

9th Plenary Meeting of the Policy Dialogue on Natural Resource-Based Development

Thematic Dialogue: Commodity Trading Transparency

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Oil, gas and mining for development

Overview of presentation

- Susceptibility to corruption
- Scale of the issue and governance challenges around oil and gas sales
- Selected disclosures
- Increased international attention to the issue

1) Commodity trading: susceptibility to corruption

NRGI recently summarized 11 real-world situations where corruption or the perception of corruption has arisen around NOC oil and gas sales.

Corruption risks appear at several stages of the process by which governments and NOCs sell their oil and gas. The examples below fall roughly into three categories:

- Selection of buyers
- Negotiation of terms
- Transfer of revenues and government accountability

Detailed disclosure on payments to governments can begin to address and mitigate risks in all three areas.

2) Scale of the issue

From 2011 to 2013, oil sales by the governments of Africa's top ten producers totalled \$254 billion, an amount equivalent to 56 percent of those countries' total public revenues. Swiss traders accounted for \$55 billion of payments.

IRAQ CRUDE OIL EXPORTS - DECEMBER 2017

Written by

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YEAR	MONTH	BASRAH CRUDE		CRUDE		TOTAL		AVERAGE
		QUANTITY MILLION BARREL	AMOUNT MILLION DOLLAR	QUANTITY MILLION BARREL	AMOUNT MILLION DOLLAR	QUANTITY MILLION BARREL	AMOUNT MILLION DOLLAR	PRICE (US\$/BBL)
2017	DECEMBER	109,573,817	6,503,692,607.41	0.0	0	109,573,817.0	6,503,692,607	59.354

Global overview of payment transparency laws (which don't include commodity trading transactions)

US: Dodd Frank 1504

- Passed June 2010; initial 2012 SEC rules vacated, 2016 rules disapproved
- New rules due by Feb 2018; also repeal Bill in Congress
- Payment disclosure by US-listed oil, gas, and mining companies at project level

EU Accounting and Transparency Directives

- Passed mid-2013; 28 EU countries had to transpose (implement) by mid-2015
- Consistent with 1504; also includes large private companies and logging companies
- Approx. 150 companies

Norwegian Regulation on Country By Country Reporting

- Passed December 2013; in force January 2014
- Consistent with 1504/EU Directives
- Goes further: all subsidiaries, revenue, cost, investments

