

PRESS STATEMENT

Issued Jointly by Ghana Integrity Initiative and the Revenue Watch Institute

TI calls on leading oil and gas companies to increase revenue transparency

Accra: 20 May 2008 – On April 28th, 2008, Transparency International (TI) released its report on Revenue Transparency among Oil and Gas Companies worldwide. The report showed that a majority of leading oil and gas companies have not been transparent in reporting the payments they make to resource-rich countries. This leaves the door open to corruption and hampers efforts to fight poverty.

As an anti-corruption civil society organization in Ghana and the local chapter of Transparency International, Ghana Integrity Initiative (GII), and its collaborator, Revenue Watch Institute, have found it necessary to call you here to share our views on the Report and how it affects Ghana.

In launching the Report, Huguette Labelle, TI's Chairperson, expressed worry about the fact that many resource-rich countries remain poor. She blamed this situation on the lack of data on oil and gas revenues and how they are managed. She, therefore, stressed the need for Oil and Gas companies to do more to increase transparency in their transactions, especially payments to governments in the countries from which they extract these natural resources.

Revenue transparency report findings

The *2008 Report on Revenue Transparency of Oil and Gas Companies* evaluates 42 leading international and national oil and gas companies operating in 21 countries based on the transparency of their reporting, particularly on payments made to governments for resource extraction rights. The report, based on data made publicly available by companies, categorises companies into high, middle and low performers. Only a third of companies evaluated in the report are considered high performers.

Oil and gas transparency fights poverty

The report stated that, today, 60 per cent of the world's poorest people live in resource-rich countries. With most national constitutions granting citizens the ultimate ownership of their nation's natural resources, it is unthinkable that this situation should persist. Citizens do not even have access to data on what

companies pay for the right to exploit these resources and how this money is spent by their governments.

The information, including agreements with these oil and gas companies, is neither published nor made easily accessible. Companies and governments need to be fully transparent so that citizens, journalists, civil society, researchers and investigators can track revenue flows, hold public officials accountable and, hence, curb corruption in the countries concerned.

According to the report, oil prices are at record highs and industry revenues in OPEC countries alone are expected to reach nearly US \$1 trillion in 2008. This situation makes the quest for transparency even more critical than ever. The proceeds of natural resources must not be allowed to enrich the owners of multinational companies and their local collaborators.

TI's Board chairperson, therefore, stressed that "Oil and gas wealth, if properly managed, should support better services and infrastructure. It should lead to a better quality of life for all citizens". Civil society organizations must see it as their duty to work with companies and governments to make resource-rich countries and their citizens to realize the full potential of their resources.

A call to companies

Companies need to act quickly to introduce proactive reporting, rather than wait for legislation. In identifying high-performers, TI's report shows that revenue reporting on a country by country basis, which is identified as best practice, is possible. As the companies with best results show, transparency and profitability are not mutually exclusive.

To the contrary, greater transparency can enhance confidence in the financial markets and with stakeholders. "Revenue transparency is a win-win equation," said Cobus de Swardt, Managing Director of TI. "The benefits to all, especially the world's poorest, can be enormous."

Companies: just one piece of the puzzle

"We hope that this report helps motivate companies to improve their revenue transparency and that they understand that civil society stands ready as a constructive partner in this process," added de Swardt. "And when we update the report data we look forward to seeing not only improved scores, but greater company engagement in our work. This is an issue that can only be tackled collaboratively."

However, it must be recognized that analyzing company performance is just one piece of the puzzle. While calling on the private sector to increase revenue transparency, we recognize that governments of host countries are ultimately accountable for the management of their resources. They must, therefore, lead the drive for a more equitable exploitation of oil and gas wealth, by enacting and promoting and enforcing the appropriate legislations and regulations.

This is why future reports by Transparency International will look at the role of resource-rich country governments as well as those governments home to major extractive companies in ensuring revenue transparency and accountability.

Relevance to Ghana

Ghana is definitely a resource rich country that produces natural resources such as gold, manganese, copper and diamond. Currently, Ghana is the second largest gold producing country in Africa and 10th in the world. The export earnings from gold stood at US\$1,277.2m in 2006 and US\$1,733.78m in 2007 (2008 Budget statement).

