

# EITI Candidature Application Form

# EITI CANDIDATURE APPLICATION FORM

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## Contents

Applicant country information .....	3
EITI REQUIREMENT 1.1 .....	4
EITI REQUIREMENT 1.2 .....	6
EITI REQUIREMENT 1.3 .....	8
EITI REQUIREMENT 1.4 .....	13
Annexes.....	19

## Applicant country information

Please complete fields in blue

**Applicant**

United Kingdom

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Point**

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**Date of Application**

5 August 2014

# EITI SIGN-UP REQUIREMENTS

## EITI REQUIREMENT 1.1

**The government is required to issue an unequivocal public statement of its intention to implement the EITI.**

The statement must be made by the head of state or government, or an appropriately delegated government representative.

On Wednesday 22 May 2013 the Prime Minister, David Cameron made a joint announcement with the President Hollande, making a commitment to sign both countries up to the Extractives Industries Transparency Initiative (EITI).

Following this, David Cameron appeared on a pre recorded video which was played at the EITI Global Conference in Sydney.

Prime Minister David Cameron said:

*"I am determined to use our G8 leadership to put a new and practical emphasis on transparency and accountability, particularly in our partnerships with less developed and emerging countries.*

*That's why the UK will sign up to the Extractive Industries Transparency Initiative, so that we too play our part in ensuring that people around the world benefit fairly from the natural resources of the countries in which they live. Mineral wealth for developing countries should be a blessing, not a curse. And I urge our G8 partners to champion the same high standards of transparency.*

*Oil, gas and mining can, if managed well, deliver valuable economic benefits to poor countries, reducing poverty and driving growth. And if people can see how much their government receives from selling the resources that rightfully belong to them, they can question how that money is being spent and drive action to stamp out corruption.*

*This is good for government, good for business and good for citizens".*

In conjunction to this the press release that was published on the 23 May included supporting statements from the Secretaries of State for Business and International Development.

Business Secretary Vince Cable said:

*"The UK has always been at the forefront in making sure that transparency lies at the heart of business and government. Our intention to sign up to the EITI shows just how serious we are in leading the way and in raising global standards".*

International Development Secretary Justine Greening said:

*"By joining EITI and urging other countries to join, we can boost responsible investment in the world's poorest countries so they can lift themselves out of poverty and help people in those countries hold their governments to account".*

Transparency was a key theme of the 2013 G8 summit with a focus to ensure taxpayers receive every penny they're due from the extraction of natural resources

At the 2013 OGP London Summit the UK published its second OGP National Action Plan which stated:

"The UK was one of the founders of the [Extractive Industries Transparency Initiative](#) (EITI), which was established largely in response to civil society campaigns about the secrecy surrounding extractive sector contracts and payments in many resource-rich developing countries. After supporting and playing an active role in the development of the EITI for a decade, the UK voluntarily committed earlier this year to implement the EITI's requirements by becoming a candidate country. We are now starting to work towards publishing reports that reconcile the payments that oil, gas and mining companies make to the UK government with the revenues that the

government receives from these companies”.

**Supporting information:**

Prime Minister’s Video played at the Sydney Conference

<https://www.gov.uk/government/news/g8-transparency-uk-and-france-join-the-extractive-industries-transparency-initiative>

Press release accompanying the announcement

<https://www.gov.uk/government/news/uk-raises-the-bar-for-transparency-in-the-extractive-industries>

Relevant webpages on G8 and detailed guide

<https://www.gov.uk/government/news/g8-transparency-uk-and-france-join-the-extractive-industries-transparency-initiative>

<https://www.gov.uk/extractive-industries-transparency-initiative>

Second OGP National Action Plan

<http://www.opengovernment.org.uk/national-action-plan/>

## EITI REQUIREMENT 1.2

**The government is required to appoint a senior individual to lead on the implementation of the EITI.**

- a) The appointee should have the confidence of all stakeholders
- b) The appointee should have the authority and freedom to coordinate action on the EITI across relevant ministries and agencies
- c) The appointee should be able to mobilize resources for EITI implementation.

