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Exxon Agrees to Disclose Fracking Risks

Oil-and-Gas Producer to Detail How Its Manages Impact on Air, Water, Chemicals Involved

Daniel Gilbert | Apr. 3, 2014

Exxon Mobil Corp. agreed to publicly disclose more details on the risks of hydraulic fracturing of oil and gas wells, reversing a long-held resistance after negotiations with environmental groups and investors.

The Texas oil company's decision is the latest evidence of a shift by Exxon's top executives to address growing environmental worries about fracking, a contentious technique in some North American communities.

The report by the biggest energy company in the U.S., expected in September, will cover how Exxon manages risks from fracking in shale-rock formations, including impacts to air quality, water and chemical usage as well as damage to roads, according to correspondence reviewed by The Wall Street Journal.

Exxon's disclosures are a response to a shareholder proposal brought by the New York City Comptroller and social-responsibility advocate As You Sow, which agreed to withdraw the measure ahead of the company's annual meeting next month.

The company's move is hardly a surrender to environmental interests, but does indicate a greater push by executives to press their case for oil and gas development at a time when public opposition to domestic drilling has unnerved some in the industry. But Exxon's forthcoming report won't include some measures sought by the shareholders, such as data on methane that leaks from its operations into the atmosphere, though it agreed to explore disclosing some metrics in the future.

Scott Stringer, New York City's comptroller, called Exxon's agreement a meaningful step, adding that he will continue to seek the disclosure of hard data.

Exxon spokesman Alan Jeffers called the agreement "a productive evolution of our relationship with some of these shareholder groups."

Earlier this week the company published reports on how it would be affected by regulations limiting carbon emissions, arguing that its oil and gas reserves aren't at risk. The company also called on the U.S. to allow more exports of natural gas to supplant fuels that emit more carbon abroad, a policy that would help Exxon as the country's biggest gas producer.

The new disclosures mark a change in tone for Exxon.

When a shareholder at the company's annual meeting in 2011 said Exxon wasn't providing enough detail about its environmental performance, Chief Executive Rex Tillerson responded, "You're just wrong." Last year, in response to a shareholder proposal seeking a report on fracking impacts, Exxon said "the minimal environmental impacts of hydraulic fracturing have been well-documented" and that more disclosure was unnecessary.

But there are signs that opposition is growing against fracking—a method that relies on a stream of water, sand and chemicals to crack open oil and gas trapped in dense layers of rock. The Pew Research Center found that 49% of Americans surveyed opposed fracking in September 2013, up from 38% last March.

In Pennsylvania, home to the natural gas-rich Marcellus Shale, the state's supreme court in December ruled that towns could use zoning powers to limit where companies can drill. In Colorado, three municipalities last year banned fracking, and environmental groups are seeking to put a measure on a statewide ballot that would permit local governments to restrict it.

"I think attitudes are shifting," said Fred Krupp, president of the Environmental Defense Fund, which worked with Anadarko Petroleum Corp., Noble Energy Inc. and Encana Corp. in Colorado to pass legislation last year curbing methane emissions from drilling.

In addition to Exxon, shareholders this year filed proposals for fracking-related disclosures at five other companies, according to As You Sow. Only one other company, natural-gas producer EQT Corp., agreed to provide disclosure that satisfied the filers enough to withdraw the proposal. An EQT spokeswoman didn't immediately respond to a request for comment.

Exxon has faced a shareholder vote on the fracking resolution every year since 2010, when it acquired shale-gas producer XTO Energy Inc. for $25 billion and became America's largest gas producer. The proposal was supported by about 30% of votes cast by shareholders in the last four years.

"It does feel like Exxon is changing the way it's doing business," said Danielle Fugere, president of As You Sow. But if the company's disclosure report disappoints, "we did reserve our right to bring a resolution next year."