

UK Extractive Industries Transparency Initiative Multi-Stakeholder Group (MSG)

Minutes of the 18th Meeting – 12 July 2016 – BIS Conference Centre,
SW1H 0ET (10-2pm)

Attendance

<p>Chair</p> <p>Maureen Beresford - Department for Business, Innovation & Skills</p> <p>Secretariat</p> <p>Margaret Sutherland - Department for Business, Innovation & Skills</p> <p>Rob Cottam - Department for Business, Innovation & Skills</p> <p>Joe Turtle - Department for Business, Innovation & Skills</p> <p>Industry</p> <p>Stephen Blythe - Independent Consultant</p> <p>Jerry McLaughlin - Mineral Products Association (alternate for John Bowater)</p> <p>Claire Ralph - Oil & Gas UK, alternate to Matthew Landy</p> <p>Civil Society</p> <p>Miles Litvinoff - Publish What You Pay UK</p> <p>Colin Tinto – independent consultant, alternate to Brendan O'Donnell</p> <p>Eric Joyce - Extractive Industries Civil Society</p> <p>Martin Brown - Extractive Industries Civil Society (alternate for Danielle Foe)</p>	<p>Government</p> <p>Baroness Neville-Rolfe – Parliamentary Under Secretary of State at BIS, UK EITI Champion</p> <p>Joe Lynch – Department for Business, Innovation & Skills</p> <p>Paul Russell – Department for Business, Innovation & Skills</p> <p>Mike Earp - Oil & Gas Authority</p> <p>Martyn Rounding – HMRC</p> <p>James Marshall – HMRC</p> <p>Chris Daboiko – HM Treasury</p> <p>Observers</p> <p>Eddie Holmes – Extractives Industries Civil Society (by phone)</p> <p>Rachel Owens – Global Witness</p> <p>David Hoy – Oil & Gas UK</p> <p>Nominated People</p> <p>Roger Salomone - Exxon Mobil</p> <p>Alice Shone - Transparency International</p> <p>Experts</p> <p>Tim Woodward – Moore Stephens</p> <p>Dora Chambers – Moore Stephens</p> <p>Eddie Rich - International Secretariat</p> <p>Viji Sallayah – The Crown Estate</p> <p>Rosie Carolan – The Crown Estate</p> <p>Apologies</p> <p>Danielle Foe - Extractives Industries Civil Society</p> <p>Stephen Martin - Scottish Government</p>
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	<p>Brendan O'Donnell – Global Witness</p> <p>Joe Williams - Natural Resource Governance Institute (alternate for Brendan O'Donnell)</p> <p>Dr Patrick Foster - Mining Association of the UK /Camborne School of Mines - University of Exeter</p>
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1. Welcome and introductions

2. The Chair welcomed Crown Estates, Global Witness, Transparency International.
3. The Secretariat reminded attendees to register attendance preferably a week in advance.

2. Agreement of minutes

3. The May minutes were agreed by the MSG with no further changes.

3. Feedback from Sub groups:

a. *Reconciliation (draft reconciliation report)*

4. There have been a number of productive conversations with the International Secretariat and technical experts. Five reportable payment streams for oil & gas companies have been identified: taxes (Ring Fence Corporate Tax/Supplementary Charge and Petroleum Revenue Tax), OGA payments (petroleum licence fees and the OGA Levy) and payments to the Crown Estate. The approach taken in 2014 of asking companies which didn't make material payments to complete the templates was too resource intensive and a more targeted approach was needed.
5. **HMRC:** The starting point for this targeted approach should be tax payments as this has historically been the most significant type. HMRC has provided a list of the 46 groups that made material payments without disclosing how much was paid by each. This would materially reduce the number of templates issued without affecting the amount reported. **The MSG agreed to Moore Stephens sending templates out to these groups of companies, seeking to reconcile all of these payments.**
6. **The Crown Estate:** pipeline payments are received from pipeline operators which are not involved in UK extractive activities as well as those which are. There was no need to extend EITI to companies that do not conduct extractives activities in the UK. However the subgroup recommends including pipeline payments from extractive companies which, although small in total (less than £5 million in 2015), will lead to greater transparency on an additional source of revenue for the UK government from the oil and gas sector. For 2015, inclusion

of payments to the Crown Estates would not increase the number of companies within the scope of EITI as the relevant companies are already on the list provided by HMRC. **The MSG agreed that Crown Estate pipeline payments from extractive companies should be included in UK EITI reporting where these payments are material.**

