Natural Resource Governance Institute

Mr. Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

February 16, 2016

Dear Secretary Fields,

Comment on Proposed Rule Requiring Disclosure of Payments by Resource Extraction Issuers, File No. S7-25-15; Release No. 34-76620

We welcome the opportunity to provide a submission to the Securities and Exchange Commission (the "Commission") on proposed Rule 13q-1 and amendment to Form SD implementing Section 1504 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Section 1504) requiring payment disclosure by resource extraction issuers.

The Natural Resource Governance Institute (NRGI), an independent, non-profit organization, helps people to realize the benefits of their countries' oil, gas and mineral wealth through applied research, and innovative approaches to capacity development, technical advice and advocacy. NRGI is recognized for its technical expertise, and has been involved in the development of mandatory reporting requirements for the extractive industries in the United States, European Union and Canada. We have also contributed extensively to the development of the Extractive Industries Transparency Initiative (EITI), including serving on the initiative's board since its inception and contributing to the revised version of the EITI Standard adopted in 2013.

In this submission, we have carried out a study to test, based on available evidence, the claims of some commentators from the petroleum industry regarding Section 1504 and competitive harm. Specifically, we have focused on a quantitative approach to evaluating a primary source of competitive harm cited by some commentators, namely that countries supposedly hostile to transparency will prefer to do business with competitor companies not subject to mandatory disclosure legislation.

This submission relates to the following questions contained in the proposed rule and request for comment:

- Question 45 regarding the need for exemptions in the case of host country legal prohibitions;

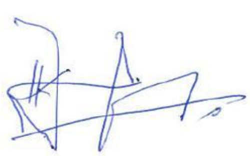
- Question 48 regarding any problems faced by companies in countries that allegedly prohibit disclosure; and
- Question 80 regarding studies on potential competitive effects of the proposed rules.

The data used in this study has been drawn from Rystad Energy's UCube Database and we have focused our analysis on the industry-cited countries of Angola, Cameroon, China and Qatar. The data shows that in the period following the passing of Section 1504 oil and gas companies covered by Section 1504 have continued to receive contracts in countries cited by industry as allegedly prohibiting disclosure. Therefore, in practice, there has been no blanket exclusion of covered companies from awards in these countries. Our findings further show that the covered companies have not been significantly affected in their ability to secure contracts in the industry-cited countries after the adoption of Section 1504. Indeed, the available data suggest that if anything, Dodd-Frank covered companies have as a whole marginally *improved* in their ability to win new contracts across these countries relative to non-covered companies since Section 1504 was signed into law in 2010. These findings are reinforced when we focus on awards to multinationals by excluding companies headquartered in an awarding country so as to control for the impact of a more general observed trend towards domestic companies receiving a greater portion of overall awards.

We welcome the Commission's efforts in this rulemaking. Please see our analysis of oil and gas contracts awarded in Angola, Cameroon, China and Qatar below.

We appreciate the opportunity to make this submission and would welcome the opportunity to discuss our analysis with you in further detail. Please do not hesitate to contact us with any questions.

Sincerely,



Daniel Kaufmann
President and Chief Executive Officer
Natural Resource Governance Institute

Has Section 1504 of the Dodd-Frank Wall Street Reform and Consumer Protection Act Had an Impact on Covered Issuers' Ability to Win Oil and Gas Contracts?

An Analysis of Contract Awards in Angola, Cameroon, China and Qatar

Section 1504 of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Section 1504") requires oil, gas, and mining companies that file annual reports with the U.S. Securities and Exchange Commission ("SEC") to report on a range of payments that they make to governments for resource extraction projects. Some commentators from the petroleum industry have asserted that they will suffer competitive harm if forced to publish these reports. They have suggested that a primary source of competitive harm would involve countries that are hostile to transparency preferring to do business with competitor companies not subject to mandatory disclosure legislation.[1] Consequences, these commentators argue, would be particularly acute in four countries where they contend that payment disclosure is illegal: Angola, Cameroon, China, and Qatar.

We note that the existence of disclosure prohibitions in *any* country, let alone the four oil industry-cited countries ("industry-cited countries"), is contested, and that evidence of such prohibitions has been deemed "unpersuasive" by the SEC.[2] Other jurisdictions which have implemented similar rules have also made clear that there has been a lack of evidence of such prohibitions. For example, Michel Barnier, European Commissioner for Internal Market and Services has made clear that "during the legislative process there was no concrete evidence of third countries prohibiting such disclosures."[3]

Notwithstanding the lack of evidence supporting disclosure prohibitions, we have carried out this study to test whether the oil industry's claims on competitive harm can be substantiated based on the available evidence. We felt a quantitative study is important given the persistence of discussions around potential competitive harm of Section 1504 generally and specifically with respect to oil industry arguments in favor of exemptions for countries that allegedly prohibit payment disclosures. This is particularly relevant in the context of the SEC's current proposed rule, and specifically with respect to the following questions in the SEC request for comment:

- Question 45 regarding the need for exemptions in the case of host country legal prohibitions;
- Question 48 regarding any problems faced by companies in countries that allegedly prohibit disclosure; and
- Question 80 regarding studies on potential competitive effects of the proposed rules.[4]

---

[1] *See, e.g.*, API Comment, pp. 2-3 (Jan. 28, 2011), *at* http://www.sec.gov/comments/s7-42-10/s74210-10.pdf.
[2] *See* SEC Rel. No. 68197, Order Denying Stay at 7 (Nov. 8, 2012).
[3] *See* letter from Michel Barnier, European Commissioner for Internal Market and Services (2010-2014) to SEC Chair Mary Jo White (July 8, 2014), available at http://ec.europa.eu/finance/company-reporting/docs/country-by-country-reporting/letter-mb-mjw_en.pdf.
[4] SEC, Disclosure of Payments by Resource Extraction Issuers, Proposed Rule, 80 Fed. Reg. at 80,062.

The data available clearly show that in the period following the passing of Section 1504 in 2010, oil and gas companies covered by Section 1504 have continued to receive contracts in each of the industry-cited countries that have awarded contracts during this period.[5] In practice, there is therefore no blanket exclusion of covered companies from awards in these countries. Our findings further show that the covered companies have not been significantly affected in their ability to secure contracts in industry-cited countries after the adoption of Section 1504. Indeed, the data available suggest that, if anything, Dodd-Frank covered companies have as a whole marginally *improved* in their ability to win new contracts across these countries relative to non-covered companies since Section 1504 was signed into law in 2010. During the five year pre-Dodd-Frank period studied (2005-2009, inclusive) ("pre-Dodd-Frank period") covered companies received 38 out of 112 of contract awards in the studied countries, whereas during the five year post-Dodd-Frank period studied (2011-2015, inclusive) ("post-Dodd-Frank period") covered companies received 56 out of 159 contract awards in the studied countries.[6] Figure 1 shows that the percentage of awards received by covered companies stayed relatively constant, increasing slightly from 33.9% in the pre-Dodd-Frank period to 35.2% in the post-Dodd-Frank period.[7]

