



## Political Transparency and Accountability Profile (2010)

### Occidental Petroleum Corporation

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CUSIP: 674599105

Stock Symbol: OXY

Corporate Web Site: [www.oxy.com](http://www.oxy.com)

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Occidental Petroleum Corporation (Occidental) is an international oil and gas production and exploration company.<sup>1</sup> The company is the fourth largest oil and gas company in the U.S., employing nearly 30,000 workers and holding a market capitalization of \$66 billion in 2009.<sup>2</sup> It holds more than 3.2 million barrels of proven oil reserves in Africa, the Middle East, Latin America, and the United States.<sup>3</sup> The company also wholly owns a major subsidiary OxyChem, which produces acids, chlorine, and other specialty chemicals.<sup>4</sup>

#### Political Activity

The January 2010 U.S. Supreme Court decision in *Citizens United v. the Federal Election Commission* overturned several long-standing restrictions on corporate political spending activities. The Court's decision struck down part of the Tillman Act of 1907 that first limited corporate political spending. Under the new ruling companies may spend unlimited corporate funds on independent expenditures to support or oppose a candidate as long as they do not coordinate their efforts with the candidates. Companies continue to be prohibited from contributing directly to federal candidates. Third-party groups such as trade associations also may use unlimited general purposes funds for the same purpose.

Companies may also continue to give contributions at the state and local level and to so-called 527s. These groups--named for the section of the tax code under which they are organized--may significantly impact federal, state and local elections. Companies also engage in political spending indirectly by supporting trade associations, organized as 501c6 organizations and other tax-exempt groups, which include social welfare organizations known as 501c4s. Trade associations and 501c4 groups gained popularity during the 2008 election cycle in the wake of the Federal Election Commission's crackdown on 527 groups for violating campaign finance law during 2004 elections.<sup>5</sup> Another way companies can contribute to the political process is by supporting events such as Presidential inauguration celebrations and the Republican or Democratic Party conventions, a growing source of corporate support in recent years.<sup>6</sup> Company funds are also used to pay for trade associations' grassroots lobbying communications.

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<sup>1</sup> See Occidental Petroleum "Company Overview," available at [http://www.oxy.com/About\\_Oxy/Pages/overview.aspx](http://www.oxy.com/About_Oxy/Pages/overview.aspx)

<sup>2</sup> Ibid

<sup>3</sup> See Hoovers' "Company Profile," available at [http://www.hoovers.com/company/Occidental\\_Petroleum\\_Corporation/rrrif-1.html](http://www.hoovers.com/company/Occidental_Petroleum_Corporation/rrrif-1.html)

<sup>4</sup> Ibid.

<sup>5</sup> See *Soft Money in the 2006 Election and the Outlook for 2008: The Changing Nonprofits Landscape*, Campaign Finance Institute, 2007. Approximately \$90 million in 501(c) spending on federal election activities was reported in 2006. T.W. Farnam & Brody Mullins, "Interest-Group Campaign Spending Nears Record", *Wall Street Journal*, February 5, 2008.

<sup>6</sup> See *Inside Fundraising for the 2008 Party Conventions: Party Surrogates Gather Soft Money While Federal Regulators Turn a Blind Eye*, (The Campaign Finance Institute, 2008). See: *The Inauguration: Brought to you by the Few, the Wealthy* (Public Citizen; January 14, 2009 available at <http://www.citizen.org/pressroom/release.cfm?ID=2799>), and

The company has contributed approximately \$10.8 million in corporate funds to political activities since 2002.<sup>7</sup> The true figure is difficult to determine because reporting at the state-level is incomplete and can be misleading. This estimate also excludes payments Occidental has made to trade associations or other tax-exempt organizations that fund political activities.

Occidental does not publicly disclose its political contributions or its memberships in trade associations and the payments it makes to them that are used for political purposes. These gaps in transparency and accountability put shareholder value at risk.<sup>8</sup> Occidental peer company DuPont has implemented full disclosure of their political spending.

