

Step 4 Research Guide: Fossil fuel phaseout

Diagnosing Corruption in the Extractive Sector:
A Tool for Research and Action
Annex. Step 4 Research Guide

NOVEMBER 2023

Contents

What does this area of focus cover?	3
How to use this research guide	3
Preliminary questions	4
A. Which forms of corruption are of significant concern?	8
B. What causes the different forms of corruption?	12
C. What measures could help prevent corruption?	15

What does this area of focus cover?

To address the climate crisis, many countries, companies and other entities are working to shift away from the production and use of fossil fuels, and towards renewable energy sources. This energy transition will play out differently in countries around the world, shaped by specific political and economic factors, such as domestic energy access, oil and gas reserves and dependency, potential for national economic diversification, and historical contributions to emissions. Yet the speed and profile of this transition may also be shaped by actors with a vested interest in prolonging the exploitation of fossil fuels.

While vested interests may arise in all government institutions, corruption occurs when actors abuse their position of power for personal gain—be it financial for themselves or their allies, or in the form of political capital. These actions are the focus of this module. Such actors may seek to manipulate or influence energy transition policies and practices in ways that advance their own private interests, but fail to serve the public interest of protecting people’s well-being and avoiding climate disaster. In addition, such approaches often lead to decisions that are economically irrational.

This research guide helps users better understand how corruption may impact the energy transition, with a focus on countries that produce fossil fuels (oil, natural gas or coal). It does not cover potential corrupt acts by actors outside the fossil fuel sector, such as renewable companies bribing officials to favor their interests, or officials awarding climate mitigation or green energy projects to politically favored firms.

While important work has been carried out highlighting how major international oil companies have sought to derail the energy transition through mechanisms such as lobbying and advertising based on disinformation, less attention has been focused on efforts by national-level actors, in particular those with vested interests in national oil companies—and the consequences of such efforts on producer countries and citizens.¹ This research guide seeks to draw attention to some of these risks, based on NRGi’s research showing how few national oil companies are sufficiently prepared for the energy transition.² Corruption risks regarding fossil fuels may also extend beyond international or national oil companies, to include actors in sectors such as power, energy or electricity.

How to use this research guide

The following research questions and guidance will help the independent expert complete Step 4 of the diagnostic assessment. The research findings will provide the basis for drafting the Step 4 report and completing the diagnostic table. The research guide draws from analyses of past corruption cases and relevant reports and guidance.

The independent expert should review this research guide before developing a research plan for Step 4, as the questions below may inform who they decide to interview and other choices around the research approach. The expert should then use the questions in this annex to guide their desk research, interviews, focus groups and surveys (if used).

To identify forms of corruption of significant concern in this area, the independent expert should consider which forms have occurred in the past, or could occur in the future. Of particular importance are forms of corruption which are likely to occur, and which could cause significant harm.

1 Influence Map, *Big Oil’s Real Agenda on Climate Change* (2019).

2 David Manley, Andrea Furnaro and Patrick Heller, *Riskier Bets, Smaller Pockets: How National Oil Companies Are Spending Public Money Amid the Energy Transition*, NRGi (2023); Andrea Furnaro and David Manley, *Facing the Future: What National Oil Companies Say About the Energy Transition*, NRGi (2023).

Evidence for answering this question will include:

- Past corruption cases tried by the judicial system. If a form of corruption has arisen in the past, it might arise again, unless reforms now make it less likely.
- Credible evidence, from existing reports and investigations, on where corruption has occurred in the past (e.g., from the media, non-governmental organizations or parliament).
- Interviewee perceptions of areas where corruption is occurring or could take place in future.
- The presence of red flags linked to such forms of corruption. These are the warning signs and observable symptoms of corruption. See Box 2 for examples.

The questions below are not exhaustive, but rather are meant to prompt ideas and provide insight on how corruption has arisen in countries around the world. The independent expert can skip questions that are not relevant to their context.

The guidance below has four parts:

Preliminary questions

- A. Which forms of corruption are of significant concern?
- B. What causes the different forms of corruption?
- C. What measures could help prevent corruption?

The main guidance document contains further advice about Step 4, including definitions of key terms, potential information sources, and guidance on how to summarize and present the findings. The independent expert should read the main guidance document in combination with this research guide.

→ Box 1.

Examples of corruption risks related to the transition away from fossil fuels

Officials favor the fossil fuel industry in a way that undermines the public interest.

