

**UK Extractive Industries Transparency Initiative Multi-Stakeholder Group
(MSG)
Minutes of the 22nd Meeting – 14th March 2017 – BIS Conference Centre,
SW1H 0ET (10-2pm)**

Attendance

<p><u>Chair</u></p> <p>Chris Carr - Department for Business, Energy and Industrial Strategy</p> <p><u>Secretariat</u></p> <p>David Leitch - Department for Business, Energy and Industrial Strategy</p> <p>Mike Nash - Department for Business, Energy and Industrial Strategy</p> <p><u>Industry</u></p> <p>Stephen Blythe - Independent Consultant (by phone)</p> <p>Pat Foster - Mining Association of the UK & Camborne School of Mines, University of Exeter (by phone)</p> <p>Matt Landy – Statoil</p> <p>Romina Mele-Cornish – Oil & Gas UK</p> <p>David Hoy - Oil & Gas UK</p> <p><u>Civil Society</u></p> <p>Miles Litvinoff - Publish What You Pay UK</p> <p>Eric Joyce - Extractive Industries Civil Society</p> <p>Eddie Holmes – Extractive Industries Civil Society (by phone)</p> <p>Joe Williams – Natural Resource Governance Institute, alternate for Brendan O'Donnell</p>	<p><u>Government</u></p> <p>Joe Perman – Scottish Government (by phone)</p> <p>Jeff Asser – Department for Business, Energy and Industrial Strategy</p> <p>Mike Earp - Oil & Gas Authority</p> <p>James Marshall – HMRC</p> <p>Chris Daboiko – HMT</p> <p>Morgan Finlayson - HMRC</p> <p><u>Experts</u></p> <p>Tim Woodward – Moore Stephens</p> <p>Dora Chambers – Moore Stephens</p> <p>Hedi Zaghouani – Moore Stephens (by phone)</p> <p>Eddie Rich – International Secretariat</p> <p><u>Apologies</u></p> <p>John Bowater – Aggregate Industries</p> <p>Martin Brown – Extractive Industries Civil Society</p> <p>Jonathan Atkinson – DfID</p>
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1 – Welcome and introductions:

1. The Chair welcomed everyone to the 22nd meeting of the UK MSG. Romina Mele-Cornish and David Leitch were introduced and welcomed to their first meeting.

2 – Agreement of minutes for September 2016 and January 2017:

2. The minutes of the September and January meetings were agreed, subject to a minor change to the spelling of one of the representatives' names in the September minutes.

3 – Draft of the 2nd UK EITI Report

Executive Summary

3. It was agreed that the summary tables in the Executive Summary needed to include a footnote explaining in more detail the criteria for out of scope companies.
4. There was agreement that the Executive Summary should include a reference to Scotland and its importance to the extractive sector.
5. It was agreed that it was too late to “name and shame” non-participating companies this year. However, it may be something that should be considered for next year, if the companies are pre-warned in the commissioning material, that non-compliance may lead to being named. RMC emphasised the voluntary nature of this initiative, and voiced the worry that a naming-shaming approach may be to the overall detriment of future voluntary participation; especially since there are now other competing mandatory disclosure schemes. It was further noted that HMRC cannot identify/name mining companies that are in scope but do not participate, whereas for oil & gas companies they can – it would thus be unfair to single out non-participating oil & gas companies, and overall consistency is needed.
6. The fact that the participation rate had increased, due to a different process this year, should be highlighted in the Executive Summary and the term “voluntary” should be replaced by “non-mandatory”.
7. The increase in the number of private companies declaring Beneficial Ownership information, from 1 in 2014 to 6 in 2015, should be highlighted.
8. Moore Stephens agreed to provide a new set of figures for The Crown Estates, splitting the out of scope extractive companies' numbers for the “Type of Payee” table.
9. Embargoed copies of the final report will be sent to all participating companies 24-48 hours before the launch.

Contextual Chapter

10. The contextual chapter follows the same format as last year, based on the EITI standard. The major changes are a new chart showing the scale of the sector, and the dropping of the distinction between extraction and support services.
11. Figure 2 now includes an oil price tracker on the graph, as it is a key driver for the scale of the extractives industry. It was agreed that for the 2016 report, a separate graph with oil and gas price data (and more contextual narrative should be included in the report, since this metric is one of the key parameters in the industry and has a driving influence on potential government revenue streams from industry. Additionally, cost data for the oil & gas industry should be included in the 2016 report, both as graph and in the narrative.
12. For the 2016 report, the different interest streams in the tax regime need to be explained in the contextual narrative.
13. Although most figures refer to 2015, there are some forward looking figures for 2016 and beyond, in line with the EITI Standard.

