“The Importance of Public Disclosure Requirements for Protecting Human Health, the Climate, and the Environment”
January 28, 2020

Thank you, Chairman Lowenthal and Ranking Member Gosar, for the opportunity to testify at this important hearing. My name is Gretchen Goldman, and I serve as the Research Director in the Center for Science and Democracy at the Union of Concerned Scientists. For nearly a decade, I have been working on corporate engagement on climate science and policy, community right to know, and public access to scientific information.

Communities around the country have long been affected by the activities of fossil energy companies, enduring environmental hazards and health impacts without knowing precisely what is in the air they breathe or the water they drink. This is the reason regulatory safeguards and disclosure requirements exist: To protect people. Energy companies have an obligation to disclose the social and environmental impacts of their operations. These are commonsense expectations, but current disclosure by the fossil energy industry is woefully inadequate. Companies continue to operate on public lands, close to residential areas, with minimal oversight. This leaves decisionmakers, investors, and communities in the dark, costing taxpayers and threatening public health and safety. This is why we need legislation like The Transparency in Energy Production Act of 2020. H.R. 5636 would ensure access to the vital information that can protect the public and promote responsible corporate governance.

Voluntary Disclosure is Insufficient
A record of bad behavior demonstrates that the fossil energy industry needs our oversight, not our trust. Historically, many companies in carbon-intensive industries have opted out of voluntary Environmental, Social, and Governance (ESG) reporting and commitment initiatives, and there is little reason to believe this would change with new voluntary initiatives.¹ Even initiatives created with industry input, such as the Taskforce for Climate-related Financial Disclosures, or backed by investors, such as CDP,² have seen lackluster participation from the oil and gas industry.³ ⁴

Moreover, voluntary reporting is rarely timely and accessible. Disclosures are often released well after the time period in which they are useful, in formats that are not machine-readable, and in language that

² CDP, formerly The Carbon Disclosure Project, is a nonprofit organization that works with cities and companies to enhance disclosure of environmental, social and governance metrics.
⁴ Taskforce on Climate-related Financial Disclosures. 2019. TCFD Supporters. Online at: https://www.fsb-tcfd.org/tcfd-supporters/
is inaccessible to nonexperts. In particular, privately held companies, which have no obligations to shareholders, have been conspicuously absent from voluntary disclosure regimes.

Even when disclosure is legally mandated, companies have demonstrated an unwillingness to provide enough – or any – information, shifting the burden to government agencies to conduct oversight with incomplete records. In 2010, the US Securities and Exchange Commission (SEC) issued guidance asking companies to disclose climate-related material risks in their annual form 10-Ks. However, a 2018 Government Accountability Office report found that the SEC faces constraints in their efforts to collect, verify, and analyze company responses on climate-related risk. Fossil energy production companies in particular have consistently failed to report details on their climate-related risk, including information on the facilities that are vulnerable to the physical impacts of climate change and the actions companies are, or aren’t, taking to mitigate those risks.

For example, after Hurricane Katrina in 2005, a refinery sitting on private land below sea level in Meraux, Louisiana spilled 25,000 barrels of oil, contaminating city canals and more than a square mile of neighborhood. The refinery was shut down for several months, and Murphy Oil, which owned the facility, agreed to a $330 million settlement. The refinery was damaged again from the 2008 hurricane season and shut down for many days. Following this incident, in 2010 Murphy Oil disclosed to the SEC that “the physical impacts of climate change present potential risks for severe weather (floods, hurricanes, tornadoes, etc.) at our Meraux ... refinery in southern Louisiana and our offshore platforms in the Gulf of Mexico.” Yet, Valero Energy Corporation, which acquired the Meraux facility from Murphy Oil in 2011, has not disclosed any climate risks at the facility. Valero’s 2018 SEC filing noted only that there could be “If climatic events [such as increased frequency and severity of storms, droughts, and floods] were to occur, they could have an adverse effect on our assets and operations.”

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trust companies to be honest about what is happening in their own backyards, how can we trust them to be honest about what is happening in ours? Voluntarily disclosure is not enough.

Companies’ own investors are speaking up, too. In recent years, shareholders at major fossil energy companies, including ExxonMobil and Chevron, have demanded, through shareholder resolutions and investor requests, more disclosure of climate-related risks and plans, and expressed dissatisfaction with current levels of disclosure. A 2019 report by McKinsey found that 82% of investors and 66% of executives agreed or strongly agreed that companies should be required by law to issue sustainability reports. Currently, voluntary disclosures, company annual reports, and SEC guidance are the only resources investors have to make informed investment decisions, and details on climate-related risk are variable and often sparse.