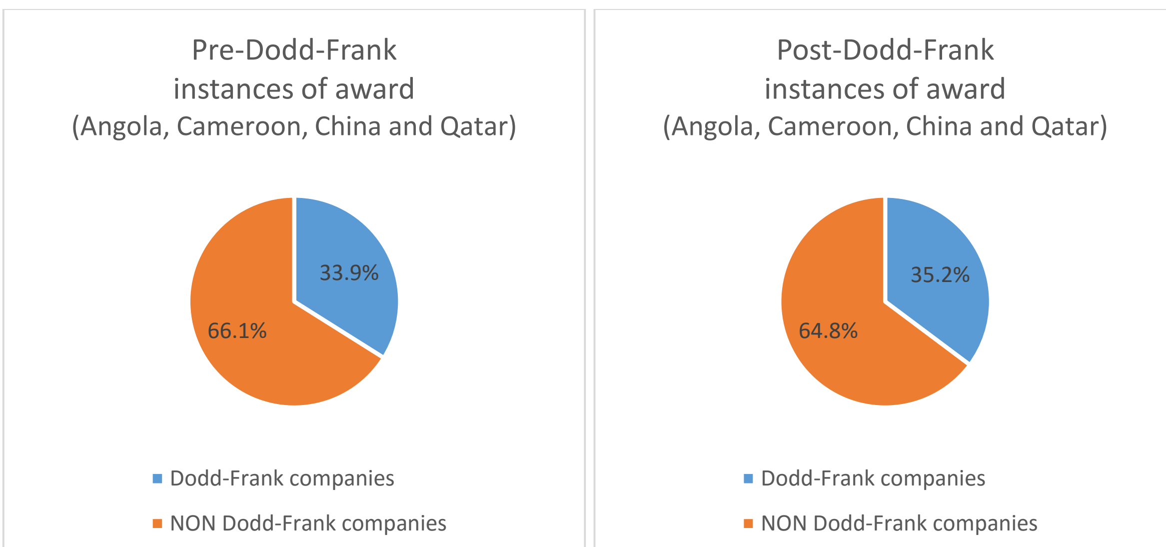


Figure 1 – Percentage of Awards in Pre-Dodd-Frank Period and Post-Dodd-Frank Period

[5] The data shows no contracts have been awarded by Qatar to *any* company (Dodd-Frank covered or not) in the post-Dodd Frank period.

[6] The year 2010 was omitted from both periods because Section 1504 was enacted midway through the year (signed into law on July 21, 2010), making it difficult to analyze contracts awarded in that year.

[7] This 1.3% percentage points increase in awards between the two periods observed in the full dataset is not statistically significant, as the standard error of the mean is of 2.9%. Further calculations throughout the analysis are based on a smaller numbers of observations, hence we refrain from reporting standard errors as changes observed are not of statistically significant magnitude.

The findings are reinforced when we control for the impact of a more general observed trend towards domestic companies receiving a greater portion of overall awards.[8] When we excluded companies headquartered in an awarding country, and analyzed the sample focused on awards to multinationals (i.e. companies operating outside their home country), Dodd-Frank covered companies received 58.2% of awards in the pre-Dodd-Frank period and 69% of awards in the post-Dodd-Frank period (see Figure 2).

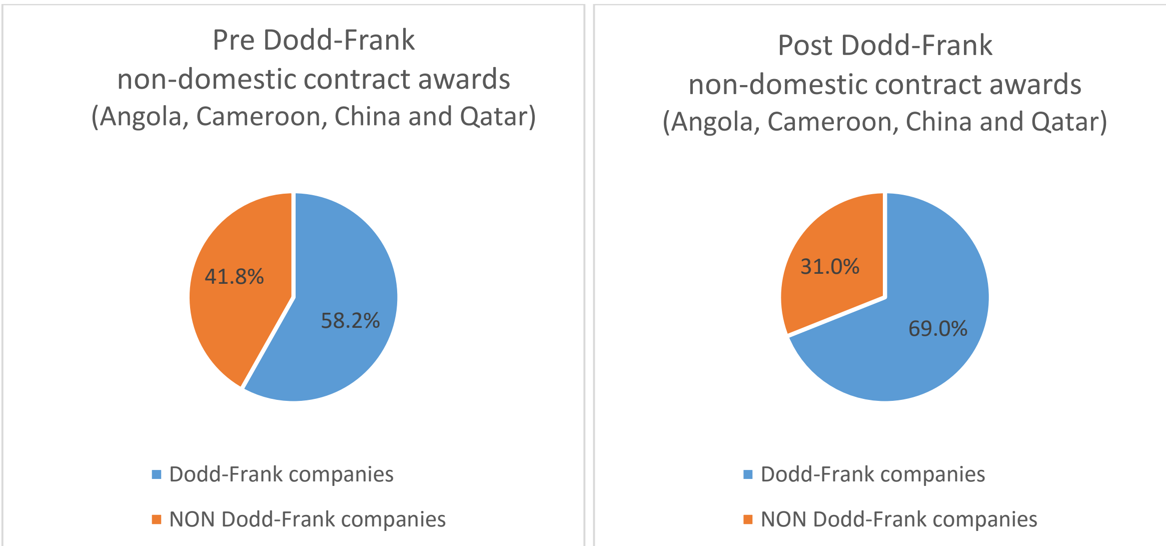


Figure 2 – Percentage of Non-Domestic Contract Awards in Pre-Dodd-Frank Period and Post-Dodd-Frank Period

1. Methodology

To test the question of whether oil and gas companies covered by Section 1504 fared worse in securing contracts in the industry-cited countries than companies that are not covered,[9] we analyzed three variables related to company competitiveness: 1) the number of instances where a company was awarded a new contract for an individual block; 2) the number of instances where a company was awarded a majority stake in a block and 3) the average percentage participation in awarded contracts. The rationale for each of these variables is explained further below.

[8] The data for the studied countries showed that instances of awards to companies headquartered in the awarding country represented 51% of overall awards for the pre-Dodd-Frank period, whereas they represented 81% in the post-Dodd-Frank period.

[9] We note that certain "non-covered companies" such as Repsol, BG, Glencore and Husky Energy are in fact covered by the EU Directives or the Canadian Extractive Section Transparency Measures Act that were put in place in 2013 and 2014 respectively and which require payment disclosures similar to Section 1504. For the sake of simplicity of the analysis we have counted these companies as "non-covered companies" throughout the period studied, but note that the fact that these and other companies will be required to make similar disclosures under EU and Canadian rules weakens the case for competitive harm to Dodd-Frank covered companies in receiving contracts.

Data on these variables come from Rystad Energy's UCube Database,[10] a continuously updated, proprietary database containing production, reserves, ownership, and other information for 65,000 oil and gas fields and licenses. We include a total of ten years of data in our analysis: each of the five years preceding the enactment of Dodd-Frank (2005-2009, inclusive), and five years following passage of the law (2011-2015, inclusive).

