

DONG Energy UK
33 Grosvenor Place
Belgravia
London
SW1X 7HY

www.dongenergy.co.uk

Email: cagar@dongenergy.co.uk
Tel: +44 (0)20 7811 5375
Fax: +44 (0)20 7811 5298

Ms V Wood
Consultation Responses (Extractive Industries)
Alternatives to Regulation Team
Department of Business, Innovation & Skills
3rd Floor, Spur 2
1 Victoria Street
London
SW1H 0ET

16 May 2014

Dear Ms Wood

Consultation on the UK implementation of the EU Accounting Directive: Chapter 10
Extractive industries reporting

Please find attached the response on behalf of the DONG Group in respect of the above Consultation Document. We have not used the form included in Annex 6 of the Consultation as we only wanted to comment on a specific area of the document. However, all the information requested about the UK reporting company is set out in the attached schedule.

I trust you will find this contribution useful.

Yours sincerely



Darren Hawkes
Director, DONG E&P (UK) Ltd

**Response to Consultation on the UK implementation of the EU Accounting Directive:
Chapter 10 Extractive industries reporting by DONG E&P (UK) Ltd**

Background information on the DONG Energy Group

This response represents the views of DONG E&P (UK) Ltd. This company is part of DONG Energy, one of the leading energy groups in Northern Europe. The Group's business is based on procuring, producing, distributing and trading in energy and related products in Northern Europe. DONG Energy has around 6,500 employees and is headquartered in Denmark. The Group generated DKK 73 billion (EUR 9.8 billion) in revenue in 2013. The Group is engaged in oil and gas activities.

The UK based extractives company which would be impacted by the proposals outlined in the Consultation Document is DONG E&P (UK) Ltd. This company is not listed on any exchange nor will it be responsible for the preparation of a consolidated report on payments to governments. The consolidated report will be undertaken by DONG Energy A/S after the adoption of the EU Accounting Directive by Denmark.

The principal activity of DONG E&P (UK) Ltd is that of oil and gas exploration, development and production under the UK Licences of the DONG Energy Group. The company's main assets are a 20% interest in the Laggan Tormore joint development and an 18.26% interest in the Shetland Islands' Regional Gas Export System (SIRGES). The field development plan for Laggan Tormore was approved by the Department of Energy and Climate Change in March 2010 and the construction of the Laggan Tormore development commenced in 2010. First gas production is currently forecast for the second half of 2014. DONG E&P (UK) Ltd is the operator of the Glenlivet field. Other licence interests include Edradour, Rosebank and Cambo in which DONG holds equity of 25%, 10% and 20% respectively.

As a Group we are supportive of the aim for increased transparency around the payments that extractives industries make to governments. We are mindful of the fact that, in some areas of the world, there is a lack of transparency and corrupt practices may result from this. As stated in the Consultation Document, by requiring large extractives companies to report on the payments they make to governments, citizens can be provided with the detailed information they need to hold their Governments to account.

We are also supportive of the UK Government's commitment to implement reporting of payments by the extractives industries from accounting periods commencing after 31.12.14 subject to the caveat outlined in our representation below.

We anticipate that DONG E&P (UK) Ltd will come under the remit of the rules by virtue of being a large UK registered extractives company in 2015 with the commencement of production from its first development as outlined above.

We wish to respond to a specific part of the consultation; namely exemptions available to subsidiary companies.

Response to Question 4: Extension of exemption available to UK subsidiaries of EU Parent Companies

Under the current proposal, DONG E&P (UK) Ltd would be required to produce and file a report at Companies House for the Accounting Period Ending 31.12.15. The company is a subsidiary of a Danish parent company. Once Denmark has adopted the Directive, we understand DONG E&P (UK) Ltd will be able to take advantage of the exemption and therefore not have to report separately in the UK as a consolidated report will be made on behalf of the entire Group. However, we also understand that Denmark is unlikely to implement the EU Accounting Directive for accounting periods commencing before 1.1.16, which is one year later than the UK implementation.

This would mean that the UK company would be required to establish a reporting and filing procedure that would be necessary for one accounting period only, i.e. the period ending on 31.12.15. For all subsequent accounting periods, the UK information will be consolidated on a Group wide basis and reported via the parent company in Denmark.

Whilst being supportive of the UK Government's wish to implement the Directive before the final time limit imposed by the EU, it would appear unnecessarily burdensome to extend this requirement to UK subsidiaries with EU based parent companies. The collection of data and electronic reporting of it in a prescribed manner will require additional resources and incur costs for the company. The following year a new set of reporting requirements will have to be established which will entail further work and costs.

We would therefore request that, for UK companies which are subsidiaries of EU registered companies, the exemption be applied from the date the Directive is effective in the UK regardless of whether the country of the parent company has yet to adopt it. Compliance with the Directive is still being adhered to but there is a pragmatic recognition that it is unnecessary to place additional administrative burdens on certain UK companies which will be required to implement two subtly different reporting systems two years in a row.

Other Questions

We have chosen not to comment on the other questions raised in the Consultation Document for the very reason that they will not impact the long term reporting requirements of DONG E&P (UK) Ltd.