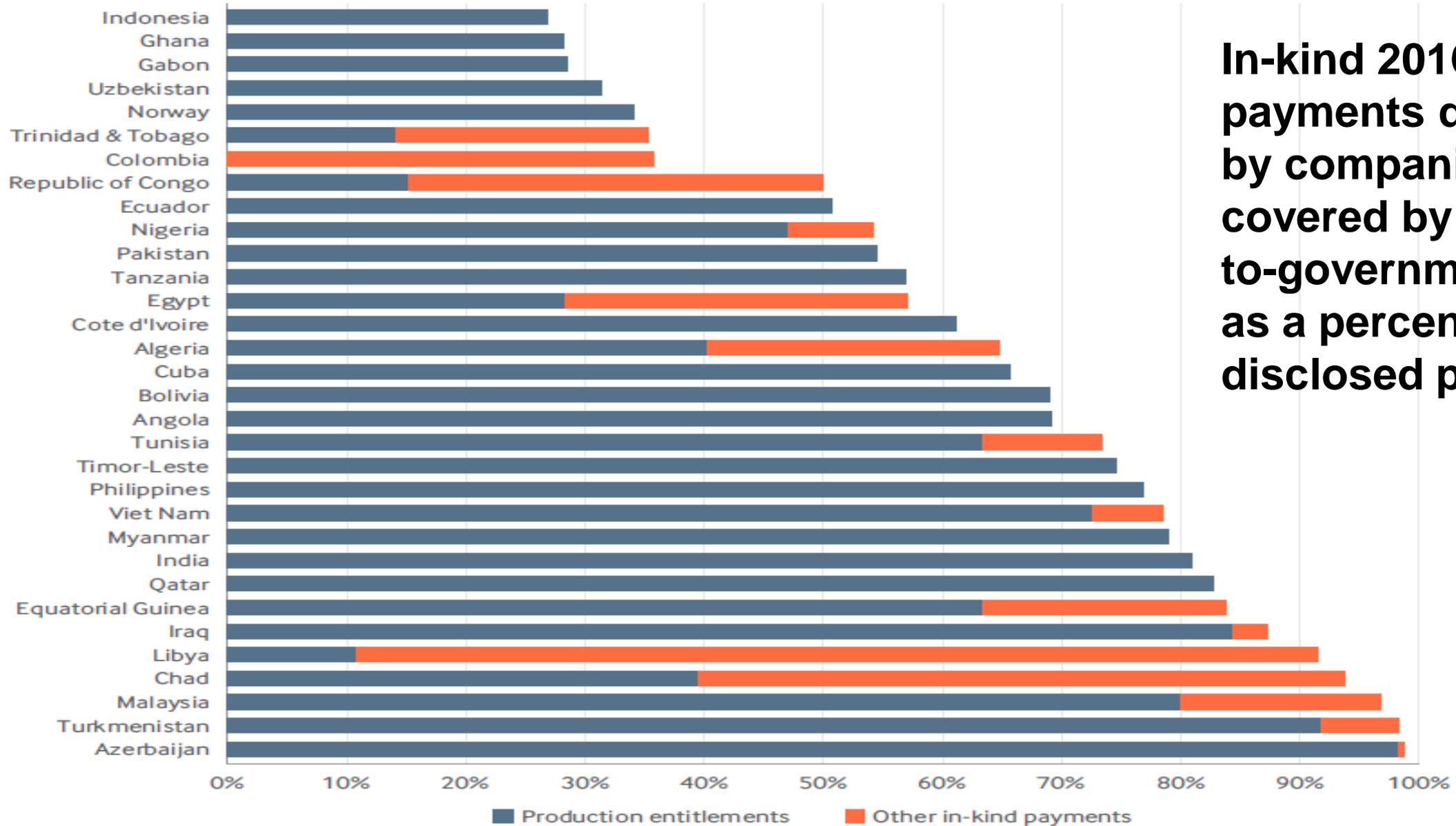
Canada ESTMA

- G8 commitment June 2013
- Extractive Sector Transparency Measures Act (private and listed companies)
- Legislation Dec 2014; in force June 2015
- Approximately 400 reports

Going global...?

- Switzerland (draft law December 2016, committee mtg Feb 2018), Ukraine...
- Australia – Labour Party commitment. General election?
- BRICS/MINT and other major economies?

