

Contribution to Beyond GDP „Virtual Indicator Expo“

<http://www.beyond-gdp.eu>

Name of the indicator/method: **Promoting Revenue Transparency Project**

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The Importance of Revenue Transparency in the Extractive Industries

Revenues from the extractive industries are an important source of income for the governments of many developing countries. However, much of this wealth does nothing to reduce high levels of poverty and improve the lives of citizens. Rather than fostering economic growth and development, high revenues from the extractive industries have often fuelled corruption, economic stagnation, inequality and conflict. This paradox has been labelled the ‘resource curse’.

There is a growing recognition that the transparent and accountable management of revenues from the oil, gas and mining industries helps to ensure that natural resource wealth is translated into societal well-being and sustainable development. Corruption and mismanagement breed in opacity, and the resulting instability in countries of operation is bad for business, damaging companies’ reputations and resulting in lower investor returns.

Transparency can help change the extractive resource curse into a blessing by facilitating and improving the accountability of companies and governments to their investors and citizens. Ensuring access to information about how much money governments are receiving from extractive industry revenues empowers citizens to hold their governments accountable, monitor how the money is spent and lobby for responsible public spending. Greater accountability should limit bad practices and the mismanagement of extractive industry revenues, which all too often fuel corrupt elites and deepen social conflict. If properly managed, revenues from natural resources provide a basis for poverty reduction, economic growth and sustainable development.

The Promoting Revenue Transparency Project makes clear that publishing key data on extractive industry operations on a country by country basis is both in the interests of corporations and supports sound accountability by host governments.

Promoting Revenue Transparency Project

The Promoting Revenue Transparency (PRT) Project supports the transparent and accountable management of revenues generated from the extractive industries as a step towards reversing the ‘resource curse’ and ensuring such revenues directly benefit society. The Project seeks to raise awareness in both government and the private sector of the various steps required for revenue

transparency to be achieved, sustained and mainstreamed. By providing robust standards for revenue transparency and tools to measure progress in this field, companies and governments engaged in the extractive industries are encouraged to improve transparency and accountability to citizens and investors.

The Promoting Revenue Transparency Project has three specific objectives:

- 1. To measure revenue transparency performance and diagnose areas for improvement.**
- 2. To develop broad standards for revenue transparency.**
- 3. To support the use of the revenue transparency standards and measures of performance** by companies, rating agencies, investors, government regulators and civil society.

The project will measure and compare the degree of revenue transparency among selected companies, host countries (resource rich) and home countries (where the companies are based) in the oil, gas and mining sectors. The PRT project will produce the following reports:

- 1) A Companies Report, covering 42 companies and their operations in 21 countries in 2007
- 2) A Host Governments Report, covering approximately 10 countries, expected in 2008
- 3) A Home Governments Report, expected in 2008

These reports will focus on the oil and gas industries. A feasibility study of extending these reports to the mining industry is planned for 2008.

The Project is part of a growing international multi-stakeholder movement of governments, companies, investors and civil society which seeks to promote improvements in transparency and accountability in natural resource revenue management. Participants of this movement recognize that revenue transparency improves broader governance, strengthens the investment climate in which business operates, and provides a necessary condition for achieving sustainable development.

The Companies Report

The Companies Report 2007 applies a methodology which allows an assessment to be made of revenue transparency policies, practices and management systems of oil and gas companies in their upstream operations. The research is based on publicly available information. The method incorporates aspects of the context of operation that may support or hinder companies' performance on revenue transparency. The framework applied serves as a measurement tool which demonstrates the steps which companies can themselves undertake to further improve revenue transparency.

Multi-stakeholder engagement and consultation has been a crucial elements in the process of producing the report and is critical to the advocacy aspects of the project. The project incorporates multi-stakeholder input through the participants in its Working Group and its broader Reference Group, which include industry experts, company representatives, civil society activists and members of the EITI secretariat. The engagement of the companies covered by this research has been sought by:

- 1) Opening channels for communication and exchange on the PRT project and its progress, including ongoing opportunities for dialogue about changes needed and avenues to address issues and concerns;
- 2) Creating space for companies to provide their input from the earliest stages, including the methodology and framework revision.
- 3) Seeking participation of companies in the Working Group of the Project.
- 4) Providing an opportunity for companies to check the data gathered on them for accuracy.