For example, Mexico has failed to invest in renewable energy infrastructure, instead including within 10 “climate” actions announced in 2022 the construction of a domestic refinery and the acquisition of another refinery in Texas.³ The construction of Dos Bocas Refinery began in Tabasco in 2019 and could be considered an example of a project developed due to political favoritism, with negative overall impacts on Mexico. Located in the home state of the Mexican president and benefiting from a fast-tracked permitting process, the refinery has created some local economic opportunities, but at significant cost to the wider country. The project has violated agreements with Mexico’s environmental protection agency, been marred by a lack of transparency, and overrun its budget by billions of US dollars.⁴ The project is controlled by a refining subsidiary of Pemex, the world’s most indebted national oil company.

Corruption to delay or disrupt the transition to cleaner forms of energy.

In the US, there have been allegations of energy and power companies using bribery and other forms of corruption to undermine the switch to renewable energy. In Ohio, an energy company started a large-scale bribery scheme to support its interests, including the passage of a law which provided significant funding for coal, while gutting renewable energy targets and

programs.⁵ The company supported a politician’s campaign to become Speaker of the state legislature, making USD21 million in campaign donations to him and his supporters, with this politician then using his role to ensure the passage of this controversial legislation. The politician also received around \$500,000 into his private accounts and favors from the company, such as travel on a corporate jet.

In Florida, a leading energy company procured the services of a political consulting firm to undermine a state senator who promoted legislation concerning solar panels, which could have harmed its profits.⁶ The consulting firm used a dark money non-profit to buy political advertisements for a candidate with the same surname as the state senator who proposed the legislation, helping to split the vote. The candidate later admitted that he was bribed to run in the election.

Excessive lobbying or undue influence on policy and regulation to extend or increase fossil fuel projects. An investigation by the Organized Crime and Corruption Reporting Project (OCCRP) found that the Indian mining and oil giant Vedanta ran a covert lobbying campaign to weaken key environmental regulations during the pandemic.⁷ After a series of closed-door meetings, India’s environment ministry loosened regulations on public consultation in early 2022.

3 Climate Action Tracker, [Mexico Country Summary](#), accessed 7 January 2024.

4 Shannon K. O’Neil, “Mexico’s Democracy Is Crumbling Under AMLQ”, Council on Foreign Relations, 10 March 2022; Arturo Solís and Zenyazen Flores, “Lack of Cost Transparency Overshadows Opening of Mexico’s Dos Bocas Refinery,” Bloomberg Línea, 1 July 2022.

5 Leah C. Stokes, “An FBI investigation shows Ohio’s abysmal energy law was fueled by corruption,” Vox, 23 July 2020; Jaclyn Diaz, “An Energy Company Behind A Major Bribery Scandal In Ohio Will Pay A \$230 Million Fine,” NPR, 23 July 2021.

6 Mario Alejandro Ariza, Miranda Green and Annie Martin, “Leaked: US power companies secretly spending millions to protect profits and fight clean energy,” The Guardian, 27 July 2022.

7 Akshay Deshmane, “Inside Indian Energy and Mining Giant Vedanta’s Campaign to Weaken Key Environmental Regulations,” Organized Crime and Corruption Reporting Project, 31 August 2023.

Examples of corruption risks related to the transition away from fossil fuels (continued)

This change allowed mining companies to increase production by up to 50 percent without the need to hold public hearings. One of Vedanta's subsidiaries also successfully lobbied for public hearings to be abolished for oil exploration projects, with at least six oil projects subsequently receiving the go-ahead. In both cases, these changes were made in line with industry requests, with little to no public consultation, and were announced in ways that further limited public scrutiny.

Vested interests within the state, including state-owned enterprises (SOEs), seek to preserve the status quo for private gain. In Indonesia, the main SOE in the power sector refused to buy cheaper renewable electricity from private companies when doing so could weaken demand for state-owned coal.⁸ The SOE had little renewables experience among its staff and was itself a major coal producer, owning and operating around 54 percent of Indonesia's coal power capacity, so the switch to renewables could have meant that these assets became stranded. Civil society organizations (CSOs) raised concerns in 2018 about how coal is "actively promoted by politically exposed persons for their own financial gain," despite previous government plans to reduce coal production.⁹ While the signing of a Just Energy Transition Partnership (JETP) agreement in 2022 between Indonesia and the International Partners Group (IPG) could support Indonesia's transition away from coal, greater transparency and public involvement may still be needed to ensure that this process is not undermined by corruption.¹⁰