We originally queried the database in 2014 for instances of new participation and percentage participation for all oil blocks in Angola, Cameroon, China, and Qatar for the years 2005 to 2013.[11] This data was, however, incomplete because of UCube's methodology for recording the ownership of participation stakes in oil blocks. Specifically, when a stake in an oil block changes hands, UCube reassigns all historic ownership for that stake in previous years to the current owner. We therefore requested the original historical ownership data from Rystad Energy. The data for 2005 to 2013 consists of data provided from Rystad Energy in response to that request and, to the best of our knowledge, accurately assigns to each ownership stake in each project the identity of the company that held that ownership at the time of the award. More recently, we added 2014 and 2015 data to the data set by repeating the original query in UCube.[12]

Measure #1: New Contracts Awarded

"New Contracts Awarded" is a continuous variable, measured as the total number of new contracts awarded to both Dodd-Frank covered companies and non-covered companies in each of the industry-cited countries, for each year included in our study. The UCube Database registers new contracts awarded by recording instances of new participation by individual oil companies. For the purposes of our analysis, each new instance of participation in an oil block was registered as a single new contract award to each company that was identified as a recipient, regardless of that company's percentage participation in the oil block. We believe that this number is predictive of competitiveness because it records the *number of instances* in which a relevant government has awarded a contract to a particular company. This is the primary measure of competitiveness in our study and we have included the two additional measures as complementary elements to this primary measure.

---

[10] Rystad Energy is an independent oil and gas business intelligence firm offering global databases used by companies, investment banks, investors and governments, including the US Department of Energy. We worked with Oil Change International (OCI), which holds a subscription to UCube, to extract and analyze the data. We are grateful to OCI for their cooperation in navigating the database and helping to ensure robust analysis, and to the Rystad Energy support team for assisting us with our data specifications.

[11] 2005 is the first year for which UCube returned consistent data, and 2013 was the last completed year at the time.

[12] Given UCube's approach to transfers of ownership, there is the possibility that some of the stakes awarded in 2014 (or less likely 2015) have already been reassigned (in which case, based on UCube's methodology, the original ownership information would have been deleted and replaced with the new owner). We were unable to repeat for 2014 and 2015 the query to Rystad mentioned above for the earlier period in order to control for the possibility of transfer.

As noted in the introduction, we have included an alternative specification for this measure that excludes awards given to a company headquartered in the awarding country.[13] The rationale for this additional control is an attempt to further focus on the question of whether supposedly transparency-hostile countries are selecting foreign companies based on whether they are subject to Section 1504 or not, rather than for other reasons to favor domestic companies such as increasing local content or national participation.

Measure #2: New Majority Contract Participation Awarded

To complement the "New Contracts Awarded" measure, the "New Majority Contract Participation Awarded" measure adds a further test which assumes that governments in industry-cited countries may choose to not award majority participations to Dodd-Frank covered companies, since companies deemed to control a given asset or joint venture are required to disclose payments under the SEC's approach to reporting. For the purposes of this study, we simply chose a stake of 50% or above as denoting control.[14] We measured the number of instances where majority participations were awarded to covered companies and non-covered companies before and after Dodd-Frank. We believe this measure is predictive of competitiveness because competitive harm could manifest as a tendency for transparency-averse countries to award only non-controlling stakes to Dodd-Frank covered companies in order to avoid mandatory reporting.[15]

Measure #3: Average Percentage Participation

Our final measure is the average percentage participation in individual oil blocks awarded to Dodd-Frank covered companies and non-covered companies in each of the industry-cited countries, for each year of the study. We analyzed this alternate measure of competitiveness because we wanted to account for the possibility that covered companies operating in countries supposedly hostile to transparency might lose ground not in the *quantity* of contracts awarded, but rather in the *percentage participation* assigned to the company within a given contract. In other words, if Section 1504 created a competitive disadvantage for covered companies, these companies might receive the same number of contracts as before, but only be permitted to compete for a smaller percentage of each contract awarded.

We chose to look at *contract awards*, *majority contract participation* and *average percentage participation* because we believe that these are the readily available measures of corporate performance that could reflect any currently identifiable competitiveness impact of Section 1504. We did not look into other measures of competitiveness, such as revenues or profits,

---

[13] The UCube database includes the ability to query for company headquarters. Where we were unable to identify company headquarters through UCube, we conducted further research to determine this.
[14] Note that this simple test for control as equal to or above 50% participation is not meant to prejudge the SEC's ultimate decision on its approach to control under the rules for Section 1504.
[15] This measure also complements measure #1, since a measure based on majority participation somewhat normalizes for the fragmentation effect caused in measure #1 by the fact that countries vary in the average number of participants per contract and hence the percentage participation awarded.

because although these indicators might be affected eventually by any competitiveness impact of Section 1504, the effects would be subject to a longer time lag due to the years that elapse between initial investment and first production and sale of oil from a given field. Further, we did not examine contract size or value since we do not observe the overall value of the contract in our data. Accurate valuation of contracts at the award stage is very challenging given uncertainty about the eventual resource base and revenue flows.

We queried the Rystad Energy UCube Database for information on all new contracts awarded to companies in the four industry-cited countries in the pre-Dodd-Frank period (2005 to 2009) and the post-Dodd-Frank period (2011-2015).[16] The database returned 117 companies that received new awards in the relevant countries during the relevant years.[17] We coded companies that were awarded new contracts into two categories: 1) companies that filed annual reports (e.g., 10-K, 20-F) with the SEC during the relevant periods ("*covered companies*"), and 2) companies that did not file annual reports with the SEC ("*non-covered companies*").[18] The list of companies is included in Annex 1.

We conducted differences-in-differences analyses for the three measures mentioned above for the covered and non-covered companies over the pre and post-Dodd-Frank time periods. The differences-in-differences approach was adopted because it is well suited to demonstrate changes in competitiveness over the two relevant periods. We are primarily interested in the *relative* change in the number and nature of contracts awarded after Dodd-Frank was signed into law in 2010. For example, even if non-covered companies had a competitive edge in the industry-cited countries before 2010, Section 1504 could only be said to have harmed the competitiveness of covered companies if they became *even less* competitive in the industry-cited countries after Dodd-Frank was enacted. By the same token, even if covered companies received a higher percentage of awards in the industry-cited countries than non-covered companies both before and after Dodd-Frank was enacted, we could not reject the possibility that Section 1504 had an anti-competitive effect unless the percentage of contracts awarded *increased or remained stable* relative to the percentage awarded to non-covered companies in the post-Dodd-Frank period.

[16] 2005 was the earliest year in the study because it was the first year for which contract information was generally available on the database. The year 2010 was omitted from both time periods because Section 1504 was enacted midway through the year, making it difficult to analyze contracts awarded in that year.
[17] The database also returned a few company identifications of "other partner(s)". As this identification could not be categorized as covered companies or non-covered companies, we did not include these in the dataset analyzed.
[18] We note that certain "non-covered companies" such as Repsol, BG, Glencore and Husky Energy are in fact covered by the EU Directives or the Canadian Extractive Section Transparency Measures Act that were put in place in 2013 and 2014 respectively and which require payment disclosures similar to Section 1504. For the sake of simplicity of the analysis we have counted these companies as "non-covered companies", but note that the fact that these and other companies will be required to make similar disclosures under EU and Canadian rules weakens the case for competitive harm to Dodd-Frank covered companies in receiving contracts.

