MEMORANDUM

TO: File No. S7-42-10

FROM: Giles T. Cohen
              Office of Commissioner Luis A. Aguilar

DATE: May 15, 2014

SUBJECT: Meeting with Representatives API
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On May 13, 2014, Marc A. Leaf, Counsel to Commissioner Aguilar, and Giles T. Cohen, Counsel to Commissioner Aguilar, met with Bill Ferrara, Director, Accounting Research and Policy; Anadarko Petroleum Corporation; Lisa Ceglia, Director, API; Stephen Comstock, Director, API; and Aaron Padilla, Senior Advisor of Policy, API.

The discussion included, among other things, the Commission's Final Rule for Disclosure of Payments by Resource Extraction Issuers.
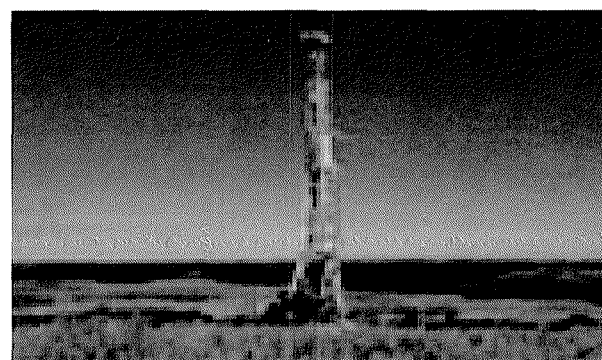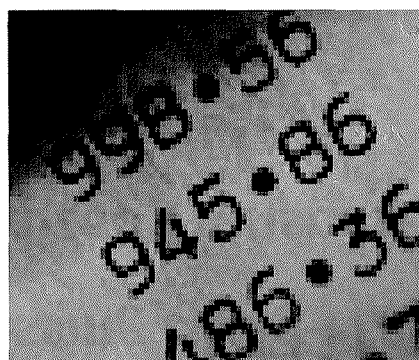
Dodd-Frank 1504
Project-Level Reporting Proposal
May 2014

Agenda

- Summary of Dodd-Frank 1504

- API Approach to Addressing Dodd-Frank 1504

- API Objective: Standardized Transparency

- API Proposal for Defining Project

- Reporting by Payments, Projects and Payees

- Examples of How the Reporting Taxonomy Works

- Model Demonstration

- Summary of Benefits

- Q&A

Summary of Dodd-Frank 1504

- **Requires annual reporting to SEC by US-listed companies (or Resource Extraction Issuers – REIs) of "3 Ps":**
  - *<u>Payments</u> made to governments for the purpose of commercial development of oil, natural gas, or minerals*
  - *<u>Payees</u>, or governments entities receiving payments directly from REIs*
  - *<u>Projects</u>*

- **"Project" was not defined in 1504 law**
  - *API proposes a standardized definition*

- **SEC to make <u>*compilation*</u> of information available to public**

API Approach for Addressing Dodd-Frank 1504

- **Oil & Natural Gas Industry supports reporting of payments to governments**

- **Balanced approach needed that provides transparency, facilitates company reporting and SEC compilation and protects commercially sensitive information**

- **Attributes of a workable solution:**
  - *Comprehensive: applies across wide range of extractive activities and countries*
  - *Standardized: minimizes interpretive judgments by companies related to data submission while allowing citizens to easily access and aggregate data*
  - *Localized: provides information on activities within a citizen's own region, based on political subdivisions and type of extractives operation*
  - *User-friendly: companies can implement effectively and interested stakeholders have usable information – not just a lot of data*

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Workable Transparency
Solution for ALL Stakeholders

