Exxon complicit in oil sector corruption in Liberia

In 2013, under outgoing Secretary of State Rex Tillerson's leadership as CEO, Exxon paid $120 million for a West African oil block the company knew was tainted by corruption.

Read the entire report via Global Witness' website ***here.***

March 29, 2018, Washington, DC – A new Global Witness investigation released today has uncovered US oil giant Exxon's complicity in oil sector corruption in Liberia, with the purchase of an oil block the company knew was tainted by corruption.

Global Witness warns that corruption will continue undetected unless the US adopts a strong oil and gas anti-corruption rule to implement Section 1504 of the Dodd-Frank Act.

"Exxon and its lobbyists have spent the past 10 years fiercely fighting oil and gas transparency laws in the US," said Stefanie Ostfeld, Deputy Head of Global Witness' US office. "It's no surprise that at the same time Exxon was lobbying to keep its payments to governments secret, it was getting entangled in Liberia's corrupt oil sector."

In an Exxon PowerPoint presentation obtained by Global Witness, Exxon wrote that it was interested in purchasing the oil block despite its "concern over issues regarding US anti-corruption laws."

Exxon knew that the oil block, known as Block 13, had been previously awarded through bribery. It also suspected the block was partially owned by former Liberian politicians who may have illegally granted it to themselves while holding office. But despite its concerns, Exxon went ahead with the deal, using the Calgary-based company Canadian Overseas Petroleum as a go-between to purchase the block.

Exxon has not responded to Global Witness' request for comment. Canadian Overseas did respond and stated it conducted due diligence and a forensic audit of the block's owners, which showed that the deal posed no legal problems and that Block 13 was not owned by former politicians. The company also said it followed legal advice in the US, UK, Liberia, and Canada, including anti-corruption and anti-money laundering advice.

However, US oil competitor Chevron had previously passed up a deal to buy the same oil block, expressing similar corruption concerns, according to an individual with knowledge of the negotiations.

"While the US was spending billions of dollars to help rebuild a war-ravaged Liberia, Exxon – under Rex Tillerson's watch – was effectively undermining these efforts by becoming embroiled in oil sector corruption," said Jonathan Gant, Senior Campaigner at Global Witness.

Exxon's purchase in 2013 was accompanied by over $200,000 in unusual, large payments made by the corruption-tainted Liberian oil agency NOCAL to six Liberian officials who approved the deal.

Officials who received payments include Liberia's then-Justice, Finance, and Mining Ministers, each of whom received $35,000 – more than doubling their annual salaries. Robert Sirleaf, then-Chairman of NOCAL and son of former President Ellen Johnson Sirleaf, also received a $35,000 payment despite reportedly working pro-bono.

Three of the officials who received payments denied that the payments were irregular, stating instead that they were "bonuses" for what they called a very good deal. There is no evidence Exxon knew about these payments.

Section 1504, which requires US-listed companies to disclose payments they make to governments, could help detect and prevent similar deals abroad.

However, in February 2017, days after Tillerson was sworn in as Trump's first Secretary of State, the Trump administration and Congress overturned the SEC rule implementing Section 1504. Tillerson had personally lobbied Congress against the law when it was introduced in 2010.

"While the Liberian oil block didn't pay off, Exxon's lobbying efforts in Washington, DC have," warned Ostfeld. "Now the SEC must adopt a strong new rule to ensure 1504 is enforced and oil deals worth billions are brought out into the open."

Global Witness calls on:

1. The US Securities and Exchange Commission (SEC) to produce a strong rule implementing Section 1504. This rule should require the public disclosure of disaggregated project-level payments to governments, without exemptions, to prevent oil sector corruption from happening in the future.

2. The US Congress to oppose any efforts to repeal or weaken the law and to urge the SEC to publish a strong new rule that meets the intent of the law.

3. Authorities with the US Government to investigate Exxon to assess whether the company broke US laws, including the Foreign Corrupt Practices Act and anti-money laundering laws.

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Notes to editors:

1) Liberia's Block 13 was originally awarded to a company called Broadway Consolidated/Peppercoast (BCP) by the Liberian oil agency NOCAL in 2005, and then ratified by the Liberian legislature in 2007. BCP was a Liberian-Anglo company likely owned by Jonathan Mason and Mulbah Willie, who were Mining Ministers in 2005. Global Witness suspects that these officials illegally granted themselves the oil license while holding office, despite Liberian law prohibiting state officials from owning oil licenses. Illegal bribes were later found by a Liberian Government audit to have been paid by NOCAL to Liberian legislators so they would ratify Block 13 for BCP in 2007. Exxon was aware that the 2007 ratification was facilitated by bribes (which the company called "payments"), and suspected that former Liberian officials likely owned the block.

2) When Block 13 was sold in 2013, Exxon obtained 83 percent of the block. Canadian Overseas Petroleum Limited (COPL) obtained 17 percent of the block. The transfer of Block 13 was structured in a way that 100 percent of the block was first transferred from BCP to COPL, and then COPL transferred Exxon its share. Exxon stated in a PowerPoint presentation obtained by Global Witness that it wanted to structure the transaction this way “due to” its US anti-corruption concerns.

3) Exxon has not responded to Global Witness inquiries regarding the Block 13 deal. COPL did respond, stating it was "aware of the allegations concerning Peppercoast's minority shareholders." However, the company’s due diligence “found credible evidence that the allegations of impropriety were entirely false,” including that former Liberian officials held Peppercoast shares, and took steps to ensure only the company’s named shareholders received payments. Additionally, COPL stated that the Block 13 deal was structured as a two-step process because the Liberian Government wanted to sign a new oil license with Exxon and COPL rather than amending the license originally awarded to Peppercoast. Three of the officials who received payments from NOCAL in 2013 also responded to Global Witness: National Investment Commission Chairman Natty Davis, Justice Minister Christiana Tah, and NOCAL Board Chair Robert Sirleaf. All three stated that the payments they received were bonuses authorized by NOCAL’s Board of Directors for negotiating a good deal for Liberia. Tah and Sirleaf also stated that all other oil agency staff had received bonuses.

4) The Cardin-Lugar anti-corruption provision, Section 1504 of Dodd-Frank, requires US-listed extractive companies like Exxon, Chevron, and several Chinese oil majors to publish details of the hundreds of billions of dollars they pay to governments around the world in return for rights to natural resources. Section 1504 has inspired 30 other countries around the world – Canada, Norway, the UK, and the other 27 members of the European Union – to adopt laws requiring their oil, gas, and mining companies to disclose project-level payments they have made to governments.