

Critics also claim that hydraulic fracking is exempt from certain federal regulations that normally apply to drilling activities.

Proponents of fracking are quick to point out that proper procedures can greatly reduce the environmental risk. Ensuring the well-shafts are properly sealed can act as a strong deterrent against water contamination. This requires wells to be properly cemented. Fracking companies can attempt to reduce the amount of water used by recycling or reusing the water. The Environmental Protection Agency also determined that methane contaminating ground water might not be as serious as it appears. In one study of a town with high methane levels in its drinking water, the EPA found that the methane did not come from the fracking operations in the area.

However, the environmental risks of fracking are not to be taken lightly. New York and Vermont banned fracking activities, as well as certain countries such as France. Additionally, individuals have complained of environmental damage as a result of drilling activities. For instance, one couple reported that drilling blowouts on their land released chemicals into a creek, turning it white and igniting the water if lit. Health and safety is also a major concern. Randy Moyer, a worker for a hydraulic fracturing company who would climb into the vats and clean out the fracking fluid, was allegedly not told that the drilling mud is toxic and radioactive. He claims that he has suffered for more than a year from inflammation, migraines, trouble breathing, as well as many trips to the emergency room. Another couple claims the animals on their farm, which were previously healthy, began dying after they allowed drilling on their land. The couple themselves claims to suffer from headaches, nosebleeds, fatigue, and cirrhosis of the liver. Fracking has also lowered the values of homes; many people with fracking on their land have not been able to sell their houses. Unlike the *Exxon Valdez* and *Deepwater Horizon* disasters, fracking complaints are less on a massive scale and more from individuals living close to the drilling fields. Yet any type of major fracking disaster can have significant safety implications, since many fields are located close to highly populated areas.

Concerns also remain over the methane gas released from fracking activities. While methane's lifetime in the Earth's atmosphere is shorter than carbon emissions, its effects in trapping radiation are estimated to be 20 times greater. To combat these emissions, the EPA mandated that wells have pollution-control equipment to catch methane and other volatile gases such as benzene by 2015. New rules will limit the amount of methane emissions from fracking. There have also been promises from leaders of fracking organizations to increase the safety and sustainability of their activities. The CEO of company Tamboran, for instance, committed to stop using chemicals in the firm's Irish fracking operations. While the benefits of fracking seem promising, natural gas companies must take the time to analyze the environmental and safety impacts of their operations to avoid the risks of environmental degradation.

CONCLUSION

Developing an ethical organizational culture requires an examination of the risks to various stakeholders. In the case of the oil and gas industry, several companies failed to put in the safeguards necessary to protect employees, local communities, suppliers, and the viability of many industries. After the *Exxon-Valdez* disaster, there should have been a heightened awareness of the risks of offshore drilling and a mandate to implement every

safeguard necessary to protect the environment. Yet BP appeared to assume that such a disaster would not happen to them, despite previous safety issues at the firm. Much like in the *Exxon Valdez* disaster, BP failed to implement certain safeguards that might have prevented or lessened the scope of the disaster.

This corporate culture of risk taking must stop in order for the oil and gas industry to restore its reputation. This requires ethical leadership and effective ethics and compliance programs that reach all employees. Employees need to be educated that they are responsible for displaying leadership to avoid misconduct that could create an accident. While the nature of the industry makes certain risks inevitable, firms can develop improved safety measures and contingency plans to contain the disaster should things go wrong. Many actions occur when risks are present and there is a failure to observe existing ethical codes and policies. Companies involved in the lucrative field of hydraulic fracking can use the lessons from its predecessors to develop a culture that makes safety and environmental consideration top priorities during the drilling process. The industry has a new responsibility to provide leadership in safety and sustainability. The reputation of the oil and gas industry is dependent on its ability to commit to a socially responsible approach and stakeholder engagement.

QUESTIONS

1. How does managing ethical risk in the oil and gas industry relate to reducing accidents?
2. Compare the risks that BP, Exxon, and the fracking industry continue to face in providing an adequate supply of energy?
3. How can ethical leadership help the oil and gas industry to manage risk?

SOURCES

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