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Oil, Natural Gas Drillers Lag in Disclosing Risks

Jim Polsen | Dec. 11, 2014

While a handful of shale drillers including BHP Billiton Ltd. (BHP) are providing better information to investors on the risks posed by fracking, industry wide efforts still fall short.

Oil and natural gas producers that use hydraulic fracturing offered incomplete information on their operations, according to a report today by a coalition of investment firms and advocacy groups. Using public data from Aug. 2013 through Sept. 2014, the report rates disclosures from 30 drillers on toxic chemicals, water and waste management, emissions and community impacts.

Fracking and horizontal drilling in which wells are bored sideways through petroleum deposits have revived U.S. oil and gas output, helping to trigger this year's 42 percent decline in crude prices. Investors in the drilling boom don't have the data they need to assess risks, according to Richard Liroff, executive director of the Investor Environmental Health Network, a group focused on health risks.

"Many energy companies are still largely failing to rigorously disclose the impacts of their hydraulic fracturing operations on communities and the environment," Liroff, co-author of the report, said in a statement. "Data on key metrics remain largely absent for most companies, making it difficult for investors and the public to assess and compare companies' performance."

BHP Billiton Ltd. led shale producers in disclosing risks from fracking, a technique in which chemically-treated water and sand are forced underground to release trapped hydrocarbons. BHP, (BHP) based in Melbourne, Australia, was among 16 companies in the survey that uses infrared cameras to detect leaks, and among 20 that substituted pipelines for trucks to reduce traffic and prevent road damage.

Methane Leaks

Only three drillers, Apache Corp. (APA), EQT Corp. (EQT) and Range Resources Inc. (RRC), report methane leakage rates, according to the annual report first compiled in 2013. The U.S. Environmental Protection Agency is expected to announce this month regulations on methane, the main component of natural gas and a contributor to global warming.

"Although industry wide performance continues to lag investor expectations, several companies have significantly improved their disclosures over the past year," according to the report. "This change is consistent with continued investor, public and regulatory scrutiny" and innovation within the industry.

Only EQT and two others, Hess Corp. (HES) and Chevron Corp. (CVX), quantified their use of toxic chemicals in fracking fluid. Three drillers, Hess, Penn Virginia Corp. (PVA) and Royal Dutch Shell Plc (RDSA), monitor nearby groundwater for contamination after wells are drilled.

"Failure to quantitatively disclose key performance metrics remains the industry wide standard," according to the report. "A small group of companies has dramatically improved disclosure."

Best Performer

BHP, the best performer since the survey began, provided information in 18 of 35 categories that help investors assess risk, up from two last year, according to the report. Exxon Mobil Corp. (XOM), the largest oil company, covered only five indicators, up from two in 2013. Of all companies sampled, 24 scored 9 or less.

Authors of the report include Liroff, Danielle Fugere of the As You Sow Foundation, a group focused on corporate responsibility, Lucia von Reusner of Green Century Capital Management Inc., which offers fossil fuel-free mutual funds and Steven Heim of Boston Common Asset Management LLC.