



**Friends of  
the Earth  
Scotland**

# **Scottish Councils are Gambling on Fracking**

## **A briefing on council pension funds by Friends of the Earth Scotland**

Scottish Councils invest £406 million in 23 fracking companies<sup>1</sup>. The investments are held through the Scottish Local Government Pension Scheme which provides pensions for local government and associated workers. Only Shetland's Council pension fund, which is not invested in *any* company stocks, does not invest directly in fracking firms.

Opening up new frontiers of fossil fuels like fracked gas is completely irresponsible in the context of the global climate crisis. Additionally, the precautionary principle demands that given the many serious public health risks associated with onshore unconventional oil and gas extraction, this industry must not be allowed to go ahead.

Scotland has a temporary ban on fracking and First Minister Nicola Sturgeon has said that unless it can be proven 'beyond any doubt' that there are no risks to health, communities or the environment, there will be no fracking in Scotland.<sup>2</sup>

Local Authorities should support steps to stop fracking locally and nationally. As well as ending fracking at home, they should also stop investing in companies fracking elsewhere in the world.

The money invested by local government pensions has a major role in shaping our future. Councils must use their financial clout to oppose fracking to ensure we all have a future worth retiring for.

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<sup>1</sup> In this briefing, fracking companies are defined as companies involved in onshore shale gas fracking and other forms of unconventional oil and gas extraction, for example coalbed methane. For a full methodology on fracking companies, please see the Methodology section.

<sup>2</sup> Nicola Sturgeon: Scotland's First Minister Accused of being 'scared' to put up taxes', The Independent, 25/03/2016, <http://www.independent.co.uk/news/uk/politics/nicola-sturgeon-scotland-s-first-minister-accused-of-being-scared-to-put-up-taxes-a6951656.html>

## What's wrong with fracking?

Fracking poses risks to the environment, public health and the climate. Fracking is short for hydraulic fracturing, a controversial technique used to exploit previously inaccessible shale gas and oil, and sometimes coalbed methane. It involves drilling multiple wells to depths of up to 3km, vertically and horizontally. Millions of litres of water, sand and toxic chemicals are pumped under high pressure into the ground to open up fractures in the rock and ease the flow of gas for extraction.

The fracking process consumes a huge amount of water and produces a huge amount of toxic waste. During its lifespan, a single shale gas well uses between 19-30 million litres of water. Multiplied by potentially thousands of wells, fracking water use can put stress on local water resources and infrastructure. Vast volumes of contaminated fracking 'wastewater' must be treated and safely disposed of.<sup>3</sup>

Chemicals that can be highly toxic to the environment and human health are used in both drilling and fracking fluids. Communities in the US and Australia living in and around gas fields report symptoms associated with exposure to fracking and drilling chemicals, including breathing difficulties, nausea, rashes, eye and throat irritation and stress. A growing body of research points to serious potential impacts such as low birth weights, birth defects, fertility problems, respiratory disease and, in the longer term, cancers.<sup>4</sup>

Shale gas fracking and other forms of unconventional oil and gas extraction mean opening up new sources of climate-damaging fossil fuels at a time when we need to rapidly move towards renewable energy. Investing in fracked gas now will lock us into dangerously high greenhouse gas emissions and make it extremely difficult to meet our legally binding carbon reduction targets in 2050.<sup>5</sup>

## Can fracking happen in Scotland?

In January 2015 the Scottish Government announced that it would use its planning and regulatory powers to enact a moratorium on unconventional oil and gas, including shale gas fracking and coalbed methane extraction. This means that with the exception of some exploratory activities such as core sampling, fracking developments are currently blocked.

In the immediate term, vigilance from Councils in areas currently under license for onshore oil and gas extraction in identifying and refusing planning applications related to exploratory activities is needed. In the longer term we need the Scottish Government to act to ban fracking and all unconventional oil and gas extraction for good.