The Prime Minister appointed Jo Swinson, Parliamentary Under-Secretary of State for Employment Relations and Consumer Affairs as EITI Champion in May 2013. The press release published after the EITI announcement reads:

*"Employment Relations and Consumer Affairs Minister Jo Swinson will now lead the implementation of the EITI. Negotiations will now begin during the pre-candidacy phase of the UK's membership between government, industry and stakeholders as to how the framework for reporting will operate, the scope of companies included and how payments are disclosed".*

At the EITI Launch event on the 9<sup>th</sup> July Jo Swinson referred to her champion role *"I am very much looking forward to being the UK's EITI Champion and will be using the opportunity to drive forward its implementation here".*

Jo Swinson opened the first two Multi Stakeholder Group meetings on the 9<sup>th</sup> October and 3<sup>rd</sup> December 2013 as well as the Extraordinary Meeting on the 7<sup>th</sup> of July, which took place after her return from maternity leave. From the 21<sup>st</sup> December 2013 Jo Swinson commenced her maternity leave and her role of EITI Champion was covered by Jenny Willott MP until the 30<sup>th</sup> June 2014. Jenny Willott continued to attend all MSG meetings and spoke at the EITI event for mining and quarrying stakeholders on the 12 June 2014.

The EITI Champion is supported by Marie-Anne Mackenzie, a senior civil servant at the Department for Business, Innovation & Skills. The UK Secretariat that supports the MSG consists of two officials who coordinate UK EITI across other government departments and the devolved administrations.

The UK Secretariat commenced the officials' meetings in May 2013 ahead of UK sign up to EITI. This provided an early opportunity for officials to work together to gain an understanding of what implementing EITI would involve. The meetings included representation from a range of Government departments including HM Treasury, the Department of Energy and Climate Change, HM Revenue & Customs, the Foreign and Commonwealth Office, the Department for International Development, the Scottish Government, the Northern Ireland Assembly Government, and BIS Legal and Economist teams. Discussions included how to remove obstacles to implementation and developing stakeholder lists. A representative from the EITI International Board attended the second meeting to answer questions and improve our understanding of the EITI process.

The Department for Business, Innovation and Skills officials are also responsible for implementation of Chapter 10 of the EU Accounting Directive which complements the work of EITI. Both initiatives aim to increase transparency in the extractives sector. Chapter 10 of the Accounting Directive requires all EU listed and large non listed extractive companies (oil, gas, mining and loggers of primary forest) to report annually on the payments they make to any government. The real strength of the Accounting Directive is that it will put information into the public domain about payments to governments in countries that have not signed up to EITI.

**Supporting information:**

BIS press release after UK sign up 23 May 2013

<https://www.gov.uk/government/news/uk-raises-the-bar-for-transparency-in-the-extractive-industries>

Jo Swinson piece to camera on G8 transparency webpage

<https://www.gov.uk/government/news/g8-transparency-uk-and-france-join-the-extractive-industries-transparency-initiative>

Press release after Launch event

<https://www.gov.uk/government/news/new-transparency-rules-launched-for-extractive-industry-payments>

## EITI REQUIREMENT 1.3

**The government is required to commit to work with civil society and companies, and establish a multi-stakeholder group to oversee the implementation of the EITI.**

### EITI Champion & EITI

EITI Champion Jo Swinson committed to working with civil society and industry at the launch event on the 9<sup>th</sup> July 2013:

*"Government cannot implement EITI alone and we need Government, industry and civil society to work together to form the multi-stakeholder group that will implement the EITI Standard in the UK".*

This was further supported in the press notice which followed the launch event and in the piece to camera which Jo Swinson did following a meeting with civil society.

