

# Environmental CSR and the U.S. Oil and Gas Leasing Program\*

Jiya Mehta

Catlin Gabel High School, Portland, USA

Email: [jiyamehta028@gmail.com](mailto:jiyamehta028@gmail.com)

**How to cite this paper:** Mehta, J. (2025). Environmental CSR and the U.S. Oil and Gas Leasing Program. *American Journal of Industrial and Business Management*, 15, 1364-1372.

<https://doi.org/10.4236/ajibm.2025.1510070>

**Received:** September 13, 2025

**Accepted:** October 12, 2025

**Published:** October 15, 2025

Copyright © 2025 by author(s) and Scientific Research Publishing Inc. This work is licensed under the Creative Commons Attribution International License (CC BY 4.0).

<http://creativecommons.org/licenses/by/4.0/>



Open Access

## Abstract

The paper examines current literature on corporate social responsibility (CSR), focusing on corporate performance on the environment. It explores how financial incentives can be tied to CSR goals to ensure corporations follow through on their commitments to environmental protection and sustainability. The fossil fuel sector is one of the primary drivers of climate change. This paper further assesses how CSR principles and business ethics might be applied to the federal government's oil and gas leasing program. By incorporating CSR-linked financial mechanisms such as executive compensation, green bonds, and climate-focused loans, policymakers can encourage firms to invest in renewable energy, reduce emissions, and adopt sustainable practices. This analysis highlights the potential for public policy to align economic incentives with environmental stewardship, promoting a more sustainable energy sector while supporting responsible corporate governance. The federal leasing decisions and programs can affect the scale of US emissions. We believe that further evaluation of this program will help reduce emission, increase appropriate investments in green energy and align public policies.

## Keywords

Climate Science, Fossil Fuel Energy, Alternative Fuels, Environmental Effects on Ecosystems, Corporate Social Responsibility, Corporate Finance

## 1. Introduction

The fossil-fuel industry is the single most significant source of the greenhouse gases that cause climate change (Pollin, 2022). In the United States, the federal government is lending companies the land they need to produce oil and gas, and,

\*Thomas Herndon: Associate Professor, Department of Economics, John Jay College, City University of New York.

in the process, can affect the climate. Oil and gas production on public property was responsible for a fifth of total U.S. greenhouse gas emissions from 2005 to 2015 (Acosta-Jimenez, 2025). The total U.S. federal mineral estate, both on land and in water, totals 700 million acres. Yet, just 35 million acres is under lease to an oil or gas firm, with only slightly more than half of the leases currently productive on land, while offshore over three quarters are non-producing (U.S. Department of the Interior, 2021). The federal government has the ability to influence both corporate behavior and climate policies with its decisions (Bureau of Land Management, n.d.; Biber et al., 2021; BP America Production Co. v. Burton, 2006).

This historical and statistical context sheds light on, not only the scale of federal involvement in fossil fuel production but also the federal government's unique responsibility. Because the leasing system is publicly administered, it becomes a focal point for climate policy, economic strategy, and debates about the appropriate role of government in shaping corporate behavior. The presence of idle leases further raises questions about whether current leasing practices optimize either economic or environmental outcomes (Lutz & Rowland-Shea, 2024).

One potential means of substantially reducing greenhouse gas emissions from oil and gas extraction on federal land is to modify these leases. There are legal frameworks for doing this, and in some cases, financial compensation may be owed to a firm whose lease has been canceled (Pugh, 2021; Alaska Industrial Development and Export Authority v. U.S. Department of the Interior, 2023; Badger Two Medicine Settlement, 2023). This raises a public policy question: should such payments merely be compensatory, or should they also come with conditions?

This paper explores the possibility that the federal government could adopt the principles of CSR, under which companies exercise stewardship for the environment, in any deals to end or revise leases. Payments could be structured not merely as compensatory, but as incentives that move fossil-fuel firms toward clean, sustainable energy options (Flammer, 2015a, 2015b, 2021).

Applying CSR principles to federal leasing would represent a major innovation in public policy. This approach recognizes that compensation packages can function as levers to redirect corporate strategies, transitioning firms toward renewable energy, carbon mitigation projects, or the adoption of transparent sustainability. Such a framework bridges the gap between corporate ethics and federal climate objectives (Verbin, 2024).

The literature review provides a synopsis of key CSR concepts that would inform this process, including tying financial incentives to CSR practices such as contracts for executive compensation (Flammer, 2013, 2015a, 2015b; Flammer et al., 2019; Flammer et al., 2021) and issuing green bonds (Flammer, 2021; Pollin et al., 2014; Carroll, 1999).