7. **OGA levy:** Provided the overall package of measures to improve targeting of companies in the oil and gas sector is agreed, the subgroup supports the inclusion of the OGA Levy as a reportable payment stream, notwithstanding the fact that the total raised from this source in 2015 was less than £10 million. **The MSG agreed for the newly established OGA Levy to be brought into scope for UK EITI.**
8. **Payments to the OGA:** The issuance of reporting templates to the long list of companies with an interest in a petroleum licence in 2014 was the primary factor that led to the inclusion of so many companies in the UK EITI process that did not make material payments. Members of the sub group had a very helpful conversation with the International EITI Secretariat during which it was suggested that the sub group consider an approach that focussed on the most significant payers to the OGA. Subsequent analysis of the provisional figures on payments made to the OGA in 2015 indicated that, if reporting templates were issued to the companies that represent the top 80% of payments made to the OGA in 2015, this would add only one more company to the list of oil and gas companies that are asked to complete and deliver a reporting template.
9. Where there was a group of companies, Moore Stephens would only need to go to the holding company rather than all the companies in the group.
10. **Summary:** The subgroup recommended that the MSG authorise Moore Stephens to develop a methodology that results in a targeted issuance of reporting templates and reconciliation of payments based on the approaches outlined in 5 - 9 above. This would involve reconciling 100% of the material payments received by HMRC and the Crown Estates and 80% of the payments received by the OGA. The provisional figures indicated that this would lead to 97% of UK government receipts in 2015 from the oil and gas sector being covered by the suggested methodology. In response, in relation to payments made to the OGA, it was suggested that the reconciliation should also cover the payments made to those companies that are in the lower 20% of payers to the OGA that receive a template as a result of being on the HMRC list. Moore Stephens indicated that this would not materially increase its workload. **The MSG was content with the approach set out in the paper and agreed that Moore Stephens be asked to develop a formal proposal that, for instance, considers whether the reconciliation of payments to the OGA should be limited to those in the top 80% or cover all reported payments to the OGA. After this the MSG will make a final decision on this proposal in write-around in the next few weeks.**
11. The International Secretariat explained that MSGs are asked to look at whether the process is reliable and comprehensive as an approach – as such there is a measure of flexibility in this. It is perfectly normal to have different materiality thresholds for different sectors (higher in oil and gas than in mining, for

example). The reportable payments would represent 97% of the total amount received by the UK government from the oil and gas sector in 2015. This was a relatively high percentage which was commensurate with the proportions in other countries.

12. It was noted by the sub group that the balance between the various oil and gas revenue streams will change from year to year. A similar approach to better targeting based on materiality is recommended for future years. However, the outcome, in terms of whether inclusion is largely based on taxes or whether appropriate coverage can be achieved based on an 80% cut off for payments to the OGA, will depend upon the distribution across the reportable payment types in future years. Companies that do not need to report under UK EITI for 2015 might be asked to report again in future years.
13. The Secretariat confirmed that there have been initial talks with the Independent Administrator, who have now also produced an initial timetable for the reconciliation process for year 2.

b. Mining and quarrying

14. The subgroup chair asked the MSG to consider whether payments to the Coal Authority were sufficiently material to justify retaining that payment stream. Payments to the Coal Authority totalled just over £1 million in 2015 with just 4 companies making payments over £86,000. Total payments to Coal Authority for these 4 companies amounted to £523,000. **The MSG concluded payments to the Coal Authority should continue to be reported.**
15. The subgroup had identified the largest 8–10 aggregates businesses. The names of these companies had been sent to HMRC who were asked to confirm that no other companies paid 5% or more of the Aggregates Levy (which is not in scope but was being considered as a proxy for size of business within the sector). HMRC had confirmed that there were no such companies.
16. The Crown Estate and the Coal Authority had been asked about entities which had made material payments during 2015 and their responses were included in the update paper for the MSG.
17. A number of companies had not engaged in year 1. It was explained that companies which did not engage in future would have to be named in the EITI Report.
18. Deep coal mining in the UK was in terminal decline during 2015 and so was not expected to represent a revenue stream in the future but surface mining is expected to continue. There were three separate streams of payments to the Coal Authority. These had previously been aggregated – disaggregation of the payments might take companies below the materiality threshold.
19. There was a question whether Coal Authority payments should be reported by mine as this would represent project level reporting. The MSG should be taking a view on this. It may be disproportionate as there could be a lot of small payments. The MSG concluded that the Secretariat should talk to the Coal