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<sup>3</sup> FoES 2017 'Overview of Fracking and Unconventional Gas'

<https://stopfracking.scot/s/Overview-of-Fracking-and-unconventional-gas-briefing-Spring-2017-6w6r.pdf>

<sup>4</sup> FoES 2017 'Why Fracking is bad for your health'

<https://stopfracking.scot/s/Why-Fracking-is-bad-for-your-health-Spring-2017.pdf>

<sup>5</sup> FoES 2017 'Why we can't afford to Frack the Climate'

<https://stopfracking.scot/s/Why-we-cant-afford-to-frack-the-climate-Spring-2017.pdf>

The Scottish Government has recently concluded a public consultation on whether fracking should be allowed to proceed in Scotland.<sup>6</sup> It will make a recommendation about whether fracking should be permitted by the end of the year.

Several local Councils have moved motions against fracking:

- Dumfries and Galloway Council voted against future fracking development in May 2017.<sup>7</sup>
- Glasgow City Council sought to amend its planning policy to rule out fracking in its local development plan in 2016, although this was overturned by the Scottish Government.<sup>8</sup>
- Fife Council passed a motion opposing all unconventional oil and gas extraction in 2016.<sup>9</sup>
- East Dunbartonshire passed a motion blocking fracking on Council-owned land in 2014.<sup>10</sup>

Many other countries along with local and regional governments around the world have banned fracking. A full list can be found here:

<https://www.fractracker.org/map/international/worldwide-fracking-bans/>

## How do local Councils invest in fracking?

Scotland's local Councils bear the responsibility of looking after their workers in their retirement. To do this they invest in the Scottish Local Government Pension Scheme, a £35.4 billion scheme<sup>11</sup> with 505,769 members across Scotland which is administered by 11 local Councils.<sup>12</sup> One in ten Scots are a member of the fund and the scheme's advisory board estimates one in five of the population has a financial interest in the fund.<sup>13</sup>

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<sup>6</sup> Scottish Government 'Talking Fracking: A Consultation on Unconventional Oil and Gas' <https://consult.scotland.gov.uk/energy-and-climate-change-directorate/fracking-unconventional-oil-and-gas/>

<sup>7</sup> 'Dumfries and Galloway Council votes against future fracking', Eskdale and Liddesdale Advertiser, 11/05/2017, <http://www.eladvertiser.co.uk/news/Dumfries-and-Galloway-council-votes-against-future-fracking-4d516b49-7c88-4111-a2e0-21fccc39912c-ds>

<sup>8</sup> 'Glasgow's plan to ban fracking outlawed by Government', The Herald, 09/10/2016, [http://www.heraldscotland.com/news/14791102.Glasgow\\_39\\_s\\_plan\\_to\\_ban\\_fracking\\_outlawed\\_by\\_Government/](http://www.heraldscotland.com/news/14791102.Glasgow_39_s_plan_to_ban_fracking_outlawed_by_Government/)

<sup>9</sup> 'Fife Council calls for update on Scottish Government's fracking review', The National, 29/09/2016, [http://www.thenational.scot/news/14896286.Fife\\_Council\\_calls\\_for\\_update\\_on\\_Scottish\\_Government\\_s\\_fracking\\_review/](http://www.thenational.scot/news/14896286.Fife_Council_calls_for_update_on_Scottish_Government_s_fracking_review/)

<sup>10</sup> 'West Dunbartonshire Council says no to future of fracking', Dunbarton and Vale of Leven Reporter, 08/05/2014, [http://www.dunbartonreporter.co.uk/news/13960626.West\\_Dunbartonshire\\_Council\\_says\\_no\\_to\\_future\\_of\\_fracking/http://www.dunbartonreporter.co.uk/news/13960626.West\\_Dunbartonshire\\_Council\\_says\\_no\\_to\\_future\\_of\\_fracking/](http://www.dunbartonreporter.co.uk/news/13960626.West_Dunbartonshire_Council_says_no_to_future_of_fracking/http://www.dunbartonreporter.co.uk/news/13960626.West_Dunbartonshire_Council_says_no_to_future_of_fracking/)

<sup>11</sup> 'Council Gambling on Fossil Fuels', <http://reinvest.scot/fossilfuels/>

<sup>12</sup> Pensions Scotland, <http://www.pensionsscotland.org/local-govt.html>