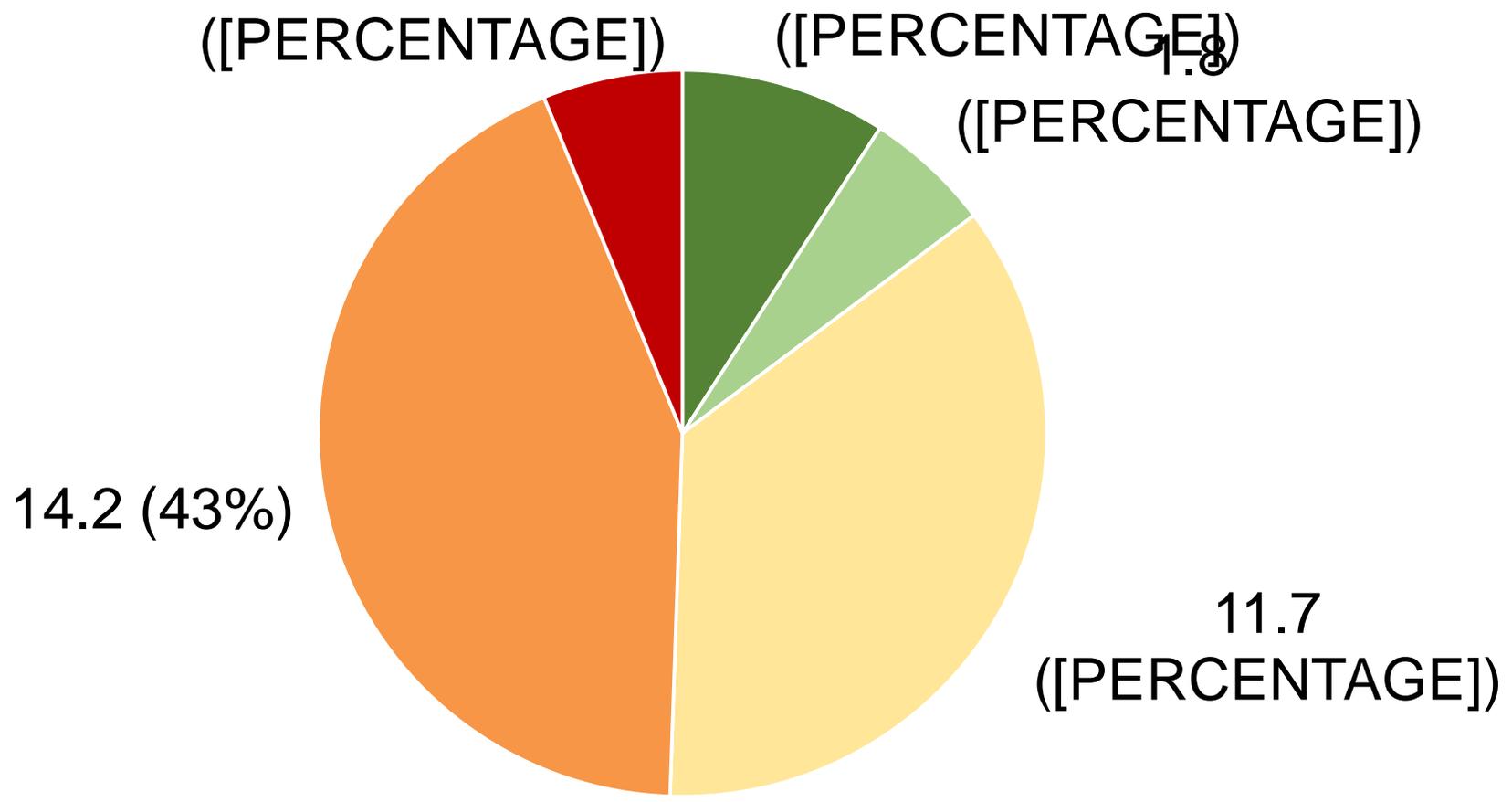
Scale of in-kind payments



**In-kind 2016
payments disclosed
by companies
covered by payments-
to-governments laws,
as a percentage of all
disclosed payments**

In-kind payments and RGI scores

In-kind payments from PtG companies by RGI status of recipient country, 2016 (USD billion)