Authority about the practicalities within the next few days. Once a response had been received, this should be sent to the sub-group with the aim of clearing it by write-round – copied also to civil society. The MSG agreed the rest of the mining and quarrying paper.

c. Contextual Information

20. The subgroup co-chair referred the MSG to the paper that had been circulated, outlining that the main points were covered in this and that this would be a routine update.
21. The subgroup had discussed the formatting of the first report. There were inconsistencies in the version published at the launch date, which need to be addressed for the second report. As such the subgroup co-chair stated that it would be useful for all involved in the finalising of the document to link up and plan out how to ensure that the second report is better presented. It was acknowledged by the MSG that this was a problem largely due to the extremely tight deadlines that we were up against, and that careful planning should mitigate a lot of this in year 2.
22. The subgroup co-chair explained to the MSG that the division of labour had been agreed by subgroup members. Going forward the subgroup co-chair hopes to receive contributions by the middle of August with the aim of bringing these together by the end of August.
23. Civil society was concerned that the interpretation of beneficial ownership was too narrow and more thinking would be done about this.
24. The International Secretariat stressed that it is positive to see EITI as a portal to other Government data sources. It would be useful for the MSG to think about getting more information linked into that, such as the beneficial ownership register. It is also useful for the MSG to see the aim of the contextual chapter as providing a narrative about what happens both before the specific issue of how much money was paid to government and after about how revenue is released to benefit the economy, rather than starting with the payments and providing information to explain them.
25. The report's contextual chapter needed to be kept under review. The issue was how to draw attention to improvements since the last report; other countries' reports were more eye-catching e.g. by the use of infographics.
26. The content should be uncontroversial to update as a lot of it is saying the same thing, but the MSG was keen to ensure that we do not just copy what was previously said, and that where possible we try to create an authentic and original document.

EITI Champion

27. The Chair introduced the Minister and EITI Champion, Baroness Neville-Rolfe.
28. The Minister thanked the Chair and said she was pleased to see the mixed membership of the organisations represented at the MSG. She thanked the

MSG for the work it has completed since January, commenting that it is great to see the progress being made. She asked the MSG to suggest how she as the EITI Champion could be better utilised.

29. An industry representative explained that Government support has been crucial to the EITI process, in particular at the level of the Prime Minister and Champion. He explained that the UK needs to continue this high-level engagement with EITI in order to be seen as a credible EITI implementing country.
30. A civil society representative explained that they would like to see UK EITI continue on an international stage, and that the engagement of the Champion is very important to this, especially in the light of possible changes of government priorities in the coming months and years.
31. The Minister was happy to confirm the Government's commitment to EITI, which was included in the manifesto. She expected the new administration to continue its commitment with regards to EITI.
32. The International Secretariat explained that from their perspective it was extremely important that the UK started implementing the EITI.

d. Communication

33. The Communication subgroup held a meeting by teleconference last week. A number of main issues had arisen.
34. The first was whether there should be an MSG meeting outside London as most companies affected by EITI were not based in London. **The MSG confirmed that it is supportive of holding an MSG meeting in Scotland** provided the meeting was part of series of actions/events that led to the MSG achieving the aim of raising awareness of UK EITI. Examples of the ancillary activities mentioned during the meeting were interactions with the media and a possible site visit. Civil society was asked to develop the proposals in more detail and then present a paper to the MSG so that a decision can be taken at its September meeting.
35. An industry representative thought that we need to be doing more for engagement with industry in London, such as sharing the results of a review of year 1. They also considered that November is an odd time in EITI calendar, as reconciliation is ongoing but the report won't be ready until Q1 2017.
36. The second issue was the use of social media. **The MSG decided to make better use of the BIS Twitter account** instead of setting up a new account for the UK EITI MSG. The Chair of the MSG asked that the Communications subgroup provide guidance and suggestions on how best to leverage this communications channel on UK EITI developments.
37. The use of conference calls for the sub-group rather than face to face meeting was also raised. The sub-group agreed it should try and have face to face meetings sometimes.

