

Vanessa A. Countryman
Secretary, Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

March 15th, 2020

RE: Dodd-Frank Section 1504, File No. S7-24-19

Dear Secretary Countryman,

I appreciate the opportunity to comment on the Commission's proposed implementing rule for Dodd-Frank Section 1504. I have closely followed the progression of mandatory payment disclosure legislation and regulations in the US, and I testified before the House Financial Services Committee during its deliberations over the initial legislation.¹ I welcome strong US leadership on this issue and encourage the Commission to issue a final rule in alignment with the international standard for transparency in the oil, gas and mining industries.

My interest in payment transparency stems from my years of working for Royal Dutch Shell. Before I retired, I was the company's Vice President of External Affairs and, in that capacity and along with other industry and NGO colleagues, I helped found the Extractive Industries Transparency Initiative (EITI). Since retirement, I have maintained my involvement in extractive industry revenue transparency by serving on the boards of the Natural Resource Governance Institute and Publish What You Pay. I am also Chair of the Natural Resource Charter.

Today I am writing to provide what I believe is relevant guidance as requested by the Commission with respect to Question 92 of the proposed rule:

"Are there additional costs and benefits from the proposed definition of 'project'? How do issuers typically define 'project' in their reporting systems? How costly would it be for issuers to switch from the definition of 'project' that they currently use to the one being proposed in these rules? Would our proposed definition of project reduce compliance costs for issuers compared to a contract-based definition of project?"²

This is an important question, since the Commission bases the rationale for a modified project definition partly on an assumed reduction in compliance cost when compared to a contract-level product definition. According to the Commission:

"An issuer's costs could be further reduced to the extent that it has already aggregated the payment information for its own internal accounting or financial reporting purposes. In that event, it may be less costly for an issuer to modify its internal accounting/financial reporting

¹ <https://www.govinfo.gov/content/pkg/CHRG-110hrg44189/html/CHRG-110hrg44189.htm>

² Draft Rule, Federal Register, p. 2563

system to collect the required payment information than it would be to build from scratch a system to collect the payment information on a contract-by-contract basis.”³

This is not the case. The modified project definition is atypical and would require disclosure of information at a level of aggregation (i.e. major subnational political jurisdiction) that is not typically found in internal accounting systems. Therefore, such a system would have to be developed.

On the other hand, defining a project according to legal agreements does not impose an undue burden on reporting companies since the relevant payments are already recorded in subsidiary companies' books of account. Company systems necessarily require accounting by project on an ongoing basis because:

1. Contractual terms and conditions will vary from contract to contract, and companies must be able to demonstrate to government (and to any industry partners) that these are being met.
2. Contractual partners (e.g. joint venture partners) may also be different from contract to contract, and each partner will want to see periodic sets of accounts for the venture in which it is invested.

Therefore, the modified project definition would not reduce compliance costs in the least. Rather, requiring disclosure of information at this level of aggregation would require an exercise to map projects to geographical/political areas and a system to aggregate the relevant data.

Irrespective of the above argument, I do not believe that the compliance costs of reporting at the contract level could be deemed burdensome for companies. Many already provide such data under the disclosure rules arising from in-country EITI implementations, EU directives or the Canadian Extractive Sector Transparency Measures Act and one major company has advised you that its total cost of complying with the (more stringent) EU regulations is in the region of \$200,000 per year.⁴

Sincerely yours,



Alan Detheridge
Former Vice President, External Affairs, Royal Dutch Shell

³ Draft Rule, Federal Register, p. 2537

⁴ Letter dated February 10, 2020 from Francois Badual, President & CEO, TOTAL, Washington D.C. Representative Office, retrieved from <https://www.sec.gov/comments/s7-24-19/s72419-6879145-210715.pdf>.