

San Jose Mercury News

PG&E's CEO says tougher rules are needed on fracking

By Paul Rogers
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SAN JOSE -- Highlighting varying views in the energy industry over one of the nation's most controversial environmental issues, the head of California's largest utility on Tuesday said that tougher rules are needed on hydraulic fracturing, or fracking, a position advocated by environmental groups.

Anthony Earley, chairman and CEO of PG&E Corp., said in an interview with the San Jose Mercury News editorial board that companies using fracking should be required to publicly disclose the chemicals they pump into the ground and should be required to test groundwater before and after they drill for oil and gas.

"I think we ought to be totally transparent about it," Earley said. "I think we ought to have stringent

Anthony Earley Jr., chairman and chief executive officer DTE Energy Co., speaks at a town hall session on energy during the National Summit in Detroit, Michigan, U.S., on Tuesday, June 16, 2009. The summit, hosted by the Detroit Economic Club, runs until June 17. Photographer: Andrew Harrer/Bloomberg News (ANDREW HARRER)

drilling regulations so that everybody's comfortable."

Fracking is the practice of freeing oil and gas from rock formations by injecting water and chemicals under high pressure into the ground.

Earley said that "California has benefitted tremendously from low natural gas prices," and that he supports expanding fracking to create jobs and provide plentiful gas to run power plants and heat homes. But he said some drillers' resistance to disclosing the chemicals they use, claiming trade secrets, is counterproductive.

"This idea that they are proprietary, I think companies are just going to have to give that up, because the benefits of shale gas are tremendous from a national energy policy," he said.

PG&E does not engage in fracking itself. But the San Francisco-based company -- which has 15 million customers from Bakersfield to the Oregon border -- is one of the nation's largest consumers of natural gas and is a significant voice in the energy industry.

"It's nice to have an influential stakeholder in the process saying that we should do what makes common sense," said Brendan

Cummings, an attorney with the Center for Biological Diversity, an environmental group that advocates tougher rules on fracking.

“If a company is injecting chemicals into the ground, the public should know about it, and we should have testing to clarify if the water has been polluted.”

California is considering its first statewide rules on fracking. In December, the administration of Gov. Jerry Brown released preliminary draft rules that would require energy companies to disclose their fracking plans to the state 10 days before starting operations. The companies also would face new rules for testing and monitoring their wells. But they would not be required to make the chemicals they use public if they claimed trade secrets. More detailed draft rules are due out this summer, and a bill in the state Legislature, SB4 by Sen. Fran Pavley, D-Agoura Hills, would require neighbors to be notified and place further regulations on fracking.

The industry says it accepts some new rules are coming, but doesn't want them to be too extensive, said Tupper Hull, a spokesman for the Western States Petroleum Association.

“Our industry recognizes that it will be operating under tighter regulations in the future,” he said. “If that provides people some confidence that the technology is as safe as we believe it is, then we are prepared to operate under those regulations.”

Still, the oil industry and the association oppose Pavley's bill as “overly broad” and has worked successfully to kill other bills in Sacramento this year that would have placed new environmental rules on fracking in California.

In recent years, fracking has made headlines in New York, Pennsylvania, Texas and other states, as energy companies have used new technologies to produce huge amounts of natural gas, creating jobs and lowering natural gas prices considerably. The practice even has an environmental benefit: By making natural gas cheaper, it has led utilities to use less coal, reducing global warming and soot emissions.

But critics have raised concerns about fracking chemicals polluting groundwater, along with widespread disruption to rural property owners from huge rigs and loud industrial equipment.

Companies in California have used fracking at least since the 1960s. But most of it has been done to produce oil, largely in Kern County and other Southern California areas. Now the oil industry is looking at a dramatic expansion into the Monterey Shale, however, a huge geologic formation that extends through much of the Central Valley into San Benito and Monterey counties. The formation is believed to hold as much as 15.5 billion barrels of recoverable oil, which would make it the nation's largest shale oil formation.