## 2. Literature Review: Results

### 2.1. Background

The U.S. government, through the Bureau of Land Management (BLM), manages

a mineral estate of 700 million acres, with 23 million acres under more than 89,000 leases to various oil and gas developers as of fiscal year 2022, with slightly more than half producing oil and gas. The leases not only generate revenue through royalties, rents, and fees but also signal government endorsement of continued fossil fuel production. As a result, the BLM's role extends beyond resource management to include corporate incentives and national energy goals (Bureau of Land Management, 2024; Institute for Energy Research, 2023).

Drilling for oil and gas on federally owned property contributed over 20 percent of total U.S. climate emissions from 2005 to 2015 (Acosta-Jimenez, 2025). Fossil-fuel production on public land accounted for 21.8 percent, 6.1 percent, and 1.3 percent of total U.S. emissions of carbon dioxide equivalent, methane, and nitrous oxide pollution, respectively (Acosta-Jimenez, 2025; Merrill et al., 2024). Methane emissions, in particular, are concerning because of methane's potency as a greenhouse gas, which is over 80 times stronger than carbon dioxide in the short term. This indicates that even small adjustments to leasing practices—such as stricter venting and flaring regulations could produce significant climate benefits (Bureau of Land Management, 2024).

These data indicate that drilling on U.S. public lands contributes to greenhouse gas emissions. Revising leases may require the federal government to pay compensatory damages based on previous lease payments and infrastructure investments (Flammer, 2015a; Merrill et al., 2024).

## 2.2. Overview of Corporate Social Responsibility

CSR provides a framework for approaching the issue of oil and gas leases. According to the United Nations Industrial Development Organization (UNIDO) (Eccles et al., 2014).

Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental, and social imperatives (“Triple-Bottom-Line-Approach”) (United Nations Industrial Development Organization, n.d.). Global reporting standards, such as those from the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB), now provide frameworks for evaluating corporate environmental performance. This indicates that CSR is no longer a rare practice but an integral part of corporate legitimacy and competitiveness (Banerjee, 2007; Dahlsrud, 2008; Hart & Milstein, 1999; Moon, 2007).

There are four CSR dimensions:

- 1) **Environmental:** Companies reduce harmful practices, reform energy consumption, and offset environmental impacts (Stobierski, 2025; Thacker, 2024).
- 2) **Ethical practices:** Companies adopt ethical practices (Matten & Moon, 2008; Thacker, 2024).
- 3) **Philanthropy:** Companies contribute to society via donations or charitable

trusts (Thacker, 2024).

4) **Economic:** Companies manage finances considering the broader economy, e.g., investing in sustainable initiatives (Thacker, 2024).

In the context of federal oil and gas leases, CSR is relevant because the government should do business with companies adhering to CSR principles, and it can incentivize firms to engage in CSR practices.

Policymakers can revise contracts and attach CSR-related conditions to compensation paid to affected companies (Flammer, 2015a; Flammer, 2021). Revising contracts also encourages companies to consider alternative energy sources (Flammer, 2015b, 2021). Financial compensation should incorporate CSR principles (Flammer, 2013; Flammer et al., 2019; Flammer et al., 2021).

### 2.3. Benefits for Financial Performance

Flammer (2015a) found that adoption of “close call” CSR proposals positively affects stock performance, labor productivity, and sales growth. Companies like GE, Google, IBM, Intel, Johnson & Johnson, Marks & Spencer, Nestle, Unilever, and Walmart view CSR initiatives as providing competitive advantage (Flammer, 2015a; Porter & Kramer, 2006). By demonstrating a commitment to environmental and social responsibility, firms often gain stronger investor confidence, attract long-term capital, and reduce risks associated with regulatory penalties. Labor productivity improvements can be seen with higher employee engagement and loyalty, as workers are more motivated when their company aligns with broader social and environmental values. Importantly, these benefits are not limited to large multinational corporations. Evidence suggests that mid-size and smaller firms that integrate CSR practices can also experience improved market positioning, risk mitigation, and stakeholder relations (Heliani & Riany, 2023; Orlitzky et al., 2003).

### 2.4. Executive Compensation

CSR-linked executive pay contracts reduce short-termism and improve firm value and long-term profits (Flammer et al. 2019). Managers prioritize stakeholders to improve performance, so linking compensation to CSR encourages long-term investment and environmental responsibility (Flammer et al., 2019). Over time, these practices can strengthen corporate sustainability and reduce the likelihood of costly environmental incidents or reputational damage. In sectors such as oil and gas, where environmental risks are pronounced, executive alignment with CSR principles is particularly important (Lyon & Maxwell, 2008).

