

# Banking on Corporate Social Responsibility: the case of shale gas



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Posted on July 22, 2013 in [Private Law](#)

Recently it was reported in Dutch [newspapers](#) that one of the country's largest banks, Rabobank, is pulling out of the shale gas sector. The bank says that the extraction of shale gas, which involves some [controversial](#) techniques, is a socially and environmentally undesirable practice. The international bank considers it to be its corporate social responsibility (CSR) to speak out against such practices, following its [policy](#) on oil and gas. As a result, clients in the industry will not get loans, nor farmers who are considering opening up their land for drilling.

With this move, currently primarily affecting clients in the US market where shale gas is booming, Rabobank kills several birds with one stone. Besides giving a boost to its CSR profile, the bank is curbing the risks it runs as a financier of shale gas exploration. With several reported cases of polluted drinking water in the US due to current extraction methods, the bank cannot be sure what will happen if communities start to sue the industry. Clients could default on loans as a result, or the bank could be held liable as a partner in exploration.

Rabobank's turn against shale gas is prompted by risk management as much as social responsibility. What is publicly 'sold' as a 'green decision' is no doubt backed by thorough analysis by Rabobank of the legal and financial risks. This in my view is not unethical. Being a business, and being part of society, Rabobank has to deal with several important considerations at once. One of which is to steer clear, as a provider of loans and financial partner, of those economic activities that are detrimental to society. This action by the bank serves to curb risks but is also the way to turn social responsibility into reality.

On a case-by-case basis, Rabobank should communicate its position on what practices of its clients it does and does not support. Shutting out practices that it deems unsustainable comes at a price, but the bank's corporate standards are

enhanced and operational risks reduced. The bank is right not to be put off by the fact that the long-term impact of shale gas extraction methods is not yet known, as damage may be irreversible and on a large scale, affecting communities everywhere.

Much better from a risk management and CSR perspective to have no part in the frantic shale gas exploration schemes in North-America and to endorse socially and environmentally more sustainable alternatives instead. Rabobank, what is next on the agenda?