## Election Cycle Trends

Occidental has given donations to 527 groups over the past decade. The company gave \$10,000 to 527s in the 2008 election cycle, \$5,000 in the 2004 cycle, and \$18,000 in the 2002 cycle.<sup>9</sup> The Republican Governors Associations is the primary 527 groups in receipt of donations (\$15,000) from the company during this time frame.<sup>10</sup>

Company contributions at the state-level were significant during these years. Occidental has given \$269,000 at the state-level in the current 2010 election cycle. The company gave \$28,000 at the state-level in the 2008 election cycle, \$9.9 million in the 2006 cycle, \$230,000 in the 2004 cycle and \$393,000 in the 2002 cycle.<sup>11</sup>

Occidental's home state of California was by far the largest recipient of company donations. Most of these donations came in the form of payments to ballot measure committees. In 2009, Occidental contributed \$250,000 to the committee Budget Reform Now, which supported a series of five budget related referenda, all of which failed. In 2006, the company contributed \$9.6 to the group Californians Against Higher Taxes, which opposed a failed proposition which would have allotted \$4 billion for alternative energy research. Also in 2006, Occidental gave \$100,000 to a group opposing an un successful public election financing referendum. In 2004, the company gave \$75,000 to committees supporting and opposing various other and budget related referenda.<sup>12</sup>

The amounts listed for the state-level giving are approximate figures because state campaign finance reporting is often incomplete and in many cases donations from the corporation and its

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*Lawmakers and Lobbyists Celebrate Inauguration* (The Washington Independent; January 20, 2009 available at <http://washingtonindependent.com/26340/lawmakers-celebrate-inauguration-with-lobbyists>).

<sup>7</sup> See Institute for Money in State Politics, [www.followthemoney.org](http://www.followthemoney.org) and CQMoneyline <http://moneyline.cq.com/pml/home.do>. The CPA used these databases to conduct searches on the company's political giving. The search results do not distinguish contributions made with corporate funds from contributions made by the company PAC. Though the CPA made every effort to exclude any PAC contributions, the figure cited in this report might include donations made with employee funds.

<sup>8</sup> *The Green Canary: Alerting Shareholders and Protecting Their Investments*, Center for Political Accountability, February 2005. See also *Hidden Rivers: How Trade Associations Conceal Corporate Political Spending, Its Threat to Companies, and What Shareholders Can do*, Center for Political Accountability, May 2006.

<sup>9</sup> CQ PoliticalMoneyline, [www.politicalmoneyline.com](http://www.politicalmoneyline.com). The CPA used CQ's database to conduct searches on the company's political giving. The search results do not distinguish contributions made with corporate funds from contributions made by the company PAC. Though the CPA made efforts to eliminate any PAC contributions, the figure cited in this report might include donations made with employee funds.

<sup>10</sup> Ibid

<sup>11</sup> The Institute for Money in State Politics, [www.followthemoney.org/](http://www.followthemoney.org/). The CPA used the Institute's database to conduct searches on the company's political giving. The search results do not distinguish contributions made with corporate funds from contributions made by the company PAC. Though the CPA made efforts to eliminate any PAC contributions, the figure cited in this report might include donations made with employee funds.

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political action committee (PAC) are combined, even though the latter are employee-funded. The Center for Political Accountability does not include donations that appear to come from a company PAC.<sup>13</sup>

## **Trade Association Activity**

Trade associations serve a variety of purposes. Some engage in political activity through contributions at the state and local level, grassroots lobbying, and issue advocacy. These activities are funded by dues and other payments from member companies. While not all trade associations are politically active, several major industry groups carry significant political weight.

A complete list of the trade associations or related groups to which Occidental belongs is not publicly available. Most associations only disclose the companies represented on their board of directors, not their entire membership list. Shareholders also do not have access to the amount Occidental pays to trade associations annually or the portion used for the associations' political spending.

A Center for Political Accountability review of publicly available information found that

- Occidental is a member of the American Petroleum Institute (API).<sup>14</sup>
- Occidental subsidiary Occidental Chemical is a member of the National Petrochemical and Refiners Association (NPRA).<sup>15</sup>

These groups have been politically active in recent years. In 2008, the API reported member dues and other receipts of \$155.7 million. Of that, lobbying and political expenditures comprised \$42.3, or nearly 27% of the total.<sup>16</sup> Also in 2008, the NPRA reported member dues and other receipts of \$3.8 million. Of that, lobbying and political expenditures comprised \$814,000, or nearly 21% of the total.<sup>17</sup>

A portion of the company's payments to these groups likely was used to underwrite some of this political spending. The company could face risks from the political activities of trade associations or groups to which it makes payments. Without disclosure by the company, shareholders cannot assess these risks.

