

# Shareholders Can Question 'Fracking'

By Erin E. Arvedlund

If you don't like natural gas companies drilling in your Pennsylvania backyard, you have shareholder democracy on your side.

In response to last week's column about investing in energy companies working the Marcellus Shale, it is only fair to inform readers about the possibility of voting on drilling matters - including the controversial technology known as "hydraulic fracturing" - via shares you might own in the energy companies.

April is proxy season, when investors who hold shares in public companies get a chance to vote on important issues, including executive compensation, the makeup of corporate boards, share buybacks, and the hot topic these days: environmental concerns. This spring, and every year, you the investor can vote on these issues by lodging your shares as a "yes" or "no" vote on things important to you.

If you want to vote against hydraulic fracturing with your shares, you will join a long line of investor activists such as **Green Century Equity Fund** in Boston; one of New York State's retirement funds, the **NYS Common Fund**; and one of the consistently loudest voices in environmental activism: the Sisters of St. Francis of Philadelphia, based in Aston. Yup, the nuns are in on the proxy-voting act.

How does it work? Take a look at what these shareholders in **Chesapeake Energy** did last year for a road map on how proxy votes work.

Those investors called for a vote, arguing that hydraulic fracturing, which injects a mix of water, chemicals, and particles underground to create fractures through which gas flows, could increase by 45 percent between 2007 and 2030, and that up to 80 percent of natural gas wells drilled this decade will employ hydraulic fracturing.

"Fracturing operations can have significant impacts on surrounding communities including the potential for increased incidents of toxic spills, water quantity and quality impacts, and air-quality degradation," the investors' resolution said, according to a Chesapeake Energy filing with the Securities and Exchange Commission.

Anti-fracking shareholder activists contend that Ohio, Pennsylvania, and Colorado have documented cases of methane gas linked to fracking in drinking water and that there is little public disclosure of chemicals used. The companies, in turn, say they are already highly regulated. They also point out they create jobs and have been operating safely for about 60 years.

Pennsylvania sits on a significant portion of the sprawling Marcellus Shale, which some believe to be the largest on-shore natural gas reserve in the country.

Individuals have always had a voice via the proxy process. If you are a retail investor, online now offers a simple way to vote "yea" or "nay" on these proposals.

"Roughly 30 percent of all shares are owned by individuals, and yet only 5 percent vote," said Mark Schlegel, head of Moxy Vote, in West Chester. While there are institutional proxy-voting services, Schlegel says MoxyVote.com may be the first firm devoted to the "little people" - retail investors - allowing them to vote their shares through the Internet.

In 2010, 26.3 percent of shareholders in ExxonMobil called for a resolution for more disclosure on hydraulic fracturing. Aquinas Associates, **As You Sow Foundation**, and Green America voted for the resolution. The board of ExxonMobil, not surprisingly, recommended voting "against" it.

Cabot Oil & Gas - a company working the Marcellus - had a similar environmental proposal receive 35.9 percent shareholder approval in 2010, and Green Century also submitted similar proposals on fracking to EOG Resources Inc., Williams Cos., and XTO Energy, which was acquired by ExxonMobil last year.

In the case of Beazer Homes and Jacobs Engineering Group Inc., more than 50 percent of shareholders last year rejected the compensation package for top executives through proxy votes. You can also vote on resolutions that force com-

panies to disclose political contributions, such as Citigroup faces April 21.

But back to Marcellus Shale drillers. Shareholders last year voted to have the Chesapeake Energy's board of directors create an environmental report on fracturing operations, as well as create policies to reduce or eliminate hazards to air water, and soil quality from fracking.

Shareholders also wanted the use of less toxic fracturing fluids and the recycling of wastewater.

Even a small amount of shares can have a powerful voice. The Sisters of St. Francis owned only \$2,000 worth of Chesapeake Energy shares, but they were able to submit a proposal that companies such as Chesapeake should be using technology to track chemical signatures from drilling.

Amen to shareholder democracy.