

Quantitative Risk Management Reporting for Shale Energy Operations Chevron 2013

Whereas,

Extracting oil and gas from shale formations, enabled by the use of horizontal drilling and hydraulic fracturing technology, has become a highly controversial public policy issue.

Leaks, spills, explosions and adverse community impacts have led to bans and moratoria in the United States and around the globe. These include New York State, the Delaware River Basin, the Province of Quebec (Canada), and France. Bulgaria's ban has cost Chevron its permit to conduct fracturing operations there.

The Department of Energy secretary's shale advisory panel recommended in 2011 that companies "adopt a more visible commitment to using quantitative measures as a means of achieving best practice and demonstrating to the public that there is continuous improvement in reducing the environmental impact of shale gas production." (emphasis in original)

Investors require specific, detailed, and comparable information about how companies are managing the risks and rewards from shale energy operations. The 2011 report, "Extracting the Facts: An Investor Guide to Disclosing Risks from Hydraulic Fracturing Operations" outlines a set of 12 core management goals, best management practices, and key performance indicators. Publicly supported by investors on three continents and various companies and environmental organizations, the guide stresses the importance of companies reporting quantitatively on key performance indicators.

Talisman Energy has published "Shale Operating Principles", stating "We will measure our progress by setting quantitative performance metrics [and] we will disclose ...progress...via publicly available reporting"

Chevron's "Operational Excellence Management System" provides a general framework for all company operations but contains no language specific to shale energy operations. Chevron is one of 11 companies which signed onto "Recommended Standards and Practices for Exploration and Production of Natural Gas and Oil From Appalachian Shales." By their own language, these standards describe what companies "should do" rather than what companies currently do or commit to doing.

Therefore be it resolved,

Shareholders request that the Board of Directors report to shareholders by October 30, 2013, via quantitative indicators, the results of company policies, procedures and practices above and beyond regulatory requirements, to minimize the adverse environmental and community impacts from the company's shale energy operations. Such a report would be prepared at reasonable cost and omitting confidential information such as proprietary or legally prejudicial data.

Supporting Statement

Proponents suggest the report include specific data on emission reduction measures taken such as the number or percentage of "green completions" and other low-cost emission reduction measures; systems to track and manage naturally occurring radioactive materials; the extent to which closed-loop systems for management of drilling residuals are used; the numbers of community complaints or grievances and portion open or closed; and quantifying the amounts of water used and the source for shale energy operations by region.