

Investor Scorecard Has Mixed Results for Shale Drillers

Anya Litvak | Dec. 11, 2014

Several shale drillers operating in Pennsylvania's Marcellus Shale were recognized for good industry practices in a second annual scorecard issued by a coalition of investment firms and advocacy organizations that push for disclosure of risks around oil and gas operations.

The groups, including **As You Sow**, Boston Common Asset Management, Green Century Capital Management, and the Investor Environmental Health Network, evaluated the public disclosures of 30 companies tapping shales in the U.S. and Canada. The companies were scored on how specifically they identified and quantified risks around five issues: toxic chemicals, water management, air emissions, community engagement, management and accountability. Overall, the scorecard's authors were dissatisfied with the level of disclosure related to environmental and operational risks, although the area requiring most improvement appeared to be community engagement.

"Across the industry, companies are failing to provide investors and other key stakeholders with quantitative, play-by-play disclosure of operational impacts and best management practices," the report stated. "Existing company disclosures remain mostly qualitative and narrative, or focus anecdotally on just one or a few of their multiple plays, making systematic comparisons across companies difficult."

Nevertheless, the investment groups used the scorecard document to highlight company practices they felt were in service of accurately accessing and mitigating risks. Marcellus drillers EQT Corp. and Range Resource were praised for reporting their methane leakage rates, two of only three companies that do so. (Downtown-based EQT Corp. was singled out for tripling its overall disclosure score since 2013, the benchmark year for the scorecard.) Cabot Oil & Gas, which drills in the Marcellus formation in Susquehanna County, received credit for using natural gas, rather than diesel, to fuel its rig generators. Cecil-based Consol Energy Inc. got a shout out for trying to incorporate some acid mine water in its fracking fluid and for its good public engagement process in advance of the drilling project at Pittsburgh International Airport. Noble Energy, Consol's joint venture partner in parts of the Marcellus, was recognized for its well integrity program which involves the company surveying the casing and cement of existing wells near a proposed location and plugging abandoned wells, when necessary. EQT also got credit for being specific about how it handles shale waste with naturally occurring radioactive materials, such as drill cuttings and sludge. The report does pass judgement on whether the measures outlined in companies' public reports are effective.

The investor groups encouraged companies to involve third-party firms to audit their health and safety programs and compliance. It mentioned the Pittsburgh-based Center for Sustainable Shale Development, which designed its own voluntary operating standards and has certified the first company — Chevron Corp. — using third-party verification.

"We have seen a general trend of improved disclosure among companies — albeit falling short of the standards laid out in this scorecard — since first raising these issues in 2009 in a series of continuing investor engagements with companies," the groups' report stated.