



## **Democratizing the Benefits of Natural Resources: Anticorruption and Public Accountability in the Extractive Sector and Energy Transition**

### **Proposed country commitments for the 2021-2022 Summit for Democracy**

Corruption in the oil, gas and mineral sector undermines the efforts of resource-rich countries to democratize, prosper and address the climate crisis. More foreign bribery cases [originate in](#) the extractive sector than any other industry; from [Brazil](#) to [Iraq](#) to [Angola](#), the sector has spawned some of the world’s largest and most damaging corruption schemes; oil-producers in particular struggle to [democratize](#). Huge portions of the illicit financial flows that [spread around the world](#) originate from this sector. The [Pandora Papers](#) leak, like others before it, further reveals how [political insiders capture wealth](#) from the oil, gas and mining sector and [hide](#) it overseas.

To fight this scourge, we propose five commitments that governments of resource-producing countries could make as part of their participation in the [Summit for Democracy](#):

- 1. Adopt and implement basic elements of extractive sector transparency.**
- 2. Prevent corruption in critical mineral supply chains.**
- 3. Tackle oil sector state capture and kleptocracy, as part of climate action.**
- 4. Address major nodes of corruption risk: state-owned enterprise procurement, commodity trading and the participation of political elites in the extractive industries.**
- 5. Support civil society, protect civic space and promote gender equality.**

Most of the proposed commitments address the summit theme of “addressing and fighting corruption,” and item 3.5 relates to “defending against authoritarianism.” Many are commitments that countries could make in connection to their domestic oil, gas and mining industries, while others offer opportunities for leading economies to catalyze global progress.

Advancing this agenda would help strengthen democracies all over the world by empowering citizens and preventing corrupt interests from capturing resource wealth. The commitments would also help diffuse potential threats to climate action and the energy transition.

Below we provide further detail about the five commitments.

## 1. Adopt and implement basic elements of extractive sector transparency.

*These commitments represent basic standards all resource-producing countries should adopt, and many reflect the recommendations of the [Open Government Partnership](#) and the [Extractive Industries Transparency Initiative \(EITI\)](#). Diverse countries have already adopted these measures, proving they are feasible and helpful. However, major transparency gaps remain.*

### **For resource-producing countries:**

- 1.1. Join the EITI and ensure that civil society actors can fully, actively and effectively engage in the process.
- 1.2. Disclose all payments received from extractive sector companies and commodity traders on a project-by-project basis.
- 1.3. Publicly disclose unredacted versions of all extractive sector contracts and licenses, including annexes and amendments.
- 1.4. Require the public disclosure of beneficial ownership information for all companies that apply for or hold exploration or production licenses.
- 1.5. Enshrine in national mining and energy laws the standard of free, prior and informed [consent](#) (FPIC) for Indigenous peoples. Consent should be free from coercion, acquired prior to each project development phase, and informed through access to all relevant project information.
- 1.6. Publish annual reports on the assessment and collection activities of resource revenue collecting authorities, including taxpayer and contractor audit and compliance activities, in line with the [IMF Fiscal Transparency Code](#).

### **For countries home to large extractive companies (e.g., U.S., Australia, Japan, South Africa, China, Brazil):**

- 1.7. Enact robust extractive sector payment reporting requirements along the lines of those contained in the EU's [Accounting and Transparency Directives](#).

The above disclosures should meet international open data formats, be free to access and follow [leading practices](#) on gender-disaggregated data disclosure.

## 2. Prevent corruption in critical mineral supply chains.

*Meeting Paris climate goals will require [a quadrupling](#) by 2040 of the minerals currently used by clean energy technologies. For the countries that produce cobalt, lithium, copper and other critical minerals, especially those with weak institutions, this spike in demand could trigger surges in [corruption](#) and [authoritarianism](#), like those associated with past oil booms. Yet currently, corruption receives scant attention from various critical mineral and [green technology supply chain initiatives](#).*

### **For governments of large consumer nations (e.g., G7 members):**

- 2.1. Convene supply chain participants (governments, companies, civil society organizations) to identify and commit to the anticorruption standards that should be fully implemented across global supply chains. This would help advance recent announcements made by [the U.S.](#) and [Canada and the EU](#).
- 2.2. Deliver technical assistance to governments of developing producer countries that prioritizes transparency, accountability and anticorruption; and support civil society and other oversight actors to work in this area.

### **For governments of countries that produce critical minerals (e.g., Argentina, Australia, Brazil, Canada, Chile, DRC, Peru, Philippines, U.S., Zambia):**

- 2.3. Implement the transparency agenda noted in part 1.
- 2.4. Strengthen accountability and public oversight in the mining sector, including by supporting civil society and protecting civic space. (See part 5.)