These natural resources are definitely exhaustible resources and Ghanaians must be interested and have a keen eye on the exploitation of these resources. It is important to monitor the revenues that the mining companies pay and the use to which the earned revenues are put.

Moreover, the Report comes in a year in which Ghanaians are excited about the discovery of oil in commercial quantities. This oil find is likely to have substantial impact on Government revenues and the country's socio-economic development. It is also noteworthy that some of the oil companies covered by the TI report, such as Shell and Total, currently operate in Ghana. A lot more oil companies may be interested in coming into the country to invest in the potential oil exploration.

The lessons from the TI report are, therefore, important to Ghana, especially as Ghana's performance on TI's Corruption Perception Index (CPI) has given well-meaning Ghanaians cause to worry.

Now more than ever, there is a need for transparency in the operations of oil and gas companies and the use to which revenues from these companies are put in Ghana. This is why we have called you here today; to spread the message and appeal to you to help us spread the message: **That there is a need for**

transparency in the operations of oil and gas companies and the use to which revenues from these companies are put.

We specifically call on the government of Ghana to make the agreements that it has signed with the oil companies easily accessible to Ghanaians. There must be transparency in the negotiations of all future agreements for the exploration and production of Ghana's crude oil with regards to tax concessions, repatriation of profits, environmental impact assessments and compensation to citizens affected by the exploration.

1. The government must ensure due diligence in these negotiations and must be willing to involve and listen to all stakeholders, especially civil society and communities that may be negatively affected. This will ensure fairness on all sides and avoid the signing of bad deals.
2. It is essential for civil society to keep an eagle eye on whatever goes on. This may require building coalitions and networks as the multinational companies are very powerful and when they collaborate with greedy officials, they can be difficult to fight.
3. There will be the need to monitor all processes of oil exploration, production and sale to ensure accurate declaration of quantities produced, appropriate taxes collected, and efficient utilization of the oil revenues. Currently, the Extractive Industries Transparency Initiative (EITI) is doing this on the mining sector although there are some weaknesses that need to be addressed.
4. The challenge for Ghana is how to reconcile the gains and commitment it has made in the EITI process to date with the euphoria around the oil discovery and take actions that will ensure openness, transparency and public accountability and trust in the contracting process.
5. We would need to strengthen and deepen this initiative, strengthen CSOs working in similar areas, strengthen the media and build their capacity to monitor and ensure accountability.

Report recommendations

The *2008 Report on Revenue Transparency of Oil and Gas Companies* made some key recommendations which both Ghana Integrity Initiative and Revenue Watch Institute fully endorse as important to adopt for Ghana as follows:

- Companies coming into Ghana should be proactively reporting revenues paid to governments on a country-by-country basis. We should not be dealing with companies that have a bad record of transparency. We would need to review how transparent the oil companies coming to Ghana have been in other parts of the world and keep an eagle eye on them;
- Governments, stock exchanges and regulatory agencies in countries from which oil companies come should urgently consider mandatory reporting for companies operating in-country and abroad. Our diplomatic missions should obtain information about these companies and negotiate for transparency from these companies from their governments.
- Governments from oil and gas producing countries should introduce legislation mandating revenue transparency by all companies operating in their territories. Ghana should not wait until the oil companies have started the exploration before demanding transparency. Ghana must introduce the necessary legislation and remain vigilant from now on.
- The Ghana Stock Exchange and other regulatory agencies must make it mandatory and companies should agree to publish information in a uniform and accessible format, one that facilitates both comprehension and comparability.

Conclusion

In conclusion, we call on the government to make the agreements with oil companies accessible to the citizens of this country as there is no law that bars it from doing that. The oil companies are already facing pressures from their own countries and global civil society organizations such as the Transparency International, Revenue Watch Institute, Global Witness and Tax Justice Network to be more transparent and report their transactions and activities.

We are only adding our voice to these demands and hope that it would improve governance over our natural resources.

Thank you for your attendance and attention.

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