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P R O C E E D I N G S

MR. KAUFMANN: Good afternoon. I see two, three, four, five, seven eminences all speaking. Sorry to interrupt. But we have a very exciting panel ahead with some eminences and then some others like us. And it's great being back here. Let me first -- I'm told that I have to introduce myself first, even though I'm very eager to introduce the keynote speaker. My name is Daniel Kauffmann. I am the president of a just renamed Natural Resource Governance Institute, which is basically the merger of the Revenue Watch Institute and the Natural Resource Charter. And I'm also a nonresident fellow here at Brookings after many years I spent in the past 8 years here. So it's my particular honor and pleasure. I see many friends and faces from both Brookings and Washington and California and Germany, so they come from all over to be part of this important event. We are very pleased to cohost this event with NRGI, which is Natural Resource Governance Institute, with Brookings, and with Global Witness, three up here. We all know and I'm not going to give a major introduction about that. In substance, that natural resource governance is clearly one of the biggest, if not the biggest development challenge of our time. The role of transparency is absolutely crucial as part of this major challenge on improving resource governance around the world, and that we'll be discussing today. Just for twitter, since we have to talk social media whenever we make an introduction, we will be using the hashtag, #resourcegovernance during today's event.

Let me introduce our honorable Senator Ben Cardin, who will be providing the keynote address. We are very, very honored to have him. He, as most everybody knows here, co-sponsored the Cardin-Lugar Amendment with former Senator Richard Lugar, which became Section 1504 of the Dodd-Frank Act, which we will be discussing today. Senator Cardin has had a longstanding interest in foreign affairs and human rights. He has been a long time commissioner of the Commission on Security

and Cooperation in Europe, also known in the U.S. as the Helsinki Commission. And he's a member of the Senate Foreign Relations Committee. For all these reasons, we obviously want to pay particular attention to his remarks. But also, because, if I may add, Senator Cardin, I think, correct me if I'm wrong, you have never lost an election and there have been quite a few, so we have something. And not planning either. And as we mentioned on the way here, I am very impressed with the fact that you are also an avid biker. So without further ado, Senator Cardin.

SENATOR CARDIN: Thank you very much. Thank you very much for the very kind introduction. I think my record will be safe during this election cycle, since I am only two years into my six year term, so it's a good year to be a United States Senator, with a six year term. It's great to be here. I was somewhat reluctant to accept this invitation and let me tell you why. And I think Brookings for doing this. But I last appeared here in December of 2011, dealing with the same subject, transparency and the extractive industries area. And at that time, the United States was the world leader. We had just passed Dodd-Frank with the Cardin-Lugar Provisions. And the rest of the world was trying to catch up to what we were doing. Well, since that time being here, we've lost ground, and now Europe's ahead of us, so I expect that because of this conference, we'll catch up and again exceed Europe and the rest of the world on transparency. So I decided to accept this invitation, because we're here with friends. I really do want to thank so many people for their help. I can't help but notice Simon Taylor's here. He testified before the Helsinki Commission in 2007, that started us off on the transparency initiative on extractive industries, recognizing the great connection between secrecy on extractive industries and corruption, and that the desire to improve the welfare of people of oil rich countries, and mineral rich countries. Oxfam has been an incredible supporter of our efforts for transparency -- publish what you pay coalition. And

many others who are here, I think you for your help in 2009; on the Energy Security through Transparency Act that Senator Lugar and I filed that ultimately became part of Dodd-Frank.

So let me talk about, just one minute -- I need to state the obvious, but let me state the obvious -- why we went through all of this. First and foremost, we believe investors have a right to know about the companies they're investing in. That's what transparency is about. Investors have a right to know where their investments will be used, and the purpose of their investment beyond just the narrow business interests; although I must tell you, knowing where the business contracts are affect their business judgment as well. They're entitled to know that information. That's the basic rules that we operate under the Security and Exchange Commission, is to give investors the information they need in order to make intelligent investments. And that was the number one motivating reason why we were able to get this provision included in Dodd-Frank, so investors can make intelligent decisions based upon the information on the companies they're being asked to invest in. But it goes beyond that. This nation has a great interest in the reliability of energy sources globally. We have fought wars over energy. We are still extremely vulnerable on energy producing states and they have enormous impact on what policies are determined globally, as we've seen just very recently in the problems in Ukraine. So we have an interest in stability of our energy sources. And transparency helps us to move more towards stable energy sources for America, when we know the information about where companies are doing their business. All of that becomes important.

But as was pointed out in my introduction, I also am concerned about this on the human rights side. I chair the U.S. Helsinki Commission. And we had that hearing in 2007. The reason we did is that we knew that the energy and mineral wealth,

the resource wealth of a country, in many cases, became a resource curse. Some of the wealthiest countries with mineral wealth are some of the poorest countries in this world, and the reason is that the mineral wealth is being used to finance the corruption of their society. And their leaders will continue to hide what's going on, because they're making billions of dollars at the costs of the development of their own country. And the principles of Helsinki, the principles of the OSCE, are very clear. We joined the OSCE in 1975. We did that because we wanted a more stable defensible Europe. It includes all the countries of Europe and the former Soviet Union, Canada and the United States. And it's in our interest to have countries that are secure. But we learned that to be secure is more than just having the strongest military, or being able to defend your borders. Being secure is also allowing for the basic good governance and human rights of the people that live in your country. And as we've seen too many times, where countries that have strong militaries have not survived, because they've denied their people basic human rights and freedom. And Helsinki also recognizes that to have a secure country, you have to have an economy that includes all the people. And if you have corruption, it doesn't work. And we've seen that over and over again, countries that have failed because of wide spread corruption. So if you want to have a country that is stable and secure, you need to do more than protect their borders by military. You need to have an open economy, human rights and good governance.

And that's why the extractive industry issue became so dominant with the Helsinki commission and so dominant upon those players worldwide that are fighting for stability in parts of the world that haven't seen stability and fighting for economic empowerment. Our initiative of Cardin-Lugar was supported by the EITI. We support that. And Peter Idingen is here and I want to thank him because he took a little courage to help support our efforts when we started on the Cardin-Lugar Provision. After all, there

was this EITI out there, which I strongly support. It does good work. It promotes best practices. It shares information. Many countries have signed on to it and are benefitting from it. But it's a voluntary program. And we have an opportunity through the SEC, through security registration, to go beyond that. We need to do EITI and promote that, and we need to also promote the mandatory reporting.

Let me first thank a few people, and I want to start with Senator Lugar. This was a bipartisan bill. It was not ever meant to be a partisan call in any stretch of the imagination. Senator Lugar recognized from the beginning that transparency and good governance is what everyone should be supporting. His interest in this was solely because he believes in transparency and he believes in good governance. He believes that's in the interest of the United States and he believes that's in the interest of energy security here in America. And I tell you, it was a pleasure to work with him because I know he caught some flack in groups that traditionally support the Republican Party. And he stood strong throughout this entire fight in regards to those issues, and brought along many Republicans who support us in this effort, who also support good governance and transparency. I want to thank Chris Dodd. He was responsible to get a bill to the President and there were days where we had conversations as to whether we could maintain the support for this provision, and he was with us. Senator Lahey was a strong supporter. Couldn't have gotten this done without Senator Lahey's support. I want to mention one other person, who called me personally about this and said it was number 1 on her priority as far as helping the U.S. mission globally on dealing with stability, and that was Secretary of State Hillary Clinton, who made this a top priority of hers to get this passed in the United States Congress. And because of the work of those leaders I've mentioned, and because of the advocacy of people in this room, we were able to overcome strong opposition and we got the bill enacted as section 1504 in 2010 in the

Dodd-Frank. It requires a registration in the SEC, it provides the transparency rules. The SEC did the right thing by issuing these rules in 2012. It wasn't easy, because there was strong opposition. The opposition, and I'll get in to this, and I know you're going to have a panel discussion -- I wasn't sure exactly what the opposition was saying. After all, the last time I checked, the Constitution and the laws, it's Congress who passes the laws. And we were pretty clear in what we expected the SEC to do. Read the law. Read the code. Let any reasonable person read it. I think it's pretty clear what Congress intended. And the SEC did exactly what Congress intended. It provided for full mandatory public disclosure, simple as that. That's what we asked for. That's what we required. And that's what the SEC rule required. The American Petroleum Institute, I understand will be on the next panel, have been fighting this. That's their right. They have the right to do this. They took it to court. They were able to get a district court to remand it back to the SEC. The SEC is now going to have to rewrite those rules, and they now have it on their agenda to rewrite the rules by March 2015. So we're now back engaged in the rules. All we asked the SEC to do is follow the Congressional guidelines, what the law says. That's their responsibility. And I'll tell you, we'll be watching in Congress, because we do have a way of believing that agencies should follow what Congress says. They get a little testy about that at times. They don't always do it, but we do think that they should do that and we're going to be asking for that in very strong terms. You want the specific contracts, information about it? You don't want exceptions? Investors have the right to know, as I said earlier.

Now the United States is not alone in this effort. As you all know, there's been tremendous action since the passage of Dodd-Frank. We knew that. We knew that. We were in conversations with Europe well before we passed this bill. And Europe wanted the United States to pass laws. They were anxious to move ahead on

transparency. And now we have the EU and the process of implementing similar transparency rules that we pass that have yet to be implemented in the United States. Norway is clearly in the lead here. Australia and Canada are following similar paths. So we have -- we provided the leadership for others to act; now we have to complete our work and get these rules enacted into law and implement them. What it basically does is establish a level playing field and I really don't quite understand the concern of the petroleum industry. We want a level playing field. We believe that American companies can compete anywhere in the world, given a level playing field, pure and simple. So we fight in trade agreements, to eliminate corruption, because American companies can't participate in corruption. It's against our laws. But that's not true in other countries around the world, with their companies. So we want a level playing field, and we think this helps develop a level playing field for American companies that we're interested in helping in being able to compete globally. So we do believe this is a fight in which the business interests should be on our side. And we're somewhat puzzled as to why they're not. We think stability in countries is important. If you're an American company or an international company and you're operating in a country that this mineral wealth is going to fuel a corrupt government, you have investments in that country, you would think that the company would realize, it's in their interests to have a more stable country in which they're operating under. And the lack of good governance has shown us time and time again, countries fall, and investors lose. So we are somewhat puzzled as to why there would be opposition to transparency.

