairness is a strong predictor of community trust

It refers to people feeling they are heard, respected and included in decision-making processes. For councils, this means encouraging proponents to engage early and meaningfully with communities, invite feedback on potential project impacts, report transparently on what was heard and adjust plans to reflect local needs.

Distributional fairness is critical to building trust

Distributional fairness relates to the equitable distribution of project benefits and impacts across different community groups. Fairness applies between communities, as host communities often seek benefits equal to those received by urban consumers and other host communities. Given regional areas bear most of the impacts of renewable energy projects while benefits can flow elsewhere, councils can help balance this by ensuring benefits are aligned with the scale of local impacts.



Social licence is established when communities perceive fairness and sustainable community trust is built across all parties: the project, the proponent and the council.

A council's perspective on social licence

'The concept of social licence is complex. Some community members believe companies only have social licence if they agree to every community demand – anything less is seen as failure. This reflects a lack of understanding about how renewable energy projects operate commercially and the timeframes involved, which differ greatly from mining. In the past, coal companies were required to build towns and integrate into the community. Later, gas companies were allowed to isolate themselves and contribute little locally. A balanced approach is needed – renewable proponents shouldn't be expected to build towns, but they must engage meaningfully and contribute to the community in realistic, sustainable ways.'

Toolkit engagement session – council participant, 2025.

This resource is not an instrument prescribed by statute and provides no statutory guidance. Any references to policies are not an interpretation of those policies. The material or any part of the material in this resource (including any references to legislation) does not constitute legal advice. This resource should not be relied upon for the making of any decisions or the taking of any actions.