Corruption in asset sales and transfers. In 2021, a coalition of Ghanaian CSOs, including NRGi, raised concerns about a proposed transaction between Ghana National Petroleum Corporation (GNPC) and Aker Energy, a company that had successfully lobbied for beneficial changes to legislation and regulations in previous years.¹¹ Although GNPC and the Ghanaian government cited the energy transition as a crucial factor in their decision, this did not appear to be based on robust assessment. The deal would have seen GNPC pay inflated costs of \$1.65 million for an interest in two oil blocks, with significant uncertainties over how much oil could commercially be extracted from one of the fields. Despite notable pushback against the CSOs, the deal was eventually paused. In 2023, Aker Energy relinquished its interest in one of the blocks, reinforcing the likelihood that the well was not commercially viable.¹²

8 Philip Gass, Lucky Lontoh, Lourdes Sanchez, Richard Bridle, Aidy Halimajaya, Neil McCulloch and Erica Petrofsky *Missing the 23 Per Cent Target: Roadblocks to the development of renewable energy in Indonesia*, International Institute for Sustainable Development (2018).

9 Bersihkan Indonesia, Greenpeace, JATAM, ICW, Yauriga, *Coalruption: Shedding Light on Political Corruption in Indonesia's Coal Mining Sector* (2018).

10 Firdaus Cahyadi, "Indonesia's Just Energy Transition Partnership must increase transparency," Mongabay, 7 April 2023.

11 Alliance of CSOs working on Extractives, Anti-Corruption and Good Governance, "Parliament Must Investigate the GNPC Transaction with Aker Energy Ghana," (2021).

12 Benjamin Boakye, "Civic Advocates save Ghana Millions of Dollars as Aker's AGM relinquishes its 80% interest in the South Deepwater Tano Block", 07 March 2023.

Preliminary questions

Before researching the corruption-focused questions that form the core of Step 4, the independent expert should answer the preliminary questions below. This will help the expert to:

- update their understanding of the area of focus prior to conducting interviews
- clarify the research scope and possibly select a subtopic
- identify relevant sources of information and potential interviewees.

Researching the preliminary questions should be brief, though precisely how much work is needed will depend on the independent expert's existing familiarity with the subject. The expert should revisit the Step 2 research as a key source of information here. The preliminary questions should provide background information only, and the independent expert does not need to capture the findings in detail in the Step 4 report or diagnostic table.

What are the size, structure and economic contribution of the country's fossil fuel sector?

To answer this question, the independent expert should revisit the information on "fossil fuel phaseout" collected in the Step 2 worksheet and report.

Attributes to consider could include:

- the percentage of GDP, government revenues, exports, foreign exchange earnings and employment derived from this sector
- the level of government subsidies available for exploration, production or consumption of fossil fuels
- the proportion of fossil fuels in a country's domestic energy mix

- the estimated scale of potential stranded assets in the sector¹³
- the methods used for awarding exploration and production rights (e.g., auctions, competitive tenders, direct negotiations or "first come, first served" processes), and official reasons for selecting such methods
- how revenues from the fossil fuel sector are managed and distributed within the country, including whether certain regions or locations are more heavily dependent on these revenues

Are there efforts to move the country away from fossil fuel production or reduce fossil fuel emissions? What is their status and who is promoting or implementing these moves?

To develop a full picture of the state of play in a country, the independent expert should take a broad approach to the definition of "efforts."

Attributes to consider include:

- policy commitments made by leaders or political parties regarding the energy transition, including in speeches, manifestos and budgets
- the creation of national energy transition dialogues or plans, including for SOEs
- production-related commitments in Nationally Determined Contributions set out under the Paris Agreement
- the launch of a JETP or negotiations to establish one or more climate or transition finance mechanisms
- calls from international or domestic activists to move away from fossil fuel production or reduce fossil fuel emissions in the country of analysis
- company plans for early retirement of projects in the country.

¹³ For a definition of "stranded assets", see www.lse.ac.uk/granthaminstitute/explainers/what-are-stranded-assets. For more background on this issue, see resourcegovernance.org/articles/oil-companies-face-stranded-assets-producer-countries-have-it-worse.

What fossil fuel sector stakeholders are, or would be, impacted by efforts to reduce fossil fuel production or emissions?

Identification of the most important stakeholders related to this area of focus will also help the independent expert to identify potential interviewees for the Step 4 research and potential participants for the Step 5 and 6 prioritization and action planning workshops. If the expert and the anticorruption tool user already know that they want to focus on one aspect of the energy transition, they could limit this scan to the selected subtopic (see the next question).

