

Extractive Industries Transparency Disclosure Act

Opening Statement – Alan Detheridge

Good morning.

My name is Alan Detheridge and I am a former oil company employee. I spent 30 years with the Royal Dutch Shell Group, retiring just over a year ago as the Group's Vice President for External Affairs.

I now work on a voluntary basis in the not for profit world. I am associate director of the Partnering Initiative – which is a joint venture between the Prince of Wales International Business Leaders Forum and Cambridge University. Its aim is to foster collaboration between governments, civil society and business to tackle pressing issues facing the developing world.

I am also a board member of a number of non governmental organisations – including Africare, the Synergos Institute, Management Sciences for Health and the International Foundation for Education and Self-Help (founded by the late Reverend Leon Sullivan). In addition, I am a member of the advisory board of the Revenue Watch Institute.

During my time at Shell, I was – along with a small group of industry and NGO colleagues – one of the instigators and initial supporters of the Extractive Industries Transparency Initiative (EITI) that was subsequently launched by UK Prime Minister Tony Blair at the 2002 World Summit on Sustainable Development. And it is that background that I bring to this hearing. I no longer work for Shell, so I speak only in a personal capacity – and do not claim to represent either my former employer or the oil and gas industry.

Let me begin by making it clear that I speak in favour of this proposed bill.

In part, that is because I agree with many of the arguments of those who have spoken before me. But it is also because I believe that transparency of payments made by companies to host governments is in companies own best interests.

Too often, companies are exclusively blamed for the lack of economic and social development in many of the poorer regions and countries where they work. What is often not known by the citizens of such countries is the significant sums of money paid by companies to host governments in the form of taxes, royalties and signature bonuses. For example, in Nigeria some 95 per cent of the revenues from onshore oil, after costs, go to the Federal Government. Making those revenues transparent, as indeed Nigeria now does in line with the EITI initiative, helps put the accountability for development where it belongs. And that, in my opinion, is in the long term best interest of both companies and the citizens of oil producing countries.

Having said that, I should like to use the remainder of my time addressing three arguments that I understand have been made against this bill.

The first is that the proposed bill would undo the good work being done by the Extractive Industries Transparency Initiative (EITI) and that it would very likely lead to that initiative's demise. Personally, as one of the instigators of EITI, I do not believe that to be the case – otherwise I would not have agreed to testify today.

The EITI is a country led and owned initiative that is supported at the international level by the EITI secretariat, along with G8 Governments, the World Bank and other institutions and organisations. It is being implemented in 23 candidate countries and, in each case, it leads to worthwhile discussion between in-country stakeholders on those revenues – not least the use to which they are put.

In my view, this bill is compatible with EITI's in-country approach that focuses on payments made and revenues received. But more importantly, having raised the matter with Dr. Peter Eigen, the Chairman of EITI's International Board, he told me that the EITI was following the discussions regarding this bill with interest. He went on to say that he welcomes efforts to improve resource revenue transparency that are consistent with the goals of EITI and that he also welcomes any legislation that reinforces these efforts. And, if necessary, he would be happy to issue a statement to that effect.

A second argument against the bill is that companies would need to make significant accounting and reporting modifications in order to disclose the required information. In other words, it would cost too much to implement.

I don't disagree with the argument that, despite the required information being available within company records, companies would incur some disclosure costs. But I do not see how companies that support EITI (which includes all of the major U.S. and European oil and mining companies) can reasonably claim that these costs would be prohibitive. In supporting EITI, companies implicitly accepted that they were prepared to assume the costs of disclosure wherever and whenever the initiative was implemented. So, since this bill's disclosure requirements are in line with those called for by EITI, it is difficult for me at least to see how it places an undue, and indeed unforeseen, burden on companies.

The third and final argument against the bill that I should like to address is that of U.S. competitiveness, which some believe would be adversely affected. Those against the bill contend that many of the largest global competitors would not be subject to the bill and that these entities could benefit from the disclosure of payments made to host governments by their U.S. competitors.

Firstly, I think it is worth making the point that the proposed bill would in fact apply to a very high percentage of those companies listed on stock exchanges around the world. If you take the top 30 such companies (as measured by their reserves of oil and gas), then 90 per cent of them would be covered by this bill. The bill would not, of course, impact National Oil Companies (such as the National Iranian Oil Company, the Saudi Arabian Oil Company or the Iraq National Oil Company) that are not listed on any stock exchange. But the majority of such unlisted companies operate solely within their own countries.

Secondly, this bill mandates only the disclosure of aggregate payments made to governments – and not more commercially sensitive figures, such as costs or profit. If indeed there is some competitive disadvantage to disclosing payments to governments, which I personally doubt, should this outweigh the benefit of citizens of a country having access to that information? In my view, it should not.

Thank you.