2.5. Enact anticorruption reforms, such as those highlighted in part 4.

### 3. Tackle oil sector state capture and kleptocracy, as part of climate action.

*Efforts to combat corruption and climate change must intersect, especially given the oil and gas industry's tendencies toward [state capture](#) and kleptocracy. In many oil-producing democracies, secrecy and the undue influence enjoyed by the fossil fuel industry can undermine public accountability, leading officials to greenlight new fossil fuel [projects](#), lavish the industry with [subsidies](#), allow national oil companies to spend on potential [stranded assets](#), and [neglect greener energy sources](#). But oil is not only found in democracies: half the world's oil is [produced](#) by 13 authoritarian countries, including several kleptocracies. In these nations, foreign enablers working in the oil sector help kleptocrats to thrive.*

#### **For governments of fossil fuel-producing countries:**

- 3.1. To facilitate public debate, [disclose basic information](#) about fossil fuel activities and adaptation plans to facilitate public debate, including project-level data on reserves, production, breakeven price assumptions, greenhouse gas emissions (scope 1, 2 and 3), government subsidies and national oil company spending.
- 3.2. Introduce these disclosures as part of the [Net-Zero Producers Forum](#) (initial members: U.S., Norway, Canada, Saudi Arabia, Qatar).
- 3.3. Strengthen integrity and scrutiny where government and the fossil fuel industry interact, including lobbying, campaign finance, asset development contracts, subsidy payments and national oil company affairs. Commitments should include government actions, such as [OGP's recommendations on political integrity](#), requirements for fossil fuel companies to disclose political contributions, plus resources for civil society.

#### **For governments committing to counter kleptocracy:**

- 3.4. Identify how anti-kleptocracy policies and sanctions can account for climate issues unique to the oil sector, including the risks kleptocracies could pose to supply-side climate action.
- 3.5. Advance more stringent standards for companies working in kleptocratic contexts, such as restrictions on partnering with political elites and integrity measures when engaging with state-owned enterprises.

### 4. Address major nodes of corruption risk: state-owned enterprise procurement, commodity trading and the participation of political elites in extractive industries

*As recent asset seizure and foreign bribery cases, the Panama and Pandora Papers and other revelations make clear, much of the dirty money flowing around the world originated in the extractive sector. Three practices [frequently feature](#) in corruption [schemes](#) across countries. If the anticorruption efforts ignore such proven areas of risk, they leave doors wide open for more illicit funds to escape.*

#### **For governments of resource-producing countries:**

- 4.1. Implement **state-owned enterprise (SOE) procurement** reform including: robust due diligence systems (such as the [reforms](#) Petrobras adopted following the "Car Wash" scandal); beneficial ownership transparency requirements for suppliers; and [open contracting](#) systems.
- 4.2. Require SOEs to: [publish](#) detailed **commodity trading** data including the beneficial owners of the [trading](#) companies they work with; reform their [buyer selection processes](#) including by using open tenders; and prohibit the use of agents in trading deals.

- 4.3. Adopt and actively enforce restrictions on **public officials holding interests** in the extractives sector; implement asset disclosure requirements; require beneficial ownership transparency and screening throughout the extractive supply chain.
- 4.4. Require proactive **political lobbying** disclosures for extractive companies or for corporate actors more broadly.

**For governments of trading hubs such as Singapore, Switzerland, the U.K. and U.S.:**

- 4.5. Strengthen [currently scant](#) regulation of commodity trading firms, including by [requiring](#) payment disclosures.

**For leading economies and multilateral organizations:**

- 4.6. Fund anticorruption activities initiatives targeting SOEs, commodity trading and extractive sector political capture, including by enforcement agencies and civil society.

## **5. Support civil society, protect civic space and promote gender equality**

*A free and active civil society and media are essential to the prevention of extractive sector corruption. In particular, women and gender non-binary people in civil society and at a community level play an important role in demanding accountability from decisionmakers and companies, but often face barriers due to gender inequality.*

**Governments should:**

- 5.1. Invest in support to civil society actors and journalists to undertake anticorruption work, including investigations, oversight and policy advocacy, in the areas noted above, and use their diplomatic leverage to deter threats against them.
- 5.2. Develop, strengthen and implement legal frameworks to protect the rights of activists, journalists and independent media, and dismantle laws and policies that hinder free civil society and media.
- 5.3. Promote the participation of women and gender non-binary people in governance initiatives such as the EITI and in community [consultation](#) and consent processes; invest in understanding the [gender-differentiated impacts of extractive corruption](#) in affected communities, including sexual extortion; and ensure grievance mechanisms are accessible to women and gender non-binary people and sensitive to gendered forms of corruption.

The Natural Resource Governance Institute (NRGI), the ONE Campaign, Oxfam-America, Publish What You Pay (PWYP), PWYP-U.S. and the Transparency International Accountable Mining Programme welcome dialogue and discussion about these proposed summit commitments.

Contact: Alexandra Gillies, NRGI, [agillies@resourcegovernance.org](mailto:agillies@resourcegovernance.org).