Assumptions

Before presenting the results of our analysis, it is important to note that our approach rests on a number of assumptions. First, we assume that foreign governments knew about the requirements of Section 1504 when it was enacted into law, or shortly thereafter. We believe this assumption is reasonable because Section 1504 was widely publicized and was part of broader global developments in extractive industries transparency.[19]

Second, we assume that industry-cited governments understood the statutory language to require public, project-level disclosure. We believe this assumption is reasonable given that the SEC itself stated in its 2012 rule release that it believed Section 13(q) required resource extraction issuers to provide the payment disclosures publicly.

Third, we assume that if hostile governments were going to discriminate against companies required to disclose payment information, then that discrimination would have begun as soon as Section 1504 was enacted, or shortly thereafter. We believe this is a reasonable assumption because oil and gas contracts are generally expected to last for decades – a timeframe that is longer than the expected duration of uncertainty over the exact content or effective date of the rules implementing Section 1504. Therefore, any contract or agreement concluded with a covered company after the enactment of Section 1504 was signed with the knowledge that payments would likely have to be disclosed at some point in the future.

Fourth, we assume that evidence of competitive harm in the form of contract awards would have had ample time to present itself in the years since Section 1504 was signed into law.

Finally, we assume that if our results show that Section 1504 covered companies did not fare worse in securing contracts in the industry-cited countries in the post-Dodd-Frank period, this can be viewed as an indication that Section 1504 has not caused competitive harm on these companies. While we believe this to be reasonable, there are of course challenges in "proving a negative" and we are not trying to imply causality. Accordingly, even if the data were to show that covered companies did fare worse post-Dodd-Frank, we would not view this as definitive evidence of competitive harm to companies on the basis of Section 1504.

2. Results and Analysis

We set out below our results and analysis for each of the measures used. For each measure, we focus on the aggregate findings for the four industry-cited countries as this provides the most robust data set and therefore, we believe, the most significant overall findings. The section on

[19] For example, the administrative record from a previous round of rulemaking includes a letter from the Government of Qatar dated December 23, 2009, showing that Qatar was following the fate of precursor bills to Section 1504. *See* Exxon Comment, Attachment II (Mar. 15, 2011), *at* http://www.sec.gov/comments/s7-42-10/s74210-73.pdf.

each measure also provides the data disaggregated by country, and the analysis includes country-specific elements of interest where sufficient data exists.[20]

Measure #1: New Contracts Awarded

Figure 3 below compares the number of awards to covered and non-covered companies in the five year pre and post-Dodd-Frank periods across the industry-cited countries. Table 1 below shows the contracts awarded to each category of company pre and post-Dodd-Frank by country and in the aggregate for all four countries.[21] Table 1 also includes the aggregate percentage change in contracts awarded to each category of company pre and post-Dodd Frank in the industry-cited countries.

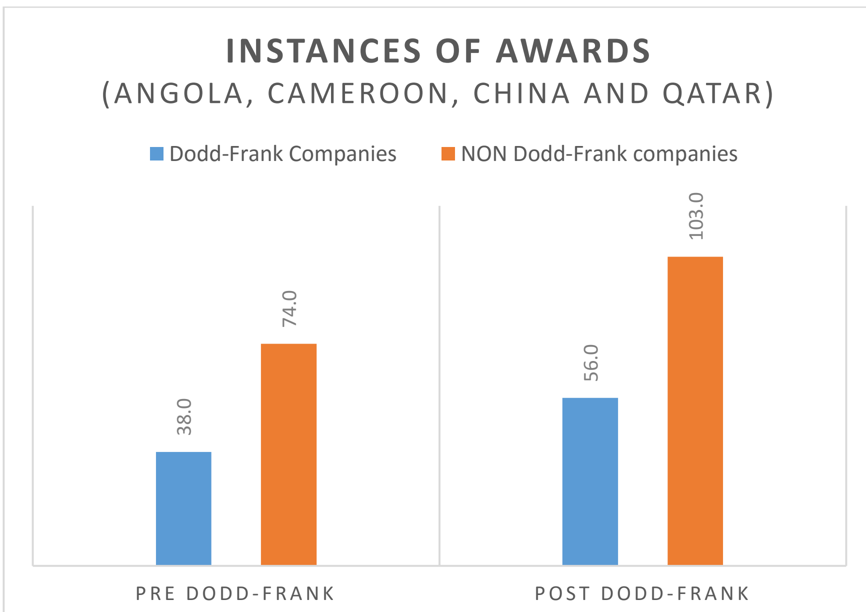


Figure 3 – Contracts Awarded Pre and Post-Dodd-Frank in Angola, Cameroon, China and Qatar

[20] We note that the Rystad UCube Database registered no new contracts for *any* company in Qatar in the post-Dodd-Frank period. Consequently, it is not possible to make inferences about the impact of Dodd-Frank in Qatar, and the country has therefore been excluded from our country-specific analysis. We further note that the sample size for Cameroon is relatively small, with only 17 instances of award during the studied periods as compared to 120 instances for Angola and 132 for China. We have therefore included very limited country-specific analysis for Cameroon.

[21] A more detailed version of the table providing year-by-year data is available in Annex 2.

		Contracts Awarded Pre Dodd-Frank	Contracts Awarded Post Dodd-Frank	Percent change
Angola	DF	14.0	10.0	
	NON DF	26.0	70.0	
Cameroon	DF	8.0	1.0	
	NON DF	6.0	2.0	
China	DF	16.0	45.0	
	NON DF	40.0	31.0	
Qatar	DF	0.0	0.0	
	NON DF	2.0	0.0	
All four countries	DF	38.0	56.0	47.4%
	NON DF	74.0	103.0	39.2%

Table 1 – Contracts Awarded Pre and Post-Dodd-Frank by Country and Aggregate Percentage Change across All Industry-Cited Countries

The results show that across the four industry-cited countries combined, Dodd-Frank covered companies have not lost ground in contract awards to non-covered companies. Using the data in Table 1,[22] Figure 1 further above shows the percentage of awards received by covered companies across the four countries stayed relatively constant, increasing by 1.3 percentage points from 33.9% in the pre-Dodd-Frank period to 35.2% in the post-Dodd Frank period. Table 1 further shows that both covered and non-covered companies received more contracts in the post-Dodd-Frank period than they did during the pre-Dodd-Frank period, and in fact the covered companies' instances of awards grew at a slightly greater rate (47.4%) than that of the non-covered companies (39.2%).[23]

When the control mechanism mentioned earlier is used and companies headquartered in an awarding country are excluded in order to focus on awards to multinationals (i.e. companies operating outside their home country), these findings were reinforced as set out by the data in Table 2 below.[24] Per this data (and as Figure 2 further above shows), covered companies received 58.2% of awards in the pre-Dodd-Frank period and 69% of awards in the post-Dodd-Frank period, an increase of 10.8 percentage points.