38. An industry representative explained that some of their constituency members had been concerned that they might have missed the reporting cycle for year 2 already, and that they may have been expected to use year 1 templates. As such the representative suggests a targeted comms effort on the year 2 reporting cycle would be wise to engage in soon.
39. The subgroup would be putting something together within the next couple of weeks, alongside a proposed timetable, now that decisions in principle had been made about the more targeted approach. There would be an individual e-mail to companies explaining what was happening. It was noted that more work needed to be done on mining/quarrying companies.

4. Procedures for Nominating and Changing MSG Representatives

5. The Chair opened by discussing changes to the EITI Standard. These required the MSG to set out its procedures for nominating and changing representatives.
6. The Secretariat explained that the Government members had put themselves forward with reasons why they should attend the MSG, such as HMRC's specialist tax skills and the OGA's oil and gas expertise.
7. An industry representative explained how its members were appointed. It was to reflect the two sides to industry representation on UK EITI: mining & quarrying, and oil & gas. This was then extended to include a member to represent aggregate interests.
8. A civil society representative explained that PWYP UK had been asked to coordinate the civil society representation for the UK EITI process on its inception. A civil society network had been gradually built up, without much attention paid initially to internal governance, although this issue was now being addressed. Another civil society representative noted that things had moved on in the last 3 years and there were now two defined sub-constituencies representing civil society, but civil society members representing the civil society network noted that the assertion that civil society was split into sub-constituencies was factually incorrect. Having sought and failed to reach a resolution within civil society on how to appoint new MSG members next year, he had raised the matter for discussion at this MSG meeting. He hoped that a solution could still be found between the two sub-constituencies, and felt that failing this it would be necessary for the MSG to take a view in due course. He proposed – following an earlier proposal from the Secretariat - that in this event the MSG appoint an independent person to consider the matter and make recommendations to the MSG.
9. The Chair explained that we need to understand how we nominate people for constituencies, and so asked all constituencies to think about how they do this and report back to the MSG.
10. A civil society representative suggested a governance subgroup. The International Secretariat clarified that that would be unusual with regards to national MSGs, and that essentially the MSG has the function of governance of

domestic implementation, with the International Secretariat taking ownership of international governance standards.

MSG member backgrounds/Register of Interests

11. It was decided that there would not be a register at this time. Transparency was an issue which needed to be discussed with the various constituencies.
12. The Secretariat reiterated point 5.5 of the UK EITI Terms of Reference, stating that any attendees, whether full members, proxies, alternates, observers, experts or nominated people should declare any conflict of interest to the Chair a week before attending an MSG meeting.
13. The MSG may come back to the issue of a register.

5. AOB

6. Maureen Beresford said that this would be her last meeting as Chair as Chris Carr was expected to be taking over the role for the next meeting. She thanked those attending for all their help in assisting her with getting up to speed with the issues.

Actions:

1. Moore Stephens to develop and propose to the Secretariat a methodology for a targeted issuance of reporting templates and reconciliation of payments for the oil and gas sector.
2. MSG to make a final decision on this methodology in write-around in the next few weeks.
3. The Secretariat to talk to the Coal Authority about the practicalities of reporting payments by mine. Response to be sent to the mining and quarrying sub-group with the aim of clearing it by write-round – copied also to civil society.
4. Proposal on non-London based event in time for a decision to be taken by the MSG at its September meeting, giving civil society time to develop the proposal.
5. The Communications sub-group to provide guidance and suggestions on how to best use the BIS Twitter account to promote UK EITI developments.
6. All constituencies to consider how they nominate people and report back to the MSG.

Date of next meeting: 13th September