

Shell stands out against transparency

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The Extractive Industries Transparency Initiative conference is being held this week. As [the FT reports](#) with regard to yesterday's proceedings:

Greater transparency requirements laid down by new US legislation threaten to destroy the progress that oil companies and governments have achieved in disclosing money flows between each other, the chief executive of Royal Dutch Shell has warned.

Peter Voser said the [US Dodd-Frank Act](#) was a process dictated by one country that infringed national sovereignty. The act requires US-listed companies to disclose payments to governments and other operating data on a granular, country-by-country basis.

“Dodd-Frank treats foreign governments not only as irrelevant, but as a problem and not a solution,” said the chief of the Anglo-Dutch oil multinational at a Paris conference. “It may even require companies to violate sovereign laws to disclose information that the laws do not allow.”

This is an extraordinary statement. How odd it is that the CEO of an multinational corporation - the sort of organisation that says it only thinks globally - uses the pretext of local law to claim it cannot act in the interests of transparency, or to prevent corruption (for that is the sole purpose of the Dodd-Franks disclosure he derides).

Of course it would be much better if the disclosure were required by an International Financial Reporting Standards - and it is to the considerable discredit of the International Accounting Standards Board that they reveal such profound innate support for corruption and abuse that after more than four years of procrastination they still cannot even make the decision to put this issue on its formal agenda - but while they wait Dodd Franks is the best there is - and is going to spread to the EU soon (Germany came out in support yesterday).

It would be better still if the demand were for [full country-by-country reporting](#) - because that would remove the problem of defining what is and what is not EI activity

within a multinational corporation.

But the real issue is a simple one - that a CEO has the nerve to say that opacity helps defeat corruption. Let's assume Voser knows what he's doing - and I think that's fair - and then let's note he's seeking to endorse an extraordinarily inadequate standard - the Extractive Industries Transparency Initiative. Only eleven out of 35 countries who have signed up for this are considered compliant with its standards. And those standards are wholly inadequate - basically requiring evidence that cheques sent to the government have not been endorsed in favour of a third party en route. There is no accounting disclosure. No tests that the payment made is in the right amount - just that it got to government. No test on transfer pricing. No test on transactions outside the jurisdiction. It's better than nothing - but that's not much. And the countries with the biggest problems don't take part and of those that do most fail to meet the basic demands required. But it's this that Voser wants.

And he claims that it is local law - and not the law of the state where his company is quoted - and not the power of international regulation - that must apply. So he's saying, in effect, that crooks must be given sovereign immunity from disclosure even when his company is party to their crime by providing the resources they might loot.

Wonderful stuff, and exactly why the US and EU are ignoring people like Voser now and are imposing reporting requirements on his company - because they know this is the only way to get the transparency we need to tackle corruption.

The words gun, shoot and foot come to mind with regard to Voser. He might be wise to keep his thoughts to himself in future. The names Gadaffi and Mubarak might be linked to his own soon if he is not careful.