So let me, and I do admit, look, there are many oil companies and energy companies that support what we do. And I thank them. I could list the names, my staff gave me the list of all the companies, and we appreciate their help. But there's powerful opposition to this, and that's why I'm here today, to tell you we need your help.

And I understand opposition, although I had a hard time understanding the Wall Street Journal and reading their editorial. I wasn't surprised. They don't necessarily agree with me and they don't check with me before they write their editorials. But to tell us that we're helping Russian President Putin by what we did -- they went too far. They went too far. I'm not invited to Russia. They don't like me. There's a Cardin list in Russia of those who have violated basic human rights that are not invited to our country, not allowed to come to our country, not allowed to use our banking system. Because we'll do anything we can to fight corruption. And when the Wall Street Journal starts to say that we're helping Russian, it's like Russia's claim that the problems in the Ukraine that they started, are the Ukrainians' fault. Or it's like the Chinese who blamed the Americans for the problems in the China Sea, which China caused. Russia is causing problems because of their corrupt system. And the way to fight Russia -- the way to be able to have a more level playing field with Russia, is to shine sunlight onto what's going on in Russia. Transparency will help a great deal.

Last week I was in the Ukraine and I had a chance to observe the elections that have taken place there. Yanukovich was a corrupt leader and yes, he was moving towards Russia rather than Europe, but that wasn't the reason for the protests. The people that are going to the Maidan are there because of corruption. They want an open society. They are fighting corruption because they won't tolerate a government that's corrupt. I went from there to Vietnam. Vietnam is trying to enter into a trade agreement with the United States and other countries, the TPP. They understand that good governance will be critical to their ability to negotiate a trade agreement with us because we will not tolerate corruption. We fight corruption. We believe that a country cannot develop to its full potential with corruption.

So I come back to this main point of what the transparency initiatives are

all about. It's about good governance. It's about stable neighbors. It's about relying less on our military and our arms and more on solid relations with countries because they share a value, a type of economic growth and political growth that will give us stable partners. That's what we're fighting for. That's what we're fighting for. And we need your help. Justice Louis Brandeis said, sunlight is said to be the best disinfectant and I certainly agree with him. Let me just quote from David Cameron the leader of Great Britain, when he said, "the best way to fight corruption and drive growth is through what I call the three T's. And first on his list is greater transparency. He then goes on to say last year the G8 agreed to work towards common global standards of transparency in extractive industries. To help the scandal of people in power looting billions of dollars from countries that are rich in oil, gas and minerals. Europe has already agreed to rules for public company by company and project by project reporting of payments to all governments. Canada plans to follow suit. We now need the United States to do the same, so we can work together to deliver common global standards. There is no reason we can't all agree to this within the next few months." That's David Cameron.

As I said, I was here in 2011 and we were way ahead of the rest of the globe on these issues. We have fallen behind. I'm here to day to tell you that I am optimistic that we will succeed. Congress was very clear in the language that they put in this law and I think the SEC wants to do the right thing. But I tell you, we need your participation and input. We need your help. The SEC is starting to get their self together on this issue. And yes, there are many commissioners who would defer and try to use -- try to do different things, but they're going to have to confront this issue and they know that. And I just hope that they will receive balanced information about what Congress intended and why Congress did what it did. I intend to be very actively engaged on this issue. But we need your engagement. And to my friends at the

Petroleum Institute, please explain to me your problems. I must tell you, I've asked a couple times. I know they'll be on the panel. To say that you have proprietary concerns when everyone in the industry knows what's going on and all we want is the public to know, runs a little hollow. So let's work together in the best interests of the United States. That's what we're trying to do. Our men and women who are in harm's way, who defend our liberty, are willing to put their lives on the line -- the least we can do is use every tool we have in this country to give more stable regimes around the world a chance to survive without having to get our military involved in conflicts half way around the world. That's our objective and that's why we're united on this. And I am optimistic that we will achieve the right rule in the SEC and America again will be in the leadership of transparency and fighting corruption wherever we may find it. Thank you all very much. I appreciate it. Do you want to take questions? Or, whatever you want to do. I want to keep you on time. I was told I could take a couple friendly questions, and I want to make sure we keep the panel on time. So do you have a friendly question -- any question will be fine? If you don't have any questions, that's fine also. I have no problems. Yes sir.

QUESTIONER: I'm curious, you said that there were a number of oil companies that --

SENATOR CARDIN: I'll give you some names and if I'm wrong, I apologize. This if from -- my staff gave me some names. Newmont Mining, Rio Tinto, Statoil, and Teleoil have supported the initiative. Yes.

MS. DAWSON: Stella Dawson, Thomson Reuters Foundation. I know you've written to the SEC urging them to move forward on section 1504. Have you met personally with Mary Jo White and other members of the Commission and what have they -- what indication have they given or their staff members given about how they might move forward in re-writing to meet the judge's requirement?

SENATOR CARDIN: Yes. Over the last four years, I have contacted the SEC on numerous occasions, individually and collectively, including meetings with Commission members and we will continue to do that. Our principle objective was to get it on the agenda. We have achieved that. We will now be meeting with them on the specifics. Our message is clear. Read the language of what we passed and carry out Congressional intent. Yes, we will be meeting with them and have met with them.

QUESTIONER: Thank you. I'm (inaudible) from Venezuela and I absolutely know the meaning of conspiracy because 10, 15 years ago, the only information I could get out of our oil state company was by going to the Security Exchange Commission and looking at the financial statement as well as writing. Unfortunately, after that, our company has delisted everything and there is no information whatsoever. Nonetheless, in my country, quarantine for oil exports represent 97 percent of all the oil exports for the nation and goes directly to the government. So there is absolutely very little things we can do to correct this situation. And in some cases it honestly can allow other players, as have been coming into my country to not having the same type of requirements, to make it easier for them to act. So how can we deal with countries where the imbalance is so big? Would this -- if you were an American citizen and in the U.S., your government was receiving 97 percent of all the exports of the United States, would you think this type of measures are enough?

SENATOR CARDIN: Well, I'm -- I believe in openness. I'm against corruption. I think corruption will cause governments to fall and will cause instability. And if we had less corruption in the world, we would need a smaller budget on soldiers and weapons. So I'm -- and United States, who spends the most on soldiers and weapons than any country in the world, it's in our interest to have a more peaceful and stable country. If you have a country that is totally controlled and has its own energy supplies

and does not work with multi-national companies and doing that, but has just a local company, obviously our rules cannot reach that company. We understand that. But if you look at the worldwide, what the action of Europe and the United States and other countries that are moving in this direction can mean to the world supply of energy, it can have a dramatic impact. So this bill can have a -- does it cover every situation under all circumstances? No. Is it a huge step forward on dealing with openness in the energy field? The answer is yes. And with that, I'm going to go back to the friendly territory of the United States Senate. And I'll look forward to the panel and again, I appreciate everything you all do, and I am optimistic that the people in this room, we will succeed. Thank you very much.

MR. KAUFMANN: Okay, now we got to the panel. This was an exciting introduction where the Senator posed some questions. In fact, including to the API, who will be represented here, as well as Alex, so we should be an exciting, interactive discussion. So let's all --

Okay. Sound is on. We seamlessly go into the panel now, panel of experts that I will introduce, although I should be reticent with the notion of expert, because as far as I'm concerned, having been introduced with many colleagues as an expert, the best definition of an expert was by Mark Twain long ago when he said that "an expert is somebody from out of town". So we should be a little bit careful and humble. So you are the expert, right? Exactly. We will be discussing now further the critical issue, looking at payment disclosure legislation for all gas and mining industries, which first was enacted by the Dodd-Frank legislation. We have a multi-stakeholder panel, comprising industry, government, the investment community and civil society. From both global north and south. We, I know, we have an extremely diverse audience as well, from many countries in fact. Let me introduce the panelists.

You have the longer biography in your pack, so I cannot do full justice to the very impressive and lengthy bios of all of you. Dotun is on my left. I'll be going from my left all the way to Simon on the far left. And Dotun Oloko is a Nigerian Anti-corruption Campaigner and (inaudible) who has campaigned extensively on the issues of illicit flow of capital out of Africa. And he knows intimately the reality on the ground in Nigeria and some other African countries. To his left is Stephen Comstock, a Director of Tax and Accounting Policy for the API, the American Petroleum Institute. And before the API, Stephen was a tax attorney with Exxon Mobil in their tax department. He's API's policy lead on Section 1504 of the Dodd-Frank Act. Then, to Stephen's left is --

QUESTIONER: Is to his left.

(Laughter)

QUESTIONER: It's okay, we'll find common ground.

MR. KAUFMANN: Can you be quoted? To Stephen's left is Bennett Freeman, currently the Senior Vice President for Sustainability Research and Policy at Calvert Investments from the investor community. He leads the environmental, social and governments' analysis, shareholder transparency, shareholder work in policy at Calvert and has a keen interest in natural resource transparency. He's also, for full disclosure, a member of the governing board of our Natural Resource Governance Institute, and served on the board of the Extractive Industry Transparency Initiative, the EITI, from 2006 to 2009. He was also the Deputy Assistant Secretary of State, I should add, under Clinton. Then to Bennett's left, we are very pleased to have Michelle Kosmidis, from the European Union. In fact, this year, she's EU, European Union Fellow at the Fletcher School and otherwise, in other years, and soon she's going back to be the Senior European Commission Official in the financial reporting unit of the Director General for Internal Markets and Services at the EU, whose role is, was, is, still is, to

develop and implement EU policy on financial regulation and single market issues.

During the past three years, Michelle was a key player in drafting and negotiating the adopted EU legislation on corporate transparency and particularly on specific disclosure requirements on the extractive industries. So it's particularly relevant for our panel today.

To Michelle's left, and doesn't require that much introduction because Senator Cardin already introduced Simon Taylor, but I will go through it, who is a Co-Founder and Director of Global Witness, who is cohosting today with Energy Eye and Brookings. And as Senator Cardin mentioned, essentially Simon was one of the pioneers who kick started the global call for transparency around payments made by companies to governments, for natural resources. This led to Global Witness conception co-launch of the PWYP or publish what you pay campaign in 2002, so long-standing commitment to this major issue. Today, publish what you pay consists of over 800 civil society organizations worldwide.

So let me now get started. We have a very interactive panel with brief introductory remarks, answering a general question I will have to each one of the panelists. Then we'll have a little bit of interactive discussion among the panelists. I am formally called the moderator but people that know me would never label me as being particular moderate, so instead I will play an interactive roll of a lead provocateur, inserting some comments and ensuring discussion and in due course, leaving quite a bit of time getting to the interaction with the many experts and interested participants who are here with us in this room.

