

March 25, 2020

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

Re: File No. S7-24-19, Resource Extraction

Dear Secretary Countryman,

We are grateful for the opportunity to share our thoughts and knowledge about the proposed revision to the Dodd-Frank 1504 rule and how it may impact American oil companies, investors, and the citizens of the countries where natural resources are extracted. We have spent our careers studying and experiencing the root causes of violence, instability, and corruption in foreign countries. We believe that a strong version of the Dodd-Frank 1504 rule will lead to a more stable world -- while also bringing higher profitability to oil companies and their investors.

In their resistance to a strong Dodd-Frank 1504 Act, opponents have contended that it is “diverting precious resources [...] from American companies that could otherwise be used to create jobs,”¹ that it will “adversely affect the ability of publicly traded companies to compete globally,”² and that its repeal “could save American businesses as much as \$600 million annually in regulatory costs and spare them 200,000 hours of paperwork.”³ Our research shows that these statements are not only incorrect, but rather that non-compliance with such transparency reforms as Dodd-Frank 1504 costs companies, their shareholders, American energy consumers, and the citizens of the countries where they work dearly.

¹ Michigan Republican Representative Bill Huizenga in a statement to CNN. Rene Marsh, “House Republicans look to roll back transparency law for energy companies,” *CNN*, February 1, 2017, <https://edition.cnn.com/2017/01/31/politics/oil-industry-regulations/index.html>.

² ExxonMobil spokesman William F. Holbrook to the Washington Post. Steven Mufson, “One of House GOP’s first targets for regulatory rollback is top on oil industry’s wish list,” *The Washington Post*, February 2, 2017, <https://www.washingtonpost.com/news/energy-environment/wp/2017/02/01/one-of-house-gops-first-target-s-for-regulatory-rollback-is-tops-on-the-oil-industrys-wish-list/>.

³ Former House Republican Majority Leader Kevin McCarthy, “How the House Will Roll Back Washington’s Rule by Bureaucrat,” *The Wall Street Journal*, January 24, 2017, <https://www.wsj.com/articles/how-the-house-will-roll-back-washingtons-rule-by-bureaucrat-1485302719>.

Oil companies have been historically bad at estimating their own costs, as evidenced by the regular cost overruns and delays of extraction projects (research shows that 64 percent of megaprojects face cost overruns, and 73 percent face delays).⁴ This is in large part because they are not considering the monumental impact that corruption and its destabilizing influence have on their ability to extract resources in many resource-rich countries.

By being transparent about their payments to foreign governments, U.S.-listed oil companies can display in monetary terms how their project is benefiting a host community. Payment disclosure will allow citizens to hold their own government officials accountable, and so extraction companies will have to worry less about the tension that often arises when their payments to a foreign government are lost to corruption rather than reaching their intended recipients.

When considering the costs of preparing disclosure reports in comparison to the costs of doing business in a country where projects are delayed by anti-corruption protests and vandalism, the choice seems obvious.⁵ In the long run, transparency is not only the right thing to do, it will save energy companies, and therefore consumers, money.

But more than that, as Americans, we want to see prosperity, stability, and democracy throughout the world. When our oil companies undermine our efforts to reduce corruption by opposing transparency reforms, they do so at great cost to Americans. Instability not only increases our domestic energy costs, but also undercuts the precious funds we spend on development and diplomacy abroad. In extreme scenarios, such instability can prompt military intervention.

Oil industry corruption scandals have dominated the headlines in recent years, including in Nigeria,⁶ Italy,⁷ Venezuela,⁸ Brazil,⁹ South Sudan,¹⁰ and Iraq.¹¹ And everywhere, the

⁴ EY, Spotlight on Oil and Gas Megaprojects, 8. See also summary of findings: [http://www.ey.com/Publication/vwLUAssets/EY-spotlight-on-oil-and-gas-megaprojects/\\$FILE/EY-spotlight-on-oil-and-gas-megaprojects.pdf](http://www.ey.com/Publication/vwLUAssets/EY-spotlight-on-oil-and-gas-megaprojects/$FILE/EY-spotlight-on-oil-and-gas-megaprojects.pdf)

⁵ See Sarah Chayes and Sarah Peck, comment to the Commission, February 16, 2016, <https://www.sec.gov/comments/s7-25-15/s72515-31.pdf>

⁶ Russel Padmore, "Nigeria could lose \$6bn from 'corrupt' oil deal linked to fraud," BBC News, November 26, 2018, <https://www.bbc.com/news/business-46336733>.