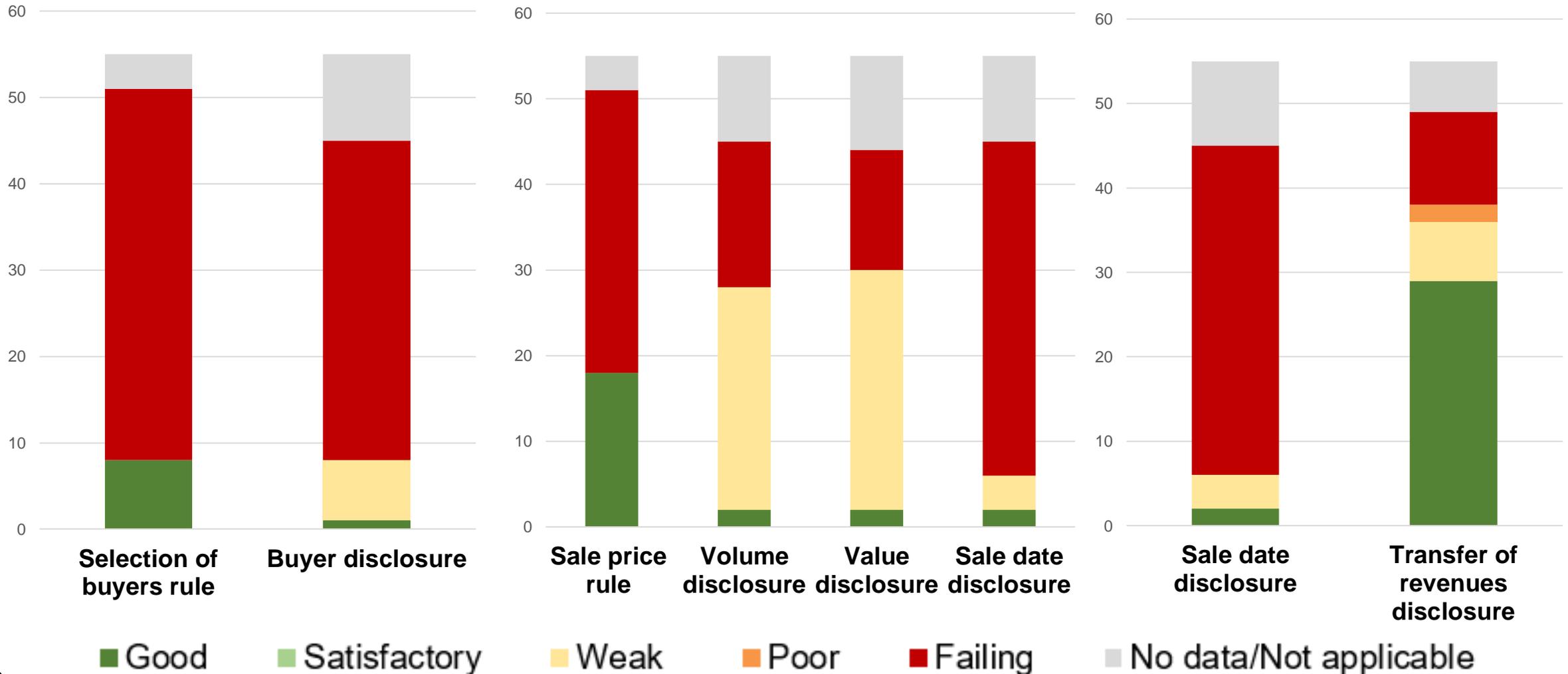
- Good
- Satisfactory
- Weak
- Poor
- Failing