Stakeholders to consider include:

- companies active in exploration and production of fossil fuels, including SOEs
- parties involved in the sale or transfer of fossil fuel assets
- service companies, suppliers, subcontractors and other associated industries that depend on the fossil fuel industry, including the decommissioning industry
- major energy-intensive industries that depend on domestic fossil fuels for cheap sources of energy
- politicians or leaders at national, subnational and local levels, who represent fossil fuel producing regions, have stakes in fossil fuel projects or receive campaign contributions from the fossil fuel industry
- the main government institutions involved in decision-making on and regulation of the fossil fuel sector, such as mining or petroleum ministries; finance ministries; ministries dealing with the environment, land, water, forestry, agriculture, Indigenous affairs and social affairs; regional and local governments
- workers and trade unions in the fossil fuel sector who will be impacted by poorly managed energy transitions

- communities around fossil fuel projects who will be impacted by poorly managed energy transitions.

To answer this question, the independent expert should revisit the information on “energy transition” collected in the Step 2 worksheet and report. They could also review other data sources, such as:

- Transparency International’s Climate and Corruption Case Atlas¹⁴
- NRG’s National Oil Company Database¹⁵
- The Global Registry of Fossil Fuels, for information on oil, gas and coal projects.¹⁶

Should the research focus on one aspect of these issues?

Together, the independent expert and the user should consider whether to focus on certain aspects of the energy transition in the assessment. If the impact of the energy transition on the fossil fuel sector is complex and multi-faceted, it may make sense to focus on a specific subtopic. The selected subtopic could be one that is particularly significant, is perceived as presenting the greatest corruption challenges, or shows prospects for reform. The Step 4 report should include a clear justification for the selected scope.

A. Which forms of corruption are of significant concern?

Below we describe several forms of corruption related to the energy transition in fossil fuel producing countries, as well as a list of associated red flags. The independent expert should assess whether these forms of corruption are a problem in the sector or country under consideration. **The list below is not exhaustive**, but rather presents forms of corruption that are prevalent and harmful in extractive sectors around the world.

¹⁴ Transparency International, [Climate and Corruption Atlas](#).

¹⁵ NRG, [National Oil Company Database](#).

¹⁶ [The Global Registry of Fossil Fuels Emissions and Reserves](#).

The research should also seek to identify any other forms of corruption related to the energy transition that are of serious concern. We recommend identifying no more than 10 leading forms of corruption. In most assessments, the independent expert will identify fewer.

Common forms of corruption related to fossil fuel phaseout in the energy transition

Officials favor the fossil fuel sector in ways that counter the public interest. This is a key corruption risk, and can take a number of forms. Officials may take steps that benefit companies or the sector as a whole, but which harm the country's wider national interest.

This favoritism could stem from several motivations, which in some countries will overlap:

- **Officials or political elites profit from the fossil fuel sector.** If political elites hold ownership shares in fossil fuel companies or do business with them, officials may set and implement policies that unduly benefit those firms or the sector as a whole.
- **Supporting the sector helps elites' political interests.** Officials may protect the fossil fuel sector because it helps their short-term political interests, especially if they rely on the sector for allocating patronage benefits. Drawing the line around what counts as corruption here is difficult. For instance, a country's president may support an ambitious new SOE project in a region where she needs votes, even though it will rely on unrealistically high oil prices for decades to come in order to generate returns. This is not necessarily corruption, but still reflects the capture of decision-making by narrow interests, and is therefore worth noting and including.
- **Fossil fuel actors provided the officials with bribes, favors or other inducements.** Along with paying bribes, individuals or firms from the fossil fuel sector could influence officials by means such as excessive lobbying, gifts, entertainment, campaign donations or providing jobs.
- **The fossil fuel sector has too much influence over policymaking and decisions.** This phenomenon is called "capture," where private interest groups acquire so much power that they can influence government policymaking to their benefit. While bribery involves a single transaction—a payment in exchange for a favor—policy or regulatory capture is more systemic, and often involves political elites and sectoral elites forming close ties, inter-mixing and helping each other over the course of decades. At the more extreme end, corruption in the fossil fuel sector may have enabled "state capture," across a country's entire political system.