<sup>13</sup> Pensions Scotland, <http://www.pensionsscotland.org/local-govt.html>

Scotland's Councils currently invest £1,683 million in fossil fuel companies through their pension funds.<sup>14</sup> Of this, £406 million is directly invested in the stocks of 23 companies that frack for unconventional gas. This figure covers every local Council area in Scotland except Shetland, whose pension fund doesn't invest directly in any stocks and shares.

| Local authority     | Investment (£ GBP) | Rank |
|---------------------|--------------------|------|
| Aberdeen City       | 50,764,739         | 3    |
| Dumfries & Galloway | 20,611,000         | 7    |
| Dundee City         | 59,161,510         | 2    |
| Edinburgh City      | 46,152,379         | 4    |
| Falkirk             | 40,152,249         | 5    |
| Fife                | 9,686,820          | 8    |
| Glasgow City        | 142,145,458        | 1    |
| Highland            | 26,765,972         | 6    |
| Orkney Islands      | 5,235,633          | 10   |
| Scottish Borders    | 5,281,064          | 9    |

## Which fracking companies do Councils invest in?

10 Scottish Councils invest a total of **£405,956,825** in 23 oil and gas companies engage in fracking. These companies are:

| Company           | Investment (£ GBP) | Councils invested  |
|-------------------|--------------------|--|
| Royal Dutch Shell | 129,936,318        | Aberdeen City, Dumfries & Galloway, Dundee City, Edinburgh City, Falkirk, Fife, Glasgow City, Highland, Orkney Islands, Scottish Borders |
| <b>BP</b>         | 63,976,501         | Aberdeen City, Dumfries & Galloway, Dundee City, Edinburgh City, Falkirk, Glasgow City, Highland   |
| Exxon Mobil       | 44,007,972         | Edinburgh City, Fife, Glasgow City, Highland   |

<sup>14</sup> 'Council Gambling on Fossil Fuels', <http://reinvest.scot/fossilfuels/>

|                            |            |  |
|----------------------------|------------|--|
| <b>EOG Resources</b>       | 40,660,658 | Aberdeen City, Dundee City, Edinburgh City, Falkirk, Fife, Glasgow City, Highland, Orkney Islands, Scottish Borders, |
| <b>Apache Corp</b>         | 20,046,702 | Dundee City, Edinburgh City, Fife, Glasgow City, Highland, Orkney Islands, Scottish Borders                          |
| BHP Billiton               | 19,467,261 | Aberdeen City, Dundee City, Falkirk, Fife, Highland, Orkney Islands, Scottish Borders                                |
| Chevron                    | 16,613,867 | Edinburgh City, Glasgow City   |
| Occidental                 | 12,586,191 | Glasgow City, Fife   |
| StatOil                    | 10,751,411 | Edinburgh City   |
| Anadarko Petro Corp        | 9,276,577  | Fife, Glasgow City, Scottish Borders   |
| Pioneer Natural Resources  | 8,173,394  | Glasgow City, Fife   |
| Hess Corp                  | 7,984,902  | Dundee City, Edinburgh City, Glasgow City  |
| Noble Energy               | 7,807,437  | Glasgow City, Fife   |
| ConocoPhillips             | 6,319,297  | Edinburgh City, Glasgow City   |
| <b>Cabot Oil &amp; Gas</b> | 4,188,645  | Fife, Glasgow City   |
| Devon Energy               | 1,232,442  | Glasgow City   |
| EQT                        | 851,782    | Glasgow City   |
| Marathon Oil               | 567,905    | Glasgow City   |
| Encana                     | 407,448    | Glasgow City   |
| <b>Range Resources</b>     | 405,037    | Glasgow City   |
| Murphy Oil                 | 340,967    | Glasgow City   |
| Newfield Exploration       | 312,582    | Glasgow City   |
| Antero Resources           | 41,528     | Glasgow City   |

Data shown is based on the most up to date information available and relates to investments held at the end of the 2015-16 financial year.

None of the companies that local Councils invest in are currently doing onshore unconventional oil and gas extraction in the UK. The majority are US-based and active in both conventional and unconventional oil and gas production.