RGI - commodity trading corruption risks and NOC governance

Selection of buyers

Negotiation of terms

Transfer of revenues



3) Selected disclosures and the transparency paradox

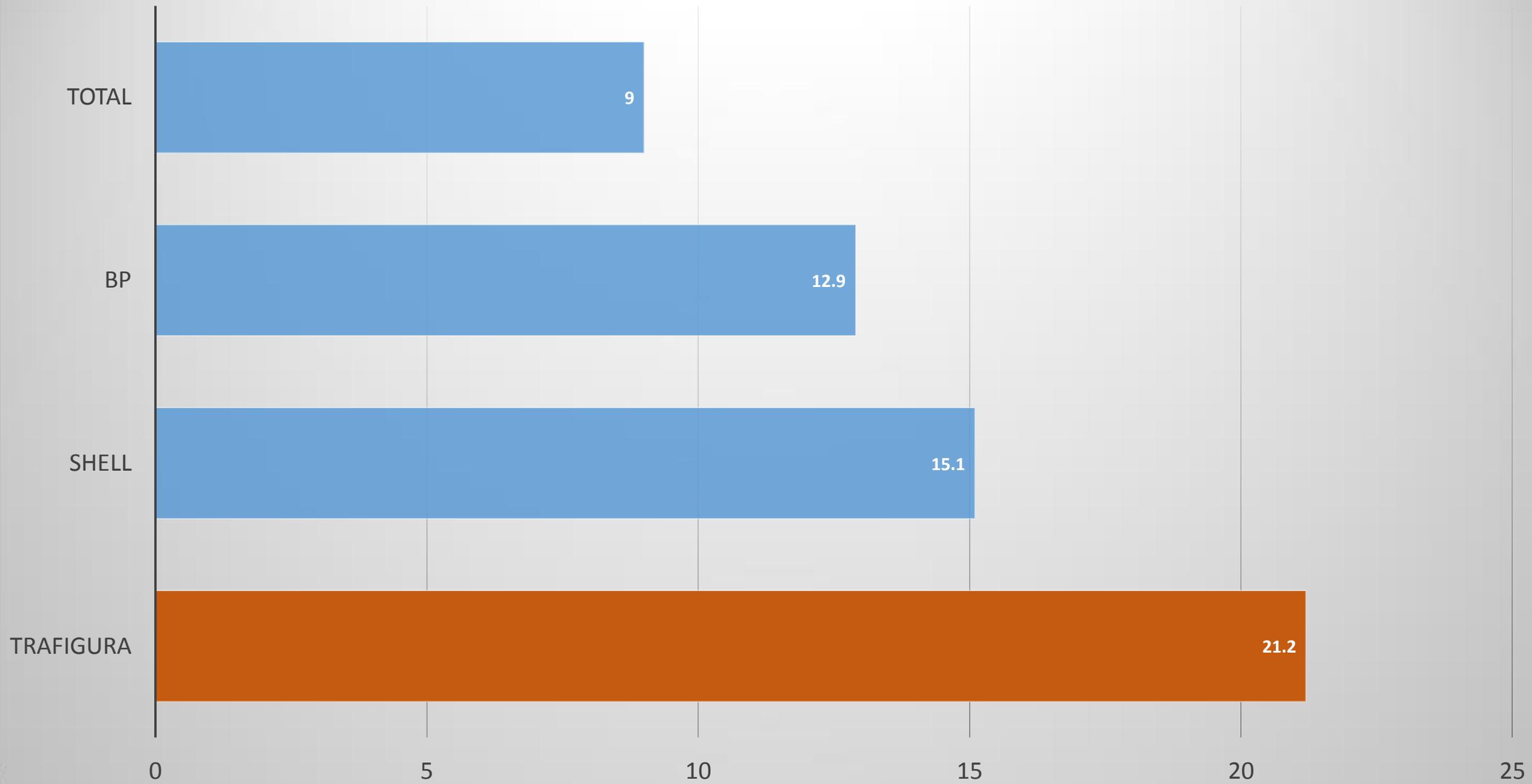
Company examples: Total in Iraq

- Total in Iraq: in 2015 Total's tax and license fee payments were **\$4.5 million**
- However, Total purchased crude oil worth **\$4.2 billion** in 2013 (factor of 1000)
- 2015 a 'mere' **\$1.4 billion** in crude oil purchases

Company examples: Vitol

- World's largest independent oil trader
- In 2016, Vitol reported upstream extractive payments of **USD 3.1 million** (Ghana, Ivory Coast, Kazakhstan)
- In 2015, Vitol purchased **USD 292 million** in crude oil from Iraq (nearly 100 times more)

Payments to governments 2016 (USD bn)