This favoritism could occur in many areas of energy transition governance, including setting policies, making decisions, enforcing (or failing to enforce) rules and regulations, and other practices in the following areas:

- when, where and whether to allocate new licenses for fossil-fuel exploration or production
- public finance or approval for new fossil fuel infrastructure, such as pipelines or refineries
- public investment in fossil fuel projects, including via SOEs
- projections about the prospects of fossil fuel operations, such as unrealistically high revenue streams
- subsidies or bailouts for fossil fuel players
- SOE investment strategies, emissions management and energy transition plans
- decisions around asset sales or transfers, including to local companies
- requirements to stop, lower or report on emissions
- domestic energy policy, such as requirements that the power or transport sectors limit their use of carbon-intensive fuels, or decisions on public financing and subsidies for the renewable energy sector.

When considering this form of corruption, the independent expert may want to identify a few different areas where this risk is present. For instance, in a single country, it could be worth identifying several forms of this corruption, such as undue industry influence over subsidy policy, risks of bribery in the enforcement of emissions regulations, and political elites pushing for ambitious SOE spending because they own companies that receive SOE service contracts.

Falsification of information

Companies may elect to provide false or incomplete information to avoid certain costly outcomes. For instance, firms could manipulate their emissions reporting to avoid paying penalties or attracting negative attention from investors or activists, or publish exaggerated claims about their energy transition advances. In many such instances, officials may turn a blind eye to such behavior, either out of personal or political loyalties, or in exchange for a bribe or other inducement.

Corruption in asset transfers

The energy transition is likely to cause many fossil fuel assets to change hands. Some oil companies are already selling off coal or oil interests as they work toward reaching net-zero targets, or because they worry about the long-term viability of those assets.

Corruption in asset transfers could include:

- Government officials approve transfers that unfairly benefit certain politically connected parties, or steer the selling entity towards such parties.
- Companies buying or selling assets pay bribes to secure government approval of a transfer, or certain favorable transfer terms, such as exemption from regulatory obligations.

Corruption when fossil fuel projects shut down

In the coming years, some countries will cease operating certain fossil fuel producing assets, and decommission them.

These processes carry corruption risks, such as:

- Exiting companies seeking to reduce their costs and liabilities. As companies shut down the operations of certain oil and mining projects, there will be debates around who should bear the cost of the shutdown and any environmental or social harms caused by the project's operations. Companies may engage in bribery or other forms of corrupt behavior as part of their effort to reduce these obligations and liabilities, or officials could deal with these issues in ways that favor certain politically connected entities.
- Decommissioning and clean-up procurement. As with any procurement process, officials could unfairly steer contracts related to the decommissioning and clean-up of production sites to well-connected insiders, or manipulate the terms of these contracts to benefit private interests at the public's expense. Firms could bribe officials in order to receive such contracts.

Favoritism or bribery in the allocation and expenditure of energy transition funds

In many countries, large quantities of public funds from the government or international sources will be spent on the energy transition. These funds could be misappropriated, or allocated in ways that benefit certain parties unfairly.

This could include:

- Government agencies or SOEs awarding contracts, subsidies, grants or loans to parties due to personal or political connections, rather than their qualifications, or including in such awards terms that favor the recipient at the public's expense (e.g., contract inflation).
- Governments otherwise spending energy transition funds in ways that advance political or patronage agendas, rather than achieving maximum long-term returns for the nation.
- Bribery or other inducements by firms in order to receive contracts, subsidies, grants or loans related to the energy transition.

→ Box 2.

Red flags for corruption in the energy transition away from fossil fuels

Certain red flags or warning signs often accompany the forms of corruption described above. The independent expert should look out for these warning signs during the research process.

Undue influence on policy or regulatory processes

- A country goes ahead with a pro-fossil fuel policy, investment or governance decision, even though there is reason to expect it will prove unnecessary, unviable or costly.
- Allegations, rumors or other talk that an official has an interest in a particular fossil fuel project, especially where this creates a possible conflict of interest in the discharge of their official duties.
- A country announces a questionable pro-fossil fuel decision that seems to favor a particular company.
- Politicians receive very large campaign donations from the fossil fuel industry.
- Politicians who promote renewable energy or oppose investments in fossil fuel projects are targeted in coordinated media campaigns.
- The fossil fuel industry engages in extensive lobbying activities.
- There is an active “revolving door” by which personnel move between roles in key government agencies and the fossil fuel industry.

Falsification of information

- Official company or government reports conflict with data gathered by researchers, journalists, CSOs or local communities.
- Regulators never or rarely issue fines or penalties, despite widespread knowledge of falsified information.
- Regulators apply fines or other penalties in a biased or preferential manner.
- Companies accused of falsifying information make large donations to certain politicians.

Closure, sale or transfer of projects

- An international oil company is selling assets in a region or country to local companies or an SOE

without sufficient expertise or experience in the sector, particularly if there are rumors that they are linked to politically exposed persons (PEPs).

