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MEDIA CONTACT: Stefanie Spear, sspear@asyousow.org, 216-387-1609

Hydraulic Fracturing Scorecard: Concerns Remain Regarding Disclosure of Water and Chemicals Management

OAKLAND, CA—April 24, 2019—Shareholder advocacy group As You Sow and investment advisory firm Boston Common Asset Management released today Disclosing the Facts 2019: Transparency and Risk in Water & Chemicals Management for Hydraulic Fracturing Operations. This report is the next installment in a series of scorecard reports designed to promote improved disclosure and corporate responsibility in the oil and gas sector.

The report’s authors reviewed the 30 largest publicly traded producers of oil and gas in North America in an effort to identify those companies using and disclosing current best management practices. Key findings include:

- Top scoring companies included: Southwestern Energy (NYSE: SWN), Apache (NYSE: APA), Anadarko (NYSE: APC), and Range Resources (NYSE: RRC)
- Bottom scoring companies included: Gulfport Energy (NYSE: GPOR), Continental Resources (NYSE: CLR), Total (NYSE: TOT), and EOG Resources (NYSE: EOG)
- Areas most disclosed by companies include: information on “near misses” or close calls; practices for maintaining well integrity; and percentages of water recycled in each operating area/region.
- Companies most often failed to disclose information on: reductions in chemical toxicity and pre- and post-drilling water quality monitoring practices.

“Our report shows that smart use of water and chemicals continues to evolve, but more needs to be done,” stated Steven Heim, managing director and director of environmental, social, and governance (ESG) research at Boston Common Asset Management. “Proactive companies adopt, develop, and disclose current best practices outlined in our report such as reducing freshwater use. This enables investors to assess and compare how well companies are reducing costs and risks — including how well they manage environmental and community impacts resulting from their hydraulic fracturing operations.”

Water is a vital resource, the availability of which has extensive impacts across the economy. Investors’ increasing focus on water and chemicals reflects the role this resource has on companies’ ability to operate, as well as the impact companies have on water availability and water quality in areas where they are located.

“As climate change increases water scarcity in certain regions, investors need assurance that companies are responsibly managing the amount of water they use to protect communities, the environment, and other water users,” said Danielle Fugere,
president at As You Sow. Climate change and the potential for drought, can negatively impact areas such as Texas where 51 percent of wells are in high or extremely high stressed water regions.

“The best companies are increasing their water efficiency, re-using water from operations, using non-potable waste streams, and even treating wastewater,” said Lila Holzman, energy program manager at As You Sow.

The process of hydraulic fracturing also uses a range of chemicals, raising the risk of unintended toxic releases that could result in water contamination. “The potential for water contamination has appropriately been one of the major concerns affecting companies’ social license to operate,” said Fugere. “People’s lives are at stake, so company practices matter, both in preventing problems in the first instance and acting responsibly when problems occur.” Eliza Griswold’s Amity & Prosperity, which recently won a Pulitzer Prize, highlights how badly things can go wrong when these principles are not followed.

The deep well injection of large volumes of wastewater at high pressure increases the risk of induced seismic activity. Disclosing the Facts 2019 seeks to highlight the importance of comprehensive water management and disclosure to inform investors how companies are addressing such risks.

In the Permian basin, which is expected to produce roughly a third of total U.S. oil production this year, water is becoming the largest challenge to field development. Even with 100 percent water reuse for completions, which is unlikely, it is predicted that the current salt water disposal infrastructure in the Permian is expected to hit capacity in the near future. Failure to address this critical issue could increase costs and cause lost production.

Richard Liroff, senior advisor for the report added, “Water is a critical resource on which communities, the environment, and businesses depend. It is encouraging to see improvement by many oil and gas companies in disclosing their water protection and chemical management practices. On the other hand, low-scoring companies continue to leave investors in the dark as to how, or if, they are responsibly using and disposing of water.”

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As You Sow is a nonprofit organization that promotes environmental and social corporate responsibility through shareholder advocacy, coalition building, and innovative legal strategies. See our resolutions here.

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and opportunities presented by ESG factors. Therefore, our investment strategy is to build and grow diversified portfolios using the high-quality but undervalued sustainable stocks that our integrated investment research identifies. As part of this, we look to add value through targeted company and industry engagement efforts.

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