

Oil Company Shareholders Vote Against Fracking in Record Numbers

Leon Kaye | June 6, 2011



A fracking site in NY's Catskill Mountains

The discoveries of massive deposits of natural gas may be America's ticket to energy independence. These reserves are tucked far beneath the earth's surface and requires extraction by hydraulic fracturing, or "fracking," a process that has fomented plenty of controversy and protest. Folks who have endured the negative effects of fracking will say that the costs far outweigh the benefits. Energy companies, naturally, beg to defer.

Opponents of fracking have taken their cause to energy companies' shareholders, and the results are impressive. The shareholder resolutions do not ask the companies to stop fracking, but conduct it in a way that mitigates the impact on the environment and communities. Supporters of these resolutions also insist that more careful extraction will boost the companies' bottom line in the long run. Recently the Securities and Exchange Commission (SEC) released results of shareholder votes on hydraulic fracturing, and the results will encourage fracking opponents.

Recent shareholder resolution votes on fracking resulted in the following percentages of "yes" votes:

Energen **49.5%**

Carrizo **44%** (preliminary total)

Ultra Petroleum **42%**

Chevron **41 %**

Exxon **28%**

Scoring a "yes" vote over 10% is a noteworthy achievement—breaking 20% is especially impressive. According to **As You Sow** and Green Century Capital Management, the returns for the Ultra Petroleum and Carrizo votes are especially telling.

When Ultra Petroleum held its annual meeting of shareholders, the company not only declined to announce the vote results, but refused to allow shareholders to present their resolution—even though the SEC requires shareholders to do so. The percentage of yes votes had doubled from the previous year—a huge jump as generally shareholder votes presented year after year gain only incremental increases.

Meanwhile, the Carrizo vote is jarring because this is the first year that a fracking-related resolution came up for a shareholders' vote. The New York State Common Retirement Fund filed the resolution, which in turn has now become a case study of how fracking has attracted the attention of shareholders—who will not ignore the risks that fracking has on health, water, and land.

Watch for this trend to surge. Shareholders have engaged dozens of companies on this issue over the last two years. Other companies are revealing more disclosure on how they are reducing fracking risks. These resolutions at Exxon, Chevron, Ultra, Energen, and Carrizo are a wake-up call to management that shareholders want our companies to be industry leaders—not laggards—and take seriously the "R" in CSR: **responsibility**.