So let me start now with Dotun. That's the first question. Since you come from Nigeria, you come from where it counts the most. So from your perspective, in Nigeria, where there are so many challenges and it's no secret that the issues that Senator Cardin discussed in terms of corruption, the challenges of governance and many

struggles, and they revolve around natural resources, and many are domestic in turn, but why is this so important? Why mandatory listing requirements? It's very particular legislation, is very important for you in that broader challenge of improving governance in natural resources.

MR. OLOKO: Thank you Danny. Like my friend, but like the person that spoke from Venezuela, who asked the question from Venezuela, Nigeria -- people in Nigeria have had difficult and challenges getting information from the government on how public resources are being spent. But everybody can recognize that they're not getting the benefit of these resources. And it is quite obvious that there is a corrupt platform that allows the public resources to be diverted for private gain, unlawfully. And this platform is built on two pillars -- on accountability and lack of transparency. What Dodd-Frank's does is that by pushing mandatory disclosure from U.S. registered companies, which quite a large proportion of world companies are, it makes it -- it knocks out the lack of transparency pillar and the corruption platform cannot be sustained. And to help to put this into context, at the moment, Nigeria is embroiled in controversy about an oil license called OPL 245 that two oil companies, Shell and ENI came to acquire. Now, how did the people of Nigeria come to learn that their government had sold this license to international companies? Because the middle men, who facilitated that transaction came to the U.S. to sue the company that it acted on behalf of for not paying their commission. And as a result of the U.S. Court Case, this information came into the public domain. Once that information came into the public domain, there was a public outcry backing Nigeria. How did this happen? Who got what? Who was paid what? That is very important to realize that whenever people are empowered with information, they will act on it. And the government will have difficulty sustaining the corrupt practices that is oppressing the people and making a few rich at the expense of the rest of the

country.

MR. KAUFMANN: Thank you Dotun. Let me just follow up quickly with you for a minute. Let's say, tomorrow the SEC comes out with a good regulation and that will be helpful. What would then happen in Nigeria in the coming months or the coming years, as companies further disclose? What would you expect to be the result? How would as, you as a campaigner also, would use that?

MR. OLOKO: Well, people will start to have knowledge of the value of the resources that they have, what it's being used for and how it has been acquired. There is no, apart from the fact that, the OPL 245 case, where the information was revealed in court document, there is no history of any Nigerian government voluntarily providing information on how the resources are being spent or how the resources, or how the rights to those resources are being sold. And throughout our history, there has been a consistent push for that information. But you have to understand that what oppressive governments do in order to sustain the unaccountability and the lack of transparency, is to repress the people. So people who stand up to demand accountability and information face all sorts of challenges including threats to their lives and many people are losing their lives over this. This is what the reality on ground is.

MR. KAUFMANN: Okay, that's certainly to be followed up. Let's go then to Stephen, from API. It is no secret and 2012 was mentioned before. After the Dodd-Frank and after 2013, SEC issues the rule, it was challenged in court, vacated the rule and now the question is to rewrite them. So rather than going too much to the past as to all the reasons of this point of why you had such -- API had such concerns. Okay, where is API today on this? What are the current main concerns? Yet, the understanding is that everybody agrees that the rule should come out or maybe you think differently, and if so, what would be your main objective and concerns regarding that rule in the next

stage?

MR. COMSTOCK: Okay, well, thank you all for the opportunity first of all, to come up and speak. I appreciate the forum to engage. API and our member companies have been supportive of transparency. I think our member companies recognize the value of accountability of government and the ability to address corruption in the governments that we don't necessarily wish to participate or we don't see value in governments that are corrupt, and we think that there's a strong business case for anticorruption measures of which revenue transparency is one of them. With that said, there are ways in which we like to see it implemented. I think that with respect to the vacated rule, the main challenge we had was with the implementation of it, not necessarily the premise of it, but with the implementation of it. And so with respect to the -- once it was vacated, we were very vocal and came out very quickly and said that we think that a new rule needs to be developed. We instituted a letter back in November asking for it to be taken back up by the SEC. Companies met again and we've now submitted a couple letters to the SEC, asking for this to be taken up on this agenda, and we are happy to see that it had been, and we look forward to engaging with the SEC again on implementing a good rule that can be addressed, not only the statute but also the issues that were raised in the court case.

MR. KAUFMANN: What would be the main --

MR. COMSTOCK: Well I thought that, I'm sorry --

MR. KAUFMANN: The main differences from the previous rule that was issued?

MR. COMSTOCK: Well I think that what we're looking for and what we submitted in our November letter, was that the idea of standardization. There's also an idea of compilation that we feel is in the rule, that I can talk to, but with respect to

standardization, what we recognize is that, at least in the definition of project, that there are many definitions of project out there, that the companies didn't have one defined, idea of project, and we felt that there was really no way in which this information was going to flow, even amongst members of the same JV, that was really going to be of great relevance to users. And so, with the -- after the rule was vacated, we came together and we thought, well, we've done some work on the old rule, and we looked at our accounting systems, and we looked at the way we put together information, we looked at the way in which information flowed in our accounting system. And we figured out that there were a couple parameters, that if we could sort of define the project around those parameters, that they would be standardized, and that as a result, whether you're a company headquartered in the United States or maybe a company headquartered in Australia, or headquartered -- or a company that was a mining company or a company that was an oil and gas extractive oil and gas company, that these parameters could help drive a common definition of project, and that through that standardization of project, that it would allow for a utilization of the information to flow. But that utilization, if put into a database, the Experall database, it doesn't have to be Experall database, it could be another database, but an Experall, let's just use Experall because that's in the statute. But that information can then be searched at a very low level, so that someone operating in Nigeria could go in and find information relevant to Nigeria, relevant to their state in Nigeria, relevant to the payees that are operating in Nigeria, and as a result, pull that information and then be -- and be informed along the way.

MR. KAUFMANN: For each company.

MR. COMSTOCK: No. Our position is that company information would not be disclosed. And that if a specific company information --

MR. KAUFMANN: So the level of aggregation would be at the national

level.

MR. COMSTOCK: No, the level of aggregation would actually be much lower, because the payee information would be there, so you would have national level, you would have payee level --

MR. KAUFMANN: Payee, but without disclosing the company.

MR. COMSTOCK: Correct, without disclosing the company. Correct. So that you would have an information flow that would allow for a project operating in the Delta state of Nigeria that would show information on the project, to who it flowed to, say the state or local level, and they would know that these operations generated this amount of payment, and then I can also go to my local government and ask them, what have you done with that money. That was the driver, to generate standardized information that could be utilized at the local level in such a way that they could engage in that discussion with their government.

MR. KAUFMANN: Okay. Position clear. On exemptions, which was an issue in the past, is it still an issue?

MR. COMSTOCK: I think that we still have concerns with company information, confidential information, and proprietary information. Now I know that there was -- there's a concern with the dictator's veto and so forth. We found it interesting that that hasn't really been generated, that the EU rules come out and the other rules have been issued and you haven't really seen this kind of activity.

MR. KAUFMANN: Right.

MR. COMSTOCK: However we still recognize that we operate in countries where there is a concern about disclosure and we feel that engaging with the SEC on the new rule will be able to address that appropriately.

MR. KAUFMANN: Great. Thanks. So that leads naturally to Bennett.

Can you deal with this approach?

MR. FREEMAN: You know Danny, you do such a --

MR. KAUFMANN: From investors' standpoint.

MR. FREEMAN: Civilized job of moderating a discussion. It makes us sound like we're all here to sing kumbaya when in fact the sound track that I hear when I deal with this issue as an investor on behalf of Calvert, is as much a clash as kumbaya.

MR. KAUFMANN: We're at Brookings.

MR. FREEMAN: Yeah, we're at Brookings, but you know, we have an interesting convergence of interests and views that should extend wider than it does. It's very interesting that Dotun, from a civil society perspective, not surprising, but significant, supports mandatory disclosure. Look at the experience of Nigeria over the last three plus decades. Look at the squandered resources. And from a civil society perspective, revenue transparency, indeed, mandatory disclosure is about gaining appropriate governance over your own natural resources. That's not the primary objective for investors, certainly investors as Senator Cardin said, have an interest in being with companies, owning companies that operate in stable regimes, with some degree of certainty. Our interests, and there's a really significant convergence of interests here between investors and civil society. Our interest as investors is to gain access to data, hard data, hard numbers, that can inform our valuation on a country by country, issue by issuer, project by project basis to evaluate risk. That's the business that we're in. And there are hardly any more acute sources of risk in the extractives industry globally, than those connected with corruption around revenue payment. So there's this, for us, coincidental, but happy coincidence here, a convergence of interests with civil society, that's led investors representing trillions of dollars of assets under management, to support alongside, but for largely separate reasons, a strong rule here on 1504. I would

like to think that the oil industry would have an interest in such transparency and stability and some companies do like Tullow Oil and Statoil, on the oil side, and Rio Tinto and Newmont Mining on that side of the sector, but I think that we need to be very clear here. We right now have a significant disagreement with civil society investors on one side and the API at least on the other side, holding up the completion of a rule that should be in the companies and the whole industry's interest in having some consistency here on a global basis, for the interest of transparency and stability and managing these risks for investors.

MR. KAUFMANN: That's great Bennett. So that leads to Michelle. From the EU perspective, then how did you go through this very intense process and in fact the whole triangulation process, right, with the different bodies of EU and the Commission and the Parliament and so on? And at the end of the day, you came out, after weighing all these arguments, I mean nothing was new. This had been -- the road had been paved by Senator Cardin and Lugar and others. You also considered very carefully many of the arguments, industry, from different sides, different governments had different approaches and so on, and at the end, you came out from something extremely forthcoming, progressive, and in fact going even further than the original SEC rule that was then challenged by API. And so it will be very interesting, especially for us here in the United States, to know how did you leapfrog in such a manner?