- An international oil company is selling assets in a region or country with inflated costs, with little evidence of the commercial viability of the asset, or with little transparency over the process.
- Negative socioenvironmental impacts are caused by poorly maintained assets that have been recently transferred or sold.
- Decommissioning contracts are directed towards PEPs or companies registered in secrecy jurisdictions,¹⁷ or decommissioning requirements are not enforced.
- The value of decommissioning contracts seems inflated, with little transparency over costing.

Misuse of energy transition funds

- Governments fail to disclose crucial public information about their decision-making process for energy transition funds.
- Civil society groups, trade unions and impacted communities are excluded from decision-making processes about the energy transition, particularly when large-scale funding has been made available to support this process.
- Officials spend energy transition funds on fossil fuel projects when evidence suggests another technology, such as renewables, would better serve the country's energy needs and goals.
- Contracts for projects related to energy transition funds are directed towards PEPs or companies registered in secrecy jurisdictions.
- Large subsidies are granted to companies with a poor track record of corruption, corporate misconduct, tax evasion, fraud or environmental protection, and little to no transition plans.

17 For a definition of “secrecy jurisdiction”, see <https://taxjustice.net/faq/what-is-a-secrecy-jurisdiction/>

B. What causes the different forms of corruption?

For each form of corruption identified as a concern in Question A, the independent expert should try to uncover the reasons why the corruption has occurred in the past or why it might occur in the future. The following questions could help guide this part of the research. They address risk factors and underlying causes—and it is essential that the research covers both these subjects.

Which risk factors make corruption more likely to occur?

Certain policies, practices and other risk factors can make systems more vulnerable to corruption. For instance, if a country has no rules limiting or requiring disclosure of campaign contributions made to politicians, or of meetings between ministers or government officials and external stakeholders, it will be difficult for anticorruption actors to establish a full picture of efforts to influence policy processes in the fossil fuel sector. This is also the case if there are nonexistent, inadequate or insufficiently enforced access to information laws. Identifying specific risk factors is important, because they can provide a starting point for the targeted action planning in Step 6 of the diagnostic assessment.

For the energy transition, risk factors include:

A lack of transparency in the fossil fuel sector, in particular the failure to disclose:

- the beneficial owners of companies active in the fossil fuel sector
- lobbying and campaign finance contributions of fossil fuel producing companies and individuals whose wealth depends on the sector
- the price assumptions used to project revenues and justify future investment decisions
- SOE price assumptions, investment plans and performance criteria
- up-to-date information on resource reserves and other relevant geological data

- the rules governing awards, including the choice of allocation method, qualification and assessment criteria, timelines, negotiable terms, and the list and location of areas or blocks allocated
- award participants and outcomes, including the names of companies applying for and receiving licenses, and information to justify why and how certain decisions were made, including any deviations from the licensing rules.

Weak oversight and public participation in energy transition policymaking:

- Lack of opportunities for communities or other impacted stakeholders to participate in national energy transition dialogues or policy development processes.
- Lack of parliamentary oversight or scrutiny of energy transition plans, investment strategies and policies for the fossil fuel industry, or the activities of SOEs in the fossil fuel sector.

Weak integrity measures

- Extensive lobbying activity by the fossil fuel sector, either formal or informal, and weak rules governing lobbying activities.
- Large campaign or other political donations made by fossil fuel companies or individuals whose wealth is tied to the sector, and weak rules governing political donations.
- Frequent movement of senior personnel between the government and the fossil fuel sector, and weak rules restricting this kind of “revolving door,” such as required “cooling-off” periods.
- A lack of restrictions on officials holding interests in the sectors they oversee, and of declaration requirements for licensing officials.
- A lack of robust anticorruption policies and procedures in companies holding fossil fuel production licenses—including due diligence systems, transparency measures, codes of conduct and whistleblower protection.

Weak institutions and processes

- Rules and practices that fail to align with international standards, including those related to emissions.
- Low pay or precarious contracts for government officials, particularly those tasked with licensing decisions, regulation and enforcement.

Practices that undermine fair competition

- The processes to award subsidies, bailouts, energy transition financing and other benefits lack due process, competition or transparency.
- The procurement of services related to the energy transition lacks due process, competition or transparency—for example, in the decommissioning process.

