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December 11, 2017

The Honorable Jeb Hensarling
Chairman
House Financial Services Committee
United States House of Representatives
Washington, DC 20515

The Honorable Maxine Waters
Ranking Member
House Financial Services Committee
United States House of Representatives
Washington, DC 20515

Re: Vote no on H.R. 4519 which would repeal the Cardin-Lugar Anti-Corruption Provision

Dear Chairman Hensarling and Ranking Member Waters,

We are writing to express our strong opposition to H.R. 4519, which would repeal the Cardin-Lugar Anti-Corruption Provision (Section 1504), of the Dodd-Frank Wall Street Reform and Consumer Protection Act (P.L.111-203). This extractive industries transparency provision is vitally important to curbing corruption and improving natural resource governance and will bring benefits to extractive companies, investors and citizens alike.

For decades, corruption in the oil, gas and mining industries has helped keep resource-dependent countries poor, propped up autocratic regimes, fuelled violent conflict and created risks for companies and investors. This kind of state looting is currently possible because huge deals for natural resources are struck behind closed doors. Section 1504 makes it much harder to strike corrupt deals, and enables citizens to "follow the money" generated by their country's resources.

The passing of Section 1504 in 2010 catalyzed the development of a global reporting standard for the extractive industries. In 2013, the European Union adopted the Accounting and Transparency Directives, which require extractive companies that are registered or listed in the EU to disclose their payments to governments in line with Section 1504. All of the European oil and mining majors have published payment reports under the European standard for the past two years, including Shell, BP, Total, Statoil, Total, Glencore, Rio Tinto and BHP Billiton. U.S. companies, including ExxonMobil, Chevron and ConocoPhillips, have published payment reports for their local subsidiaries under the EU law with no incident. In Canada, the Extractives Sector Transparency Measures Act was passed in 2014 and over 500 reports were published in 2017 by oil, gas and mining companies with operations in Canada. Foreign state-owned companies, including Russian companies like Gazprom and Rosneft, are also covered under these laws. When Section 1504 is implemented, additional foreign state-owned companies listed in the U.S. will be covered, including Petrobras from Brazil and Petrochina and Sinopec from China.

Section 1504 is supported by a wide range of investors, companies and civil society organizations. Institutional investors worth nearly $10 trillion in assets under management have written to the Securities and Exchange Commission (SEC), emphasizing that a strong implementing rule for Section 1504 will reduce risk and improve investment decisions in the extractives sector. Companies such as Statoil, Total and Kosmos have publicly endorsed a robust U.S. reporting standard that aligns with Europe and Canada, citing the need for common international rules to level the playing field for industry. Other firms such as BHP Billiton, Kosmos and Tullow published detailed payment reports on a voluntary basis before the mandatory rules took effect. In addition, 544 civil society organizations from 40 resource-rich countries across the world wrote to the SEC in support of Section 1504, citing the urgent need to curb corruption and maximize the public benefits of their countries' finite natural resources.

The passing of the bi-partisan Section 1504 law was a watershed moment for the anti-corruption movement, making the U.S. a world leader in extractives transparency and jump-starting the creation of a global reporting standard. For the reasons given above we strongly support robust implementation of Section 1504 and urge the House Financial Services Committee to reject proposals to overturn Section 1504 and ensure that the U.S. retains its position as a global leader in natural resource governance.

Thank you for your support on this important issue.

Sincerely,
Corinna Gilfillan
Head of U.S. Office