MS. KOSMIDIS: First of all, for those who don't know exactly, the EU adopted legislation in this area last June. It adopted legislation that requires certain multinationals to disclose payments to governments on a country and project basis. I say certain multinationals because in this area, we went further than the U.S. law. We don't only target listed companies, we also target large unlisted companies and we don't only target at the extractive industry, we also target loggers of primary force. So we try to do

more than the U.S. And now, looking at the process, it was quite a complicated process. We have -- it took two years and a half, which is actually quite fast, considering all the institutions involved and the number of the member states that are involved in this process. The whole process started with a public consultation, which we received views from all stakeholders. We had bilateral meetings with the industry and NGOs and other stakeholders so we tried to listen to different views and the European Commission had to do an impact assessment, which is, in EU language, it's a document that analyzes all possible policy options and gives a cost benefit analysis of each policy action and at the end, the European Commission adopted legislation. For those who are not familiar with the EU policy making process, European Commission is the sole initiator of legislation. The European Commission is the only institution that can initiate legislation, however it can be requested by the European Parliament and the Council can request the Commission to look at something. But once the Commission adopts a proposal, this goes to the Council and the Parliament for discussion, and that was the case with this piece of legislation. Each -- the member states looked at the document and very separately from the Parliament and at some stage we had to -- the three institutions had to come together to negotiate the details of the text. I will focus on the two issues that are relevant in the U.S. case. The issue of disclosures -- public disclosures on a project basis and in particular, the project definition, and on this issue there was a lot of discussion on how to define a project. At the end, I believe we came to a consensus. All parties agreed -- the member states, the Parliament and the Commission -- on a balanced approach of what is a project, in order to allow some information to be given to the local communities, but at the same time, to allow some flexibility for the industry. During this discussion, the issue of competitiveness arose. However, given that some companies were already providing this information, of course on a country level, we

thought that the impact on competitiveness was limited. A more recent example is U.K. Tullow, a company that disclosed this kind of information on a voluntary basis last April. That is they disclosed information on a project basis. So given that, we thought there's not a big impact on competitiveness.

The second issue that I will address quickly is the issue of exemption, the exemption clause. And again, we did not receive any concrete evidence that there were countries actually prohibiting disclosures in third countries. As a precaution, the European commission initially proposed a very limited exemption in cases where criminal legislation prohibited such disclosure information, in order to protect the employees of a company. Even that was not acceptable -- accepted in the negotiations, and that was eventually omitted, because again, throughout a year of negotiations we did not get any evidence of such legislation in third countries. And at the same time, it was viewed that if you have this in the legislation, it would weaken the objective of legislation and it would encourage third countries to introduce this kind of disclosure prohibitions.

I would like to add on this point that the European legislation includes a review clause which actually, after four years, by 2018, we will review whether this directive has an impact on competitiveness. It will review the international developments, the issue of the project based disclosures and the Commission will report to the European Parliament and the Council on this. And finally I would like to say that currently the European Union is working through transposition of EU law, that is, the 28 member states have 2 years to transpose EU legislation into national law, and we expect the first reports to be out in 2016 or at the latest in 2017. Thank you.

MR. KAUFMANN: Thank you. Very enlightening. Maybe you can tell us a word or two about the role of the corporate sector during this process, because all know if works differently in Europe than it works here, and in the many discussions, I'm sure

the corporate sector was involved, interested, present. We heard Stephen in the view from API, we heard Senator Cardin before in answering to a question and we all know that there are some companies who have said enough. We want to move forward with transparency. It's new months and the Statoil's and the Tullow's and so on. Did you see all sides there, where some of these companies are coming from mining or from oil and saying, we need to go in this direction and we support it but maybe we have some concerns, or there was some strong opposition from the corporate?

MS. KOSMIDIS: I think in general we were open to listen to all points of view, both the industry and the NGO's. In terms of the industry, we understood that they were in favor of transparency.

MR. KAUFMANN: They were?

MS. KOSMIDIS: Yes, yes, of course there was a sensitivity on the issue of the project based disclosures that we tried to address during the negotiations, and I believe we came to a balanced approach at the end.

MR. KAUFMANN: And what was the main compromise?

MS. KOSMIDIS: The main compromise was to define legislation, sorry, the project definition as -- I don't remember the details of the definition, it was like --

MR. KAUFMANN: By the way, we need to finish.

MS. KOSMIDIS: Lease concessions but then at the same time we allow some -- the industry to put together some of these leases or concessions in cases where they were closely interconnected.

MR. KAUFMANN: And it was also the minimums, right?

MS. KOSMIDIS: The minimums in terms of the threshold.

MR. KAUFMANN: Yes.

MS. KOSMIDIS: Yes, of course.

MR. KAUFMANN: You also --

MS. KOSMIDIS: That was the same as the U.S., because of course, we did not want to duplicate the work that already existed. We tried to look at what the EITI was doing and the U.S. was doing, because we did not want to place extra burden on the industry for these reporting requirements.

MR. KAUFMANN: Right. Okay, thanks. We go to Simon now, and I think we have gotten to the real specifics, which we need to do at this stage. I think this consensus that sunshine is the best disinfectant, we need to move forward with transparency, but the devil is in the details. So Simon, from your perspective, you have heard so many times the issue of the concerns at the level of desegregation, the project level, about exemptions and so on. Why are those details so important from a civil society perspective? Why do they matter so much? How much is civil society prepared to compromise perhaps?

MR. TAYLOR: I think -- can everyone hear? Is the mike in the right place? I think I'd start off by saying perhaps my reaction to that is, it's sort of a bit like groundhog day, many, with due deference to your points of view a moment ago. Many of the points that you've raised and that continue to be raised, both on the EU side and the U.S., we've been listening to them for, I don't know, six or seven years. And we keep going around in circles, and I think one of the points Michelle made that's really relevant, that I'll come back to, quickly in a second, is that the EU on the EU side, they found them wanting. They don't stack up. And perhaps I'll just sort of go back to where I was going to start. I think our start point is the game is now up. It's basically high time after all this time after the passage of Dodd-Frank to have a rule that's implemented and operational. And we're perhaps in the discussion, come back to some specific examples as to why that would have had a beneficial impact, but we can come back to that in the context of

what Dotun was saying. And I think what's really clear is we need it in all countries, rather like the quotation from David Cameron that Senator Lugar, sorry Senator Cardin read out, in his recent piece in the Wall Street Journal. We need this in all countries. We do not need exemptions, because industry has failed to provide credible evidence demonstrating the existence of laws in other countries that prohibit disclosure despite years of being asked to so. We need project level disclosure that's been dated in the legislation. Why not go with the EU definition that had input from companies extensively over a long period of time. It was debated to death. That definition incorporates, as Michelle was just saying, flexibility to accommodate the different types of situations, whether you're in an Angola situation or you're in an Australian mining situation, versus an off-shore oil situation somewhere else. There is inherent flexibility built in there, so why do we need a different definition? Unless of course, we don't want to disclose at project level. And I think that's where we get into the nitty-gritty.

The U.S. really started with a global leadership around this thing and I think it's now fair to say that by doing that, we've seen the kick start of the beginnings of the new global standard, and I think I would sort of put a charge out really, to API and to its members, certain members in particular, that it's time to stop holding it back and let's go with the flow. That's why I'm saying at the beginning the game is up. It's really time to move on. And what we've been -- we spent much of the last 17 years investigating corruption in the oil, gas and mining sector in many countries in the world and I think it's clear from that experience that we need transparency around these payments, because it will bring not only transparency and we have accountability around despotic leadership in countries where money doesn't benefit people, but it will also bring accountability to the company side. And I'm going to say some tough things in a second. It takes two to tango. One of the issues that comes out of the EITI debates very often, although the

phraseology that comes out of meetings and so on, and the general sort of way this debate is framed, is that we're stuck in this world with despotic leadership and lack of good governance and somehow the companies fly above the fray. And I'm not saying all companies are doing this all the time. But there is an absolute involvement of companies at certain points in different countries in different ways, and it takes two to tango. And the consequence of these 17 years of work across many different countries, with many different individuals within the organization, is that we've come to, I believe, with a couple of some really key points that we've learned from that. One is, there are some very notable exceptions. There are certain players in the oil sector in particular that I would describe as institutionally corrupt, that's my star point. It's not that there are a few eggs in the barrel and that's the problem. It's more that the entire structure, modus operandi of those companies in certain places, in certain corrupt places, is to be involved in illicit transfers of funds. Whether their illegal or not is a different matter and that's because there's a very big range between the kind of example that Dotun talked about a moment ago in which there was apparent involvement of key individuals in the company in a way that led to an illicit payment. We wait to see whether that's illegal, because there are two criminal investigations looking into that right now. All the way through to the other end of the spectrum, where you could say some of your members are being ripped off by the collective environments in which they operate, but they also know about it. And I think that's really why we need to see it from the view of the companies because this is in their interest.

The other key point I'd say is that in many regions that combines with this institutional corruption problem, say the entire Gulf of Guinea from Nigeria down to Angola, or the Caucasus, my working assumption now is that virtually every concession involved in illicit payment of some sort or another and through the acquisition or the

ongoing management of those fields, every single one. I think the exception will be where that isn't the case. That's my working assumption now after spending a lot of time poking around. And that involves an awful lot of companies. I'm not saying all of the companies necessarily at the top end know about this or even what you could say, complicit in their personal involvement, but it's nevertheless still going on and in those cases, the companies are being ripped off. So are the investors obviously. But it does go to the other spectrum, where we keep catching out companies, where it's not credible to say, oh, we didn't know. There's proactive involvement.

So what are we going to do about this? And I think the answer to that basically is that the oil industry in particular, and certain companies in particular push this line. You mentioned your submission recently to the SEC. There's a lot of references to things like suggesting, for example, the EU proposals are proposals as opposed to an accounting directive and a transparency directive that are set in stone. The EU states do not have much flexibility in terms of the transposition process. They can delay it. They can think about what format perhaps things are disclosed in. But as to the definition of project, as to the fact it's project by project, no exemptions, every country, that's set in stone. So why is the industry on this side seeking to present a line that somehow the EU side is up for grabs? I think if I challenge you on it, I think some companies, particularly Shell, particularly Exxon, perhaps Chevron as well, would like to give the impression that this could all slide, this could all move, and therefore perhaps the SEC should come up with a weaker definition along the lines of that which you've been asking for, which isn't really project disclosure.

And then I think the strategy is to seek to unravel the EU end when we come back to this review process. So my challenge really is, I think it's time for you guys to get with the program. The game is up. And what we need now I think, is a credible fit

for purpose rule out of the SEC which I think they're up for, instead of what could be classified as a bribe pay us charter.

QUESTIONER: A what?

MR. TAYLOR: A bribe pay us charter. That's basically what we will have if we do not have adequate disclosure around project levels. The test is would we have known about the payment for OPL 245, yes or no?