*"Business Minister and UK EITI Champion, Jo Swinson, committed to working closely with industry and civil society to implement the EITI in the UK".*

### Capacity Building

The UK Secretariat has sought advice from their counterparts in Australia, the United States and Norway, who are all at different stages of the EITI Implementation process. The Secretariat valued the opportunity to learn from their experiences, particularly at the beginning of the implementation process and we continue to look at other countries for examples of best practice.

The Chair of the UK EITI Multi Stakeholder Group attended the EITI Conference in Sydney. She was able to observe a board meeting and the Australian MSG meeting ahead of UK MSG meetings.

A representative from the BIS Secretariat attended the EITI Board meeting in March 2014 to observe the Board's consideration of the US candidacy application.

The UK Secretariat has also been in regular communication with the International Secretariat. Additionally the UK Secretariat has shared its experience of implementation with other countries including the Netherlands, Germany, France, Denmark and Canada.

### EITI Launch Event

An EITI launch event was held on the 9<sup>th</sup> July where over 130 representatives from industry, civil society and Government attended and included speeches from EITI Champion Jo Swinson and the Rt. Hon. Clare Short, Chair of the International EITI Board. The aim of the event was to raise the profile of EITI, introduce Jo Swinson as EITI Champion and start the dialogue between Government, civil society and industry. Following speeches we had break out sessions aimed to start the discussion between the various constituencies about what UK EITI should include. An article covering the event was published by Luke Balleny of the Thomson Reuters Foundation on the 10<sup>th</sup> July 2013.

The event was advertised through a wide range of networks through an open invitation. Recipients were encouraged to pass on the invite to interested parties and only had to register interest with the Secretariat to reserve a place. We were able to accommodate all requests for attendance.

Invitations were sent out to industry, Government officials and civil society organisations. Contact lists were also provided by colleagues in DECC which included approximately 160 named individuals from oil companies that have applied for licences. Invitations were also sent to mining and quarrying sector specialist contacts that were shared by UKTI colleagues.

Publish What You Pay (PWYP), the Trade Union Congress (TUC) and the Confederation of British Industry (CBI)



circulated the invitation through their networks. In addition the event was advertised on the EITI webpage and through the GOXI website which provides a platform for innovation and collaboration serving those actively working on governance issues in the extractive industries.

### MSG Nominations

After discussions with stakeholders who had experience of working on other EITI MSGs, the Government decided on an equal 4/4/4 split between civil society, industry and government representatives. It was agreed that a smaller MSG would help facilitate full and open discussion while ensuring sufficient expertise.

Within the industry constituency Government decided to invite one mining representative and three oil and gas representatives. This reflects research that suggests that oil and gas extraction contributes to approximately 1.4% of GDP whereas coal mining contributes 0.1% and other mining (aggregates) contribute 0.2% to GDP. However, if industries choose to change the proportion of Oil & Gas to Mining and Quarrying representatives, on the MSG they are free to do so.

Full membership on the MSG is supplemented by up to six observers in each meeting and the option to invite nominated people and experts to participate in particular meetings and sub-groups. To date, we have welcomed an academic as well as a colleague implementing EITI in Germany to our MSG meetings.

Nominations for civil society and industry representatives on the MSG were conducted independently from Government. In March 2013 Oil & Gas UK agreed to coordinate the nominations for three of the industry representatives for the MSG. Oil & Gas UK hosted an event in the afternoon of the EITI launch event for members to discuss and agree their MSG representation. Government representatives did not attend. This commitment from Oil & Gas UK was highlighted in an article in the Energy Business Review following the launch event:

"Oil & Gas UK will be co-ordinating engagement on the UK's implementation of the Extractives Industry Transparency Initiative on behalf of the UK offshore oil and gas industry and will seek to ensure the benefits of EITI are achieved in the most cost effective way,"

The Confederation of British Industry (CBI) agreed to nominate the fourth industry representative and contacted the Mining Association of the UK (MAUK) for a volunteer.