Weak enforcement of rules

- There is a large gap between official policy statements and rules regarding the energy transition and what actually happens in practice, such as unenforced regulations around emissions reporting or decommissioning.
- Regulatory and enforcement agencies lack resourcing, including those tasked with monitoring the socioenvironmental impact of project closures.
- The government has failed to investigate credible corruption accusations in the past, or to apply sanctions against the perpetrators. For instance, authorities fail to enforce anti-bribery laws or to investigate officials implicated in foreign bribery cases.

Foreign actors enabling corruption

- International or foreign companies seeking to divest from assets do so in a way that lacks transparency or competition, or involves PEPs.
- Asset sales or transfers involve companies based in secrecy jurisdictions.

What are the underlying causes and motives of the leading forms of corruption?

It is important for the Step 4 research to include ideas about the underlying causes of corruption, which often relate to the country's political system. This type of research can be difficult, as there is often no hard evidence for the motives behind corruption or who benefits from it. It can also be quite sensitive. However, stakeholders usually do have ideas about the drivers of corruption and its place in their country's politics and economy.

The independent expert can collect ideas on underlying causes through thoughtful interviewing, assurances of anonymity, triangulating answers across stakeholders and reaching out to experts who study the country's political economy. Any insights gained on the causes of corruption will be useful in the Step 6 action planning. This should reflect the country's political realities, and the selected actions could address underlying causes of corruption, as well as its specific forms or risk factors.

The following questions may help the independent expert to identify the key political dynamics that could, in some instances, lead to corruption. In the report, the independent expert should only answer those most relevant to the country.

Key questions include:

What role does fossil fuel production play in the country's political system?

- How prominent is the fossil fuel industry? Does it play a disproportionate role in the country's economy and politics?
- Does the fossil fuel industry help any politician or political group to acquire or maintain power? If so, how?
- How popular and powerful are narratives that fossil fuel extraction is a vehicle for development and job creation?
- Is the country's geopolitical standing closely tied to its status as a fossil fuel producer?

- Do existing energy transition plans contain unreasonable assumptions about the future of the country's fossil fuel exports? Who does this help?
- Do recent or upcoming political or economic events (elections, price changes, global developments or resource discoveries) make certain forms of corruption more likely or less so?

What is the relationship between the country's political elites and companies that see the energy transition as threatening their interests?

- Do political figures and their associates hold interests or investments in companies in the fossil fuel sector?
- Do the owners of fossil fuel companies maintain close relations with powerful political figures or groups? Do the companies or their owners provide financial backing or other advantages to politicians?

Who would win and lose from policies, investments or governance decisions that take the realities of the energy transition into account?

- Who is positioning themselves as a main gatekeeper or influencer on such decisions? Why are they interested? What do they get if they succeed?
- Are there any fights for control of important decisions? If so, between whom, and why?
- Are the arguments that actors make against transition decisions credible?
- How can specific government or industry players benefit by supporting or blocking a particular change relating to the energy transition?

Who would win or lose if corruption took place?

- Who is or would be involved, both formally and informally, in the different forms of corruption? Who influences events in these areas?
- Who would benefit or lose out financially, professionally or politically if the corruption took place?

- Which international actors are involved—such as exploration and production companies, suppliers or service providers (including lawyers, accountants or consultants)? Do these actors have a history of corruption allegations or other wrongdoing? Would they benefit, directly or indirectly, from the corruption?

Are anticorruption actors strong enough to detect, punish and deter corruption?

- Does the country have an anticorruption agency that operates independently and effectively?
- Does the government or SOE conduct serious investigations when credible corruption allegations arise? Have officials and companies been charged with corruption in such instances?
- Has the anticorruption agenda become politicized, so that it is used only to target political opponents?
- Can other anticorruption actors, such as non-governmental organizations, community activists and journalists, operate without the threat of censorship, intimidation or violence?

How, if at all, are the causes of corruption changing?

- Are changes in fossil fuel output, demand and investment that are linked to the energy transition causing changes in the patterns of corruption—for example, causing corruption to shift from one part of the fossil fuel value chain to another.
- Has the corruption become “normalized?” Is it allowed to persist because stakeholders feel that “this is just how the system works?” Is that a common excuse?

C. What measures could help prevent corruption?

The independent expert should gather ideas for what anticorruption measures might help address the identified forms of corruption. These ideas will help to inform the action planning in Step 6.

Who might support anticorruption reforms and why?