Linking executive compensation to CSR objectives provides a tangible incentive for corporate leaders to integrate environmental, social, and governance (ESG) goals into strategic decision-making (Cheng et al., 2014; Gao et al., 2023; Sullivan & Mackenzie, 2017). For example, performance metrics can include reductions in greenhouse gas emissions, adherence to sustainable operational practices, or progress toward renewable energy investments. By tying financial rewards directly to

these outcomes, firms ensure that executive priorities are consistent with both stakeholder expectations and long-term corporate goals (Callan & Thomas, 2010).

### 2.5. Corporate Green Bonds

Corporate green bonds finance climate-friendly projects (Flammer, 2021; Goldman Sachs Asset Management, 2023). Firms issuing green bonds improve environmental performance, signaling commitment to sustainability (Flammer, 2021; Klassen et al., 1996; Krueger, 2015). Like CSR-linked executive pay, green bonds aim to transform long-term corporate operations. Green bonds allow companies to raise capital specifically for projects that reduce environmental impact, such as renewable energy installations, energy efficiency upgrades, carbon capture initiatives, or sustainable infrastructure (Center for American Progress, 2014). Investors are increasingly attracted to these because they offer an opportunity to support sustainability while earning competitive returns, creating a positive feedback loop for corporate environmental action (Lian et al., 2024).

The issuance of green bonds can also enhance a company's public image and investor relations. Green bonds are not limited to large corporations. Smaller firms and emerging-market companies can also access this funding, broadening the impact of sustainable finance. For industries such as oil and gas, where transitioning to low-carbon operations is capital intensive, green bonds provide a practical mechanism to fund new technologies, improve existing infrastructure, and align business models with global climate commitments.

### 3. Literature Review: Discussion

CSR shapes corporate finances through stock performance, executive compensation, and green bonds (Carroll, 1999; Flammer, 2015a, 2015b; Flammer, 2021; Pollin et al., 2014; Li & Thibodeau, 2019; Park et al., 2023). CSR can inform payments the federal government makes to oil and gas firms, turning voluntary behavior into binding CSR commitments. Lease revisions paired with tax credits, green bonds, and climate-linked loans can accelerate the shift toward clean energy (Flammer, 2021; Pollin et al., 2014).

These findings suggest that CSR is not merely a set of ethical principles but also a practical framework for influencing corporate behavior. By linking federal payments and lease modifications to CSR performance, policymakers can convert voluntary initiatives into enforceable commitments. For instance, companies could be required to invest a portion of lease compensation into renewable energy projects, reduce lifecycle emissions, or adhere to strict reporting standards. Such measures not only provide environmental benefits but also create predictable financial incentives that encourage long-term strategic planning (Baram, 2025; U.S. Department of the Interior, 2024).

Thus, combining CSR-linked policies with financial tools such as tax credits, green bonds, and climate-focused loans amplifies their effectiveness. These instruments can reduce the cost of transitioning to cleaner energy, provide access to

low-interest financing, and reward firms for measurable sustainability improvements.

In addition, this strategy has broader macroeconomic implications. Encouraging firms to adopt sustainable practices through CSR-linked incentives can help with job creation in clean energy sectors, drive technological innovation, and position the U.S. as a leader in the global transition to low-carbon economies. By carefully designing financial incentives to reward measurable outcomes, policymakers can ensure that CSR is not just a theoretical framework but a tangible instrument for achieving environmental change (World Bank, 2019).

#### 4. Conclusion

The federal oil and gas leasing program enables corporate practices impacting CSR principles. Using financial instruments like executive compensation contracts and green bonds can incentivize more responsible corporate behavior, including environmental stewardship. These CSR concepts can guide policymakers in evaluating leases to foster climate-conscious corporate actions (Flammer, 2015a, 2015b, 2021). Moreover, applying CSR in this context signals a commitment to long-term sustainability, sending a strong message to industry and investors that environmental responsibility is a core expectation rather than a voluntary option. The combination of policy, financial incentives, and binding CSR obligations can create a replicable model for other sectors where corporate actions have significant environmental consequences.

Ultimately, embedding CSR principles into federal leasing policy demonstrates that public-private partnerships can play a key role in achieving climate goals. By aligning financial incentives with environmental stewardship, policymakers can encourage corporations to adopt sustainable practices, helping to reduce the nation's carbon footprint while enhancing innovation, growth and accountability within the corporate sector.

#### Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

#### References

- (2006). *BP America Production Co. v. Burton*, 549 U.S. 84.
- Acosta-Jimenez, I. (2025). *Fossil Fuel Production on Public Lands Inflicts a Heavy Environmental Toll*. Frontier Group.
- Alaska Industrial Development and Export Authority v. U.S. Department of the Interior (2023). *Lawsuit over Canceled Oil and Gas Exploration Leases in the ANWR Coastal Plain*.
- Badger Two Medicine Settlement (2023). *Agreement to Relinquish Oil and Gas Leases*.
- Banerjee, S. B. (2007). Corporate Social Responsibility: The Good, the Bad and the Ugly. *Critical Sociology*, 34, 51-79. <https://doi.org/10.1177/0896920507084623>
- Baram, M. (2025). *How Big Insurance's Investment in Fossil Fuels Came Back to Bite It*.

- Yale Climate Connections.
- Biber, E., & Diamond, J. (2021). Keeping It All in the Ground? *Arizona Law Review*, *63*, 279-345.
- Bureau of Land Management (2024). *Final Rule on Waste Reduction from Venting, Flaring, and Leaks during Oil and Gas Production on Federal and Indian Leases*.
- Bureau of Land Management (n.d.). *About the BLM Oil and Gas Program*.
- Callan, S. J., & Thomas, J. M. (2010). Executive Compensation, Corporate Social Responsibility, and Corporate Financial Performance: A Multi-Equation Framework. *Corporate Social Responsibility and Environmental Management*, *18*, 332-351.  
<https://doi.org/10.1002/csr.249>
- Carroll, A. B. (1999). Corporate Social Responsibility: Evolution of a Definitional Construct. *Business & Society*, *38*, 268-295. <https://doi.org/10.1177/000765039903800303>
- Center for American Progress (2014). *Public and Private Investment in Clean Energy Tech Can Reduce Effects of Climate Change*.
- Cheng, B., Ioannou, I., & Serafeim, G. (2014). Corporate Social Responsibility and Access to Finance. *Strategic Management Journal*, *35*, 1-23. <https://doi.org/10.1002/smj.2131>
- Dahlsrud, A. (2008). How Corporate Social Responsibility Is Defined: An Analysis of 37 Definitions. *Corporate Social Responsibility and Environmental Management*, *15*, 1-13. <https://doi.org/10.1002/csr.132>
- Eccles, R. G., Ioannou, I., & Serafeim, G. (2014). The Impact of Corporate Sustainability on Organizational Processes and Performance. *Management Science*, *60*, 2835-2857. <https://doi.org/10.1287/mnsc.2014.1984>
- Flammer, C. (2013). Corporate Social Responsibility and Shareholder Reaction: The Environmental Awareness of Investors. *Academy of Management Journal*, *56*, 758-781. <https://doi.org/10.5465/amj.2011.0744>
- Flammer, C. (2015a). Does Corporate Social Responsibility Lead to Superior Financial Performance? A Regression Discontinuity Approach. *Management Science*, *61*, 2549-2568. <https://doi.org/10.1287/mnsc.2014.2038>
- Flammer, C. (2015b). Does Product Market Competition Foster Corporate Social Responsibility? Evidence from Trade Liberalization. *Strategic Management Journal*, *36*, 1469-1485. <https://doi.org/10.1002/smj.2307>
- Flammer, C. (2021). Corporate Green Bonds. *Journal of Financial Economics*, *142*, 499-516. <https://doi.org/10.1016/j.jfineco.2021.01.010>
- Flammer, C., Hong, B., & Minor, D. (2019). Corporate Governance and the Rise of Integrating Corporate Social Responsibility Criteria in Executive Compensation: Effectiveness and Implications for Firm Outcomes. *Strategic Management Journal*, *40*, 1097-1122. <https://doi.org/10.1002/smj.3018>
- Flammer, C., Toffel, M. W., & Viswanathan, K. (2021). Shareholder Activism and Firms' Voluntary Disclosure of Climate Change Risks. *Strategic Management Journal*, *42*, 1850-1879. <https://doi.org/10.1002/smj.3313>
- Gao, L., Sheikh, S., & Zhou, H. (2023). Executive Compensation Linked to Corporate Social Responsibility and Firm Risk. *International Journal of Managerial Finance*, *19*, 269-290. <https://doi.org/10.1108/ijmf-10-2021-0511>
- Goldman Sachs Asset Management (2023). *Green Bonds: Connecting Fixed Income Capital to the Global Climate Transition*.
- Hart, S. L., & Milstein, M. B. (1999). Global Sustainability and the Creative Destruction of Industries. *Sloan Management Review*, *41*, 23-33.