Following the EITI launch event, the UK Secretariat provided a room to enable civil society to begin the process of choosing representation for the MSG. Government officials were not present at this meeting to avoid unintentionally influencing civil society in the process. However, Eddie Rich from the International EITI Secretariat was present to provide advice and help. This meeting started a successful process where civil society was able to put forward 4 civil society representatives in time for the first MSG meeting.

For Government representation on the MSG the UK Secretariat solicited nominations in July 2013 and all four representatives were confirmed in September 2013. Nominees were asked to provide details stating why they wanted to sit on the MSG and what they hoped to bring to the discussions. UK Secretariat ensured that the most appropriate government officials representing the main Government departments were allocated a place on the MSG. This includes the Department for Energy and Climate Change, the Scottish Government, HM Revenue & Customs and the Department for Business, Innovation & Skills.

### EITI Communications

On Sunday 6<sup>th</sup> October 2013, the Sunday Telegraph published a supplement on EITI which included an article by Jo Swinson that highlighted the Government's commitment to set up the MSG and work collectively with industry and civil society to take EITI implementation forward.

### MSG Meetings

On 9th October 2013 the first meeting of the MSG took place at the Department for Business and was opened by the EITI Champion Jo Swinson. At this meeting there was a general consensus among industry and civil society about the importance of collaboration to ensure the success of UK EITI. Following the meeting, Jo Swinson provided a blog piece which appeared on Transparency International's website and highlighted again the Government's commitment to work with industry and civil society.

The MSG meets every two months with sub-groups taking responsibility for specific areas of work. The sub-groups develop the policy and make recommendations for discussion and subsequent agreement at the MSG. The following sub-groups have been formed to undertake work on EITI implementation. Some of them are still active while others have completed the work they were responsible for and disbanded.

1. Sub-group looking at the differences between EITI and the Accounting Directive- Complete
2. Sub-group looking at Taxes- Complete
3. Sub-group on Contextual Information-Active
4. Sub-group on Optional Aspects of EITI- Complete
5. Sub-group on Reconciliation-Active
6. Sub-group on Communications-Active
7. Sub-group looking at the Independent Administrator-Active

There have been two extraordinary meetings of the MSG to agree the objectives, the work plan and candidacy application. Each sub-group contains members from Government, Industry and Civil Society, which ensures that all constituencies are actively engaged and represented. Each constituency has led a sub group.

Provisional dates for MSG meetings in 2014 were circulated to members in December 2013 and the secretariat ensures that all papers are circulated to members one week in advance of each MSG meeting, as stated in the ToR. Minutes are taken of each meeting and once agreed by the MSG they are published on the EITI MSG webpage:

<https://www.gov.uk/government/policy-advisory-groups/uk-extractive-industries-transparency-initiative-multi-stakeholder-group>

All events and future MSG meetings are also advertised on the webpage.

### Terms of Reference (ToR)

The Terms of Reference (ToR) were agreed at the second meeting in December and made available on the EITI MSG webpage. They were updated in June 2014 with the agreement of the MSG to take account of advice received from an industry member of the MSG and the International Secretariat. Our original decision making rules had allowed for a simple majority which could effectively allow two constituencies within the MSG to overrule the third constituency. This was not our intention, so we removed the reference to simple majority. This ensures that the decision making rules are inclusive with each constituency group in the MSG treated as an equal partner.

Representatives from Civil Society and Industry drafted the opening text of the ToR which re-affirms their willingness to work together to make UK EITI a success.

### MSG Outreach with Constituencies

MSG members undertake outreach activities with their constituencies.

Civil Society members of the MSG conduct outreach with their constituency, which consists of a network of 31 individuals. Email updates containing the minutes are distributed following each MSG meeting. Members are also invited to meetings ahead of each MSG. Wider outreach has been undertaken with environmental groups and networks at national and subnational level. This has been done through civil society participation in the UK Open Government Partnership process both in London and beyond, as well as linking into existing meetings with stakeholders, for example a meeting on UK and global energy strategy held at Global Witness.