While both sets of companies received fewer contract awards in the post-Dodd-Frank period in this approach to the data, highlighting the general trend towards domestic companies receiving a greater portion of awards, the covered companies still performed better with a 37.5% drop as compared to a 60.9% drop for non-Dodd-Frank covered companies.

[22] The referenced data for the pre-Dodd-Frank period is 38 awards for covered companies out of a total of 112 (i.e., 38 plus 74), equivalent to 33.9%. For the post-Dodd-Frank period the data is 56 awards for covered companies out of a total of 159 (i.e., 56 plus 103), equivalent to 35.2%.

[23] We also checked to see if the findings still held if we reduced the studied period to four years before and after the adoption of Dodd Frank (i.e. 2006-2009 and 2011-2014). With the reduced period, the difference was even greater, with covered companies' instances of award growing 77% in the post-Dodd-Frank period while the non-covered companies went in the opposite direction, shrinking by over 44%.

[24] A more detailed version of the table providing year-by-year data is available in Annex 2.

		Non-Domestic Contracts Awarded Pre Dodd-Frank	Non-Domestic Contracts Awarded Post Dodd-Frank	Percent change
Angola	DF	14.0	3.0	
	NON DF	6.0	1.0	
Cameroon	DF	8.0	1.0	
	NON DF	6.0	2.0	
China	DF	10.0	7.0	
	NON DF	9.0	4.0	
Qatar	DF	0.0	0.0	
	NON DF	2.0	0.0	
All four countries	DF	32.0	20.0	-37.5%
	NON DF	23.0	9.0	-60.9%

Table 2 – Non-Domestic Contracts Awarded Pre and Post-Dodd-Frank by Country and Aggregate Percentage Change across All Industry-Cited Countries

At the country level, the results are mixed between the two countries, China and Angola, for which relatively significant data is available.[25] In China, covered companies' instances of awards grew by 29 instances post-Dodd-Frank (an increase of over 180%) while non-covered companies' instances of awards fell by nine instances (a decrease of over 22%).

In Angola, the data shows an increase by 44 instances of awards to non-covered companies in the post-Dodd-Frank period (an increase of nearly 170%) while covered companies saw a reduction of their awards by four instances (a decrease of nearly 29%). It is important to note however that this Angola data was heavily influenced by one set of awards as a part of a bid round concluded in December 2015. The bid round for the eight Angolan onshore blocks could be viewed as an outlier data point in several respects. First, the volume and fragmentation of the awards is significantly different from others in the data set. Across the overall data set the average number of companies receiving awards for each block is 1.7, whereas for the Angola 2015 onshore bid round the average was 7.75 companies per block, with an average participation share of 13% per company per award. Similarly, the 62 instances of award for this one bid round are significantly higher than the total awards received in any other year between the four industry-cited countries combined.

Second, the awards were made exclusively to domestic companies, potentially reflecting a broader government policy to favor domestic companies.[26] If companies headquartered in

[25] In Cameroon both sets of companies received fewer awards post-Dodd Frank and the fall was somewhat more significant for covered companies (87.5%) than for non-covered companies (66.7%). As noted earlier, the Cameroon findings are based on a small data set.

[26] In addition to the required participation of Sonangol, the national oil company, the government required a further minimum 20% percentage by domestic companies. The press coverage around the bid round also refers to the bid round as "largely meant to help local independents gain a foothold in the industry." *See* Africa Oil+Gas

Angola are excluded, in line with the control mentioned for the broader trend of domestic companies receiving a greater portion of overall awards, the findings for Angola are very different. While both covered companies and non-covered companies were awarded fewer contracts post-Dodd-Frank using this data set, covered companies in Angola decreased by 29% while non-covered companies decreased by 67%.

The fact that the results for Angola are reversed both (i) when the December 2015 bid round data is treated as an outlier by reducing the studied period to four years before and after passage of Dodd-Frank,[27] and (ii) when controlling for domestic companies per the control above, suggests that there may be grounds to discount the December 2015 bid round data point and its impact on the Angola findings.

Measure #2: New Majority Contract Participation Awarded

The next measure we used was the award of a majority participation interest (50% or above) as a proxy for control. Figure 4 below compares the number of majority participation awards to covered and non-covered companies in the five year pre and post-Dodd-Frank periods across the industry-cited countries. Table 3 below shows the majority participation awards for each category of company pre and post-Dodd-Frank by country and in the aggregate for all four countries. Table 3 also includes the aggregate percentage change in majority participation awards to each category of company pre and post-Dodd Frank in the industry-cited countries.

Report, "Angola Pre Qualifies 84 Companies To Bid For 10 Onshore Blocks", July 27, 2015, available at: http://africaoilgasreport.com/2015/07/farm-in-farm-out/angola-pre-qualifies-84-companies-to-bid-for-10-onshore-blocks/. In effect 100% of the participations in all of the blocks were awarded to domestic companies.

[27] If the Angola data was limited to four years before and after Dodd-Frank, the findings would indicate a significantly better performance of covered companies post-Dodd-Frank when compared to non-covered companies. While both categories received less awards, covered companies only decreased by 23% while non-covered companies decreased by 65%.

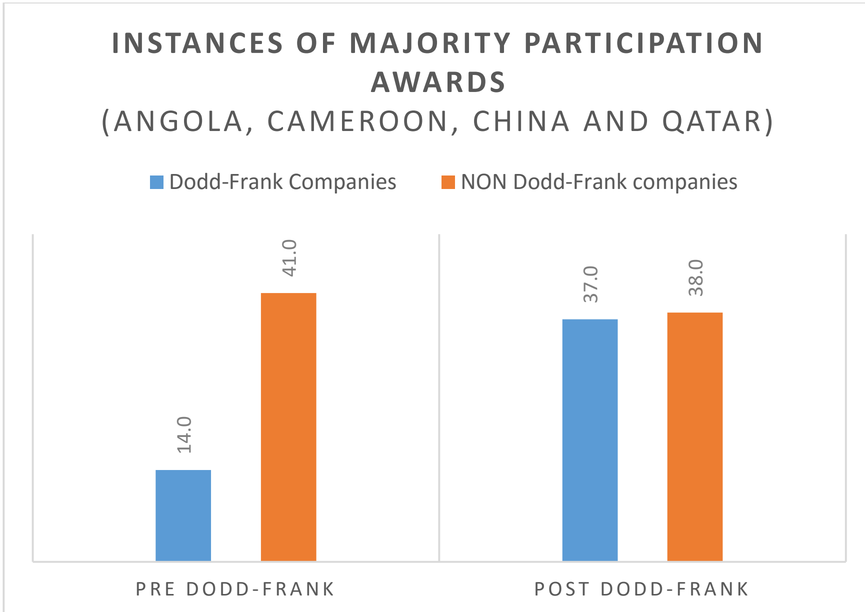


Figure 4 – Majority Participation Contracts Awarded Pre and Post-Dodd-Frank in Angola, China, Cameroon and Qatar

		Majority Awards Pre Dodd-Frank	Majority awards Post Dodd-Frank	Percent change
Angola	DF	1.0	0.0	
	NON DF	2.0	5.0	
Cameroon	DF	4.0	1.0	
	NON DF	3.0	2.0	
China	DF	9.0	36.0	
	NON DF	34.0	31.0	
Qatar	DF	0.0	0.0	
	NON DF	2.0	0.0	
All four countries	DF	14.0	37.0	164.3%
	NON DF	41.0	38.0	-7.3%

Table 3 – Majority Participation Contracts Awarded Pre and Post-Dodd-Frank by Country and Aggregate Percentage Change across All Industry-Cited Countries

The results show that across the four industry-cited countries combined, covered companies increased the instances where they were awarded majority stakes post-Dodd-Frank by 23 instances compared to the pre-Dodd-Frank period while non-covered companies slightly decreased in instances. The percentage increase for covered companies (164%) contrasts with a percentage decrease for non-covered companies (-7.3%).