- What current incentives work in favor of anticorruption reform? These could include anticorruption commitments by top politicians; a damaging corruption scandal; pressure from international creditors such as the IMF, or a desire to attract international investors.
- What measures would alter the incentives, making corruption riskier and less appealing?
- Which actors would support anticorruption reform in this area? Does corruption lead to undesirable costs for any actor? Would any actor benefit politically by supporting reform? Relevant actors could include politicians and political parties, government and SOE officials, various types of company, civil society groups, trade unions, host communities, foreign governments and international financial institutions.
- Of the forms of corruption identified, where is reform most feasible?
- Are there ongoing reforms which could help address the form of corruption, directly or indirectly?
- Could pursuing anticorruption measures offer political benefits to any party (without it becoming overly politicized or partisan)?
- When past corruption cases arose, how did anticorruption actors or processes perform? What does this record show about strengths and weaknesses in anticorruption responses?

What are specific ideas for anticorruption actions?

To solicit ideas from interviewees, the independent expert could ask:

- If you could change one thing in this area, what would make the most difference in preventing corruption?
- What policies and practices currently work well in helping prevent corruption, and could be further strengthened? If familiar to the researcher or interviewees, other comparable countries may offer further ideas of successful tactics.
- Would fixing any of the **risk factors identified under Question B** be effective in helping prevent corruption? This could include actions to:
 - enhance transparency
 - strengthen oversight and participation
 - promote integrity
 - enact institutional and process reforms
 - increase fair competition
 - strengthen the enforcement of rules
 - address foreign enablers.
- Would stakeholders recommend any of the following anticorruption actions, which they consider good practices or which have proven successful in the past? Governments, companies and civil society all have a role to play in supporting most of these actions.
 - **Greater transparency and inclusion in energy transition decision-making.** Relevant government entities should facilitate this at two stages. Firstly, governments and companies should provide clear and accessible information on their plans for all parties to be able to assess these. This should include information on oil forecasts, demand scenarios, national oil company spending and emissions. Secondly, based on this information, civil society, impacted communities and trade unions must be included in transition planning processes, with mechanisms for participation, consultation and consent. This participation is not only essential for a just and equitable transition, but to provide a crucial bulwark against corruption or policy capture in decision-making and implementation. When international

finance is made available to support a just energy transition in producer countries, international actors should do more to stipulate transparency, integrity measures and public consultation as essential conditions of funding.

- **Promote beneficial ownership transparency**, and analyze and highlight the financial interests that political elites and government officials hold in the fossil fuel sector.
- **Improve transparency, oversight and integrity safeguards** around key mechanisms through which fossil fuel companies could unduly influence government policymaking. This could include:
 - lobbying
 - political contributions
 - personnel moving between roles via the “revolving door”.
- **Remove or manage conflicts of interest between decision makers and the fossil fuel sector**. This may include banning politicians from holding shares or interests in the fossil fuel sector, and requiring that politicians make stronger asset and conflict of interest declarations, with tighter rules around managing these conflicts, such as recusal policies. As well as petroleum ministries, these policies may be relevant for ministries responsible for sectors that could be impacted by social and environmental costs of poorly managed operation closures, such as ministries of the environment, forestry and agriculture.
- **Strengthen governance and oversight systems around asset sales and decommissioning processes**, including bid processes, as these actions are likely to become more prevalent as the energy transition advances.
- **Ensure stronger sanctions for the falsification of emissions data**, such as introducing or increasing financial penalties. This will require investment of resources in regulators and enforcement agencies capable of detecting cases of falsification and effectively enforcing penalties.
- **Ensure stronger criteria in contracts regarding the transfer of assets and due diligence on would-be buyers**. Governments, companies, investors and civil society actors should ensure that, when fossil fuel projects change hands, sustainability and governance standards do not slip. This may require revisiting approaches to petroleum laws and contracts and updating definitions of company and investor social responsibility.¹⁸ Selling companies, including international oil companies, should conduct due diligence on buyers to assess their mission, reputation and the risk of corruption in the transaction or future operations—for example, risks around previous cases or allegations of corruption, potential conflicts of interest, or transparency and corporate governance provisions.

18 Nicola Woodroffe and Erica Westenberg, “[Governments and Companies Must Address Climate and Governance Risks When Petroleum Assets Change Hands](#)”, 6 March 2023.

About NRGi

The Natural Resource Governance Institute is an independent, non-profit organization that supports informed, inclusive decision-making about natural resources and the energy transition. We partner with reformers in government and civil society to design and implement just policies based on evidence and the priorities of citizens in resource-rich developing countries. Learn more at www.resourcegovernance.org



This publication was financed by GIZ as commissioned by the German Federal Ministry of Economic Cooperation and Development.

On behalf of