The Companies Report covers 42 oil and gas companies and their operations in 21 different countries, as listed in full below. The year-long process of research and engagement with the companies concerned is now drawing to a close and the report is in the pre-publication stage.

Companies covered:

Amerada Hess (USA) * Aramco (Saudi Arabia) * BG (UK) * BHP Billiton (Australia) * BP (UK) * Chevron Corporation (USA) * China National Petroleum Corporation (China) * CNOOC (China) * Conoco Philipps (USA) * Devon Energy (USA) * Eni SpA (Italy) * Exxon Mobil Corporation (USA) * Gazprom (Russia) * GEPetrol (Equatorial Guinea) * Inpex (Japan) * Kazmunaingaz (KMG) (Kazakhstan) * Kuwait Petroleum Corporation (Kuwait) * Lukoil (Russia) * Marathon (USA) * National Iranian Oil Company (Iran) * National Nigerian Petroleum Company (NNPC) (Nigeria) Oil and Natural Gas Corporation Limited (ONGC) (India) * Nexen (Canada) * Pertamina (Indonesia) * Petro China Company Limited (China) * Petrobrás (Brazil) * Petrocanada (Canada) * Petróleos de México (Mexico) * Petróleos de Venezuela (PDVSA) (Venezuela) * Petroliam Nasional phd (Petronas) (Malaysia) * Qatar Petroleum (Qatar) * Repsol YPF (Spain) * Rosneft (Russia) * Shell (The Netherlands) * Sinopec (China) * Société Nationale des Pétroles du Congo (SNPC) (Congo) * Sonangol (Angola) * Sonatrach (Algeria) * Statoil (Norway) * Talisman Energy (Canada) * Total (France) * Woodside Petroleum (Australia)

Countries of Operation:

Algeria – Angola – Azerbaijan – Brazil – China – Congo Brazzaville – Equatorial Guinea – India - Indonesia – Iran – Kazakhstan – Kuwait – Malaysia – Mexico – Nigeria – Norway – Qatar – Russia - Saudi Arabia – US - (and Gulf of Mexico) – Venezuela

The Host Governments Report

The PRT Project is currently working on the initial stages of a *Host Governments Report* which will focus on government transparency regarding extractive industry revenues in countries where extraction is taking place. It is designed to create local ownership and to promote engagement and participation of local stakeholders, particularly governments.

Data gathering and analysis will be performed by country implementers (TI National Chapters, Publish What You Pay (PWYP) coalition members or other organisations) selected according to pre-established criteria in consultation with the Working Group of the project. A pilot project will be first be implemented in 2 countries. The full list of countries to be covered has yet to be confirmed.

History of the concept

Measuring Transparency was first conceived by *Save the Children UK* and developed in collaboration with investors, independent consultants, ratings agencies and other members of the *Publish What You Pay* NGO coalition. In 2005, Save the Children UK produced the first reports on revenue transparency, *"Beyond the Rhetoric: measuring revenue transparency in the oil and gas industry"*¹. The two parts of the report measure company performance and home government regulation.

Promoting Revenue Transparency is the new phase of the project and is being implemented by Transparency International, in partnership with the Revenue Watch Institute. Building on the previous work in this area, the initiative also complements the efforts of the Extractive Industries Transparency Initiative (EITI). It includes those aspects of transparency and anti-corruption relevant to revenue

¹ See "Beyond the Rhetoric: Measuring Revenue Transparency - Company Performance in the Oil and Gas Industries". This assessed 25 companies and their revenue transparency performance in Angola, Azerbaijan, Indonesia, Nigeria, Timor Leste and Venezuela. "Beyond the Rhetoric: Measuring Revenue Transparency – Home Government Requirements for Disclosure in the Oil and Gas Industries" assessed the regulatory performance of Australia, Canada, France, Italy, the Netherlands, Norway, the UK, USA, South Africa and Russia. Both are available electronically at:

http://www.transparency.org/policy_research/surveys_indices/promoting_revenue_transparency

transparency, and contributes to sustaining awareness of the responsibility of both companies and governments to implement EITI commitments and encouraging them to go beyond these.

For further information please refer to Promoting Revenue Transparency at www.transparency.org or address queries to pri@transparency.org