

# Exxon warns of rise in oil price if US bans fracking

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ExxonMobil has warned that energy investment will shift out of the US if the government bans fracking, the drilling technique that transformed oil production but is opposed by three Democratic candidates for president.

The oil supermajor has invested heavily in the Permian Basin of Texas and New Mexico, increasing volumes there by 72 per cent year on year. The once-moribund basin was reinvigorated by horizontal drilling and hydraulic fracturing, or fracking, which frees hydrocarbons from tightly packed shale rock.

Democrats Kamala Harris, Bernie Sanders and Elizabeth Warren have each called for a halt to fracking in response to environmental concerns. Ms Warren, a US senator from Massachusetts, tweeted in September that she would ban fracking "everywhere" on her first day in the White House.

Over the past decade the US has more than doubled crude oil production to 12m barrels a day, largely because of fracking. Neither President Donald Trump nor Barack Obama sought to prohibit the technology.

The prospect of a sharp break in policy has unnerved energy executives. A universal ban could drive oil prices to \$85 a barrel compared with \$55 in the US today, according to Tudor, Pickering, Holt, an investment bank.

"I think any efforts to ban fracking or

restrict supply will not remove demand for the resource," Neil Hansen, Exxon's vice-president of investor relations, said on an earnings call yesterday. "If anything, it will shift the economic benefit away from the US to another country, and potentially impact the price of that commodity here and globally."

The comments came while Exxon is on trial in New York after being sued by the state attorney-general over the way it disclosed the risk of climate change to investors. Rex Tillerson, chief executive from 2006 to 2016, testified in the case this week.

Exxon aims to lift oil production in the Permian Basin to 1m barrels a day in the next five years. Mr Hansen said the company had only drilled a "few hundred wells" out of a prospective well inventory of more than 8,000. By the end of the third quarter, it had 55 rigs drilling in the basin.

Asked by an analyst about political risk related to the US election, Mr Hansen said it "highlights there is political risk almost everywhere where we operate. And having a global portfolio like we have helps us mitigate risk in any potential or specific jurisdiction."

In practical terms, any ban on fracking would probably be limited to federal government-controlled land. While states such as Wyoming and New Mexico contain extensive energy resources on federal land, such important states as Texas and Pennsylvania do not.