



PUBLISH WHAT
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AUSTRALIA

7th July 2021

Committee Secretary
Senate Standing Committees on Environment and Communications
PO Box 6100
Parliament House
Canberra ACT 2600
Submitted electronically via: ec.sen@aph.gov.au

Dear Committee Secretary,

Re: Inquiry Oil and gas exploration and production in the Beetaloo Basin

Publish What You Pay (PWYP) Australia welcomes the opportunity to make a submission into the inquiry into oil and gas exploration and production in the Beetaloo Basin, with specific reference to the Industry Research and Development (Beetaloo Cooperative Drilling Program) Instrument 2021, which provides public money for oil and gas corporations.

PWYP Australia is a coalition of anti-corruption, human rights, faith-based, environment, landowner and union organisations campaigning for greater transparency and accountability in the mining, oil and gas sectors. PWYP Australia works with the global Publish What You Pay coalition, a network of over 1000 organisations in more than 51 countries around the world, united in their call for an open and accountable extractive sector, so that communities share in the benefits of our natural resources and a just transition.

This submission focuses on specific risks in relation to the provision of public money, in total \$50 million, going to gas companies under the Beetaloo Cooperative Drilling Program, and systemic weaknesses in Australia's governance of the oil and gas sector. This submission makes the following recommendations:

1. The Commonwealth should rule out any public money under the program going to oil and gas companies, including their subsidiaries, who use secrecy jurisdictions and offshore shell companies without sufficient explanation.
2. The Commonwealth should restart the multi-stakeholder group of the Extractive Industries Transparency Initiative (EITI) and commit with a timeline to Australia becoming an EITI candidate country.



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Risks in relation to public money flowing to certain oil and gas companies

The Commonwealth must ensure that any company that receives public money must adhere to the highest standards of transparency and accountability. This includes disclosure as to who are the ultimate beneficiaries and owners from any project or company. Our 2019 research has showed the following¹:

- **Public funds could go to oil and gas companies with exploration licenses in the Beetaloo Basin that have subsidiaries, without sufficient explanation, incorporated in known ‘tax havens’ or secrecy jurisdictions.**
- This includes the involvement of a Russian Oligarch, Viktor Vekselberg currently under US sanctions in the ownership structure of Falcon Oil and Gas.
- Falcon Oil and Gas and Sweetpea Petroleum Ltd both using shell companies and secrecy jurisdictions.

Secrecy jurisdictions, in this instance include Delaware USA and Ireland, which are frequently used to hide company ownership, avoid tax contributions and stronger regulations in other jurisdictions.

Systemic weaknesses in Australia’s governance of oil and gas sector

Despite Australia being a leader in the mining, gas and oil sectors, **Australia’s standard of governance, including addressing corruption risks is lagging behind other comparable OECD nations** including Germany, Canada, UK and the 27 EU nations and countries in our region. Australia is yet to become an Extractive Industries Transparency Initiative (EITI) country. We have not yet legislated a system of mandatory payment disclosure for mining, gas and oil companies.²

The choice by the Commonwealth to not meet or progress these gold standards of extractive sector governance increases corruption risks, impacts the sector’s social license and means policy makers, investors and communities are not informed as to the economic benefits and risks for specific projects. Additionally, Australia unlike the UK and Canada **does not have laws requiring companies to disclose their ultimate owners and beneficiaries.** The US has also introduced laws to outlaw the use of anonymous offshore shell companies.

Potential conflicts of interest

¹ PWYP Australia & TJN Aus, (2020), Lifting the veil on the companies that stand to benefit from Morrison’s ‘gas led recovery’, <https://www.pwyp.org.au/publications/lifting-the-veil-on-the-companies-that-stand-to-benefit-from-morrison-gas-led-recovery>

² The EITI is the gold standard for domestic extractive sector governance focussing on economic, social and environmental governance and is tailored to the national context so that not all standards need to be met for countries to become implementing countries. It is based on a multi-stakeholder approach and Australia most recently committed to implementation in 2016. See www.eiti.org



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Donations from two companies that could receive public money raise potential conflicts of interests for the Commonwealth. This includes donations from Santos³ and Empire Energy, including by an owner of Empire Energy, made to the Liberal National Party. As the minister is the ultimate decision maker for the program, there are **potential conflicts of interests for the Commonwealth** as defined in the Commonwealth Grant Rules and Guidelines (2017), section 13.6:

“Actual or perceived conflicts of interest can be damaging to government, granting entities and its officials, potential grantees and grantees. A conflict of interest arises in relation to officials including duties of care and diligence, duties to act in good faith and for a proper purpose, duties in relation to use of position, duties in relation to the use of information and duties to disclose interests.”⁴

Recommendations

These examples demonstrate specific risks and potential conflict of interests for the Commonwealth in providing public money to some companies under the grant program. These all raise the level of corruption risks, impact companies social license to operate and can harm communities and investors. Based on the above, this submission makes the following recommendations:

1. The Commonwealth should rule out any public money under the program going to companies, including subsidiaries, who use secrecy jurisdictions and offshore shell companies without sufficient explanation.
2. The Commonwealth should restart the multi-stakeholder group of the Extractive Industries Transparency Initiative (EITI) and commit to a timeline to Australia becoming an EITI candidate country.

We would be happy to discuss this submission with you and look forward to working with the Commonwealth to strengthen Australia’s anti-corruption and transparency regime for the mining, gas and oil sectors.

Yours sincerely,

Clancy Moore

National Director

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³ Santos has donated \$1.5 million to political parties over the last two decades including the LNP. Since 2002, Empire Energy owner, Paul Espie has donated at least \$399,000 to political parties with the majority going to the Liberal Party.

⁴ Department of Finance, (2017), Commonwealth Grants Rules and Guidelines, <https://www.finance.gov.au/sites/default/files/2019-11/commonwealth-grants-rules-and-guidelines.pdf>