MR. KAUFMANN: In Nigeria.

MR. TAYLOR: And looking at what we know about the companies involved, Shell and ENI, yes or no, what you're suggesting as a definition would not have liberated that data. The only reason we know about it is because the pissed off middle man sued in a New York court and put all the paperwork on the table and that's why we know a lot about exactly who was involved and when they did it.

MR. KAUFMANN: Okay, you and others have posed some questions and challenges I think to Stephen's side, so it's only fair to give you the --

MR. COMSTOCK: I should have kept better notes.

MR. KAUFMANN: No, no, not too little, but maybe you have some reactions to some of the comments already made.

MR. COMSTOCK: Well I guess with respect to the investor argument, we've had a struggle with understanding the situation from the individual investor side and I think that was included in our April 15th letter. We just, have a -- the SEC rules have a materiality threshold that -- to the extent that it's material item, that that information is disclosed, that that information flows. Information on where we operate, what we operate, how we operate, and so forth, is included in at that level. There's further information within the companies to the extent that there are issues associated with material items, the way you materially operate, that can create a risk or create a

breach or create something that fundamentally undermines the integrity of the company, and that's in the Sarbanes Oxley law. Then there's also as Senator Cardin mentioned, the Foreign Corrupt Practices Act, which is very important and something that every one of my members takes extremely seriously throughout their organization. I recognize that there are situations, I'm not sure what -- how illicit is paid, or termed, but I guess there are situations where operations take place. But I think that there are very strong systems in place for people to look at those operations, make sure that they comply with the Foreign Corrupt Practices Act, make sure they comply with the principles of the organization, so that there are not corrupt payments in place. That's a very strong important issue for us.

With respect to -- does a \$100,000 road to a drill site that's also used by the town to move people back and forth, is that something that is going to drive a decision about whether somebody's corrupt or not? I don't know. Is that going to all of a sudden elicit amazing flows of information such that you can determine whether the local person's corrupt or not? We have a strong -- or whether an investor wishes to make an investment in Exxon Mobil or Shell or Chevron or some other company? We have a difficult time trying to piece that together. We -- so -- I mean, that's kind of the outline of our statement in the investor letter that we issued on April 15th. With respect to sort of "the game is up", I appreciate that people have wanted us to move on, for us to understand that they want what they want, but from our perspective, the way it works is that the passage of the statute was in the Securities Exchange Act. The Securities Exchange Act has certain rules and other things that are a part of it that this CF has to integrate itself with, and as a result, that it has to be implemented in a way that takes all that into account. That was the issue associated with our lawsuit and what Court eventually agreed upon.

MR. KAUFMANN: Bennett.

MR. FREEMAN: Thank you.

MR. KAUFMANN: You got a challenge.

MR. FREEMAN: Yeah. Look. We have -- there has been significant investor support among both asset managers and asset owners, from both sides of the Atlantic, from the very beginning of this rule making process, all the way up through the two letters that were delivered back to back, the same day, in late April. One with 2.85 billion dollars, a trillion, almost 3 trillion dollars of assets under management, the other was 6.4 trillion. The letters essentially made the same points with some variations in the argumentation here and there, reflecting to some extent, differing views across the Atlantic but more particularly, the difference of views for example, among asset managers versus asset owners and asset managers who employ active investment strategies versus passive ones who may be better positioned to make direct use of what we think is material information in the decision making process. Big numbers are material here, and by gosh we've seen big numbers in the billions of corrupt payments and what should be billions in revenue flows that remain missing in action that are deeply troubling to investors. A hundred thousand dollars payment, corrupt payment connected to a local road is not material to an investor. Let's not kid ourselves about that. It may be useful though, to people in the Niger Delta, who are trying at the local community level to uncover patterns of corruption. It's not my place as an investor to second guess the level of payments that they think that are useful from their point of view in trying to combat corruption and overcome the resource curse. But we're interested in the big numbers on a project by project basis. And the previous rule afforded that. We still think that there's a reasonable chance that is the SEC does the conscientious job of sifting through the argumentation here, that they will end up agreeing. I just want to end this comment by quoting back for all or our benefit, not just API, one of the statements made by the SEC in

the context of the law suit by the API brought against the SEC, which is the SEC itself saying, and I quote here, "Disclosures would provide valuable information to investors when assessing risks and making investment decisions." That's the case right there, from the SEC, above and beyond the trillions of dollars of assets under management, that investors have made themselves in the form of their submissions as recently as the end of April.

MR. KAUFMANN: You want to quickly?

MR. TAYLOR: Yeah, quickly. Can I make a quick comment about the SCPA? Yes, we have the SCPA --

MR. KAUFMANN: Put the mike closer.

MR. TAYLOR: Sorry, sounds like it's echoing to me where I'm sitting. Can you hear? It's all very good to have the SEC, fine. We think that's a good thing. But one experience I've got, quite a bit of in the last few years, is try getting someone to actually implement an enforcement action when so much evidence, you fall over yourself. You can't believe that you know, that there isn't enough to really move forward and do a proper investigation. It's really tough stuff. And first of all, you have to know about it, and I think, when I say areas of institutionally corrupt companies end up in a situation where they're effectively behave as if they're institutionally corrupt, it is because I think a lot of transactions, like this one we've talked about, take place in an environment where the working assumption from the companies that put it together is that it will never come out. And I think when we go back to risk, I can't talk about the decisions investors might take because an external observer, just looking at how risk should be of concern to investors, right now we have the Nigerian House of Representatives called for that block to be terminated. This is a block that paid a billion dollars, which is 66 percent of Nigeria's entire health care budget, diverted into private hands, following the negotiation that took

five days with the Attorney General's office, in which the vendor, the real vendor was in the room, so the company's claimed they just paid the government. Well what the heck was the vendor who gave himself the oil block doing there, determining the price perhaps? He ends up with the money, the deal they signed explicitly stated the money, this has all come off court documents, by the way, and my basic point is, I don't believe, and I don't think it was a credible argument to the contrary, that that deal would have gone ahead had we had the accounting director, the accounting transparency director, or 1504's rule in place, when that deal went down in April 2012. We didn't. What these disclosures would have created in that scenario is the company saying, we'd really like your block, that's great. Take it back off the person who gave it to himself, put it up for public auction and we would not be having this conversation now. But the reality on the ground in countries like that, is you have to pay. You may not pay it in a way that ends up being an FCPA breach, God forbid if anyone notices, and very often it isn't an FCPA breach, which maybe brings us into a conversation about what's insufficient about the FCPA, but the whole point of this is to create an enabling environment in which your members are not exposed, first of all, those who don't want to be exposed to such a situation, and where it puts a big stop on those who have less problem with that being involved, of which we keep catching out many.

MR. KAUFMANN: So, lots on Nigeria.

MR. TAYLOR: This applies all the way down.

MR. OLOKO: Yes, thanks for that. I was a bit puzzled when Stephen spoke after me, because I'd understood that the main opposition to Dodd-Frank's was the API, and the critical issue was whether disclosure would be at project level or at some other aggregated level. And unfortunately, because of my background, it is quite clear to me, that project level disclosure is the only alternative, is the only issue that will address

the problems of corruption in countries like Nigeria. And to hear Senator Cardin speak, it appears that this is a view that is shared by almost anybody that looks reasonably at that issue. And I couldn't understand when you were speaking, why you didn't make the distinction between the API wanting aggregated disclosure, while others wanted project level disclosure until Danny brought the subject up. And unfortunately for me, I happen to know Nuhu Ribadu, a highly respected Nigerian who did a lot in fighting in corruption, and one of the things he said to me was that when you fight corruption, corruption fights back. It is quite clear, that the intention of Dodd-Frank's is quite clear -- project level disclosure. Anything other than project level disclosure is supporting corruption. And I can't understand the reasoning behind it. Is it because -- I don't know, from what you've said, I still don't understand why there are someone in the extractive industry that are pushing against full disclosure.

MR. KAUFMANN: Speak in brief, and then, I'll have for Michelle and then we'll start opening up.

MR. COMSTOCK: Well I think that our proposal does have a level of project disclosure and it allows for an extremely detailed flow of information down to a payee level. Once you sort of include all that information and are able to search on all of it, you do get an immense amount of very detailed information that you can then understand what the payment is and what the payments are to your -- to the government officials and then that's the conversation that you can engage in. So that if you know that the government in the Niger Delta received two billion dollars, you can have a question as to what did you do with that. If you know that the government, the national government received four billion dollars for activities associated in this state or in this area, you can say, well you received all that money, but yet it was earned in our location. What are you doing with it? Why aren't we seeing that and why aren't we seeing that,

and so it's that conversation that I think that our companies, or my members, or what I've been sort of directed, is, is that it's that conversation we support and we think that you should engage in.

MR. OLOKO: English is not my first language. But I don't -- you haven't answered the question as far as I'm concerned, because the distinction is still project level. I mean, using the OPL 245 as an example, are Shell and ENI members of the API?

MR. COMSTOCK: I believe Shell is a member of the API.

MR. OLOKO: So would they have been required on that explanation you just gave, to disclose that kind of information?

MR. COMSTOCK: I'm not sure, I'm not familiar with the situation or the fact pattern. I'm not sure if it was a bonus bid or if there was some other type --

MR. OLOKO: Well regardless of whatever bid it was, they acquired the oil license.

MR. COMSTOCK: Okay so that they made it --

MR. OLOKO: Would they have been bound to disclose the amount that they paid for the license?

MR. COMSTOCK: There would be a -- our proposal would be as that the information would flow to the SEC that a payment was made and that that payment then would be included with others and provide --

MR. OLOKO: So the citizens of Nigeria would have no knowledge of that payment?

MR. COMSTOCK: Of that specific transaction.

MR. OLOKO: So why do you think that it's okay to do business with a government that's acting on behalf of a people and withhold from the people the

information that you paid to their government?

MR. COMSTOCK: But you can still get an understanding as to that payments were made and that the amounts were paid.

MR. KAUFMANN: But here is a broader question. Then I want to go to Michelle, and then let's open it up. Why --

MR. COMSTOCK: I would also just make the point that you know, our members have supported the EITI effort.

MR. KAUFMANN: I know.

MR. COMSTOCK: And there is a Nigerian on the EITI activity, and that as a result that a lot of that information could also flow through that methodology as well.

MR. KAUFMANN: Right.

MR. OLOKO: But it's doesn't.

