

Frack Attack: Shareholders Demand More Disclosure

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On Wednesday this past week, ExxonMobil (XOM) and Chevron (CVX) shareholders voiced their opinion about the companies' hydraulic fracturing practices. In an earlier post, "The Hype about Hydraulic Fracturing," we mentioned that fracking involves using large amounts of water and potentially hazardous chemicals to release natural gas found deep within Marcellus shale rock. While the breaking apart of large-scale rock formations can be environmentally destructive, shareholders also worry that without full disclosure of the kind of chemicals dissolved in the water mixture, groundwater supplies could be permanently damaged. In addition to ecological harm, the risks of fracking could lead to regulatory, legal, and financial liabilities for the companies. For shareholders concerned about the environment or simply the corporate balance sheet, hydraulic fracturing is a major topic of concern.

Without full disclosure from the companies, shareholders argue that Chevron, ExxonMobil, and other oil companies that rely on fracking, cannot accurately assess the environmental, health, legal, regulatory, and financial risks associated with the process. And shareholders won't stand for this kind of risky uncertainty—the fracking resolution at Chevron received support from 41% of the shareholders and the similar ExxonMobil resolution garnered 28% support. Normally, the Environmental Protection Agency (EPA) regulates chemicals used in any process that involves underground injection through the Safe Drinking Water Act. However, the 2005 Energy Policy Act removed the EPA's authority to regulate hydraulic fracturing processes.

The Chevron resolution, submitted by **As You Sow**, asks the company to produce a report detailing the use of specific chemicals and the potential hazards associated with hydraulic fracturing. How do you think companies should handle shareholder concerns? Should hydraulic fracturing procedures be determined by individual companies, or does this require industry and government regulation?