

Shareholders challenge gas companies on fracking

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A group of US investors have filed shareholder resolutions with nine oil and gas companies, pressing them to disclose plans for managing risks associated with the technology being used to [extract gas from shale rock](#).

With the US Environmental Protection Agency [investigating the risks](#); a New York State moratorium on use of the technology; and cases like the one being built against [Range Resources](#) in Texas, the resolutions are no surprise.

The shareholder movement, led by Thomas DiNapoli, the New York State Comptroller, is targeting ExxonMobil, Chevron, Ultra Petroleum, El Paso, Cabot Oil & Gas, Southwestern Energy, Energen, Anadarko and Carrizo Oil & Gas. Here is what he had to say about the effort to get more information about hydraulic fracturing, known as fracking:

Oil and gas firms are being too vague about how they will manage the environmental challenges resulting from fracking. The risks associated with unconventional shale gas extraction have the potential to negatively impact shareholder value. I urge companies working in this field to share their risk mitigation and management strategies with investors and the public.

Specifically, the resolutions ask the companies to disclose their policies and strategies for reducing environmental and financial risks from chemicals use, water impacts and a host of other issues. They also request adoption of best management practices, such as recycling and reusing waste waters; reducing the volumes and toxicity of chemicals used in the process; disclosing the chemicals and assuring the integrity of well cementing through pressure testing and other methods.

The industry has long insisted the technology is safe. While some companies are prepared to reveal the chemicals used, they say they have not done so because it has long been considered proprietary information. But they insist the technology is safe. Here is more from the American Petroleum Institute, the industry's national trade group:

Hydraulic fracturing is a technology used in the United States to help produce more than 7bn barrels of oil and 600 trillion cubic feet of natural gas. The technology has been used since the 1940s in more than 1m wells in the United States. Its continued use is critically important to producing at home more of the oil and natural gas the nation will be consuming in the decades ahead. Even though America has abundant natural gas resources, most cannot be produced without this technology. Studies estimate that up to 80 per cent of natural gas wells drilled in the next decade will require hydraulic fracturing.

As far as safety goes, the API says:

Well construction practices that are standard in the industry and that are enforced by virtually all states effectively protect underground sources of drinking water from impacts related to oil and gas exploration and production activities, including hydraulic fracturing. The great majority of hydraulic fracturing activities take place at depths far below existing groundwater sources that could reasonably be considered underground sources of drinking water. And contemporary well design practices – steel pipe cemented to the rock through which a well is drilled – ensure multiple levels of protection between any sources of drinking water and the production zone of an oil and gas well. We are continuing to improve our operations through the development of new industry guidance documents on well construction, surface environmental considerations, and water use and management. We will be sharing these documents with state regulators to enhance transparency in the regulatory process.

Shareholder resolutions like the ones being filed can only help speed up this process.

Signing onto them are investors including Domini Social Investments, **As You Sow**, Trillium Asset Management, Miller/



Howard Investments and The Sisters of St Francis of Philadelphia.

Richard Liroff, executive director of the Investors Environmental Health Network, which helped coordinate the resolution, explains why now:

High profile water contamination incidents, new litigation, and public protests that include calls for moratoria on natural gas permitting all suggest sizeable and rising business risks to companies and attendant threats to shareholder value. Shareholders need assurance that companies are candidly disclosing these risks and are adopting best management practices to minimise them.

Whether the companies agree with all that will be seen at their upcoming shareholder meetings. Here is what ExxonMobil had to say:

ExxonMobil supports the disclosure of the identity of the ingredients being used in fracturing fluids at each site. While we understand the intellectual property concerns of service companies when it comes to disclosing the proprietary formulations in their exact amounts, we believe the concerns of community members can be alleviated by the disclosure of all ingredients used in these fluids.

And this is what Chevron said:

We are currently reviewing the stockholder proposal you referenced related to hydraulic fracturing. We believe that hydraulic fracturing is critical to accessing the nation's natural gas resources, leading to greater energy security. This practice has been used safely for over 60 years, it can be conducted in an environmentally responsible manner, and is well regulated by the states.

Should be an interesting shareholder season.