

Country-by-country reporting: Lord Browne demands it in...

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It seems like today is a [country-by-country reporting day](#).

I created the concept of country-by-country reporting almost a decade ago with a publication on the [Association for Accountancy and Business Affairs website](#) that had an anticipated audience at the time of John Christensen and Prem Sikka, and no one could be more surprised than me that it is now the subject of so much debate.

I would add that country-by-country reporting has two forms. One is what is called full country-by-country reporting. This would apply to all multinational corporations without exception, and is what I really want. The second is much more limited and relates only to the extractive industries. Right now it is this second form that is the focus of most debate. Whilst I was not the originator of the ideas behind the Extractive Industries Transparency Initiative - which was a Global Witness idea - I was responsible for integrating for first integrating that campaign for transparency in the EI with country-by-country reporting [in a report, here](#). Thousands of people have since then transformed this demand into a world wide campaign for transparency, and that's fantastic.

The result is that now the extractive industry demand has been built into US law and is being considered for inclusion in EU law. [This is the subject of much debate](#) and negotiation but the case for doing so is unassailable. As Lord Browne, formerly of BP, has said [in the FT, yesterday](#):

The [oil and gas industry](#) can bring great wealth to the countries in which it operates. But the revenues it brings are vulnerable to corruption. The benefits can remain with the ruling elite rather than the majority of the population. Citizens often have no way of finding out how much their governments are paid by energy companies for access to natural resources. Without knowing how much money is coming in and where it is coming from, they have no chance of holding their governments to account.

That is exactly the logic requiring disclosure of payments under the EITI.

However, as Lord Browne says:

But the EITI cannot help when countries or companies are unwilling to sign up. It is now time for Europe to mandate that energy companies [disclose the details of payments they make to foreign governments](#).

Over the past few weeks the European Council has been negotiating a law obliging oil, gas, mining and forestry companies to be more transparent in their overseas dealings. This law could transform the lives of millions of people in some of the world's poorest countries. But it will only work if it requires companies to disclose all the important details of their payments.

These opponents have two main objections to project-by-project reporting, which must be addressed by lawmakers in Europe.

He says the opponents to reporting on this basis make two objections. The first is this challenges competitiveness and the second it involves cost. His response is important. He says regarding cost:

In my experience, it is rare for a company to lose business by being too transparent. In fact, opacity can create political risk by allowing rumour to predominate over facts and by allowing contracts to become entangled with the personal interests of officials. Significantly, the EU directive would not force disclosure during negotiations before contracts are signed: that is the most sensitive period for dealings between a company and a host government.

Quite so.

And with regard to cost he says:

In my view, the additional cost for big companies, which already spend many millions of dollars on compliance, would be negligible. In some cases it would require changing a few lines of accounting code. Small and medium-sized enterprises, which would face proportionally more significant costs, would be exempt.

Case closed, I suggest. As Browne concludes:

Africa's income from extractive industries, for example, is six times greater than its income from aid. This is a tremendous opportunity to enact legislation that could improve the lives of millions of people. It would be a great shame to waste it.

More than that, it would be a crime.