Resource Extraction Issuers (REIs) - Companies

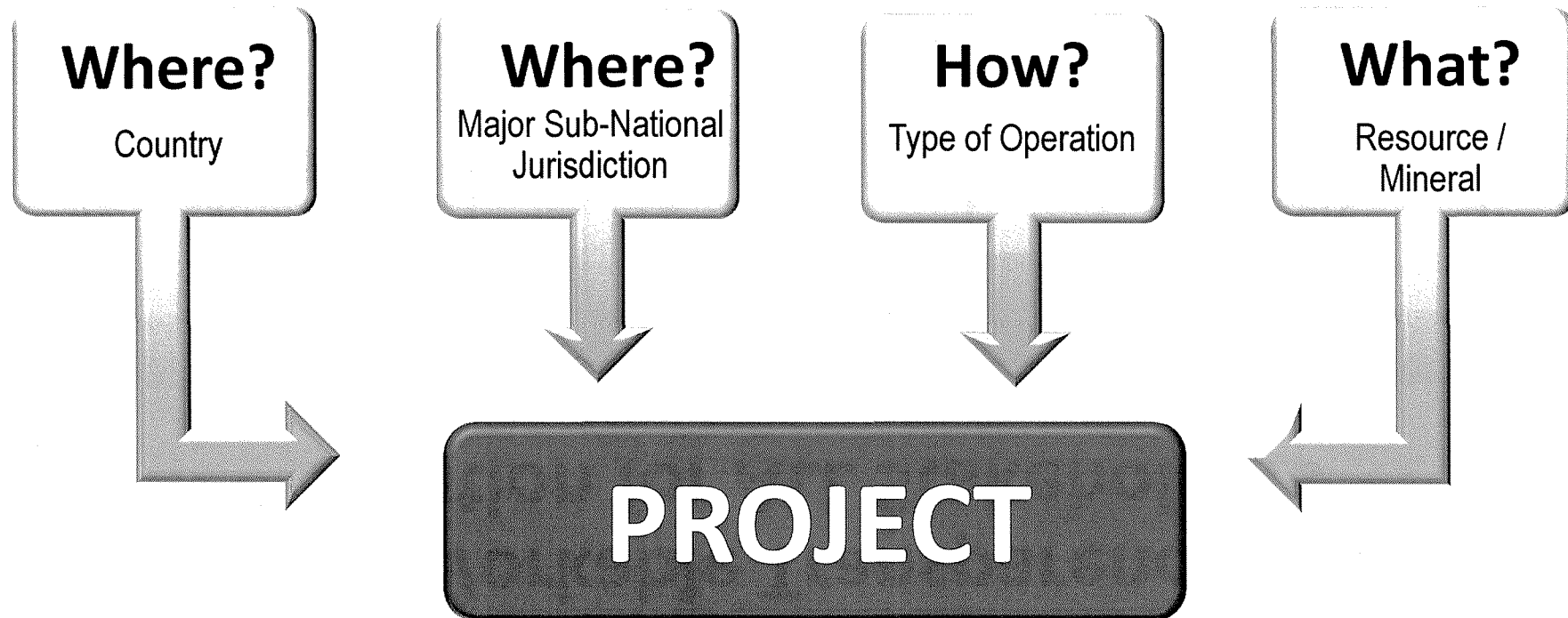-Assemble and tag information for reporting

-Submit information to SEC

SEC

-Receives information from REIs

-Automatically compiles information using standardized XBRL tags

-Provides Users access to dataset

Users

-Accesses information in SEC dataset

-Searches, extracts, and sorts data at multiple levels for analysis

Standardization drives consistent REI reporting, SEC compilation and User access

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Standardized Interactive Definition of "Project" Driven By PREDETERMINED XBRL Taxonomy

Where?	**Where?**	**How?**	**What?**
Country	Major Sub-National Jurisdiction	Type of Operation	Resource / Mineral