The five companies shown in bold in the table above are detailed in case studies below.

## Range Resources

Range Resources is a US company specialising in unconventional gas extraction,<sup>15</sup> and has a chequered history of environmental violations and fines.

The company has been issued nearly \$15m of pollution fines in the last two years:

- June 2015: The Pennsylvania Department of Environmental Protection announced a record \$8.9 million fine against Range Resources, which the agency says has failed to fix a gas well that polluted groundwater and a stream in Lycoming County, Pennsylvania. The fine was the biggest ever for a shale gas drilling-related environmental violation in Pennsylvania.<sup>16</sup>
- September 2014: Range Resources paid a \$4.15 million fine for violations at six wastewater impoundments in Washington County, Pennsylvania. This was previously the highest fracking penalty in the state.<sup>17</sup>
- August 2013: Two young children in Pennsylvania were banned from talking about fracking for the rest of their lives under a gag order imposed under a settlement reached by their parents with Range Resources.<sup>18</sup>

In a controversial move, Ineos, the company that wants to frack the Central Belt of Scotland, has signed a 15 year deal with Range Resources to supply fracked shale gas to the Grangemouth petrochemical plant.<sup>19</sup>

Glasgow City Council administers the Strathclyde Pension Fund, which invests £405,037 in Range Resources.

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<sup>15</sup> 'Hydraulic Fracturing Fluid Selection and Disclosure', Range Resources, <http://www.rangeresources.com/corp-responsibility/environment-health-and-safety/hydraulic-fracturing-fluid-selection-and-disclosure>

<sup>16</sup> 'DEP fines Range Resources \$8.9 million for Marcellus shale gas well', Power Source, 16/05/2015, <http://powersource.post-gazette.com/powersource/policy-powersource/2015/06/16/DEP-fines-Range-Resources-8-9-million-for-Marcellus-shale-gas-well-pennsylvania/stories/201506160173>

<sup>17</sup> 'Range Resources to pay \$4M for violations at western Pa. impoundments', State Impact, 18/09/2014, <https://stateimpact.npr.org/pennsylvania/2014/09/18/range-resources-to-pay-4m-for-violations-at-western-pa-impoundments/>

<sup>18</sup> 'Children given lifelong ban on talking about fracking', The Guardian, 05/08/2013, <https://www.theguardian.com/environment/2013/aug/05/children-ban-talking-about-fracking>

<sup>19</sup> 'Ineos reopens plant to use fracked gas', FoE Scotland press release, 29/03/2016, <http://www.foe-scotland.org.uk/ineos-plant-reopens>

## Cabot Oil and Gas

Cabot Oil and Gas is a petroleum and natural gas company headquartered in Houston,<sup>20</sup> Texas, with a poor track record on the environment. The company has the second biggest number of (federal) environmental violations of US fracking companies in Colorado, Pennsylvania and West Virginia, according to a 2015 report by the National Resource Defence Council<sup>21</sup>, with 494 violations between 2009-2013 in Pennsylvania alone.

In 2016, a federal jury found that Cabot Oil and Gas was responsible for contaminating water wells around Dimock<sup>22</sup>, Pennsylvania. The state investigation found that Cabot had allowed gas to escape into the region's groundwater, and at least 18 residential water wells were contaminated.

In 2014, Cabot brought an injunction against an anti-fracking activist<sup>23</sup>, Vera Scroggins, legally barring her from any property owned or leased by Cabot, a total of 312.5 sq miles of land in Pennsylvania. The injunction has been seen by campaigners as extreme, particularly as Scroggins had never broken any law.

Glasgow City Council's pension fund and the Fife Council Pension Fund invest a combined £4.2 million in Cabot Oil and Gas.