MR. COMSTOCK: And that discussion can be engaged in, just the same way as you're engaging with the United States, as to why not? What is the distinction? Why isn't that an appropriate level of flow of information.

MR. KAUFMANN: Here is a --

MR. COMSTOCK: Should we have better information flowing on the resources as they apply in our country?

MR. OLOKO: That's what Dodd-Frank's does.

MR. COMSTOCK: Well my sense is that really the discussion is between the Nigerian government and the Nigerian people and you have EITI initiated for that. Are you saying the EITI doesn't work?

MR. OLOKO: This has nothing to do with the EITI.

MR. KAUFMANN: Hey --

MR. COMSTOCK: Well if it's a payment that could otherwise be

associated with it. I mean why it is --

MR. OLOKO: That's a specious argument because the EITI, and we're not privy to that information. The fact remains that in April 2011, Shell and ENI reached an agreement to buy that oil license. Nobody knew who it was sold to, how much it was sold for, until sometime in 2012, when the middle man went to court in the U.S. And as a result of a U.S. court case, that information comes into the public domain. And now the Nigerian has (inaudible) that that license should be revoked and investors like Bennett would have no idea how their companies structured that deal -- a tripartite transaction in which all three parties give different accounts of the same transaction. Shell already represented that they bought that oil license off the Nigerian government. The Nigerian government represented that it acted as an obligor between Shell ENI and a corrupt former politician who corruptly acquired the license in the first instance. So in that instance the situation would be as Shell and ENI would report that they made the payment and that's all you would have, is that a payment would have been made.

MR. OLOKO: But, but with this --

MR. COMSTOCK: You wouldn't have a sense or any type of association with whether the government received that money or not, correctly. Am I correct? You would just have one payment, that Shell and ENI made a payment, for an oil license, like they made any other payment.

MR. OLOKO: Yes, Shell and ENI would make a disclosure that they paid the Nigerian government 1.1 billion dollars for the acquisition of OPL 245.

MR. COMSTOCK: Right.

MR. OLOKO: Well that would have stopped the Nigerian government now transferring that money to a private individual. It didn't come to the states.

MR. TAYLOR: And on top of that.

MR. KAUFMANN: Simon.

MR. TAYLOR: Just to intervene at this point --

MR. OLOKO: That's all right.

MR. TAYLOR: On top of that, had this provision been in place, we would not be talking about this deal, because I don't think Shell and ENI would have wanted to be in a position disclosing that they had paid 1.1 billion dollars to a (inaudible) oil minister who gave himself an oil block. That's the point. They would never have constructed the deal like this. They did it because they knew it was not going to come out. We hear about whole bunches of other deals that exist, not only in Nigeria but other countries, all the way down the Gulf of Guinea, where variations on this theme prevail. Hundreds of millions for example, in Angola, for the so called, Senegal Technology Center. We did a rather facetious calculation the other day. It should be some -- what was our figure? Don, you might remember. Ninety-two --

QUESTIONER: Four hundred, sorry -- three hundred and forty three million dollars.

MR. TAYLOR: That we cannot see where it went. Nobody can tell us where the social bonus payments made and for five years, for the wonderful should be gold plated Senegal Technology Center. It doesn't exist. Based on a similar thing, I think we worked out the other day, being a bit facetious, it should be ninety-two floors high. But it doesn't exist.

MR. KAUFMANN: Okay.

MR. TAYLOR: But my basic point is, this is common and this goes back to the other point. You're talking about holding people to account in countries. Absolutely clear. We're interested in that too. But what about holding companies into account for their direct take to tango involvement in these transactions? This is also a

company problem, which is a time bomb ticking for investors.

MR. KAUFMANN: Okay. And now I take the prerogative of moderator because I want also Michelle's perspective and we need to be careful. It was mentioned earlier. This has been a very lively debate with API. Let's not generalize about all industry and certainly not investors. I'm not going to -- I'm the moderator supposedly, so I'm not going to give all my views. An article just posted in Brookings where you can see some of the analytical take I do on this issue, having weighed in the past. But here is a question. It's no secret that there are some companies who are seeing this differently -- the Statoil's, the Tullow Oil's, and some of the mining companies. Okay, and they're saying, and met with some of the chairman of them -- they're saying we take a longer view and it is in our interest because our way of doing business is for productivity, for efficiency. It's a bottom line but by competing and basically, we have no interest in those rent seekers, those that do thrive by rent seeking and hiding and engaging sometimes in corrupt practices, so it is in our interest purely from the bottom line, forget even that there are many more developmental reasons, that these rules get enacted. So in some sense, and that's the argument, it's not an ideological issue, because even industry is split on that and some are seeing it from a longer term perspective and having worked with Frank Vogl with the Transparency International and so on and so forth, so long on corruption, we know that there are many firms who do not want to engage in corruption or hide anything. So this is a real question -- why fight this? Why not just disclose it? Isn't it in the interest of the bonafide companies that want to thrive in the future as opposed to the briefcase overnight, a rent seeker that doesn't want to, which we know that also exists. And then the question to Michelle is the following, because there was a difference of approach as was pointed out. You said these are proposals from the EU. Then you said, no, this is totally cast in stone. Well is it? Because there must be a

reason why Shell and others and API are fighting so much to get the rule weakened when in fact, if it was cast in stone, you'd have to report anyway because the EU directly applies to the Shell's and to the BP's and maybe not to some totally American headquarter companies and others, so it leads some to think that this is not as cast in stone and as part of the transposition, there is very significant robbing for weakening of the rules, or isn't it? So how cast in stone is it?

MS. KOSMIDIS: It is new legislation. The member states have to transpose a directive which is a type of EU legislation, into national law and the companies will have to report in 2016 or 2017. There's some variation. That is because some countries would like to transpose it earlier. I think the U.K. is one of them. So it is legislation. It is law, it is not a proposal.

MR. KAUFMANN: So some of these companies will have to do it according to the new legislation anyway.

MS. KOSMIDIS: But of course, there is always some kind of resistance, especially now that the U.S. is not coming through, because it's important for the E.U. to have the U.S. on board, to achieve a critical mass and encourage other G8 members to fulfill the commitment because the G8 members have committed to this subject. It has been an issue. It has been on the agenda at many G8 meetings, so it's important that we -- U.S. and E.U. follow through.

MR. KAUFMANN: Thank you. Let me open it up now. Given that admittedly, the panel was not balanced in terms of private sector and the rest, in terms of numbers. In terms of intellectual power, it was. And, but for full disclosure, I know organizers who tried -- everybody tried really hard to get also more high acceptance from the private sector, but if there's anybody from the private sector here present, and I know that some are present, who wish to have the first word and give their perspective on that,

please raise their hand. If I see no -- from the private sector. Great.

MS. KOHLER: Hi, I'm Veronika Kohler, U.S. National Mining Association and Co-Chair of U.S. EITI. I'm on the MSG, working on the MSG, I was I guess a little disheartened --

MR. KAUFMANN: Say what MSG means.

MS. KOHLER: Multi Stakeholder Group, EITI. U.S. is trying to implement EITI. I guess I was a little disheartened to -- with the question Danny that you had asked Dotun about, if 1504 was passed or if there was a rule out tomorrow, what would the benefits for Nigeria be. And since there's been any EITI for many years now, I would have thought that that would have provided some transparency in the payments that I think people are hoping will come out of 1504. And having worked in this field for a long time, I sometimes get worried about how we're always looking for something new to improve our lives, when there is something in existence in the EITI, and I'm sure that the local MSG, the Multi Stakeholder Group has been working on for many years to improve the quality of lives for the citizens working in the extractive industries or benefitting or not from extractive industries in Nigeria. So why isn't this visibility in EITI, that we were thinking is going to be seen from 1504?

MR. OLOKO: Oh, okay. My understanding of the EITI is that it's based on self-reporting. And it varies from jurisdiction to jurisdiction. I can categorically say, that as far as Nigeria is concerned, it has been merry hell getting information from the government. If Nigerian chapter of the EITI had been successful in that respect, then some of this information would have come out. So they've probably been trying to get the information, but if the companies don't provide it, there is nothing that the EITI can do to force them to provide it, from the Nigerian side.

MR. KAUFMANN: Yes, actually, being attached with the board of the

EITI, let me complement by saying that in fact the Nigerian chapter of EITI and ITI was one of the pioneers and they, especially in the early years, did fantastic work, are still very active, and they work under very difficult circumstances as you would know better than I do. Part of the issue with the type of reporting that is required and the compilation from many different stakeholders is timeliness and how long these reports come, so by now, the ITI is receiving reports from many countries, but they are a few years old, so it doesn't necessarily provide information for the latest. There is a serious question also as to the level of voluntariness versus mandatoriness (sic). It's not a word. I'm not familiar anyway. But with those words, mandatoriness with this reporting, increasingly ITI does basically commit countries. Our signatory is through the ITI so it's not totally voluntary, including companies, so let's be fair but depending on the extent to which it is encrusted in the law of the country, like Liberia versus Nigeria and others, it's more or less mandatory or voluntary. So it varies, but increasingly it is seen and I'm sorry that Peter Eigen had to leave because he has been also a base J pioneer in the ITI and increasingly he has been complementary to the mandatory listing requirement which A, puts basically, squarely the commitment on the company side, while the ITI is a bit more the onus on the government side, and B, it's coverage, it's country coverage. So the ITI covers only certain countries that have basically voluntarily decided to join the ITI. They join and it's totally voluntary and nobody forces them. Once you join you do have some commitment. But at the end of the day, these are very complementary type of initiatives. The ITI is weighing into many other issues, including state owned enterprises, which is very important by the way, for the corporate subject.

MR. OLOKO: Can I just make one quick point about the EITI. The Nigerian chapter brought out a report in I think 2009, covering 2009 to 2011.

MR. KAUFMANN: Right.

MR. OLOKO: Which highlighted some serious flaws.

MR. KAUFMANN: Right.

MR. OLOKO: In the oil industry, in the way the government was handling the natural resources. Nothing has happened since that report was published. So you have in the one instance, you're looking at it from what happened after. But what Dodd-Frank's can do, which the EITI couldn't be able to do, is to prevent some of these things from happening. Because if the companies understood that it would have to make mandatory disclosures, then they wouldn't structure the kinds of deals that they are structured in, which require the government -- which all the parties that are structuring the deal, have the understanding that the government will be able to withhold information from the public. And in order to do that, they have to oppress the public who are asking for that information. And if at the other end, the U.S. registered companies know that they don't need to disclose that information to their investors or to their public, then you have a marriage of corruption.