⁷ Emilio Parodi and Stephen Jewkes, "Eni CEO searched, under investigation over dealings in Congo," *Reuters*, September 27, 2019, <https://www.reuters.com/article/us-eni-congo-ceo/eni-ceo-searched-under-investigation-over-dealings-in-congo-idUSKBN1WB32N>.

⁸ "US hits 'corrupt' Venezuela oil firm PDVSA with sanctions," *BBC News*, January 29, 2019, <https://www.bbc.com/news/world-us-canada-47036491>.

⁹ Jonathan Watts, "Operation Car Wash: Is this the biggest corruption scandal in history?" *The Guardian*, June 1, 2017, <https://www.theguardian.com/world/2017/jun/01/brazil-operation-car-wash-is-this-the-biggest-corruption-scandal-in-history>

¹⁰ "BREAKING: Ezekiel Lol Gatkuoth Sacks Over Corruption and Mismanagement of South Sudan Oil

malfeasance was enabled by the lack of transparency. The allegations include price fixing, embezzlement, misappropriation, bribery, and kickbacks. The European Union, Norway, and Canada have all implemented legislation requiring oil, gas and mining companies to publish payments they make to governments and to release information on their earnings in each country in order to mitigate future incidences of corrupt behavior. We are grateful for the efforts of our allies, but believe that the US should be a leader in cleaning up the oil industry.

The 2019 proposed Dodd-Frank 1504 rule is weak, not in the spirit in which the Act was introduced, and will have little impact on improving transparency and reducing corruption and instability in the countries where American extraction companies operate. We urge you to reconsider and to pass a stronger rule that will benefit both Americans and citizens throughout the world who are fighting to live in better governed, more stable societies.

Sincerely,

Sector," *South Sudan News Now*, June 16, 2019,
<https://oglinks.news/south-sudan/news/breaking-ezekiel-lol-gatkuoth-sacks-corruption-mismanagement>.

¹¹ Mike Woods, "14 French companies back on trial in 'Oil for Food' scandal," *RFI*, Nov 21, 2018,
<http://www.rfi.fr/en/20181121-14-french-companies-back-trial-oil-food-scandal>.

About the Authors

Sarah Chayes

Former special adviser to the chairman of the Joint Chiefs of Staff, Sarah Chayes is internationally renowned for her analysis of how systemic corruption drives militant extremism, among other security crises. She also advised three commanders of the International Security Assistance force in Afghanistan, after living in Kandahar for seven years. She is the author of *On Corruption in America, And What Is At Stake*, forthcoming in August from Knopf. Her 2015 book, *Thieves of State: Why Corruption Threatens Global Security* won the Los Angeles Times Book Prize.

Louise Shelley

Dr. Louise Shelley is the Omer L. and Nancy Hirst Endowed Chair and a University Professor at George Mason University. She directs the Terrorism, Transnational Crime and Corruption Center (TraCCC) that she founded. She is a leading expert on the relationship among terrorism, organized crime and corruption as well as human trafficking, transnational crime and terrorism with a particular focus on the former Soviet Union. Her writings include *Dark Commerce: How a New Illicit Economy is Threatening our Future* (2018), *Dirty Entanglements: Corruption, Crime and Terrorism* (2014), as well as numerous articles and book chapters on all aspects of transnational crime and corruption. She was an inaugural Andrew Carnegie Fellow and the recipient of the Guggenheim, NEH, IREX, Kennan Institute, and Fulbright Fellowships.

