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March 7, 2012

Ms. Elizabeth M. Murphy, Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Subject: Proposed Rules for Disclosure of Payments by Resource Extraction Issuers, File S7-42-10 – Remarks by Secretary of State Clinton

Dear Secretary Murphy:

As the Commission works to quickly complete and issue the final rule for “Disclosure of Payments by Resource Extraction Issuers”, I am writing to draw the Commission’s attention to the testimony of US Secretary of State Hillary Clinton before the Senate Foreign Relations Committee on February 28, 2012. (A transcript of the relevant passage, as well as samples of press coverage of her remarks, is attached to this letter.)

In her testimony, Secretary Clinton said “I hope the regulations expected from the SEC reflect the clear intent of the law” and “I think our own government, all aspects of our own government, should be as forward-leaning as possible in giving full weight to what the intent was behind the legislation of what you [Senator Cardin] and Senator Lugar proposed and passed.”

We believe Secretary Clinton’s testimony provides further support for our view that implementation of a strong final rule will demonstrate US leadership in the field of resource extraction transparency and help accelerate the global trend toward holding governments accountable to their people for the stewardship of extracted wealth. In passing Section 1504, Congress recognized that payment transparency in extractive industries is key to lifting the “resource curse,” by which the societies most richly endowed with natural resources all too frequently face abysmal standards of living and the repressive, unaccountable government of a wealthy and corrupt few.

If implemented as Congress intended, Section 1504's reporting requirements will also contribute significantly to the marketplace's efficient assessment and management of the risks faced by resource extraction issuers and create more stable and welcome operating environments for these issuers.

Best regards,

A handwritten signature in black ink, appearing to read 'Ian Gary', with a long horizontal flourish extending to the right.

Ian Gary
Senior Policy Manager – Extractive Industries

Cc: The Hon. Elisse B. Walter, Commissioner
The Hon. Luis A. Aguilar, Commissioner
The Hon. Daniel M. Gallagher, Commissioner

***Hearing: National Security & Foreign Policy Priorities in the FY 2013
International Affairs Budget***

<http://www.foreign.senate.gov/hearings/national-security-and-foreign-policy-priorities-in-the-fy-2013-international-affairs-budget>

U.S. Senate Committee on Foreign Relations

Witness:

The Honorable Hillary Clinton
Secretary of State
Department of State
Washington, DC

February 28, 2012

EXCERPT:

Senator Cardin: Let me talk a little bit about an amendment that Senator Lugar and I were responsible for including in the Dodd-Frank legislation dealing with transparency of extractive industries, in which you were helpful in supporting that effort and having it included in the Dodd-Frank provisions.

I would ask if you could perhaps share with us how you see that playing internationally. We know that, that is important for investors to have transparency when they determine whether to invest in a particular company, it also leads to stability of governments that are critically important to U.S. interest. The international community is looking at the United States and sees the leadership here and wondering if you can share what thoughts -- how you think this will be effective internationally. The U.S. leadership on transparency of the mineral companies so that the wealth goes to the people of the country rather than to fund corruption.

Secretary Clinton:

Well first, I want to commend you and Senator Lugar for including the principals that underpin the extractive industries disclosure requirements in Dodd-Frank. Look, we know, and we see it every day how development of natural resources has fuelled corruption, mismanagement, it's the so-called oil curse or resource curse that actually impedes inclusive broad based economic growth. And so, you set a standard for transparency and we are working to make sure it is implemented effectively.

We know that there challenges in doing this. I hope the regulations expected from the SEC reflect the clear intent of the law, namely to require all relevant companies operating in this sector to disclose the payments they make to foreign governments. I

think everybody is benefited by the disinfectant of sunshine and the spotlight to hold institutions accountable.

And, the section 1504 which is what the SEC is promulgating rules on, you know, compliments other efforts at transparency that we are committed to. And yet, I'm -- I'm -- I hear a lot from people who are concerned about whether the SEC is going to go far enough in our system. They're the ones who have the responsibility for doing it so we are encouraging them to go as far as possible because the EU is already considering provisions similar to section 1504 because we passed 1504.

You know, we are working at State on a program called the Energy Governance and Capacity Initiative which is trying to encourage governments to manage their oil and gas and mineral sector responsibly. So we've -- we have got a good start here. USAID even has an EITI multidonor trust fund to help countries know how to implement it. So, I think our own government, all aspects of our own government, should be as forward-leaning as possible in giving full weight to what the intent was behind the legislation of what you and Senator Lugar proposed and passed.