At the country level, only China had significant data available.[28] In China, covered companies had 27 more instances of majority participation awards in the post-Dodd Frank period (a 370% increase), while non-covered companies registered three fewer instances of majority participation awards (a decrease of nearly 9%).

Measure #3: Average Percentage Participation

Finally, we looked at the average share of participation for contracts awarded to Dodd-Frank covered companies and non-covered companies in the industry-cited countries. Figure 5 compares average percentage participation to covered and non-covered companies in the pre-Dodd-Frank period and the post-Dodd-Frank period across the industry-cited countries. Table 4 below shows the average participation for each category of company in the pre-Dodd-Frank period and the post-Dodd-Frank period and across all four countries. Table 4 also includes the percentage change in the aggregate average participation percentage to each category of company pre and post-Dodd Frank across the industry-cited countries.

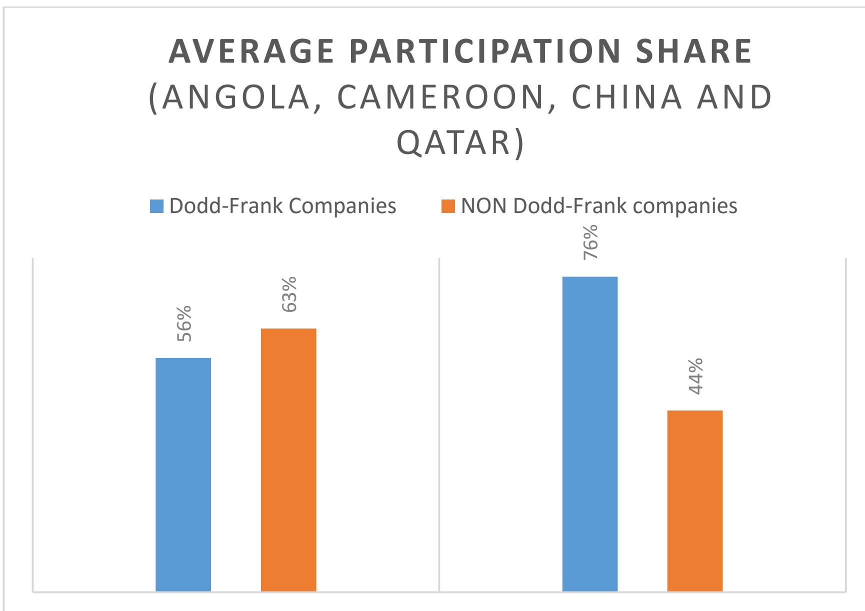


Figure 5 – Average Percentage Participation in Contracts Awarded Pre and Post-Dodd-Frank in Angola, China, Cameroon and Qatar

---

[28] Angola, Cameroon and Qatar had only eight, ten and two instances of majority participation awards during the relevant periods, with Qatar having no such awards, or for that matter any awards, in the post-Dodd Frank period studied. In Angola, non-covered companies had an increase in majority awards while covered companies had a decrease. It is worth nothing however that all of the majority awards to non-covered companies in Angola were to Sonangol, the national oil company, and would therefore be set aside in a control for awards to companies headquartered in the awarding company. In Cameroon, both categories of companies saw a drop in awards of majority stakes with covered companies seeing a proportionally more significant compared to non-covered companies.

		Average Participation Pre Dodd-Frank	Average Participation Post Dodd-Frank	Percent change
Angola	DF	30%	32%	
	NON DF	22%	19%	
Cameroon	DF	73%	100%	
	NON DF	70%	78%	
China	DF	71%	85%	
	NON DF	87%	96%	
Qatar	DF	0%	0%	
	NON DF	100%	0%	
All four countries	DF	56%	76%	34.7%
	NON DF	63%	44%	-31.0%

Table 4 – Percentage Change in Average Participation Share in Contracts Awarded Pre and Post-Dodd-Frank

The results show that across the three countries combined, that average participation share of covered companies increased by nearly 35% while average participation share of non-covered companies decreased by 31%.

The results at the country-level also favored covered companies, though again this was based on limited data for Cameroon and very limited data in Qatar. In Angola, covered companies increased their average participation slightly (by two percentage points) while non-covered companies' average participation decreased slightly (by three percentage points). In China, covered companies increased their average participation share by 14 percentage points while non-covered companies' average participation increased by nine percentage points.

3. Conclusions and potential limitations

Based on the three measures and data referenced above, we find that in aggregate across the four industry-cited countries (Angola, China, Cameroon and Qatar), Dodd-Frank covered companies have not suffered an observable competitive disadvantage in comparison with non-covered companies in securing contracts. In fact our analysis of (i) new contracts awarded, (ii) instances of majority contract participation awarded and (iii) average percentage participation, reveals that for each measure, in aggregate across the industry-cited countries, covered companies performed better than non-covered companies after Section 1504 was enacted.

These results are reinforced when companies headquartered in an awarding country are excluded from the data in order to control for the impact of the more general trend of domestic companies receiving a greater portion of overall awards. This additional treatment of the data was used in an attempt to focus on any potential impact specific to Section 1504 rather than from other sources such as governments seeking to increase local content or national participation. Under this treatment of the data, the main measure of competitive impact used, namely instances of awards moved from being slightly in favor of covered companies during the pre-Dodd-Frank period studied to being more clearly in favor of covered companies during the post-Dodd-Frank period studied.

