

## Investor scorecard illustrates rising importance of transparency

February 11, 2016 | Mella McEwen



Regulators are not the only ones closely watching how operators are producing oil and natural gas.

Investors, increasingly leaning toward social responsibility, are also watching operators, especially those involved in hydraulic fracturing operations.

And they're grading just how transparent operators are about those operations. As You Sow, Boston Common Asset Management and the Investor Environmental Health Network in December issued its third "Disclosing the Facts" scorecard ranking the 30 largest oil and gas companies using hydraulic fracturing.

Topping the 2015 list was BHP Billiton, which scored 32 out of a possible 39 points. The company scored two points to rank at the bottom in the first scorecard issued in 2013.

There are several reasons for a company to be well-regarded by such investor groups, said Ed Mongan, senior manager, environment and regulatory for BHP Billiton.

The scorecard "represents what large groups of investors are asking for companies to be more transparent," he explained during a visit to the area for a community meeting in Pecos.

The concerns measured in the scorecard — what toxic chemicals are possibly contained in fracturing fluid, well integrity, water and waste management, air emissions and community impact — are the same concerns held by those living in the communities where companies work, Mongan said.

Tommy Clark, head of corporate affairs, shale, said investor groups "want to be comfortable (that) the companies they're investing in are doing best practices and mitigating any impact on communities.

"It's the responsibility of organizations, especially faith-based organizations, to oversee those investments," he said. "They don't want to squander their money on companies that aren't managing risks."

In the Permian Basin, the company transports its water by pipeline rather than truck, reducing traffic and reducing vehicle emissions, Clark said. Also in the Permian Basin, BHP has significantly reduced the amount of what could be considered fresh water in its hydraulic fracturing operation to about 20 percent. Recycled

produced water from existing wells comprises 30 percent and the remaining 50 percent is low-quality brackish water.

Those investor groups “want a good return on their investment but they also want to influence companies to do better,” said Mongan.

Added Clark, “What (the scorecard) is doing is raising the bar and getting companies to think along these lines.”

The three organizations that released the report said they observed improved transparency from some companies but pointed out that 70 percent of the 30 companies ranked continued to receive failing marks. They utilize public disclosures on 39 benchmarks, including water and waste management and methane leakage, a key concern because methane is a more potent greenhouse gas than carbon dioxide. The 30 companies failed to disclose methane leakage rates or how they monitor for leakage, according to the scorecard. In 2015, only five companies disclosed methane emissions from their drilling and field operations and none publicly established emission reduction goals.