MR. KAUFMANN: Right. Yes. Let's move on to -- I got to collect towards three questions. There in the back.

MS. RIEGENSACKS: Thanks. My name's Rebecca Reigensacks. I work with AM Global Consulting here in D.C. and we've actually worked with a number of corporations that are in developing regions such as Africa and a few years ago we worked with Chevron in Nigeria, although on different issues so by no means am I speaking for them but a lot of the companies, sort of to Danny's point, that we talk to, see greater transparency as a way of distinguishing themselves in the field, where especially in contentious situations like Nigeria, the communities are often very distrustful of these extractive companies, particularly if you see democracy as the wave of the future in Africa and hopefully it is, there's going to be greater accountability by the community

members to the governments. And companies really want to be on the right side of that. I think Simon Thompson from Tullow, the Chairman of Tullow Oil, was here a month or two ago, a couple months, saying exactly the same thing. And this gets to a question for Stephen, and Stephen, God bless you, thank you for being here. And it's great to have the other side, but what Simon was saying essentially was Tullow has nothing to hide, so why would we have a problem with project level disclosures. So I guess that's my question to you Stephen. And then really quickly, I've just been wondering this, but say everybody on the American side signs on to this transparency notion -- what happens to China? I mean American firms are competing with these Chinese who are not beholden to FCPA or any other type of limits, and so how do they compete -- so two questions, one to Stephen and maybe one to the rest of the panel. Thanks.

MR. KAUFMANN: Let me take one more, related. On the topic, then we'll go back. Heather.

MS. LELL: It is all on the topic.

MR. KAUFMANN: And it's (inaudible) it's related to.

MS. LELL: Well, I feel like it's all related, right? My name is Heather Lell with Global Financial Integrity. My question is also for Stephen. At the beginning you mentioned, you began your presentation saying that in fact API didn't have a problem with the statute as a whole, really the implementation of the regulations and the regulations themselves. That really caught my attention, because the actual legal challenge includes and actual challenge to the statute as a whole on the basis of its constitutional challenge, on the basis of freedom of speech, saying that the statute actually compels speech from the oil companies and you believe that that's unconstitutional. So am I to understand that that's actually not your position any longer and that you no longer wish to move forward with that claim?

MR. KAUFMANN: Is there anything you wanted to add?

MS. MUNIYA: Hi, Isabel Muniya from Oxfam America. Thanks for this panel. Not to pile on Stephen, but --

MR. COMSTOCK: But --

MR. KAUFMANN: But to pile on.

MS. MUNIYA: But also curious as to reactions from others. I think what's important to recognize and I think the panel has begun to touch on it especially with this question is that we need to unpack these competitiveness arguments because they're the basis for the proposals for anonymous disclosure. So the basic conflict is whether we disclose payments at a company and project level and I'm just, for Stephen, if you could unpack a little bit, the competitiveness concern, so there's a couple of them, so one is the idea that if I disclose at the project level, my competitors will be able to use those disclosures to reverse engineer terms, and then use those in future bidding, then the argument that if I disclose payments in a jurisdiction that prefers secrecy, the government will overlook commercially competitive bids to award a bid to a competitor that doesn't have to disclose. So it also makes assumptions about the bidding environment and what governments prefer -- that governments prefer potentially non-commercial bids in order to maintain secrecy. So I just wanted to flag that it's really important to unpack those. So that's the first part. The second part is given all these competitive arguments, if there's a number of really important API members that are disclosing under the EU rules and this is probably a question for Michelle as well, members like Shell, BP, which, if you look at Shell's operations, we're literally talking 90 countries plus, and they're going to have to disclose under the E rules, at the company level, project level and at subnational level, how -- what is the rationale then for API to propose one system for the U.S. and then assume that its members, some members will

actually have to be disclosing at the project level under the EU rules and will face some of the competitiveness rules that you've raised. So I kind of want to see how you guys are squaring that universe.

MR. KAUFMANN: Stephen, (inaudible) but we'll help you out.

MR. COMSTOCK: Okay.

MR. KAUFMANN: We'll help.

MR. COMSTOCK: Can I take them in any particular order?

MR. KAUFMANN: Any.

MR. COMSTOCK: Okay. On the first amendment question, which was a great question, I apologize if I construed it incorrectly, but I think we would still preserve the first amendment argument if necessary, and certainly the conflict minerals case that just recently came out gave some credence to the first amendment point. So I think that what I meant to say is that there are portions of the rule and there are certainly aspects of the statute that we agree, in general, we agree with the transparency for the points that I outlined. And in fact, we believe that to a large extent, that the existing rule, or the vacated rule doesn't have to be radically changed, that there are many aspects of the existing rule, or the vacated rule, that are fine. So I apologize if there was a misconception there, but you know, clearly we would certainly consider that going forward with anything where there's compelled speech of this manner.

With respect to unpacking the items, you know, there are many issues and concerns that people brought up, at least to me in this, and certainly it's the competitive nature of going in and making sure, as Senator Cardin said, that everybody is on the same playing field and not necessarily, everybody would be on the same playing field if you had mandatory disclosure in some instances and not mandatory disclosure in other instances. You could go into a situation and I don't necessarily mean to address

Nigeria, but there's a number of Nigerian companies that aren't listed on the EU or U.S. exchanges that would then be able to operate without necessarily the disclosure but for any EITI. And so there are other situations too where national oil companies can play in spaces without necessarily having to disclose because they just aren't registered anywhere and aren't necessarily brought into the rules, and those players are becoming a more and more larger force in the overall operations of oil and gas, as people seek to generate and capture national reserves, which gets back to China. China then is one of those situations where potentially they're looking for national reserves and they're willing to pay however, wherever they can for it and often in many times outbidding people, and so in the past they could outbid by gross amounts, but if they certainly knew all the bids that were coming in and how the other things were structured they wouldn't necessarily have to pay as much. So they could certainly benefit from that.

So I think that there's also another situation that's come up and it has to deal with frontier situations. I'm going into a country for the very first time. I'm looking to sort of see what's there. I may not necessarily find something that I like. I may not necessarily find something that is fruitful but I could certainly have the opportunity where I am the first player in that situation. You know, disclosing that information on a first time basis can create a competitive disadvantage. I mean it can create a real problem for companies. We don't require that of other companies. If I engage in -- if I'm a defense contractor and I engage with a country on initial consultations of whether I want to do something there, I don't have to disclose that. I can wait until it becomes a material item. I've engaged in the contract. I've gone forward with that arrangement and then I disclose it to my shareholders. In this type of situation, I would have to -- a company would have to disclose that and potentially lose out on the competitive first player advantage, which I think would be undermining to investors as you go forward. So I don't know if that

addressed all three questions. I appreciate --

MR. KAUFMANN: What about Tullow?

MR. COMSTOCK: Tullow?

MR. KAUFMANN: Yeah, what do you say to those companies that say we have nothing to hide, we're coming out, it is in our interest?

MR. COMSTOCK: That's great.

MR. KAUFMANN: Okay.

MR. COMSTOCK: I'm not sure what to necessarily say. I've sort of seen Tullow's submission. The question is, is it as robust as sort of what we would suggest as being in our submission to Dodd Frank. It doesn't provide payee information. There are some, certainly it also addresses if you look at it, it could generate other questions that are brought up that they will then spend time trying to reconcile back to their 10K or other pieces of finances to sort of what's quote unquote "the right answer". So I mean, I appreciate that they've taken that position. They're welcome to take that position. Statoil is a great company. Statoil is a strong member of API. Statoil has mentioned its concerns to us as they've sort of met, tried to weigh some of the issues that they face in Norway and with their shareholders and constituents with our position.

MR. KAUFMANN: Right.

MR. COMSTOCK: But yet we've still been able to go forward and we've still been able to at least make our points known and brought them up in a court case.

MR. KAUFMANN: But they distance themselves from the court case.

MR. COMSTOCK: I think that they distance themselves from the situation.

MR. TAYLOR: They distance themselves from the court. They're very clear about that.

MR. FREEMAN: Look, Statoil and Tullow are outlining the emerging paradigm for a different oil industry in the 21st century and one that actually embraces transparency and accountability and sustainability. They're not perfect, but they're breaking the mold here. And investors are increasingly aware of the risks in whether the long established huge countries for oil and gas exploration and minerals for that matter, or, in what you refer to as the frontier markets. We're interested in long term investment but we're interested in stability and transparency, and when it comes to frontier markets in particular, with weak governance often, not always, but often, our antenna become ever more sensitive to issues around governance and corruption. It's all the more important to see disclosure. And you know, I think that we're now seeing more and more investors as reflected in the signatories to these two different letters that both emphasize strongly the importance of stability and transparency around investment, that want to see these kinds of disclosures. I want to just make a very quick comment following Stephen's though, also in response to, I think it was Heather's question, or maybe I'm mis -- not remembering now, on the first amendment issue. But look, you know, we understand your argument around compelled speech but by gosh, decades of securities regulation are based on the premise that there is a fundamental investor and even more fundamental public interest in certain types of disclosures. This goes back to the creation of the SEC during the presidency of Franklin Delano Roosevelt in the 1930's. And the argument here that's been made, not only by API on Dodd-Frank 1504, but by the Chamber of Commerce and the National Association of Manufacturers in the context of Dodd-Frank 1502, on conflict minerals, is really troubling. It would take us back decades if we can't compel these kinds of disclosures to both the investor and the public interest here. But again, I just want to emphasize that for investors these are material disclosures, big numbers, and by God again, I'll say it one more time, these are big

numbers at stake on these projects, in these countries, in this industry.

MR. KAUFMANN: Thanks. Michelle, did you have a reaction to the --

MS. KOSMIDIS: In terms of the Chinese relations, I just wanted to say that indeed the industry in Europe were concerned about this type of project definition because of competitiveness. Isabel actually clearly itemized the problems they may encounter. But at the same time, we got the feedback from industry that the operators have -- can guesstimate how much a contract costs or -- so they -- the industry has this information. They can estimate.

MR. TAYLOR: You can buy it too.

MR. KAUFMANN: Okay. Here is what we are going to do. We're going to come back to all of you for a concluding remark, but I want -- we're going to go for about seven more minutes, to about 6:05, to allow for a couple of more questions from the floor. Please, very brief, and then each one of the panelists will have one minute max to respond and for a concluding comment. But don't you go, because then there is a reception of course, where the discussion will continue. Joe, quickly. Just brief and to the point.