At the country level, the results are mixed between the two countries, China and Angola, for which relatively significant data is available.[29] The results for China indicate that for all three measures used, covered companies performed better than non-covered companies after Section 1504 was enacted. The results for Angola have covered companies performing worse than non-covered companies on two of the measures, including the main measure of instances of contract award, but indicate the reverse for the measure of average participation share. As explained above in the results and analysis section however, the Angola results were heavily influenced by a bid round for onshore blocks in December 2015. This bid round could be viewed as an outlier data point since the volume and fragmentation of the awards is significantly different from others in the data set. Furthermore, when companies headquartered in Angola are excluded in line with the control factor mentioned above, the Angola results for instances of contract award are reversed and indicate that covered companies performed better than non-covered companies in the post-Dodd-Frank period. These elements suggest that there may be grounds to discount the December 2015 bid round data point and its impact on the Angola findings.[30]

The above analysis has a number of limitations that should be taken into account when interpreting these results. First, our assumption that countries that allegedly oppose transparency should have already begun penalizing covered companies may be wrong; such governments may in fact be waiting for the outcome of the regulatory process in the U.S. before discriminating against covered companies. However, we suspect that if disclosure of payments to such governments were truly anathema, they would already have taken steps to avoid that disclosure by declining to grant new contracts to companies that are covered by Section 1504. We know of no public statement outlining such an approach, and the data does not support this general hypothesis. Additional studies on contracts awarded to companies covered by the 2013 European Transparency and Accounting Directives, which mandate similar

---

[29] The database's lack of new contracts for *any* company in Qatar post-Dodd-Frank means it is not possible to make inferences about the impact of Dodd-Frank on contract awards in Qatar. In Cameroon the sample size is, as noted earlier, relatively small. The available data indicates that covered companies performed worse than non-covered companies on two of the measures (instances of contract award and majority awards), but indicates the reverse for the measure of average participation share. In interpreting the Cameroon data it is worth noting that Cameroon implements the Extractive Industry Transparency Initiative (EITI) which requires both Dodd-Frank covered companies and non-covered companies to report their payments to governments in a public report.

[30] The data set shows that Dodd-Frank covered companies, such as BP, Cobalt, ConocoPhillips, Statoil, and Eni, received contract awards in Angola post-Dodd Frank. Furthermore, at least one Dodd-Frank covered company with operations in Angola has already begun reporting on its payments to the Angolan government. *See* Statoil, 2014 Payments to Governments (2015). Available at: http://www.statoil.com/no/InvestorCentre/AnnualReport/AnnualReport2014/Documents/DownloadCentreFiles/01_KeyDownloads/2014%20Payments%20to%20governments.pdf.

disclosures, and the December 2014 Canadian Extractive Sector Transparency Measures Act, could help to clarify this dynamic.

Second, the above analysis addresses only one potential source of competitive harm that some industry voices allege will result from Section 1504. In addition to possible discrimination by transparency-hostile governments, some industry commentators also suggest that Section 1504 disclosures might reveal sensitive competitive information that their competitors could use to outbid them for important contracts.[31] Because companies have not yet begun to report their payments pursuant to Section 1504,[32] we could not test this assertion using existing data. We would note however that these suggestions of other types of competitive harm as a result of Section 1504 disclosures have been challenged in other submissions to the SEC.[33]

Finally, the above analysis does not mean to imply causality in any way: we do not argue that Section 1504 caused an improvement in the performance of covered companies. However, the analysis does not find evidence of competitive harm to covered companies on the basis of governments discriminating against extractive companies that are required to report their payments under U.S. law.

---

[31] For the American Petroleum Institute's assertions in this regard, see API Letter to SEC, pp. 9-10 (April 15, 2014) *at* http://www.sec.gov/comments/df-title-xv/resource-extraction-issuers/resourceextractionissuers-34.pdf.

[32] We note that some companies have begun reporting either voluntarily or as a result of other legislation. *See* Comment submitted by Columbia Center on Sustainable Investment (30 Oct. 2015), pp.12-13. Available at: https://www.sec.gov/comments/df-title-xv/resource-extraction-issuers/resourceextractionissuers-93.pdf.This includes Dodd-Frank covered companies such as Statoil and Kosmos who, per the UCube database, received contracts post-Dodd Frank in the industry-cited countries.

[33] *See* Comment submitted by Robert F. Conrad (17 July 2015). Available at http://www.sec.gov/comments/df-title-xv/resource-extraction-issuers/resourceextractionissuers-81.pdf; Comment submitted by PWYP-US (25 Feb. 2011), pp. 51-52. Available at: http://www.sec.gov/comments/s7-42-10/s74210-29.pdf.

Annex 1: List of companies

Company	Headquarter Country	Dodd Frank status
ABC Petroleum	Angola	Non Dodd-Frank Company
ACR ltda	Angola	Non Dodd-Frank Company
AJS	Angola	Non Dodd-Frank Company
Alfort Petroleum	Angola	Non Dodd-Frank Company
Ambioil	Angola	Non Dodd-Frank Company
Anadarko	United States	Dodd-Frank Company
Angola Consulting Resources	Angola	Non Dodd-Frank Company
Angola Oil	Angola	Non Dodd-Frank Company
Anhui Energy Group	China	Non Dodd-Frank Company
ANS	Angola	Non Dodd-Frank Company
Arrow Energy NL	Australia	Non Dodd-Frank Company
Beijing Taitan Tongyuan Natural Gas Tech Co.	China	Non Dodd-Frank Company
BG	United Kingdom	Non Dodd-Frank Company
BHP Billiton	Australia	Dodd-Frank Company
BowLeven	United Kingdom	Non Dodd-Frank Company
BP	United Kingdom	Dodd-Frank Company
Bureau of Henan geological exploration and mineral development	China	Non Dodd-Frank Company
Camac-Allied Group	United States	Dodd-Frank Company
Chevron	United States	Dodd-Frank Company
China Coal Geology Engineering Co.	China	Non Dodd-Frank Company
China Huadian Corporation	China	Non Dodd-Frank Company
China United Coalbed Methane	China	Non Dodd-Frank Company
Chongqing Energy Investment Co.	China	Non Dodd-Frank Company
Chongqing Mining Resources Development Co.	China	Non Dodd-Frank Company
CNOOC	China	Dodd-Frank Company
CNOOC (parent)	China	Non Dodd-Frank Company
CNPC (parent)	China	Non Dodd-Frank Company
CNPC (PetroChina)	China	Dodd-Frank Company
Cobalt International Energy	United States	Dodd-Frank Company
ConocoPhillips	United States	Dodd-Frank Company
Dayuan International Development	Angola	Non Dodd-Frank Company
Devon Energy	United States	Dodd-Frank Company
EC & MDS	Angola	Non Dodd-Frank Company
ENI	Italy	Dodd-Frank Company