PROJECT

Each of the identifiers would themselves be standardized for usability

Examples of How the Reporting Taxonomy Works
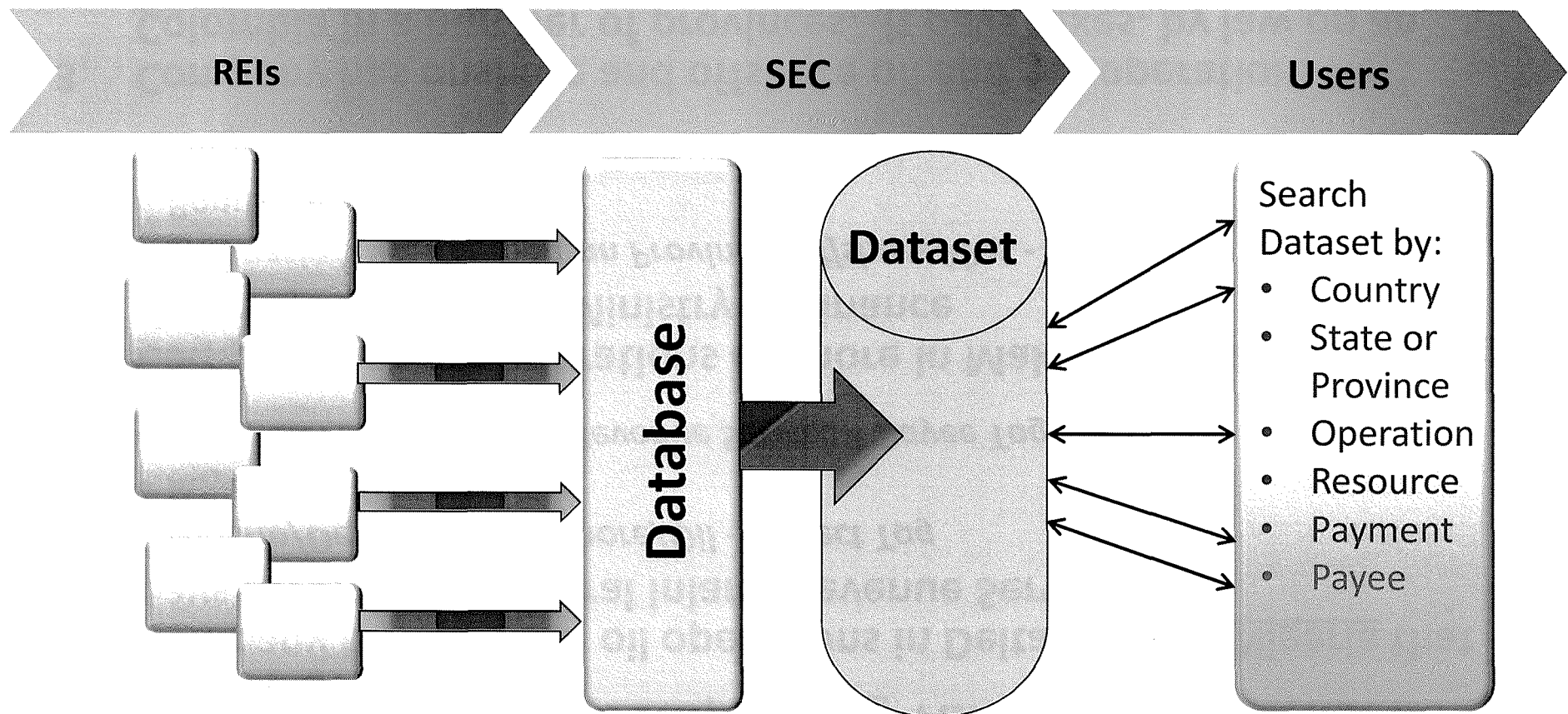
1. Company has onshore oil operations in Delta State of <u>Nigeria</u> that pays royalties to Federal Inland Revenue Service
   - *Nigeria/Delta State/Onshore/Oil - Project Tag*
   - *Royalties – Payment Tag*
   - *Nigerian Federal Inland Revenue Service – Payee Tag*

2. Company has gas operations offshore in Makassar Strait of <u>Indonesia</u> that pays a bonus to Ministry of Finance
   - *Indonesia/East Kalimantan Province/Offshore/Gas - Project Tag*
   - *Bonus – Payment Tag*
   - *Indonesian Ministry of Finance – Payee Tag*

3. Company has onshore and offshore oil and gas operations in <u>Colombia</u> in a number of provinces. It pays taxes, by law on an aggregated basis across those operations, to Directorate of National Taxes and Customs
   - *Colombia/nonspecificsubnational/nonspecificoperation/nonspecificresource – Project tag*
   - *Taxes – Payment tag*
   - *Colombian Directorate of National Taxes & Customs – Payee tag*

Reporting by Payments, Projects and Payees

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Users would be able to access compiled data searchable by multiple dimensions of Payments, Projects and Payees

REIs → **SEC** → **Users**

Dataset

Database

Search Dataset by:
- Country
- State or Province
- Operation
- Resource
- Payment
- Payee

Searchable compiled Dataset made available by SEC would exclude REI company-specific information (name/ticker)

Model Demonstration

- **Examples of how data could be searchable by multiple dimensions of Payments, Projects and Payees**
  - *Total Payments by Country*
  - *Total Payments by Sub-National Jurisdiction*
  - *Chart View of Payment Types by Country*
  - *Total Payments by Payee (Government Entity Paid)*
  - *Total Payments to Payee related to Projects in Sub-National Jurisdiction*
  - *Total Payments by Payment Type to Payee*
  - *Total Payments by Project and by Payee*
  - *Total Payments to Payee, by Project and Payment Type*
  - *Other Requested Searches*

Benefits

- **Efficiency**
  - *Leverages existing technology (XBRL)*
  - *Minimizes manual intervention*
  - *Standardizes reporting parameters for all REIs*

- **Usability**
  - *Provides compiled localized data down to state/province and payee (government entity paid) level*
  - *Facilitates users' analysis because extracted data readily sortable*
  - *Aids comparability through standardized parameters*

- **Flexibility**
  - *As needed, can add new tags (e.g., state/province with first-ever oil operations) to taxonomy*

- **Protects commercially sensitive information**