Outreach within Government takes place with official's meetings which are organised by the UK Secretariat. These take place ahead of each MSG meeting and include officials from HM Treasury, the Department of Energy and Climate Change, HM Revenue & Customs, the Foreign and Commonwealth Office, the Department for International Development, the Scottish Government, the Northern Ireland Assembly Government and BIS Legal and Economist teams.

Oil & Gas MSG members conduct outreach with their constituency. Oil & Gas UK have an industry network of approximately 450 members which includes almost 60 operators with a direct interest in EITI. Meetings are held with interested members of the network before and after each EITI meeting.

#### EITI Mining Event

Mining and Quarrying MSG representatives conduct outreach with their constituencies through trade associations such as the Mining Association of the UK (MAUK), Mineral Products Association (MPA) and the CBI Minerals Group. An EITI event solely aimed at mining and quarrying stakeholders was organised by MSG member, Dr Patrick Foster on the 12th June 2014. This took place at the Institute of Materials, Minerals and Mining (IMMM).

The event was advertised on the UK EITI MSG webpage and through various mining and quarrying trade associations. Additionally, UKTI colleagues sent invitations to their mining and quarrying contacts. The aim of the event was to increase understanding of EITI within the mining and quarrying community and allow stakeholders to ask questions to a panel of speakers. The speakers included:

Jenny Willott (Acting EITI Champion)

Eddie Rich- EITI International Secretariat

Edward Bickham- Senior Adviser to the World Gold Council

Nigel Jackson – Chief Executive of the Mineral Products Association

Marie-Anne Mackenzie- MSG Chair for UK EITI

Colin Tinto- Global Witness

#### Communications sub-group

The MSG formed a sub group to work on communications and they first met in March 2014. They agreed objectives which focus on raising the profile of EITI and increasing public understanding of the extractives industry in the UK. The MSG agreed the communications plan in June 2014 and it has been published on the UK EITI webpage.

Industry representatives took responsibility for producing a guidance document for oil and gas companies in scope of EITI. This document includes answers to key questions and explains what EITI is, as well as setting out what companies will need to do. It also included a short explanation of the difference between Chapter 10 of the Accounting Directive. A similar guidance document has also been produced for mining and quarrying stakeholders and these have been published on the UK EITI webpage where further guidance documents will also be published.

Oil & Gas UK have disseminated the guidance to their operator members and it will also appear in their June 2014 e-newsletter. The Oil and Gas Independents' Association (OGIA), The Association of British Independent Oil

Exploration Companies (BRINDEX), UK Onshore Oil & Gas (UKOOG) and the UK Oil Industry Tax Committee (UKOITC) also intend to distribute the guidance to their members. Representative industry bodies in the mining and quarrying sector, such as the MPA, are using the guidance in continuing communications with industry companies about EITI implementation.

#### Resourcing the MSG (April 2013 to March 2014)

There were four MSG meetings between these dates, which lasted for approximately 4 hours each. Each meeting usually included 4 representatives from each constituency (12), 2 observers for each constituency (6), the Secretariat (2), Chair and Champion (2), and International Secretariat (1) as well as nominated people and experts. The average number of attendees at each meeting is 26.

There have been six sub-groups meetings lasting for approximately 2 hours. They have been an average of 7 attendees at each meeting from the various constituencies.

BIS EITI Secretariat consists of 2 full-time members of staff who work on EITI. The Chair is an additional resource to the Secretariat and she spent approximately 12 days a year working on EITI.

MSG members consisting of full members, observers, alternates, experts and nominated people were asked to estimate the number of days they have spent working on EITI between April 2013 and March 2014. Industry representatives estimated 222 days in total, civil society 180 days and government (not including the Secretariat and Chair) 142 days.