- Heliani & Riany, M. (2023). The Effect of CSR Disclosure and Company Characteristics on Stock Prices. *Review of Economics and Finance*, 21, 1983-1990.
- Institute for Energy Research (2023). *Federal Assets above and below Ground*.
- Klassen, R. D., & McLaughlin, C. P. (1996). The Impact of Environmental Management on Firm Performance. *Management Science*, 42, 1199-1214.  
<https://doi.org/10.1287/mnsc.42.8.1199>
- Krüger, P. (2015). Corporate Goodness and Shareholder Wealth. *Journal of Financial Economics*, 115, 304-329. <https://doi.org/10.1016/j.jfineco.2014.09.008>
- Li, Z., & Thibodeau, C. (2019). CSR-Contingent Executive Compensation Incentive and Earnings Management. *Sustainability*, 11, Article 3421.  
<https://doi.org/10.3390/su11123421>
- Lian, J., Huang, X., & Wu, X. (2024). How Green Bonds Promote Firms' Green Collaborative Innovation? *Corporate Social Responsibility and Environmental Management*, 31, 2109-2126. <https://doi.org/10.1002/csr.2688>
- Lutz, M., & Rowland-Shea, J. (2024). *How the Federal Government Can Hold the Oil and Gas Industry Accountable*. Center for American Progress.
- Lyon, T. P., & Maxwell, J. W. (2008). Corporate Social Responsibility and the Environment: A Theoretical Perspective. *Review of Environmental Economics and Policy*, 2, 240-260.  
<https://doi.org/10.1093/reep/ren004>
- Matten, D., & Moon, J. (2008). "Implicit" and "Explicit" CSR: A Conceptual Framework for a Comparative Understanding of Corporate Social Responsibility. *Academy of Management Review*, 33, 404-424. <https://doi.org/10.5465/amr.2008.31193458>
- Merrill, M. D., Sleeter, B. M., & Freeman, P. A. (2024). *Federal Lands Greenhouse Gas Emissions and Sequestration in the United States: Estimates for 2005-22 (No. 2024-5103)*. U.S. Geological Survey.
- Moon, J. (2007). The Contribution of Corporate Social Responsibility to Sustainable Development. *Sustainable Development*, 15, 296-306. <https://doi.org/10.1002/sd.346>
- Orlitzky, M., Schmidt, F. L., & Rynes, S. L. (2003). Corporate Social and Financial Performance: A Meta-analysis. *Organization Studies*, 24, 403-441.  
<https://doi.org/10.1177/0170840603024003910>
- Park, J., Zhang, T., Pierce, S., & Jia, Y. (2023). Corporate Social Responsibility and Abnormal Executive Compensation. *Journal of Accounting Literature*, 45, 497-522.  
<https://doi.org/10.1108/jal-01-2023-0010>
- Pollin, R. (2022). *Nationalize the US Fossil Fuel Industry to Save the Planet*. The American Prospect.
- Pollin, R., Garrett-Peltier, H., Heintz, J., & Hendricks, B. (2014). *Green Growth: A US Program for Controlling Climate Change and Expanding Job Opportunities*. Center for American Progress.
- Porter, M. E., & Kramer, M. R. (2006). Strategy and Society: The Link between Competitive Advantage and Corporate Social Responsibility. *Harvard Business Review*, 84, 78-92.
- Pugh, H. (2021). *Calling It Quits on Oil and Gas Leases*. The Regulatory Review.
- Stobierski, T. (2025). *What Is Corporate Social Responsibility? 4 Types*. Harvard Business School Online.
- Sullivan, R., & Mackenzie, C. (2017). Responsible Investment: Guide to ESG Data, Metrics, and Integration. *Journal of Sustainable Finance & Investment*, 7, 170-188.
- Thacker, H. (2024). *Economic CSR: Meaning, and Examples of Companies Performing It*. The CSR Journal.

- U.S. Department of the Interior (2021). *Report on the Federal Oil and Gas Leasing Program*.
- U.S. Department of the Interior (2024). *Final Rule: Fluid Mineral Leases and Leasing Process*.
- United Nations Industrial Development Organization (n.d.). *What Is CSR?*
- Verbin, I. (2024). *Corporate Social Responsibility Examples: Purpose Is Important*. Routledge.
- World Bank (2019). *10 Years of Green Bonds: Creating the Blueprint for Sustainability across Capital Markets*.