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PWYP-US Condemns Congressional Attempt to Scrap Landmark Anti-Corruption Law

Measure Ignores the Wishes of Investors Worth Nearly \$10 Trillion

WASHINGTON D.C. – Today, members of the House Financial Services Committee voted to advance H.R. 4519 to repeal the Cardin-Lugar Provision (Section 1504) of the Dodd-Frank Act. Cardin-Lugar requires oil, gas, and mining companies listed on US stock exchanges to report the payments they make to US and foreign governments for access to natural resources.

“We are disappointed that a committee whose duty is to protect US investors and create stable investment markets would choose to do the opposite. Cardin-Lugar allows oil and mining investors to better assess risk by shining a light on billions of dollars that flow out of company coffers to unstable regimes,” said Isabel Munilla, Policy Lead, Transparency, Extractives Program, Oxfam. “Cardin-Lugar has been copied by other capital markets and now 30 countries have transparency rules in force covering the vast majority of major oil and mining companies. This latest attempt to scrap this common-sense law defies logic and investor demands.”

This is the latest in a string of attempts by lawmakers to end US leadership in global efforts to combat corruption. In February, President Trump signed H.J. Res. 41 to roll back the Securities and Exchange Commission’s (SEC) rule that implemented Section 1504. House lawmakers next set their sights on Dodd-Frank reforms and passed the Financial CHOICE Act (H.R. 10), including a targeted repeal of Section 1504 in April. The Department of the Treasury recommended repeal of Section 1504, both the SEC’s implementing rule and the law, in a report issued in October. In early November, the Department of the Interior officially withdrew the United States as an implementing country of the Extractive Industries Transparency Initiative (EITI), a global transparency framework for the natural resource extraction sector.

“Lawmakers who voted for this bill ignored the appeals of investors worth nearly \$10 trillion, who have repeatedly voiced support for this law so that they can make more informed investment decisions and mitigate risk,” said Munilla. (1)

Thirty countries around the world have adopted reporting requirements equivalent to Section 1504. Many of the world’s largest firms such as BP, BHP, Shell, Rio Tinto, and Russian state-owned firms Rosneft and Gazprom and Chinese state-owned firm CNOOC Ltd have been reporting for multiple years consistent with international requirements. Not a single company

has reported any negative outcome as a result of disclosing their payments, and some companies have spoken up about the importance of creating a level playing field and globally consistent standard for oil, gas, and mining transparency. (2)

“The US led the global oil, gas, and mining transparency standard with the bipartisan Cardin-Lugar amendment in 2010. Over the past year, Republican lawmakers and the Trump administration have worked tirelessly to ensure that a corruption-prone oil, gas, and mining sector can remain shrouded in secrecy,” said Waseem Mardini, Policy Advisor at PWYP-US “Opponents of Section 1504 are not only relinquishing US leadership, they are threatening American investors’ capital, weakening US national security, and exposing US listed companies to increased corruption risks in their operations abroad.” (3)

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Notes to Editors

- (1) Oil, Gas, and Mining Company Support for Transparency. Sept. 2017 ([link](#)); Comment submitted to the SEC by Patrick Pouyanné, Chairman and CEO of Total SA, Jan. 2016. ([link](#))
- (2) Analysts and investors agree that opacity in the corruption-prone oil, gas, and mining sector is damaging to capital markets. US listed extractive companies have experienced massive share price drops due to corruption scandals. Section 1504 provides investors with critical information for assessing risk in a challenging sector with positive impacts for companies that benefit from increased investor confidence and certainty. The increased transparency resulting from this provision has been estimated to lower the cost of capital for covered US-listed companies by \$6.3 billion to \$12.6 billion.
 - Stu Dalheim, Calvert Investments. “Transparency from Energy Companies is Good for Investors, and Good for Business.” Morning Consult. July 2016 ([link](#))
 - Comment submitted to the SEC by Prof. Anthony Cannizzaro, The Catholic University of America, and Prof. Robert Weiner, George Washington University. Feb. 2016. ([link](#))
 - Comment submitted to the SEC by Prof. Jeffrey Sachs, Columbia University. Oct. 2015. ([link](#))
- (3) *Corruption, secrecy, and government abuse have catalyzed conflict, instability, and violent extremist movements globally:* Corruption and mismanagement of natural resource revenues, can breed discontent and resentment, and, ultimately, violence and conflict. The terrorist groups currently posing the gravest threats to the United States and its allies have taken root in highly fragile countries or regions that suffer from corruption, high poverty and inequality, poor service delivery, and low quality of life for ordinary citizens. Five US-listed companies operating in Libya suffered shut-in production of more than \$17 billion between 2011 and 2014 as a result of violence linked to corruption.
Transparency of oil, gas, and mining company payments to governments are key to battling corruption and bribery: In resource-rich but economically poor countries, natural resource revenues can be lost to fraud, corruption, wasteful spending, and military adventurism. The

Cardin-Lugar Provision brings these payments to light, showing citizens how much revenue their governments received for granting companies access to natural resource wealth. This will empower citizens to pressure their governments to spend the revenues responsibly.

- Global Witness. “Why Republican Plans to End Anti-corruption Regulations Can Put Our Troops Serving Overseas in Greater Danger.” Feb. 2017. ([link](#))
- Sarah Sewall, former Under Secretary of State for Civilian Security, Democracy, and Human Rights, US Department of State. “This is one of our top strategies for fighting terrorism.” CNBC. Dec. 2016. ([link](#))
- Comment submitted by the ONE Campaign to the SEC. “Quantifying the benefits of revenue transparency: Breaking the links between corruption and conflict.” March 2016. ([link](#))