QUESTIONER: Yeah, okay. Very quick question, not for Stephen, for Michelle actually. It surrounds public disclosure, and I was part of the European campaign for the accounting and transparency directives. And we sat at a lot of roundtables. We saw a lot of industry submissions, et cetera. And my question to you is, did this issue of whether those company reports around whether they would be public or not ever really come up in the debate or was it more in terms of we want an exemption, or we want a high materiality threshold, or we don't like project level reporting? Was there ever a time in the two and a half year process were there were sort of serious discussions about the fact that these company reports would not in fact be made public?

MR. KAUFMANN: Can you give it to Frank Vogel? And then we'll go to the back.

MR. VOGL: Hi, very briefly. I'm Frank Vogl with Transparency International. I was just at a conference last week in Africa with anti-corruption commissions who felt that asset recovery is increasingly being seen as key to their own credibility in their own countries. Maybe one of you could comment a bit on how you think the enhanced transparency through this would actually strengthen asset recovery itself -- stolen assets in other works, be repatriated back to their countries. Thank you.

MR. KAUFMANN: Well, yes, you have been raising, yes, at the very end. Yes, can you introduce?

QUESTIONER: Hi. I've been doing business in East Africa for the last four years. I was living --

MR. KAUFMANN: What's your name?

QUESTIONER: Nathan. And I was doing business --

MR. KAUFMANN: Nathan.

QUESTIONER: In that part of the country, in that part of the world for quite some time, and the death and destruction, and I think it's -- one needs to use those terms -- being wrought by corruption in the region in South Sudan and Kivu and Uganda and Kenya, is dramatic. And I wonder, it seems that this forum and in many forums that I attend, we speak in terms of baby steps that can be achieved to do something about this, and I understand that Rome wasn't built in a day, but I'll pose this question to you. If a rebel group in the Congo, a rebel leader, goes and ransacks say, villages in Kivu and takes their property and takes their food and their livestock, they can potentially be tried in the ICC for the crime of pillage which is in their own statutes. But is multinational companies go into these regions, into these countries and they do deals with the elites

that extract percentages of GDP, you know, as high as 10 and above, then that is not a crime of pillage because it is outside of the context of war.

MR. KAUFMANN: So the question is?

QUESTIONER: The question is, maybe we should be looking at a forum like the ICC amending the Rome statutes and looking at grand corruption more like a crime of pillage.

MR. KAUFMANN: Okay, last question.

MR. DE LUCIO: Thank you. My name is Alberto Jimenez De Lucio. I'm a senior economist in the government finance division of the International Monetary Fund. I want to make two comments, no questions, very briefly. The first comment is, we've been focusing on the information from the side of the enterprises. The other party that has exactly, or should have exactly the same information is of course, the government. If the government is corrupt, of course it has no interest in this information being known, but there are two parties that are knowledgeable about the transactions. So there are some institutions like the International Monetary Fund who are definitely interested on the part of the regulars of the government. They may not be disclosing separately, the revenues associated with natural resources, but total revenue should include it. And this is something that's reviewed when, every year under Article IV, the IMF visits each country. So I think working on both sides makes sense. Not just the side of the enterprise, but the other side which also has the information -- one comment. The second comment is, part of the transparency to be even more effective, is that the data should be comparable across countries. For example, the EITI which does excellent work and with which we have been working very closely recently, approached us because one of the challenges it was facing to make its information even more effective, was to be able to compare the reports that they have been preparing in Nigeria with the

ones from Peru, with the ones from Mongolia. And they need to have a standard decision of the information. For this purpose the IMF has recently published a paper which was posted for international comment, on a template to collect data on government readiness for natural resources that would allow uniform definitions of all the various payments and would allow the comparison across countries.

MR. KAUFMANN: Thank you. Let's -- okay. The lady there, because you have also been trying.

MS. TAYLOR: Thank you. I'm Betsy Taylor. I'm an alternate civil society member of the U.S. EITI and I have a question for Michelle Kosmidis. I was very struck by your description of your impact assessment process, because it sounds as if that was a highly effective data driven way to assess user needs for knowledge and we're really struggling with this in the U.S. EITI. I'm particularly concerned about what local communities' knowledge needs are information needs are and I was wondering if you thought that your model would be helpful for us as a possible way to keep our EITI data from being zombie data, to use Daniel Kauffmann's phrase -- something that's useful and useable.

MR. KAUFMANN: Last.

MS. LAWSON: Stella Dawson, Thomson Reuters Foundation. Stephen, I'm sorry but I didn't understand or didn't hear properly the answer to your question regarding, if you have to disclose project by project at a company level in the EU, why not in the U.S.? You're going to create more work, if you have a different definition in the U.S. Could you just give a very straightforward answer on that?

MR. KAUFMANN: Okay. We will -- you won't forget that question, so we will go from, now, from left to right, in reverse order we started, just please, very brief, each one of the great panelists, addressing the particular pertinent question that came

that way. Simon.

MR. TAYLOR: Okay. Just, people have mentioned the on scallion various ways. I think it's worth reflecting the fact that the EITI came into being following the launch of the publish what you pay campaign in late 2002. When it first existed, there were no minimum standards, so what we have today with the board is a massive transformation, and I would describe it in general terms as having been a major fight on the civil society side versus the industry side. And yes, there have been some industry champions, but there's been something I would describe as having literally being dragged kicking and screaming through the door frame with their fingers stuck in it as we go. That's been a long fight. It's been a decade long fight. So we now have a process which is a massive improvement on what it was. I'm talking about EITI now. What we don't have with the EITI is anything that deals with the problem of countries that will not voluntarily come to the table, unless we have regime change. So we have to have something that's meaningful, and I think what we're looking to -- for your members -- is to, as I said, get with the program. We need to move this forward. You don't want a double standard any more than anyone else does. The standard in Europe is now the standard that was pushed by the American first rule. Let's just go back and make a global standard and that will address your competitive problem.

MR. KAUFMANN: That's right. Michelle.

MS. KOSMIDIS: I'll just address the question on whether the publicly available, availability of the data was discussed. I would say not so much. The issue was, the project definition. There were attempts to aggregate the data at the higher level, but that was dismissed. And the second question on the EITI, I didn't quite understand your question. Impact assessment is a formal requirement for the European Commission, in order to introduce a new policy. We need to justify why we choose a

certain policy action, so we have to go through a cost benefit analysis of each policy option available. I'm not quite sure what you were trying to say. I didn't understand your question on this.

MR. KAUFMANN: What?

QUESTIONER: (off mic)

MS. KOSMIDIS: Okay. And no, we didn't really assess to -- it's difficult to assess that, to quantify what you are saying, so.

MR. KAUFMANN: Thank you. Bennett.

MR. FREEMAN: Just stepping back and reflecting on the whole theme, having served on the EITI board several years ago, but also coming now at mandatory disclosures as an investor, I really do feel more than ever that we need both the EITI approach and mandatory disclosure and I had the opportunity to be in Liberia a few months ago and to meet with the local EITI secretariat in civil society, and it's so important for civil society to be part of these processes in different countries around the world. That said, EITI is not furnishing the degree and extent and detail of the data that we as investors need in particular. And so society makes the case it needs as well. So we really need to wrap this up, and it's interesting. The one area, the one point at which investors, civil society, and the API all agree is all urging the SEC to move forward here sooner rather than later. We agree on that, but for very different reasons, depending on the outcome. You know, API wants a lower threshold frankly. They could then influence, we think wrongly, where the EU will come out and vice versa. Again, I feel as an investor, working this issue, that it's certainly in our interest that we do have comparability, we have a global standard, as Simon says, working toward, that will help us as long term investors in our -- with our short term needs of being able to evaluate risks using the data that we're going to get disclosed here, that we need as quickly as

possible on as comparable a basis as absolutely possible too.

MR. KAUFMANN: Great. Stephen.

MR. COMSTOCK: A lot of questions were directed at me. But I'm going to rely back on the last one. We recognize that there's the potential for a question as to a difference in the rules. Our hope is though, that the definition of project and at least the standardization and the approach that we're putting forth with the SEC will be -- will have some influence on some of the EU activities. We believe that the standardization approach is going to have a lot of value as far as bringing information together and making it useable for folks and so that's kind of where we're starting. And the other approach obviously is to get the SEC moving. I mean, clearly the focus of the EU is out there, and one of the reasons why I think that some of the non U.S. companies are so supportive of us trying to get this moved is so that it's not just an EU standard. We can have some commonality with the SEC.

MR. KAUFMANN: Okay. Dotun.

MR. OLOKO: I'm struck by the many arguments which I think have been put forward today, that project level disclosure in some way could undermine competitive advantage for the U.S. companies or the U.S. registered companies that are required to comply with it vis a vis companies that operate in jurisdictions where it may not be required to comply with it. And (inaudible) I am a Nigerian. So why is it that Nigerians don't feature in that debate? Is it the suggestion that in order to be competitive it is okay to exploit the people of the countries that own the resources? I mean, what basis for an argument is that? I'm not going to take sides with America or China to say that you know, the Chinese way is wrong or the American way is right, or whatever, but for the sake of the argument, let us say that some people are doing it a wrong way. America as a world leader can set the example to say, we will not do it this way, we will do it the American

way, the good way. To have the argument, that because the other party will not play by the rules, why should we not engage in that practice, I mean, it's just shocking. It's absolutely shocking that that argument can even be discussed.

MR. KAUFMANN: I think it's an impossible act to follow, so I will only say that it is our commitment that you and the people coming from the producing countries -- by the way, full disclosure, I come from one, from Chile, and very proudly so. It has to be in this debate. You have been in today's debate, and we congratulate you. Let's go and congratulate the whole panel. But also, let me thank also the collective work that went into this fight. People in Brookings, Christina is in the back, Joe Williams from our organization, Global Witness, who did so much, for this important, for this. And let me conclude with a thought, and an offer. I think there is a chance for movement towards convergence. I see it in talking to many private companies, who are saying, we may need to take this longer view. So yes, we are constrained by our organizations we work with and so on, but admittedly, this collective action and final consensus can never be achieved in a debate set in like this, only can be achieved by having drinks together in the reception. So let's all go to the reception, and thank you.

QUESTIONER: Thank you Stephen.

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CERTIFICATE OF NOTARY PUBLIC

I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

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