



Billions of Dollars at Risk if Oil & Gas Industry Can't Do a Better Job Telling its Story

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Written by John Egan for Industrial Info Resources (Sugar Land, Texas) — Billions of dollars of future investments by the Oil & Gas industry could be at risk unless the industry and its partners find a way to more productively engage with stakeholders. That point was made by several speakers at last week's 26th Annual Rocky Mountain Energy Summit in Denver, sponsored by the Colorado Oil & Gas Association (COGA) (Denver, Colorado).

It's not that the industry doesn't have positive stories, speakers agreed. But the industry and its allies continue to have trouble telling those stories in an effective, trust-inspiring way to elected officials, business leaders and the general public.

Ballot initiatives to restrict hydraulic fracturing in Colorado “were driven by a lack of trust” in the industry, Colorado Governor John Hickenlooper told an estimated 1,800 attendees at the COGA conference last week. “People were frightened by the quality of life in their neighborhoods. Elected officials and the industry have not done a good enough job discussing environmental improvements,” such as Colorado's first-in-the-nation regulation of methane emissions from Oil & Gas operations. For more on that issue, see December 5, 2013, article - Oil & Gas Companies Collaborate with Environmental Group to Draft Tough New Air Quality Regulations in Colorado.

A Hickenlooper-led compromise last week kept two anti-fracking ballot initiatives from going to Colorado voters this November. For more on that, see August 7, 2013, article - Oil & Gas Industry Sees Brisk Business in Colorado after Withdrawal of Voter Initiatives.

Oil & gas companies have invested billions of dollars in recent years to extract oil, natural gas and natural gas liquids (NGLs) from the Denver-Julesburg (D-J) Basin north of Colorado. Billions of additional dollars are earmarked for the Centennial State. For example, Noble Energy Incorporated (NYSE:NBL) (Houston, Texas), plans to invest about \$12 billion in Colorado over the next five years. Noble is one of the state's largest oil & gas producers. And Anadarko Petroleum Corporation (NYSE:APC) (The Woodlands, Texas) also has big plans to develop Colorado's oil & gas reserves. But those and other planned investments could have been stymied if the citizens' initiatives made it onto the ballot, and were passed by Colorado voters.

The Oil & Gas Industry has a \$15.5 billion annual impact on the Centennial State, and about 240,000 people are directly or indirectly employed in producing, processing, transporting and storing oil & gas, according to Kelly Brough, president and chief executive of the Denver Metro Chamber of Commerce.

Oil & gas activities have an even larger impact in other states, such as Texas, North Dakota and Pennsylvania. But unless the Oil & Gas Industry, and its allies, does a better job convincing the public that its operations are safe, billions of dollars in planned investments--in Colorado and beyond--could be shelved. Beyond Colorado, anti-fracking sentiment is evident in Pennsylvania and Texas, and even in North Dakota.

“Let me remind you there are people who think about life ‘Beyond Coal’,” said Utah Governor Gary Herbert, invoking the Sierra Club's national campaign against coal and coal-fired power generation. “There also are people who think about life ‘Beyond Oil & Gas.’ So if you don't want what happened to coal to happen to oil & gas, begin building better relations” with stakeholders.

“If we don't educate the public, someone else will,” and probably not in a way that supports oil & gas companies, commented Thomas Petrie, a longtime energy industry investment banker and chairman of Petrie Partners LLC (Denver, Colorado). “Social license to operate is a reality. The industry's level of engagement (with the public) needs to increase if oil exports are to happen.”

Added Doug Suttles, president and chief executive of Encana Corporation (NYSE:ECA) (Calgary, Alberta): “We can no longer exist in the shadows. Our industry needs a long-term view of the importance of energy education. It can be uncomfortable. Our industry is very technical, with a lot of engineers and MBAs. But we have to get comfortable dealing with emotional issues” raised by hydraulic fracturing, like safe air, safe water and quality of life.

“The days of backroom deals, brokered in clouds of cigar smoke, are long gone,” Suttles continued. “Markets are more transparent these days, and collaboration is important to figure out solutions.”

Other speakers at the COGA conference echoed the importance of stakeholder engagement. “The public's role is more important now than it was 10 or 20 years ago,” Noble's Chuck Davidson told attendees. “The public has gotten more involved. They are demanding a greater say in decisions. We want to earn the trust of those we work around.”

Scott Sheffield, chairman and chief executive of Pioneer Natural Resources Company (NYSE:PXD) (Irving, Texas), said: “We have to do a better job spreading the word. It takes a lot of education to show people what the shale revolution has done for our country. It's all about educating the public and getting our story out.”

“The industry needs to be able to tell the public about the environmental safeguards it has implemented,” added Lee McIntire, executive chairman and chief executive of CH2M Hill (Englewood, Colorado), a large provider of services to the industry. “Learning to empathize with stakeholder concerns is a critical skill for our industry's future success.”

And the industry has no shortage of good stories, speakers agreed. Pioneer plans to significantly increase its use of non-potable water to frack its wells in the drought-plagued Permian Basin. Southwestern Energy Company (NYSE: SWN) (Houston, Texas), a large operator in the Fayetteville and Marcellus shales, aspires to be net fresh-water neutral by 2016. Some companies are investigating waterless fracking. And several speakers at the COGA conference referenced the ground-breaking

collaboration between Oil & Gas companies, environmentalists and the state of Colorado to enact a rule regulating methane emissions from Oil & Gas operations. Those emissions, including volatile organic compounds (VOCs), are health hazards that contribute to ground-level ozone.

How could the industry earn the trust of stakeholders? Fred Krupp, president of the Environmental Defense Fund (EDF) (New York), told attendees: “The way forward is not advertising or PR spin, but rather by finding solutions. We should use science to identify problems that are real, and we shouldn't try to solve problems that aren't real.”

Krupp, whose organization collaborated with oil & gas companies last year to develop Colorado's methane emissions regulation, added: “We had to start by standing in each other's shoes and really understand the industry's operational realities and priorities. Our goal was to maximize environmental performance and minimize costs. We and our partners in the oil & gas community wanted strong rules that were sane and sensible.”

And environmental protection doesn't have to be costly. Krupp cited a study from consultants ICF International Incorporated (NASDAQ:ICF) (Vienna, Virginia) that methane emissions can be cut 40% for an average cost of one cent per thousand cubic feet of gas produced. “This is a great bargain,” he said.

“There's nothing we want more than results,” continued the EDF president. “Results will bring others around.” Results, not PR spin, will help the industry build trust with stakeholders, he predicted. “Taking the environmental high ground can be good for businesses. Getting certainty is good for businesses and citizens.”

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