



For Immediate Release: February 3, 2017

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Gutless Congress Votes Yes To Corruption

Congress Repeals Transparency Rule by Passing "Kleptocratic Relief Act"

Washington, D.C. - Today Congress passed a resolution that voids a critical anti-corruption rule for oil, gas and mining companies. The 40 member Publish What You Pay - United States coalition strongly condemned this action. By scrapping an important measure to combat graft in one of the world's most corrupt industries, lawmakers sided with Big Oil lobbyists and voted against American energy and national security interests.

The rule, which implemented the bipartisan Cardin-Lugar anti-corruption provision, required US-listed extractive companies to publish their project-level payments to US and foreign governments, such as taxes and royalties. By bringing transparency to oil, gas and mining payments, the Cardin-Lugar rule, also known as Section 1504 of the Dodd-Frank Act, aimed to help break the devastating cycle of corruption and poverty that breeds public resentment and instability in resource-rich countries.

"Instead of taking on corruption as they had promised, Congress and the new administration have gutted an important anti-graft measure that helps keep Americans safer and more informed," said Jana Morgan, Director of Publish What You Pay-US. "The Cardin-Lugar rule is critical for ensuring that authoritarian regimes around the world cannot treat oil and mining revenues like state secrets, breeding corruption, distrust, and conflict that harms U.S. security and energy interests. Many of the terrorist threats faced by the US and its allies originate in resource-dependent regions, where corrupt elites have looted natural resource revenues to line their own pockets and fund extremist groups."

US leadership in this field led to the creation of a global standard of transparency for the extractive industries. Since the Cardin-Lugar provision was adopted in 2010, 30 other countries including the UK, France, Canada and Norway have followed suit, passing their own versions of the legislation. As a result, European extractive companies have disclosed around \$150 billion in payments to governments over the past year, with no harmful effects on their competitive position. This includes state-owned Russian companies Rosneft and Gazprom, which are listed on European exchanges and thus required to report their payments under EU law.

Despite the rhetoric used by the American Petroleum Institute (API), the shadowy lobbying arm of Big Oil, to misinform Congress, the voided rule would have required state-owned Chinese companies to report their payments, as well as other state-owned companies like Brazil's Petrobras, which was recently embroiled in a corruption scandal that damaged the country's economy. Today's action enables those state-owned companies to continue to operate in secrecy.

“Today, Congress has given a gift to Big Oil and kleptocratic governments around the world.” said Morgan, “It is clear that the interests of the American public have taken a backseat to those of deep-pocketed lobbyists and secretive corporations. However, despite this shockingly misguided decision by the Republican-led Congress, the global mandatory disclosure standard remains intact.”

The rule has received widespread support from the majority of the world’s major extractive companies, including Dallas-based Kosmos Energy, Nevada-based Newmont Mining, BHP Billiton, Rio Tinto, Total, and Statoil. The regulation was also lauded by global civil society groups, foreign governments, and investors with \$10 trillion dollars in assets under management. Public opposition to this law came only from ExxonMobil, Chevron and API. Morgan continued, “A small number of bad actors have spent millions of dollars lobbying members of Congress to block the law so that their payments can remain secret.” From 2014-2016 the oil industry spent nearly \$350 million on lobbying and campaign contributions to Congress.

Late Thursday night, Democrats on the Senate floor spoke passionately in defense of the regulation, with Senator Brown (D-OH) calling the repeal effort the “Kleptocratic Relief Act.” Senator Cardin (D-MD), the original sponsor of the provision along with retired Senator Richard Lugar (R-IN), and long-time supporter Senator Leahy (D-VT) were joined on the floor by Senators Kaine (D-VA), Schatz (D-HI), Merkley (D-OR) and Warren (D-MA). Democrats criticized Republicans for voting to repeal the regulation, but refusing to show up to the debate. This morning, the resolution to repeal the Cardin-Lugar rule passed, with no Republican Senators willing to stand up against corruption.

On Wednesday, the House Financial Services Committee Ranking Member Maxine Waters (D-CA) and Rep. Gwen Moore (D-WI) strongly defended the regulation. The House vote to repeal was largely along party lines, with a handful of Texas-based Democrats voting in favor. Notably, Chair of the House Foreign Affairs Committee Ed Royce (R-CA), Rep. Chris Smith (R-NJ), Rep. Walter Jones (R-NC) and Rep. Brian Fitzpatrick (R-PA) voted against repeal.

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Notes to editors:

- For an overview of the Cardin-Lugar rule, see this fact sheet:
 - [PWYP-US - SEC Final Rule Fact Sheet](#)
- PWYP-US submitted a letter to Senate leadership defending the Cardin-Lugar Rule:
 - [PWYP-US Letter to the Senate on S.J.Res.9](#)
- Claims by API that this regulation hurts US company competitiveness and that disclosure is barred in a handful of countries have been repeatedly rebutted by PWYP-US, coalition members, government officials and academics. Yet these disproven claims were repeated by Senators rule during the House and Senate discussion of the disapproval resolution. See this document for more information:
 - [PWYP-US - Myth Busting: The Truth About the Cardin-Lugar Anti-Corruption Provision](#)
- See the this appendix of supportive statements by oil, gas and mining companies in favor of the June 2016 regulation:
 - [Company Statements and Submissions in Support of the Cardin-Lugar Provision](#)

- Yemeni and Iraqi civil society organizations submitted a letter stressing the importance of the Cardin-Lugar rule to protecting US and Global security:
 - [PWYP - Letter to US Senate and House from Iraqi and Yemeni civil society organizations](#)
- The Cardin-Lugar Rule has a long bipartisan legislative history, see this document for more information:
 - [PWYP-US - Legislative History of the Cardin-Lugar Amendment or Section 1504](#)
- A record of oil and gas industry lobbying payments to members of Congress is listed on Open Secrets.org:
 - [OpenSecrets - Oil & Gas: Long-Term Contribution Trends](#)
 - [Oil & Gas: Lobbying, 2015](#)
- Removal of this rule will benefit secretive leaders globally including Vladimir Putin. Read more in this post on the PWYP-US blog:
 - [PWYP-US - A gift for Putin, courtesy of Congress](#)
- Removal of this rule threatens national security. Read this Global Witness blog for more information:
 - [Global Witness - Why Republican Plans to End Anti-corruption Regulations Can Put Our Troops Serving Overseas in Greater Danger](#)