Company	Headquarter Country	Dodd Frank status
Enix	Angola	Non Dodd-Frank Company
Explomining	Angola	Non Dodd-Frank Company
ExxonMobil	United States	Dodd-Frank Company
Falcon Oil	Angola	Non Dodd-Frank Company
Falcon Oil and Gas	Angola	Non Dodd-Frank Company
Fosun International	China	Non Dodd-Frank Company
Gema Chamavo	Angola	Non Dodd-Frank Company
Genesis Energy	China	Dodd-Frank Company
Glencore International AG	Switzerland	Non Dodd-Frank Company
Henan Provincial Coal Gas Development	China	Non Dodd-Frank Company
Hess	United States	Dodd-Frank Company
Hunan Huacheng Energy Investment Co.	China	Non Dodd-Frank Company
Hunan Natural Gas Development Co.	China	Non Dodd-Frank Company
Husky Energy	Canada	Non Dodd-Frank Company
Hydro	Norway	Dodd-Frank Company[34]
Initial Oil and Gas	Angola	Non Dodd-Frank Company
InterOil E&P ASA	Norway	Non Dodd-Frank Company
Interservicos	Angola	Non Dodd-Frank Company
Isoil	Angola	Non Dodd-Frank Company
Jiangxi Natural Gas Co.	China	Non Dodd-Frank Company
Kalunga Oil	Angola	Non Dodd-Frank Company
King Oil	Angola	Non Dodd-Frank Company
KNOC/Dana	United Kingdom	Non Dodd-Frank Company
Kosmos Energy	United States	Dodd-Frank Company
Kuwait Petroleum Corp (KPC)	Kuwait	Non Dodd-Frank Company
Lulumbo	Angola	Non Dodd-Frank Company
Lumbo Investimentos	Angola	Non Dodd-Frank Company
Maersk	Denmark	Non Dodd-Frank Company
Multiply	Angola	Non Dodd-Frank Company
NAGS	Angola	Non Dodd-Frank Company
New Bright International Development	Angola	Non Dodd-Frank Company
Newfield Exploration	United States	Dodd-Frank Company
Noble Energy	United States	Dodd-Frank Company
NosOil	Angola	Non Dodd-Frank Company
Obrangol	Angola	Non Dodd-Frank Company
Onoil	Angola	Non Dodd-Frank Company

[34] Dodd-Frank covered company at time of relevant contract award in 2005.

Company	Headquarter Country	Dodd Frank status
Orion Energy International	China	Non Dodd-Frank Company
Oxy	United States	Dodd-Frank Company
Pacific Asia China Energy	Canada	Non Dodd-Frank Company
Partex (Gulbenkian Foundation)	Portugal	Non Dodd-Frank Company
PCK	Angola	Non Dodd-Frank Company
Petrobras	Brazil	Dodd-Frank Company
PetroChina	China	Dodd-Frank Company
Petronas	Malaysia	Non Dodd-Frank Company
Phillips	United States	Dodd-Frank Company
Plutonium Energy	Angola	Non Dodd-Frank Company
Poliedro	Angola	Non Dodd-Frank Company
Primeline	Canada	Non Dodd-Frank Company
Prodiam	Angola	Non Dodd-Frank Company
ProdOil	Angola	Non Dodd-Frank Company
Projecto Lingueno	Angola	Non Dodd-Frank Company
Repsol	Spain	Non Dodd-Frank Company
RH Petrogas	Singapore	Non Dodd-Frank Company
SDGB	Angola	Non Dodd-Frank Company
Servicab	Angola	Non Dodd-Frank Company
Shell	Netherlands	Dodd-Frank Company
Shenhua Group	China	Non Dodd-Frank Company
Simples Oil	Angola	Non Dodd-Frank Company
Sino Gas & Energy	Australia	Non Dodd-Frank Company
Sino Geophysical Co. Ltd	China	Non Dodd-Frank Company
Sinopec	China	Dodd-Frank Company
Sinopec Group (parent)	China	Non Dodd-Frank Company
SNH (Cameroon)	Cameroon	Non Dodd-Frank Company
Sococo	Angola	Non Dodd-Frank Company
Soconinfa	Angola	Non Dodd-Frank Company
Sodengo	Angola	Non Dodd-Frank Company
Somoil	Angola	Non Dodd-Frank Company
Sonangol	Angola	Non Dodd-Frank Company
State Development & Investment Co	China	Non Dodd-Frank Company
Statoil	Norway	Dodd-Frank Company
Statoil (pre Hydro-merger)	Norway	Dodd-Frank Company
Sunshine Angola	Angola	Non Dodd-Frank Company
Svenska	Sweden	Non Dodd-Frank Company
Texas American Resources Company	United States	Non Dodd-Frank Company
Tongren Energy Investment Co.	China	Non Dodd-Frank Company
Total	France	Dodd-Frank Company

Company	Headquarter Country	Dodd Frank status
Tower Resources	United Kingdom	Non Dodd-Frank Company
Turker Energy	Angola	Non Dodd-Frank Company
Upite	Angola	Non Dodd-Frank Company
VAALCO Energy	United States	Dodd-Frank Company
Verona	Canada	Non Dodd-Frank Company
Wintershall	Germany	Non Dodd-Frank Company
Wintime Energy	China	Non Dodd-Frank Company

Annex 2: Year-by-Year Tables for Measure 1

Table 1: Contracts Awarded Pre and Post-Dodd-Frank by Country and Aggregate Percentage Change across All Industry-Cited Countries

		2005	2006	2007	2008	2009	2011	2012	2013	2014	2015	e Dodd-Fra	ost Dodd-Fran	Percent change
Angola	Dodd-Frank Companies	1	11	0	0	2	7	3	0	0	0	14.0	10.0	
	NON Dodd-Frank companies	3	21	0	0	2	2	2	0	4	62	26.0	70.0	
Cameroon	Dodd-Frank Companies	2	3	0	1	2	0	1	0	0	0	8.0	1.0	
	NON Dodd-Frank companies	1	1	2	0	2	0	1	0	0	1	6.0	2.0	
China	Dodd-Frank Companies	5	3	3	1	4	17	5	13	7	3	16.0	45.0	
	NON Dodd-Frank companies	3	5	8	4	20	2	0	23	3	3	40.0	31.0	
Qatar	Dodd-Frank Companies	0	0	0	0	0	0	0	0	0	0	0.0	0.0	
	NON Dodd-Frank companies	0	0	0	1	1	0	0	0	0	0	2.0	0.0	
All four countries	Dodd-Frank Companies	8	17	3	2	8	24	9	13	7	3	38.0	56.0	47.4%
	NON Dodd-Frank companies	7	27	10	5	25	4	3	23	7	66	74.0	103.0	39.2%

Table 2: Non-Domestic Contracts Awarded Pre and Post-Dodd-Frank by Country and Aggregate Percentage Change across All Industry-Cited Countries

		2005	2006	2007	2008	2009	2011	2012	2013	2014	2015	e Dodd-Fra	ost Dodd-Fran	Percent change
Angola	Dodd-Frank Companies	1	11	0	0	2	7	3	0	0	0	14.0	3.0	
	NON Dodd-Frank companies	0	6	0	0	0	1	1	0	0	0	6.0	1.0	
Cameroon	Dodd-Frank Companies	2	3	0	1	2	0	1	0	0	0	8.0	1.0	
	NON Dodd-Frank companies	1	1	2	0	2	0	1	0	0	1	6.0	2.0	
China	Dodd-Frank Companies	5	1	2	0	2	2	3	3	1	0	10.0	7.0	
	NON Dodd-Frank companies	2	3	1	2	1	1	0	0	3	1	9.0	4.0	
Qatar	Dodd-Frank Companies	0	0	0	0	0	0	0	0	0	0	0.0	0.0	
	NON Dodd-Frank companies	0	0	0	1	1	0	0	0	0	0	2.0	0.0	
All four countries	Dodd-Frank Companies	8	15	2	1	6	9	7	3	1	0	32.0	20.0	-37.5%
	NON Dodd-Frank companies	3	10	3	3	4	2	2	0	3	2	23.0	9.0	-60.9%