Jo Swinson blog piece-Transparency International website

<http://www.transparency.org.uk/news-room/blog/12-blog/763-eiti-a-welcome-collaboration-between-industry-and-civil-society>

Sunday Telegraph article-EITI supplement

<http://business-reporter.co.uk/2013/10/jo-swinson-why-i-am-proud-to-champion-the-uks-eiti-commitments/>

Article from Luke Balleny (Thomson Reuters)-Covering the EITI Launch event.

(<http://www.trust.org/item/20130710162902-597rl/?source=hptop>)

Energy Business Review-Launch event article

(<http://explorationanddevelopment.energy-business-review.com/news/uk-launches-transparency-initiative-to-improve-upstream-mining-revenue-management-090713>)

UK EITI MSG webpage which includes MSG members, minutes, the Terms of Reference, Communications plan and guidance notes

<https://www.gov.uk/government/groups/uk-extractive-industries-transparency-initiative-multi-stakeholder-group>

## EITI REQUIREMENT 1.4

The multi-stakeholder group is required to maintain a current workplan, fully costed and aligned with the reporting and Validation deadlines established by the EITI Board.

### Objectives

#### EITI Objectives

UK EITI Secretariat arranged a training day for MSG representatives on the 20th November 2013 which was delivered by Eddie Rich from the International Secretariat. The aim was to increase understanding of the new EITI standard and give MSG representatives the chance to identify the key objectives for UK EITI. It was also an opportunity to go through the requirements of the work plan.

The UK EITI objectives were agreed in May 2014. A sub-group met twice and agreed draft objectives but following consultation with wider stakeholders, these were rejected. Therefore an extraordinary meeting of the MSG was convened. Each constituency consulted with their constituencies in advance of this meeting and agreement was reached at this point. The agreed objectives are:

1. Recognise and support the principles set out in the 2013 EITI Standard.
2. Enhance accountability to the UK public on the revenues from the UK's extractives industries.
3. Increase public understanding of the social and economic impacts of the UK's extractive industries and enrich public debate on the governance and stewardship of the UK's oil, gas and mineral resources.
4. Ensure information is readily accessible and presented to the public in a clear manner.
5. Support moves towards common global reporting standards in oil, gas and mining and promote a level playing field for business in the UK and internationally.
6. Support the UK government's championing of extractives transparency and open government.

#### Scope of UK EITI

Since the first UK MSG meeting, there has been consensus that the UK EITI should mirror Chapter 10 of the Accounting Directive as much as possible to minimise burdens on business. This point was reinforced when the objectives were agreed (objective 5).

Two sub groups were formed following the first MSG meeting. The first was tasked with analysing information already in the public domain. The second looked at the difference between EITI and Chapter 10 of the Accounting Directive and where requirements on companies could be aligned.

At the second meeting of the MSG in December 2013, HMRC officials presented a paper which summarised information on taxes and payments made to the UK Government by the extractive industries sector. The MSG agreed that the main 3 taxes for oil and gas extraction should be in scope of UK EITI. These include Petroleum Revenue Tax (PRT), Ring Fence Corporation Tax (RFCT) and Supplementary Charge (SC). The MSG also agreed that license fees would be in scope of UK EITI.

The MSG agreed that additional scoping work on the domestic mining and quarrying sector was required. MSG member were less knowledgeable about the mining and quarrying sector. Unlike the oil and gas sector in the UK, this sector does not have a separate fiscal regime for exploration and production. During the February 2014 MSG meeting, the mining and quarrying representatives delivered presentations providing an overview of underground mining and aggregate production in the UK.

The decision to include mining and quarrying within the UK EITI was made during the April 2014 MSG meeting. This decision was made after a scoping paper on mining in the UK was presented to the MSG.

Therefore the UKEITI will include oil, gas, mining and quarrying. The MSG expects the first reconciliation to cover the calendar year ending December 2014 but this will be confirmed once the details of the reconciliation process are finalised.

