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Consultation Responses (Extractive Industries)  
Alternatives to Regulation Team  
Department for Business, Innovation and Skills  
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16 May 2014

Dear Ms Wood,

**Letter of support for Publish What You Pay UK's submission to the Accounting Directive consultation**

I write to express our support for Publish What You Pay UK's joint submission to the Department for Business, Innovation and Skills' consultation on Chapter 10 of the EU Accounting Directive (2013/34/EU).

The Revenue Watch Institute participated in the drafting of PWYP UK's collective submission by 24 UK-based civil society organisations, and strongly endorses the points made. The Revenue Watch Institute is a non-profit policy institute and grant making organization that promotes the effective, transparent and accountable management of oil, gas and mineral resources for the public good around the world. Through capacity building, technical assistance, research and advocacy, we help resource rich countries realize the development benefits of their natural resource wealth. In 2013 the Revenue Watch Institute merged with the Natural Resource Charter (NRC). The NRC provides a comprehensive roadmap for strengthening governance throughout the natural resource value chain. Our goal is to contribute to a major challenge of our time: improving the governance of natural resources to promote sustainable and inclusive development.

The Revenue Watch Institute welcomes the UK Government's leadership on extractive industry transparency. We were delighted that under the UK's Chairmanship the EU members of the G8 committed in the 2013 Lough Erne Leaders Communiqué to "quickly implement the EU Accounting and Transparency Directives". We were equally pleased to see the UK Government, in its Open Government Partnership National Action Plan, commit to complete transposition of the Accounting Directive in 2014 and to ensure that UK-listed and UK-registered extractive companies begin to publish data under the EU Accounting and Transparency Directives in 2016.

The consultation document makes clear that the UK has no discretion to amend the requirements of the Accounting Directive. These *non-negotiable* requirements form the basis to the "global standard of financial transparency and accountability in the extractive industries"<sup>1</sup> which the UK Government has committed to champion. These requirements include a) public disclosure of individual company reports on payments to governments; b) project-level payment information based on the contractual relationship between the company and government; and c) no exemptions.

We are committed to supporting this global standard of transparency in the extractive industries and are actively engaged in other jurisdictions to ensure common reporting standards are established in line with the EU Accounting and Transparency Directives. In the United States, we are involved in work to ensure the US Securities and Exchange Commission reissues a strong rule under Dodd Frank 1504. In Canada, we recently made a joint submission to the

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<sup>1</sup> Open Government Partnership UK National Action Plan 2013 to 2015, Commitment 21.

Government of Canada's consultation on mandatory reporting with the Mining Association of Canada, Prospectors & Developers Association of Canada and PWYP Canada in favour of public, company- and project-specific disclosure of payments to governments with no exemptions.<sup>2</sup> We are also advocating the uptake of common standards in the wider set of G20 countries.

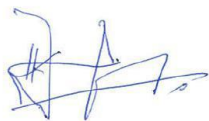
In terms of the areas where the UK does have discretion to choose how to implement the Accounting Directive or in terms of the wording of the Draft Regulations, we would like to underline the following points which are more fully elaborated upon in the PWYP UK submission:

1. *Open Data.* It is important that the systems put in place by Companies House for receiving and making this information publicly available include an online company reporting template and interface, and an effective user interface that presents open and machine readable data with optimal accessibility and clarity. This will help ensure that the data inputted by different companies is consistently prepared and comparable, maximising its value for all intended users of the data. The UK's OGP National Action Plan commits the UK to "principles of open data through the G8 Open Data Charter, which will be applied to extractives' data". Publication of the payments to government information in an open data format will also increase interoperability with other data sources, including data produced under equivalent disclosure regimes in other jurisdictions.
2. *Penalty regime.* The penalties laid down for any infringements to the reporting requirements must be genuinely effective, proportionate and dissuasive. The penalty regime should explicitly extend to failures to prepare a fully comprehensive report in addition to failure to submit a report. The extractive sector is particularly prone to corruption risks and there must be adequate incentives to ensure that no payment to a government within the scope of the Directive is concealed or otherwise misrepresented.
3. *Capturing all subsidiaries within a consolidated group.* The consolidated report on payments to governments should cover all payments of €100,000 or above by extractive and logging companies registered in the UK, as well as by their overseas subsidiaries. This should include payments by **all** the relevant company's subsidiaries, wherever those subsidiaries are registered and regardless of size. We have concerns about the wording of this requirement in draft regulation 7(2).

There is real urgency in bringing about a more transparent extractive industry, both in terms of the risks of opacity in the sector and the small window of opportunity which countries have to capitalise on the potential of their non-renewable natural resources.

We commend the UK government for championing this issue and look forward to seeing strong regulations put in place to transpose the Accounting Directive in 2014.

Yours sincerely,



Daniel Kaufmann  
President  
Revenue Watch Institute – Natural Resource Charter

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<sup>2</sup> Resource Revenue Transparency Working Group (RRTWG) submission to Government of Canada consultation on Mandatory Reporting Standards for the Extractive Sector, 9 May 2014: <http://www.pdac.ca/docs/default-source/default-document-library/rwtwg-submission-to-the-government-of-canada-consultation-on-mandatory-reporting03e9b4d3737861ad9066ff000004e9e6.pdf?sfvrsn=0>  
RRTWG Recommendations on Mandatory Disclosure of Payments from Canadian Mining Companies to Governments, 16 January 2014: [http://www.revenuwatch.org/sites/default/files/working\\_group\\_transparency\\_recommendations\\_eng20140116.pdf](http://www.revenuwatch.org/sites/default/files/working_group_transparency_recommendations_eng20140116.pdf)