**Disclosure is Reasonable and Long Overdue**

The disclosures outlined by H.R. 5636 are feasible. The bill relies on disclosure metrics set by the Sustainability Accounting Standards Board (SASB), a leader in corporate disclosure and a reporting regime with robust and detailed industry-specific disclosure standards. SASB standards for the Extractives & Mineral Processing Industry and Renewable & Alternative Energy Industry were produced hand-in-hand with industry participation, and they align with the reporting that public companies must anyway report annually to the SEC. Moreover, fossil energy companies already collect data on well sites, chemicals used, wastewater contents, and other activities on a routine basis. It is reasonable and necessary to ask that these data be shared in a timely and accessible way.

Further, such disclosure is long overdue. As has been documented, other industries are subject to similar reporting requirements. For example, the locations of hazardous waste sites, the smokestack emissions of power plants, and the composition of wastewater released from industrial activities all have public disclosure requirements. Though there are limitations on the details disclosed in these cases, much of the information is available through the US Environmental Protection Agency (EPA), so the public can learn about environmental impacts and potential health risks. However, the fossil energy industry has avoided this level of mandatory disclosure.

The activities and plans of companies extracting fossil energy on public lands are largely a black box. Companies are subject to public reporting requirements under the National Environmental Policy Act when they bid to develop public lands and there are some ongoing enforcement and inspection of operations by the Bureau of the Land Management and EPA, but no comprehensive reporting on ongoing operations exists and very little information is publicly available at the bidding stage. And while companies must regularly report the quantity of extracted minerals, communities are left in the dark about air quality, water quality, and other measures critical to assessing public health impacts.

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H.R. 5636 provides an important opportunity for the public, especially those living adjacent to fossil energy facilities, to access information that has long been unavailable. For example, the SASB Water Management Disclosures mandated in the bill would require companies disclose details on the backflow and produced water associated with hydraulic fracturing activities. Such information, if publicly accessible and reliably available, would be invaluable for affected communities and researchers who have long sought to understand the public health and environmental impacts of these steps in the production process.17

Lack of Disclosure Harms the Public
When people are kept in the dark about environmental and public health risks, they are unable to answer simple, crucial questions: Can my family drink our tap water? Should my children play in the yard? Is our air safe to breathe? The answers to these questions can mean the difference between an uneventful day or another trip to the emergency room. Increasingly and disproportionately, it is low-income communities, communities of color, and Indigenous communities that live, work, and send their kids to school near energy production sites. It is these communities that must ask these questions and face companies’ insufficient answers.18,19 As a result, communities have had to advocate for themselves, negotiating with industry, conducting community science, and fighting in the courts—all to access information that should be public.

For example, in 2014, a group of concerned residents, startled by companies’ lack of disclosure, worked with scientists to collect data and publish a study on air quality at the fence lines of oil and gas facilities in six states (Arkansas, Colorado, New York, Ohio, Pennsylvania, and Wyoming).20 The researchers found elevated levels of benzene, formaldehyde, and hydrogen sulfide—in some cases, at levels exceeding 100 times the EPA guidelines. Communities have a right to know about these risks, and energy producers have a responsibility to disclose them, adequately and proactively.

Lack of disclosure can have serious health consequences. In 2008, Cathy Behr, an emergency room nurse in Durango, Colorado, was caring for a gas-drilling worker who had developed a headache and nausea after spilling hydraulic fracturing fluid on himself. The company refused to reveal the chemicals in the fluid, citing trade secrets.21 Days later, Behr herself was admitted to the hospital and diagnosed with liver, respiratory, and heart failure. Behr survived, but her doctors were forced to treat her without knowing the chemicals she had been exposed to.

Lack of oversight of methane facilities can also have disastrous consequences. In 2015, at an underground methane storage field outside Los Angeles, a corroded pipe casing and safety failures

caused the largest known methane leak.\textsuperscript{22} Over a four-month period, the leak displaced more than 8,300 households, who left to avoid the smell and potential health effects, including nosebleeds, nausea, and headaches. In 2018, the company responsible, Southern California Gas Co., reached a $119.5-million settlement of claims from the incident.\textsuperscript{23}

Moreover, these large-scale incidents don’t tell the whole story. Between October 1, 2011 and September 1, 2016, the Bureau of Land Management documented more than a thousand “Major Undesirable Events,” the agency’s term for spills and accidents on oil and gas leases.\textsuperscript{24} These examples represent irresponsible corporate behavior that can endanger communities and erode public trust.\textsuperscript{25} We should expect better.