In defining the scope of the UK EITI, industry and civil society representatives met to discuss possible innovative areas of reporting that could help meet wider tax transparency and resource management transparency objectives. While no agreement was reached on including additional areas of company reporting for tax transparency purposes, industry agreed to consider the possibility of including a worked example of companies' tax calculations in the UK EITI report. This case study has now been completed and the Communications working group will consider how best to publicise the case study.

The MSG subsequently agreed that the report's contextual section should include information on production forecasts, reserves and resources estimates, and aggregate industry costs and expenditure over five years. Further work will be undertaken to produce similar data to cover the mining and quarrying sector.

#### Materiality

The MSG agreed that the materiality threshold for EITI would mirror that of the Accounting Directive which is approximately £84,000.

#### Timetable

The MSG agreed that the group would work towards submitting their candidacy application in August 2014 to be considered at the October International Board meeting. The intention is to use figures for the 2014 calendar year but this is reliant on confirmation from the reconciliation sub group about the reconciliation approach.

#### Extending EITI

At the February MSG meeting the 'optional areas' sub-group recommended that beneficial ownership should be included within UK EITI and this was agreed by the MSG. The Government is committed to establishing a publicly accessible central registry of UK company beneficial ownership information. The MSG will monitor progress of this legislation as we develop beneficial ownership reporting under the UK's EITI.

#### Taxpayer Waiver

The Reconciliation sub-group produced a paper on taxpayer confidentiality which was discussed at the April MSG meeting. This included the various options for addressing taxpayer confidentiality under UK EITI. The MSG agreed to use a taxpayer waiver option with a preference for a standard waiver to address taxpayer confidentiality under UK EITI.

#### Regulatory Constraints

HM Revenue & Customs (HMRC) have a key role in delivering EITI but they need to be given a statutory function to engage in EITI. HMRC is a statutory body created by the Commissioners for Revenue and Customs Act 2005 and can only undertake activities that are within its functions. EITI is not currently within HMRC's functions and the Commissioners need to be given a new function to participate in EITI. A Bill has been secured for these functions and

work on this is underway to ensure it does not impede on implementation timetables.

### Reconciliation

At the 3 June 2014 MSG, the reconciliation sub-group presented two potential models for reconciliation to the MSG on 3 June 2014 (cash and liability models) to address the fact that the UK operates a 'Group Payment Arrangement' (or GPA), which allows (but does not require) one nominated company to pay the tax for group companies within the GPA. At this stage, it was agreed that the sub-group should develop both options further with a view to making a clear recommendation to the MSG on a preferred model for reconciliation.

A comprehensive paper setting out the two options was circulated in advance of the Extraordinary Meeting of the MSG on 7 July 2014. Both options were discussed in detail, and clearly understood by MSG members, who ultimately agreed that the cash model should be adopted for the UK EITI.

For the first reconciliation, HMRC will provide the Independent Administrator with the figure of total cash received and total cash repaid at group level in the calendar year to 31 December 2014. This cash payment covers taxes payable specifically on extractive activity (ring-fence corporation tax and supplementary charge) as well as tax payable on non-extractive activity (corporation tax). Although liability to these taxes is calculated separately, they are generally paid to HMRC as a single figure (under a GPA).

Companies will provide the Independent Administrator with their estimates of the figure of taxes paid on extractive activity (which may include a breakdown between ring-fenced corporation tax and supplementary charge) at group level. The MSG are also considering whether companies should provide the figure of total cash paid and repaid so that there is a figure provided to the Independent Administrator which is directly comparable with that provided by HMRC.

In practice we do not anticipate that there will be many differences between the HMRC and company figures. However, in some cases there could be a significant difference and the Independent Administrator will work with the company and HMRC to explain this. The Independent Administrator will undertake a subsequent reconciliation of the data should there be any significant differences (either in the following year's report or in a supplementary report).

