

Exxon's Fracking Gag Makes Chesapeake Look Good

Christopher Swann | May 30, 2012

The author is a Reuters Breakingviews columnist. The opinions expressed are his own.

Exxon Mobil's reticence to come clean about fracking makes Chesapeake Energy look good. That's a rare feat – and hardly one to brag about. The troubled gas firm is infamously opaque. But its openness on the risks of fracking puts larger rivals like Exxon Mobil and Chevron to shame. After another large minority vote from investors for more information on this controversial practice, Big Oil should follow its troubled cousin's lead.

The fallout from fracking is no longer merely a worry for environmentalists. As much as a fifth of Exxon's giant fossil fuel trove can only be accessed by using the drilling method, which creates mini-quakes to crack open fuel-laden rocks. So the threat of fracking-related mishaps or tighter regulation ought to concern its shareholders. Chevron too became one of America's largest frackers after its 2011 takeover of Atlas Energy.

While gas and oil output from shale has been surging, threats to the industry have also been mounting. New York State and Canada's Quebec province have both announced a moratorium on fracking and France has banned it outright. Chevron even had its shale exploration license canceled in Bulgaria after the nation turned against fracking.

Yet both Exxon and Chevron continue to give investors only bare-bones disclosure on such perils. Close to 30 percent of investors at Exxon Mobil are demanding more, up from around 28 percent last year. A chunky minority at Chevron – 27 percent – agreed.

Somewhat embarrassingly for such giants, social and environmental investor pressure group "As You Sow" holds up Chesapeake as one exemplar of honesty. The firm, which has rightly been under attack for poor corporate governance, at least reveals fines from fracking. Some other small frackers, like \$11 billion Talisman Energy, disclose all safety violations.

To get similar information about their company, Exxon shareholders have to resort to trawling through Pennsylvania state statistics. "As You Sow" dug up 200 alleged violations for Exxon in the state in the past two years – among the highest rate per well of its peers. That's unusual for Exxon, which is normally obsessed with operational excellence.

Secrecy at Chevron and Exxon risks backfiring. If the firms can't command the trust of their own shareholders on fracking, they stand less chance of winning over the skeptical citizens of gas-rich states like New York. Losing that revenue really could have shareholders up in arms.