Société	N° / Ref. Cargaison	Date d'expédition / Cargaison	Poids / Volume	Unité	Champs	Prix unitaire (USD)	Décote / Brent USD	Valeur totale (en USD)	Valeur totale (en FCFA)	Entité acheteur	Pays du destinataire de l'expédition/la cargaison
SNH Mandat	681/LS	02/01/2015	474 119	BARRILS	LOKELE	42,389	5,470	20 097 430	12 331 953 706	REPSOL	Espagne
SNH Mandat		02/01/2015	60 000	BARRILS	DISSONI			2 543 340			
SNH Mandat	1931/KS02	17/01/2015	852 698	BARRILS	KOLE	45,359	2,50	38 677 529	22 535 929 032	CEPSA	Chine
SNH Mandat		17/01/2015	25 000	BARRILS	D1			1 133 975			
SNH Fonct		17/01/2015	5 000	BARRILS	D1			226 795			
SNH Mandat	682/LS	28/01/2015	481 395	BARRILS	LOKELE	41,659	6,20	20 054 434	13 176 105 332	ADRIA	Norvège
SNH Mandat		28/01/2015	65 582	BARRILS	DISSONI			2 732 081			
SNH Mandat	1932/KS03	08/02/2015	913 468	BARRILS	KOLE	55,532	2,60	50 726 705	29 832 074 496	GLENCORE	Inde
SNH Mandat		08/02/2015	24 000	BARRILS	D1			1 332 768			
SNH Fonct		08/02/2015	5 000	BARRILS	D1			277 660			
SNH Mandat	684/LS	18/03/2015	520 315	BARRILS	LOKELE	48,674	7,25	25 325 812	16 841 353 590	GLENCORE	Inde
SNH Mandat		18/03/2015	38 390	BARRILS	DISSONI			1 868 595			
SNH Mandat	1935/KS06	24/03/2015	882 423	BARRILS	KOLE	53,674	2,25	47 363 172	28 919 395 041	CEPSA	Inde
SNH Mandat		24/03/2015	17 000	BARRILS	D1			912 458			
SNH Fonct		24/03/2015	4 000	BARRILS	D1			214 696			
SNH Mandat	685/LS	17/04/2015	594 177	BARRILS	LOKELE	53,213	6,55	31 617 941	19 178 850 941	ADRIA	France
SNH Mandat	1937/KS08	22/04/2015	942 399	BARRILS	KOLE	58,293	1,47	54 935 265	34 432 759 930	GLENCORE	Portugal
SNH Mandat		22/04/2015	25 000	BARRILS	D1			1 457 325			
SNH Fonct		22/04/2015	5 000	BARRILS	D1			291 465			
SNH Mandat	1938/KS09	06/05/2015	970 765	BARRILS	KOLE	62,418	1,90	60 593 210	35 848 917 383	CEPSA	Espagne
SNH Mandat		06/05/2015	12 500	BARRILS	D1			780 225			
SNH Fonct		06/05/2015	2 500	BARRILS	D1			156 045			
SNH Mandat	1939/KS10	21/05/2015	970 363	BARRILS	KOLE	62,418	1,90	60 568 118	36 146 478 507	GLENCORE	Inde
SNH Mandat		21/05/2015	12 500	BARRILS	D1			780 225			
SNH Fonct		21/05/2015	2 500	BARRILS	D1			156 045			
SNH Mandat	1941/KS11	11/06/2015	960 075	BARRILS	KOLE	60,195	1,49	57 791 715	34 348 406 651	UNIPEC	Chine
SNH Mandat		11/06/2015	17 000	BARRILS	D1			1 023 315			
SNH Fonct		11/06/2015	3 500	BARRILS	D1			210 683			

Increased international attention

- EITI includes these transactions in its framework (since 2013)
- Commitments made at London Anti-Corruption Summit
- Trafigura has disclosed information voluntarily for the past 4-years (but where are the others?)
- IMF and OECD have drawn attention to the need for greater transparency around these transactions

Conclusion

- Payments to governments related to trading are vast and yet generally opaque
- There are governance challenges around commodity sales and numerous related corruption risks
- There are payments to governments frameworks in place where such transactions could be included (2018 is a key year)
- Some more work needed on mineral and gas trading
- This dialogue is an important forum to take the discussion forward