## BP

BP are a supermajor, one of the world's six largest non-state owned oil and gas companies. Fleeting branding themselves *beyond petroleum*, they have shed their renewable businesses in recent years<sup>24</sup> in favour of new investment in deep sea<sup>25</sup> and arctic drilling<sup>26</sup>, and highly polluting tar sands developments.<sup>27</sup>

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<sup>20</sup> 'About Cabot', Cabot Oil and Gas, <http://www.cabotog.com/about-cabot/>

<sup>21</sup> NRDC, 'Fracking's Most Wanted', April 2015, <https://www.nrdc.org/sites/default/files/fracking-company-violations-IP.pdf>

<sup>22</sup> 'Jury Awards Two Dimock Couples \$4.2 Million After Finding Cabot Oil and Gas Negligent in Fracking Contamination Case', EcoWatch, 10/03/2016, <https://www.ecowatch.com/jury-awards-two-dimock-couples-4-2-million-after-finding-cabot-oil-gas-1882188335.html>

<sup>23</sup> 'The anti-fracking activist barred from 312.5 sq miles of Pennsylvania', The Guardian, 29/01/2014, <https://www.theguardian.com/environment/2014/jan/29/vera-scroggins-fracking-activist-pennsylvania>

<sup>24</sup> 'BP dropped green energy projects worth billions to focus on fossil fuels', The Guardian, 16/04/2015, <https://www.theguardian.com/environment/2015/apr/16/bp-dropped-green-energy-projects-worth-billions-to-focus-on-fossil-fuels>

<sup>25</sup> 'Deepsea Aberdeen rig starts drilling for BP', Offshore Energy Today, 21/04/2015, <http://www.offshoreenergytoday.com/deepsea-aberdeen-rig-starts-drilling-for-bp-uk/>

<sup>26</sup> 'BP makes return to Russian Arctic', The Barents Observer, 07/11/2016, <https://thebarentsobserver.com/en/2016/11/bp-makes-return-russian-arctic>

<sup>27</sup> 'BP in Canada', BP, <http://www.bp.com/en/global/corporate/about-bp/bp-worldwide/bp-in-canada.html>

Lower48 is BP's wholly-owned subsidiary that engages in unconventional oil and gas extraction in the US.<sup>28</sup> BP is also focusing on shale gas developments in Argentina through its 60%-owned subsidiary Pan American Energy, amid huge controversy from local communities concerned about pollution and health risks.<sup>29</sup>

Aberdeen City, Dumfries & Galloway, Dundee City, Edinburgh City, Falkirk, Glasgow City and Highland Councils invest a combined £64 million in BP.

## Shell

Shell entered the shale gas market relatively recently, focusing on the fracking developments in the Permian, Haynesville and Appalachian shale basins in the US.<sup>30</sup>

Shell has been involved in several high-profile environmental scandals in recent decades, paying millions of dollars of fines for its operations in Nigeria<sup>31</sup> and threatening to drill in the fragile environment of the Arctic.<sup>32</sup>

Aberdeen City, Dumfries & Galloway, Dundee City, Edinburgh City, Falkirk, Fife, Glasgow City, Highland, Orkney Islands, Scottish Borders invest a combined £129 million in Shell.

## Apache

Apache is a Houston-based oil and gas company that has operations in the North Sea, Canada, Egypt and the US.<sup>33</sup> Its recent fracking plans for the Alpine High region of West Texas are proving controversial among local communities and environmental groups who have serious concerns<sup>34</sup> around the proposed fracking developments and their proximity to the San Solomon Springs that feeds the famous natural pool of Balmorhea near the Balmorhea State Park, and the risk that the fracking operations could pose to the surrounding environment.

According to Apache's website<sup>35</sup>, the company plans to significantly increase activity in the Permian Region in West Texas during 2017 and expects to average 15 drilling rigs in the

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<sup>28</sup> 'US Lower48 sites', BP,

[http://www.bp.com/en\\_us/bp-us/what-we-do/exploration-and-production/lower-48/us-l48-sites.html](http://www.bp.com/en_us/bp-us/what-we-do/exploration-and-production/lower-48/us-l48-sites.html)

<sup>29</sup> 'Argentinian community defies BP and Petrobras to ban fracking', Platform, 03/04/2017

<sup>30</sup> 'Shell's portfolio in the Americas', Shell,

<http://www.shell.us/energy-and-innovation/unconventional-resources/where-we-operate.html>

<sup>31</sup> 'Shell announces £55m payout for Nigeria oil spills', The Guardian, 707/01/2015,