Jodi Vittori

Jodi Vittori is an expert on the linkages of corruption, state fragility, illicit finance, and US national security. She is a non-resident fellow with the Carnegie Endowment for International Peace, the US Research and Policy Manager for Transparency International's Defense and Security Program, and an adjunct professor at Georgetown University. Before joining Transparency International, Jodi was a senior policy adviser for Global Witness, where she managed educational and advocacy activities on linkages between corruption and national security. Prior to that, Jodi served in the U.S. Air Force, advancing to the rank of Lieutenant Colonel; her overseas service included Afghanistan, Iraq, South Korea, Bosnia-Herzegovina, Saudi Arabia, and Bahrain, and she was assigned to NATO's only counter-corruption task force. Jodi has published on conflict finance and illicit financial flows and she is the author of the book *Terrorist Financing and Resourcing* and a co-author of the handbook *Corruption Threats and*

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Debra LaPrevotte

Debra LaPrevotte is the Senior Investigator for The Sentry. The Sentry seeks to disrupt and ultimately dismantle the network of perpetrators, facilitators, and enablers who fund and profit from Africa's deadliest conflicts. Debra is currently investigating violent kleptocracy in Sudan, South Sudan, Congo (DRC), Central African Republic and Somalia. She focuses on investigating greed that fuels war crimes and atrocities. Prior to joining The Sentry, Debra retired after 20 years with the Federal Bureau of Investigation (FBI). Debra served as a Supervisory Special Agent on the International Corruption Unit at FBI Headquarters. Debra was instrumental in initiating the FBI's Kleptocracy program and seized more than \$1 billion dollars from foreign corrupt officials.

Charles Kenny

Charles Kenny is a senior fellow at the Center for Global Development (*affiliation for identification purposes, the Center for Global Development does not take institutional positions). His current work focuses on gender and development, the role of technology in development, governance and anticorruption and the post-2015 development agenda. Kenny previously worked for the World Bank, where his assignments included working with the VP for the Middle East and North Africa Region, coordinating work on governance and anticorruption in infrastructure and natural resources, and managing a number of investment and technical assistance projects covering telecommunications and the Internet. He is the author of the book *Getting Better: Why Global Development is Succeeding, and How We Can Improve the World Even More* and *The Upside of Down: Why the Rise of the Rest is Great for the West*.

Florin Badita

Florin Badita is an activist who founded the civic movement Corruption Kills in Romania, after a tragic 2015 fire in a nightclub that killed 64 people, as a result of corruption. The biggest protests facilitated by the group had more than half a million people in the streets. For his work in fighting corruption, Forbes included him on its 30 under 30 Europe in 2018 and Euronews nominated him European Personality of the Year in 2018. He is also a transparency activist who has sent over 7000 freedom of information requests to 3000 public authorities in the last five years. He has developed a method using the FOIA requests to uncover corruption, applicable to any country that has such laws called the "Anti Corruption Toolkit for Freedom of Information Act" (ACTFOIA).

Frank Vogl

Frank is the co-founder of two leading international non-governmental organizations fighting corruption -- Transparency International and the Partnership for Transparency Fund. He teaches at Georgetown University, writes regular "blog" articles on corruption for theGlobalist.com and lectures extensively. Frank is also a specialist in international economics and finance with more than 50 years of experience in these fields - first as an international journalist, then as a senior World Bank official and, from 1990 to 2017, as the president and CEO of a consulting firm, Vogl Communications Inc.

Steve Katz

Steven L. Katz is an attorney based in the Washington, D.C. area whose career reflects a three-decade commitment to advancing democracy, integrity and anti-corruption, government accountability and transparency from senior roles enabling him to bridge government, the private sector, non-governmental organizations, and programmatic and advocacy efforts. Katz served as Counsel to the U.S. Senate Committee on Governmental Affairs; was Chief Counsel to the Chairman of the U.S. Merit Systems Protection Board; served as Senior Advisor to the Comptroller General of the U.S., agency head for the Government Accountability Office; and has consulted extensively for USAID and the World Bank. Katz has also worked in Big Four consulting firms including Deloitte and KPMG and held senior legal/legislative, oversight, and investigative positions in the U.S. House of Representatives and the U.S. Senate.

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Dr. Tabra is an Associate Professor at Pontifical Catholic University of Peru (PUCP). He is a lawyer, moderator, and lecturer in Corporate Law at the Postgraduate School of the Pontifical Catholic University of Peru (PUCP). Dr. Tabra's research interests involve the study in the fields of corporate law, corporate governance and social responsibility issues. He is the author of *Social responsibility and corporate governance in the company of solidarity* (USIL, 2017).