Clinton: SEC should go ‘as far as possible’ on transparency rule

By Ben Geman - 02/29/12 09:59 AM ET

Secretary of State Hillary Clinton is pressing the Securities and Exchange Commission (SEC) to issue strong rules requiring petroleum and mining companies to disclose payments to foreign governments.

The SEC is working on rules required under the 2010 Dodd-Frank financial reform law, but faces pressure from oil companies to include various exemptions in the regulation and leeway to report the information on an aggregated basis.

“We are encouraging [the SEC] to go as far as possible because the [European Union] is already considering provisions similar to Section 1504 because we have passed 1504,” Clinton said Tuesday, referring to Section 1504 of the Dodd-Frank law, which was authored by Sens. Dick Lugar (R-Ind.) and Ben Cardin (D-Md.).

Clinton’s comments at a Senate Foreign Relations Committee hearing could buoy human-rights and anti-poverty groups advocating for the rules, which have been delayed at the SEC.

The law requires the SEC to issue regulations that force SEC-listed oil, gas and mining companies to reveal payments to governments related to projects in their countries, such as money for production licenses, taxes, royalties and other aspects of energy and mineral projects.

Oil companies say the rules could create a competitive disadvantage, while human-rights groups accuse the industry of seeking provisions that would gut the intent of the law. Click [here](#) and [here](#) for more on the battle over the rules.

The provision is aimed at increasing transparency to help undo the “resource curse,” in which some countries in Africa and elsewhere are plagued by high levels of corruption, conflict and poverty despite their energy and mineral wealth.

“We know that there are challenges in doing this. I hope the regulations expected from the SEC reflect the clear intent of the law, namely to require all relevant companies operating in this sector to disclose the payments they make to foreign governments. I think everybody is benefited from the disinfectant of sunshine and the spotlight to hold

institutions accountable,” Clinton said.

She noted that the rules will complement State Department efforts to improve oil-and-gas sector governance in other nations that have large hydrocarbon reserves, pointing to State’s [Energy Governance and Capacity Initiative](#).

The program seeks to “ensure sound and transparent energy-sector governance for the benefit of national economic development.”



<http://fuelfix.com/blog/2012/02/28/clinton-wants-tough-sec-oil-gas-disclosure-rules/>

Clinton wants tough SEC oil, gas disclosure rules

Posted on February 28, 2012 at 4:30 pm by [Puneet Kollipara](#) in [Africa](#), [Asia](#), [Coal](#), [Europe](#), [Finance and accounting](#)

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Secretary of State Hillary Rodham Clinton, speaks during a bilateral meeting at the State Department in Washington. (AP Photo/Jacquelyn Martin)

Secretary of State Hillary Clinton on Tuesday called on the Securities and Exchange Commission to “go as far as possible” with rules requiring certain oil, gas and mining companies to disclose payments to host nations.

The rules, which were supposed to be made final in April 2011 but are still under consideration, would require oil, gas and mining companies listed with the SEC to disclose payments to host nations where they extract resources for commercial purposes. Clinton said she encouraged the SEC to make sure its final rules, which are required under the Dodd-Frank financial overhaul, reflect the law’s intent.

"We're working very hard to try to make sure it is implemented effectively," Clinton told the Senate Foreign Relations Committee.

The SEC [has faced pressure to weaken the rules from the oil-and-gas industry](#), which argues U.S. companies would face a competitive disadvantage to those for which the rules wouldn't apply. The American Petroleum Institute, Shell Oil Co., Chevron Corp. and other oil companies have urged the SEC to add certain exemptions to limit the information and circumstances for which disclosure is required.

But human-rights and anti-poverty groups, such as Oxfam America, that support the rules say payment disclosure could discourage corruption in countries in Africa, Asia and elsewhere whose governments rely heavily on natural-resource revenues, and that companies themselves could benefit. Activists say such nations rich in natural resources often face conflict, widespread poverty and ineffectual political institutions — the "resource curse."

"If the money is being used well, that creates new business opportunities, new investment opportunities and a stable operating environment for companies," said Ian Gary, senior policy manager for extractive industries with Oxfam.

Clinton echoed the resource curse argument, saying that "everyone is benefited by the disinfectant of sunshine and spotlight to hold institutions accountable."

"We know and we see it every day how development of natural resources has fueled corruption, mismanagement," Clinton said.

Clinton said she's encouraging SEC "to go as far as possible" with the rules also because the European Commission is considering its own disclosure requirements that take inspiration from those required under Dodd-Frank.

Clinton's comments came in response to a question from Sen. Ben Cardin, D-Md., who co-authored the Dodd-Frank law's extractive-resources disclosure provision. Cardin has urged the SEC not to add exemptions to the rules.