

# Exxon's "Frack Attack" and What Shareholders May Do About It

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By Michael Passoff, Senior Program Director at As You Sow

ExxonMobil believes in public disclosure regarding its use of toxic chemicals. Either that, or it is funding lobbying groups to oppose regulations for disclosure.

Former VP Dick Cheney was concerned about your health. Either that or he gave a big handout to his gas and oil buddies.

What do the two have in common? The answer is in your water tap—and you may not want to drink it.

Welcome to the world of "fracking," which, besides being a fun word to say, is the process of injecting a

mixture of water, chemicals, and sand underground to create fractures, through which natural gas can flow for collection. Fracking—more formally referred to as hydraulic fracturing—has been around for decades but the technology recently advanced to the point where it is able to reach and extract previously inaccessible gas deposits.

A natural gas boom may be on the horizon and many consider this both economic and environmental good news. Natural gas emits far fewer greenhouse gases than coal or oil and is viewed as a transitional energy source until renewable energy resources are fully developed. It also can bring in big money to economically depressed areas.

Six months ago, ExxonMobil announced a \$41 billion merger with XTO Energy. This move will vault ExxonMobil from being about the ninth largest natural gas company in the US to the undisputed #1 industry giant (approximately 30% larger than second place BP). At the heart of this merger is XTO's wide range of natural gas holdings across the country.

ExxonMobil views natural gas as a major area of expansion and is aggressively moving to be the industry leader. Yet, this move also places ExxonMobil into the center of the storm brewing over hydraulic fracturing. While natural gas development might be better for the climate, fracking is increasingly linked to water contamination. The process is incredibly water intensive, with each well requiring one to three million gallons of water. About 60-80% of that water is returned to the surface and has to be dealt with. ([PDF](#))

The water contains highly toxic chemicals used in the fracturing process and also picks up naturally occurring radiation, dissolved solids, and heavy metals in the process. Just this past weekend, in Clearfield County, PA, an estimated [1 million gallons of frack water spewed out of a well](#), causing parts of Moshannon State Forest to be evacuated.

Although there are hundreds of chemicals known to be used in fracking, companies refuse to provide specific information on toxic chemicals used. Even when an emergency room nurse in Durango, Colorado, who treated a gas field worker covered in fracking fluids, became so ill from exposure to the chemicals that she suffered liver failure, respiratory failure, and heart failure, the company still would not disclose the chemicals. The hospital was forced to guess at



the appropriate treatment. Later, a [Colorado study found](#) that at least 65 fracking chemicals are listed as hazardous under any one of six federal laws.

Water contamination can also come from the gas itself. Last year in Dimock, PA, methane gas migrated thousands of feet contaminating the fresh-water aquifer and resulting in at least one explosion at the surface. Over a dozen other water supply wells within nine square miles were affected. In fact, there is so much methane gas mixed in with their water that [Dimock residents can literally light the gas leaking out of their kitchen taps](#).

Normally, the Environmental Protection Agency (EPA) would be regulating this. But in 2005, [Vice President Dick Cheney](#) (and former CEO of Halliburton, the company which pioneered fracking) guided a bill through Congress that exempted fracking operations from the Safe Drinking Water Act.

Without federal oversight regulation is left to the states—but they have been less than rigorous in doing so. The U.S. Department of Energy reports ([PDF](#)) that 2/3 of the drilling states have no regulations specific to hydraulic fracturing, and only four states have detailed regulations

Industry adamantly defends its safety record, but consumers are alarmed—and politicians are starting to listen. Tougher regulations have been introduced in Pennsylvania, Colorado, and New York (New York City's drinking water supply is home to a prized gas drilling region). The 'FRAC' Act has been introduced in Congress (which would restore EPA oversight under the Safe Drinking Water Act), and the EPA has begun public hearings on fracking.

[Industry's lack of disclosure has raised many red flags with investors](#) who are concerned about regulatory risks that could greatly increase operation costs, legal liabilities from health impacts, and reputational risk from the growing public and political opposition.

ExxonMobil investors just voted on a shareholder proposal asking the company to report on the environmental risks associated with hydraulic fracturing. Shareholders even took the unusual step of [highlighting fracking risks with the SEC](#). The proposal received 24% of the vote which – to put it in perspective – is about five times higher than the typical vote in support of first year environmental proposals. Votes have been even higher at other companies such as Williams (41%), Cabot (36%), and EOG (31%) which are less diversified than Exxon and thus more vulnerable to financial risks associated with fracking.

Yet instead of developing non-toxic alternatives or providing full disclosure of the chemicals used in hydraulic fracturing fluids as the public, politicians, and investors are asking for, Exxon is offering sound bites. At the recent Exxon shareholder meeting CEO Rex Tillerson was asked if they support disclosure. He said yes but then refused to answer questions regarding whether Exxon would provide supportive comments to the EPA hearings, withdraw its funding for lobbying groups that are actively opposing disclosure regulations, or give preference to suppliers who could provide less toxic fracking fluids. Mr. Tillerson simply dismissed the issue by saying that fracking fluids are just pretty much what you would find in your kitchen cabinet. If what is in his kitchen cabinet put an emergency room nurse in the hospital I, for one, don't want to go to his house for dinner.

Perhaps Mr. Tillerson should pay more attention to the Gulf oil spill– the result of BP's ignoring regulations and safety procedures on its Deepwater Horizon drilling rig. Exxon is also trying to avoid regulations and increased safety procedures. It is a recipe for another disaster.

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Michael is a leading practitioner of shareholder advocacy on social and environmental issues. For nearly 15 years he has been engaging the nation's largest investors and corporations including Disney, McDonalds, Starbucks, Exxon, and DuPont among many others. His shareholder advocacy work led him to be named as one of 2009's "100 Most Influential People in Business Ethics," and he also received the 2009 Climate Change Business Journal award for NGO activism. Michael authors an annual Proxy Preview that is designed to help foundations identify shareholder resolutions related to their mission and provides additional information on how foundations can align their mission and investments. The Chicago Tribune called the Preview "a bible for socially progressive foundations, religious groups, pension funds and other tax-exempt organizations."