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COVER

Noble Corporation's jackup Noble Ronald Hoop works in the North Sea. Reports on regulations affecting Northwest European operations and a North Sea outlook begin on page 10. Features on innovative drilling techniques and how they result in efficient and more economical drilling begin on page 20.

**DRILLING
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CAPITAL WIRELINES

G-8 nations louden drumbeat on E&P, oil service anti-corruption

Brian T Petty, Senior Vice President-Government Affairs

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (LONDON)—

In February 2001 the International Association of Oil and Gas Producers (OGP) organized an "anti-corruption task force" comprised of 11 of its oil company members, IADC and IAGC. The purpose of the task force was to grapple with growing pressure in the international political community for the oil industry to "publish what they pay" in terms of oil and gas license agreements, particularly in the developing world where governmental corruption is rife. The task force met a number of times in Europe, in Canada and the US. Its conclusions were published in December 2002, recognizing that the industry has long had individual strict audit and anti-bribery enforcement policies. And those have been complemented by employee awareness and training initiatives as well. As set forth in the forward of the OGP report:

"The fight against bribery has been heightened by the efforts of global and regional institutions such as the UN, the World Bank, the European Union and the Organization of American States. The most significant international initiative is the OECD Convention on Combatting Bribery, which came into force in 1999. It is legally binding on signatory governments and its provisions extend to the international businesses that are based in these countries. The OECD Convention is, in turn, largely based on the 1977 US Foreign Corrupt Practices Act (FCPA), which outlaws the payment of bribes by US companies to foreign officials and others. The FCPA applies to all enterprises registered in the United States and to foreign companies quoted on US stock exchanges or that have operations in the US."

Since the report was issued, the UK Government has led the effort to bring additional pressure on industry to adopt formal mechanisms to fight bribery and corruption in dealing with their client governments around the world. UK Prime Minister Blair announced the "Extractive Industries Transparency Initiative" (EITI) in Johannesburg late last year, and this has been followed by a resolution put forward by the UK and adopted by the "G-8" in June 2003 "recognizing the importance of revenues from the extractive industries (oil, gas and mining)" and seeking "an intensified approach to transparency." The G-8 countries are the leading industrialized economies of the world, including the US.

In mid-June 2003, the UK Department of Foreign International Development convened a meeting of representatives of the oil industry and developing world governments to consider the way forward. As of this writing, the plan seems to involve a "pilot program" whereby individual governments will reveal oil industry payments to their state-owned entities and thus the track of money flows which theoretically would be evident. Industry is wary of the initiative so long as governments don't fully and honestly participate, or if they aren't subjected to the same standards of auditing principles as are the oil companies.

While the primary impact of this initiative falls on operators, there'll certainly be consequences for drilling contractors and oil service companies under EITI. It's hoped that the industry's early efforts in bringing together information on best practices in dealing with bribery and corruption manage to keep regulatory prescriptive impulses of G-8 governments to a minimum. ■