<https://www.theguardian.com/environment/2015/jan/07/shell-announces-55m-payout-for-nigeria-oil-spills>

<sup>32</sup> 'Shell Abandons Alaska Arctic drilling', The Guardian, 28/09/2015,

<https://www.theguardian.com/business/2015/sep/28/shell-ceases-alaska-arctic-drilling-exploratory-well-oil-gas-disappoints>

<sup>33</sup> 'Operations', Apache, <http://www.apachecorp.com/Operations/index.aspx>

<sup>34</sup> 'Trust Apache Corp., but verify', Houston Chronicle, 01/11/2016,

<http://www.houstonchronicle.com/opinion/editorials/article/Trust-Apache-Corp-but-verify-10456936.php>

<sup>35</sup> 'Permian', Apache, [http://www.apachecorp.com/Operations/US/Permian\\_region/index.aspx](http://www.apachecorp.com/Operations/US/Permian_region/index.aspx)



Permian Basin and drill approximately 250 wells. There is mounting opposition<sup>36</sup> to the plans from local communities and environmental groups.

Dundee City, Edinburgh City, Fife, Glasgow City, Highland, Orkney Islands, Scottish Borders invest a combined £20 million in Apache.

## What can we do to stop fracking?

A total ban on fracking is needed to protect communities and the climate from this dirty, unnecessary industry.

Councils, particularly those in areas currently under licence for onshore oil and gas extraction, should oppose fracking and new fossil fuel developments and call for a legislative ban to prevent the industry going ahead.

However we believe that as well as banning fracking at home we also need to support the anti-fracking movement around the world. It's not right that fracking is currently prohibited in Scotland and yet Councils are allowed to profit from investing in companies doing it overseas.

Councils should support a future free from fracking and other forms of unconventional oil and gas by investing responsibly. That means divesting from fossil fuels and reinvesting in projects that benefit our local communities, like green energy and much needed social housing.

Eight universities and churches in Scotland have made a commitment to divest from fossil fuels, along with five council pension funds elsewhere in the UK, including the London Borough of Waltham Forest and the University of Glasgow. Across the world 701 institutions, with total investments valued at \$5.5 trillion USD, have divested.

Divestment shows companies like Apache, BP, Shell and Range Resources that we won't put up with them undermining our future and that Scotland is pushing ahead in making a cleaner, healthier future a reality.

- For more information about fossil fuel divestment visit [www.reinvest.scot](http://www.reinvest.scot) or read **“Divest and Reinvest: Scottish Council pensions for a future worth living in”**, March 2017.

## Methodology and sources

Research for this briefing is built on earlier work carried out for “Divest and Reinvest: Scottish Council pensions for a future worth living in”, published March 2017 by Friends of the Earth Scotland, Common Weal and UNISON Scotland.

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<sup>36</sup> ‘Save Our Springs Too’, <https://www.facebook.com/saveourspringstoo/>

For that report the information on local Councils' investments was obtained using Freedom of Information Requests. Data provided pertained to the end of the 2015-16 financial year and is further described under "4. Freedom of Information requests by fund" at <http://reinvest.scot/sources>.

The full list of investments for each Council was then screened using the March 2016 Carbon Underground published by Fossil Free Indexes: <http://fossilfreeindexes.com/research/the-carbon-underground/>.

52 companies listed on the Carbon Underground 200 were found. Each was then checked for evidence that the company was involved in fracking. We found evidence of 23 oil and gas companies that do fracking as follows:

- The companies listing unconventional oil and gas extraction through fracking on their own websites, or references to 'shale', 'unconventional' development, 'tight' oil and gas and 'coalbed methane'.
- Company assets in key shale gas areas on their website, for example the Marcellus Shale and Barnett Shale basins.

A full list of fracking companies including sources can be found here: [http://bit.ly/fracking\\_councils\\_2017\\_sources](http://bit.ly/fracking_councils_2017_sources)

Please be aware that the list only includes companies that Scottish Councils invested in. If you are interesting in using our research to create a more comprehensive list we would be very supportive! Please get in touch.

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