**Researchers Face Hurdles to Studying Environmental Health from Lack of Disclosure**

Researchers have struggled to access the data they need to study key questions about the social and environmental impacts of the energy industry. For example, scientists researching the effects of unconventional oil and gas development have been hindered by restricted access to well sites, limited data-sharing by industry and government officials, data concealed by legal settlements, and trade secret exemptions in chemical disclosure laws.\textsuperscript{26,27} These restrictions impede researchers’ ability to determine how frequently spills, leaks, and other environmental impacts occur and gauge what steps might mitigate risks to communities and workers.\textsuperscript{28} Greater disclosure requirements would remove barriers to our understanding of energy production’s impact on people and the environment.

**Companies Must Be Responsible Climate Actors**

Leakage of methane and other greenhouse gases at fossil energy production sites contributes substantially to US greenhouse gas emissions. A 2018 analysis published in *Science* found that routine flaring contributed 18% of the total volume-weighted-average carbon intensity for the United States.\textsuperscript{29} The Department of the Interior is required by law to prevent energy waste like this, and to ensure that


\textsuperscript{29} Masnadi, M.S. et al. 2018. Global carbon intensity of crude oil production. Science 361 (6405), 851-853 DOI: 10.1126/science.aar6859
resource extraction on public lands is conducted in a safe and responsible manner.\textsuperscript{30} In order to properly manage such emissions, companies must adequately monitor activities, and fully disclose emissions. This is necessary to minimize the energy sector’s outsized contribution to climate change, preserve federal lands, and protect the public. Fossil energy companies are among those most responsible for climate change; they have an obligation to society to disclose their activities and minimize future risks from climate-related damages.\textsuperscript{31}

**Greater Transparency Needed In The Current Political Environment**

Greater transparency of US energy production is needed now, especially in light of recent executive branch actions that have further concealed the industry from public scrutiny. The Trump administration:

- Rescinded a Bureau of Land Management rule that would have required greater chemical disclosure, as well as monitoring and reduction of methane pollution on new and existing oil and gas production on public lands.\textsuperscript{32}
- Proposed changes to the National Environmental Policy Act that would weaken analysis and reporting requirements and limit opportunity for public input.\textsuperscript{33}
- Is rolling back an EPA rule that that establishes requirements for monitoring and reducing methane pollution from new oil and gas production on public or private lands.\textsuperscript{34}
- Withdrew an EPA Request for Information that asked companies for data on methane emissions from US oil and gas production.\textsuperscript{35}
- Withdrew from the international widely accepted Extractive Industries Transparency Initiative, which provides a vehicle for consistent disclosure and reporting of extractive industries worldwide.\textsuperscript{36}

A recent incident at the Department of the Interior concerning a loss of scientific integrity exemplifies the need for this bill. The Department, weighing proposed oil and gas operations in Alaska’s Arctic National Wildlife Refuge, disregarded 18 memos from staff scientists who had raised concerns about the


proposals.\textsuperscript{37} The scientists identified significant data gaps on the effects of oil and gas drilling on the health and livelihoods of rural and Native Alaskans; the survivability of birds, caribou, polar bears, wolves, and fishes; and the inability to predict effects on vegetation, snowmelt, and waterways.\textsuperscript{38} DOI suppressed these concerns, omitting them from the Department’s draft environmental assessment and declining to release them to public interest groups who filed Freedom of Information Act requests.

The disclosure requirements outlined in this bill would have ensured public access to the kind of information suppressed in this case. Companies would have had to disclose the potential impacts of their operations on water resources, biodiversity, community relations, and Indigenous rights. When citizens can access this information, they can hold companies and decisionmakers accountable for actions that could degrade natural resources, endanger health, or hurt communities.