Further details on the reconciliation process for oil and gas companies with extractive activities within scope of a GPA can be found at Annex B. It should be noted that this does not cover the reconciliation process for licence payments or petroleum revenue tax, which is also payable by oil and gas companies on extractive activity. This tax is administered differently from the other taxes in scope and it is anticipated that the reconciliation will be straightforward. Some company groups may also have a GPA in place, but one in which the extractive companies which would pay ring-fence corporation tax and supplementary charge are not included within it. Again for such companies the reconciliation will be straightforward, as there will be no need to include the GPA payment data in EITI reporting.

The vast majority of companies within scope of the UK EITI operate within the oil and gas sector and the above methodology will generally apply to them. There will be a small number of mining companies within scope of EITI and this reconciliation model will not be appropriate for them. Mining companies are subject to a different tax regime from the oil and gas sector and pay a single corporation tax figure that reflects profits from all activities, not just extraction. There is no requirement for the tax payable on extractive and non-extractive activity to be calculated separately. The reconciliation group will work with the mining sector to develop a suitable methodology.

### Work Plan

An initial work plan was drafted by the Secretariat once the objectives were agreed by the MSG. This plan sets out the steps to be taken to implement the agreed objectives and to become EITI compliant within the timeframes set by the EITI Standard. Should the UK be granted EITI-candidate status during the October Board, the first UK EITI Report will have to be published by mid-April 2016 and validation completed by April 2017.

The MSG is responsible for managing, monitoring and communicating the UK EITI work plan.

The Secretariat modelled the UK Work Plan on that of the Philippines. Being able to reference good practice elsewhere proved invaluable to the UK Secretariat.

The Work Plan was circulated to members in advance of the 7 July MSG meeting. These were agreed in principle during this meeting with minor amendments circulated to MSG members later that day to allow final consultation with constituencies.

The final Work Plan is attached at Annex A.

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# INFORMATION ABOUT THE MULTI-STAKEHOLDER GROUP

Provide a list of members from the national Multi-Stakeholder Group, their organisational affiliation and contact details. If appropriate, attach information regarding additional government, civil society and private sector stakeholders involved in the sign-up process.

Name	Title-Appointment Type	Organisation	Contact details (Phone & Email)
Marie-Anne Mackenzie	Chair of the MSG	Department for Business, Innovation & Skills	+44 (0)207 215 0369 <a href="mailto:marie-anne.mackenzie@bis.gsi.gov.uk">marie-anne.mackenzie@bis.gsi.gov.uk</a>
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## Annexes

Annex A – Work Plan (separate document)

Annex B – Information on reconciliation process

## Annex B

### Detail on reconciliation process

Provision of information to the Independent Administrator	The EITI Report will show
HMRC would report total tax paid by the nominated company under a GPA (on behalf of all companies in the group). This would include all taxes payable (RFCT, SC and mainstream CT, if applicable).	The HMRC figures will be shown against the nominated company as originally reported or, where there are differences, a combined total of RFCT and SC as far it has been possible to reconcile them.
The nominated company would report its estimate of the proportion of tax paid under a GPA which relates to a combined total of RFCT and SC <sup>1</sup> .	The nominated company figures will be a combined total of RFCT and SC.
Where there are differences between the total tax paid by the nominated company under a GPA as reported by HMRC and the combined total of RFCT and SC reported by the nominated company, the Independent Administrator would work with the nominated company to undertake a reconciliation.	Any final unreconciled differences between HMRC's figures and the nominated company's figures will be reported, along with an explanation.
If needed, the Independent Administrator can contact HMRC for further information. This could be, for example, to confirm the figure of RFCT and/or SC payable in accordance with the relevant individual company Self Assessment returns (insofar as this is known by HMRC at the time).	The reconciliation could be revisited in a later year when more information is available.
Where any repayments have been made under a GPA in the year these will also be reported.	

<sup>1</sup> A possible sub-option is for the nominated company to provide the Independent Administrator with the figure of total cash paid (including a breakdown between upstream and downstream taxes) so that there is an amount which can be independently reconciled with the HMRC figure.