## **Transparency and Accountability Checklist**

### ***Publicly Disclosed Standards & Procedures Governing Corporate Political Activity***

The CPA derived the following checklist from existing legal standards, best practice standards among leading corporations and policies that ensure protection of shareholder value. A company that fulfills most of the criteria listed below likely has good governance of its corporate political spending. The CPA relied on information that is disclosed on the company website and therefore publicly available to all investors. A company will not get credit for policies or procedures that are not publicly available.

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<sup>13</sup> Ibid

<sup>14</sup> See American Petroleum Institute "API Members," available at <http://www.api.org/resources/members/index.cfm#O>

<sup>15</sup> See NPRA "Regular Members," available at

<http://www.npra.org/forms/MemberDirectory/viewMemberDirectory?reportType=regular#O>

<sup>16</sup> API's Form 990 ("Return of Organization Exempt from Income Tax") for the tax year 2008 (See Schedule C, Part III-B, Line 1, "Dues assessments and similar amounts from members," and Schedule C, Part III-B, Line 2a, "Section 162(e) nondeductible lobbying and political expenditures.")

<sup>17</sup> NPRA's Form 990 ("Return of Organization Exempt from Income Tax") for the tax year 2008 (See Schedule C, Part III-B, Line 1, "Dues assessments and similar amounts from members," and Schedule C, Part III-B, Line 2a, "Section 162(e) nondeductible lobbying and political expenditures.")

### Industry Comparison

One of Occidental’s competitors, DuPont, discloses its soft money political contributions, its oversight policies and has implemented board oversight.

### Positive Practices

Occidental discloses the policies and procedures that regulate its political spending. The company requires Board of Director approval of any direct or indirect political contribution.

### Room for Improvement

Occidental does not disclose its political contributions or the payments it makes to trade associations and other tax-exempt groups that are used for political purposes.

### Basic Disclosure

*Is this information disclosed on the company website?*

Political contributions policies	yes <sup>18</sup>	Political contribution amounts	no	Trade association memberships and affiliations with other tax-exempt organization	no
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### Standards & Oversight Procedures

*Do company policies explicitly include the following items?*

The use of corporate funds for political purposes is prohibited	no <sup>19</sup>
Political contributions permitted only through voluntary employee funded PAC contributions	no <sup>20</sup>
No contribution will be given in anticipation of, in recognition of, or in return for an official act	yes <sup>21</sup>
Company will not reimburse employees directly or indirectly for political donations or expenses	no
No employees will be pressured to make any personal political expenditures	no
Political contribution policies are included in Code of Conduct	yes <sup>22</sup>
Political contribution policies are disclosed elsewhere on the company website	no
Political contributions policies include specific criteria for approval of political donations	no

<sup>18</sup> See Occidental Petroleum “Code of Business Conduct,” available at [http://www.oxy.com/SiteCollectionDocuments/code\\_of\\_business\\_conduct.pdf](http://www.oxy.com/SiteCollectionDocuments/code_of_business_conduct.pdf)

<sup>19</sup> Ibid. Policy states that “The direct or indirect use of Company funds or assets for political contributions is prohibited unless authorized by the Board of Directors”.

<sup>20</sup> Ibid

<sup>21</sup> Ibid. Policy states that “No Director, Employee, agent, or representative of the Company shall give or offer anything of value to any public official with the intent to influence any official act.”

<sup>22</sup> Ibid

Prior approval required for political contributions	<b>yes</b> <sup>23</sup>
Officer or department must approve political contributions	<b>no</b>
General counsel or legal department must approve political contributions	<b>no</b>
An executive officer of the company must approve political contributions	<b>no</b>
Board of directors or board committee oversees political contributions	<b>yes</b> <sup>24</sup>
Board of directors or board committee must issue prior approval for political contributions	<b>yes</b> <sup>25</sup>
The same standards and oversight procedures apply to trade association payments	<b>no</b>

*This checklist relies on the company's publicly disclosed information and reflects only external company standards and procedures. It does not measure compliance with the company's expressed standards and procedures. Any clear violations of the company's standards and procedures of which the CPA is aware will be included in this report.*

Data last updated on September 10, 2010

<sup>23</sup> Ibid. Policy states that "The direct or indirect use of Company funds or assets for political contributions is prohibited unless authorized by the Board of Directors...except for except for Company-approved political action committees, business groups, and trade associations..."

<sup>24</sup> Ibid

<sup>25</sup> Ibid