\textbf{Disclosure is good governance}

Companies themselves also benefit from greater disclosure. Such disclosure mitigates financial, reputational, and legal risks. All companies operate with a social license,\textsuperscript{39} and those that fail to act responsibly can lose the public’s trust.\textsuperscript{40} Heightened societal awareness and public pressure can incentivize companies to act in accordance with their responsibilities to investors and to society.\textsuperscript{41,42}

Companies increasingly face financial risks from climate change. Climate change-related impacts, like more severe storms and floods, represent costly physical risks; for fossil energy companies, risks are predicted to increase as existing vulnerabilities to natural disasters worsen.\textsuperscript{43,44} Companies also face reputational risks as public attitudes towards corporate behavior change. Across all economic sectors, the transition to a lower-carbon economy will reshape the global financial system: Models project that climate change will place global financial assets at risk by anywhere from US$2.5 trillion to US$24.2 trillion.\textsuperscript{45}

The financial sector is increasingly recognizing that climate-related risks are material for companies. All three major ratings agencies—Moody’s, Standard & Poor, and Fitch—now recognize that climate change

\textsuperscript{38} Public Employees for Environmental Responsibility. 2019. Undisclosed statements of scientific concern. Online at https://my.visme.co/projects/6x09mn7-anwr-drilling-undisclosed-scientific-concerns
\textsuperscript{39} Reuters. 2017. Shell CEO urges switch to clean energy as plans hefty renewable spending. Online at https://www.reuters.com/article/us-ceraweek-shell-shell-idUSKBN16G2DT
\textsuperscript{42} Union of Concerned Scientists. 2018. Climate Accountability Scorecard. Online at https://www.ucsusa.org/resources/climate-accountability-scorecard-0
represents a financial risk.46 Just this month, the CEO of the world’s largest asset management company, Blackrock, noted, “The evidence on climate risk is compelling investors to reassess core assumptions about modern finance. In the near future — and sooner than most anticipate — there will be a significant reallocation of capital.”47 A recent report by the nonprofit Ceres found that half of the companies evaluated now link executive compensation to greenhouse gas emissions performance.48

Further, the US, in its sluggishness on corporate disclosures, is being left behind in the global race. US fossil energy companies now trail foreign oil firms like Total and Suncor, which are increasingly heeding investor calls for better climate-related disclosure.49 The European Union, for example, is working to incorporate into disclosure requirements the recommendations outlined by the Taskforce on Climate-related Financial Disclosures.50

The Transparency in Energy Production Act of 2020

H.R. 5636 provides an opportunity to enhance transparency around energy industry operations. The following are suggested changes to further strengthen provisions of the bill to ensure the greatest transparency and utility of the required disclosures.

- **Section 3 should be amended to require timely disclosure.** Specifically, the Secretary should be required to make the information reported under Section 2 publicly accessible at the time it is received.
- **Section 3 should be amended to require disclosures be made in an accessible format.** The Secretary should require companies making disclosure to do so in a format that is consumable by a wide range of stakeholders, including community members and researchers.
- **Section 3 should be amended to require that Agency resources be used to increase public access.** EPA and other agencies have staff devoted to managing data and interfacing with the public. This language would operate to require the same at Interior.
- **Section 4, paragraph (1) should be amended to require additional information be reported to Congress.** Reports to Congress should also include the other disclosure topics and accounting metrics within the SASB Standard for the Extractives and Minerals Processing Sector, including Security, Human Rights, & the Rights of Indigenous Peoples, Community Relations, Workforce Health & Safety, Reserves Valuation & Capital Expenditures, Business Ethics & Transparency, Management of the Legal & Regulatory Environment, and Critical Incident Risk Management. These metrics are required of companies’ initial reporting and could provide Congress valuable information to inform future legislative or oversight efforts.

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• **Section 4, paragraph (4) should be amended to provide further clarity about the method by which companies would calculate equivalent emissions.** There are several options for making such a calculation, and the resulting information would be most meaningful if a method were standardized. This could be specified in the bill, or Congress could defer to Department of Interior experts to choose an appropriate method.

• **Section 5, paragraph (3) should be amended to define public lands to be inclusive of Tribal Land.** Given the amount of oil and gas extraction that occurs on Native lands and the environmental justice issues surrounding mineral extraction in Indigenous communities, greater disclosure in this area is sorely needed and would aid Indigenous communities in ensuring good corporate behavior on their lands.

**Conclusion**
When energy companies fail to disclose their human and environmental footprints, others feel the impact. Investors face financial risk. The public pays in tax dollars when first responders, healthcare workers, local governments, and federal aid services must respond to disasters at fossil energy facilities. And nearby communities pay every day when they are exposed to harm from routine emissions, leaks, and other damages exacerbated by poor disclosure and management. Companies owe it to all of us to be responsible actors. Disclosure is good for companies, communities, and the nation; and the Transparency in Energy Production Act will help keep families informed, corporations held accountable, and the public safe. This vision of the future is worth striving for.