Approach and Methodology Chapter

14. The methodology has changed from last year. Further revenue streams were added including the new OGA levies and payments made by oil and gas companies to The Crown Estate.
15. HMRC were asked to confirm that they provided PRT data at project level. (HMRC have since confirmed that the figures are at project level, but companies tend to make lump sum payments which may cover numerous projects. At the time they do, companies tend to provide a breakdown to simplify the processing of payments. HMRC provided the figures from this data).
16. Moore Stephens agreed to provide the Mining and Quarrying figures at the disaggregated level of the reporting templates.
17. It was agreed that references to “tax streams” should, where appropriate, be changed to “revenue streams”.
18. Reference should be made in section 3.4.3. to the 23 companies having reported under payment to government regulations.
19. Moore Stephens confirmed that no material section 106 payments were disclosed this year.

20. It was agreed that the tables showing the companies that were dropped during the reconciliation process should be omitted, but a suitable narrative should be retained.

Reconciliation Results

21. There were only two unreconciled differences this year. (Subsequent to the meeting, this figure is now one as HJ Banks has been fully reconciled).
22. Moore Stephens agreed to update the “Reconciled payments to government” table to include zero’s in the final “unrecociled” difference column, where there was no difference.
23. It was agreed to move the material differences in PRT and RFCT & SC table to 2.1.1. of the contextual chapter with appropriate narrative that HMRC would provide.

Independent Administrator’s Recommendations to MSG

24. Moore Stephens agreed to adjust recommendation 5.1.1. as it was thought that the wording was unfairly critical of HMRC.
25. Under recommendation 5.1.2. it was agreed to remove the phrase “Inability for HMRC to” from the opening sentence.
26. The idea of providing a table showing follow-up to last year’s recommendations was agreed, including brief reasons why any were rejected. Moore Stephens agreed to provide the new table.
27. The group were reminded that the updated recommendation information should be used for the MSG annual report due to be published in the Summer.

Annexes

28. It was agreed that the PEP column should be removed and the Companies House column should be moved to the end. There should also be a paragraph of narrative to explain the table.
29. Annex 3, which includes the names of all the contributors to the report, should be removed and a link should be put in Executive Summary to the EITI website, which lists all members.

4 - Launch event for the 2nd UK EITI Report

30. The launch will take place in Aberdeen on 31 March, with speakers including Margot James, MP, Minister for Small Business, Consumers and Corporate Responsibility, BEIS, and Paul Wheelhouse, MSP, Minister for Business, Innovation and Energy, Scottish Government.
31. The launch will be followed by a visit to Breedon's aggregate site at Tom's Forest Quarry. Transport has been arranged to take MSG members to the quarry and back to the hotel. It starts at 10.30 and we are expected to be back at the hotel by 11.45.
32. It was agreed that there would be two speakers covering the civil society slot. Eddie Holmes and Miles Litvinoff. The industry slot with Stephen Blythe will be moved to immediately after Margot James.
33. Both civil society speakers will join the panel, with Stephen Blythe and another possible industry representative.
34. Use of Twitter was considered a good way of promoting the launch of the report. The secretariat would contact BEIS comms about use of the BEIS twitter account.

5 – Process for dealing with complaint under section 4.2 of MSG Terms of Reference – update

35. The Chair explained that due to the majority of BEIS Legal resource being channelled to Brexit the secretariat has had limited access to their team and services. Therefore not all of the proposed actions from the January meeting have been taken forward yet.
36. An updated version of the Terms of Reference had been circulated to members. This included an updated paragraph 4.2, a new paragraph 4.3 and an additional sentence at the end of paragraph 5.4.
37. It was agreed that more time was needed to give proper consideration to the new proposals. The secretariat agreed to provide the MSG with a set of proposals and alternative options, with the pros and cons of each one for consideration after consultation with BEIS Legal.
38. It was agreed that consideration should be given to include an attendance criteria in any updated Terms of Reference. This would provide guidelines on how many meetings representatives were expected to attend each year.

6 – US SEC Rule and US EITI

39. The MSG noted the disapproval of the US SEC rule implementing Section 1504 of the Dodd Frank Act. Recent changes in the US mean that the US EITI

MSG is no longer expected to meet this year. This is something that the EITI Board needs to consider in order to make a decision on the future of US EITI. It was agreed that this provides an opportunity for the UK to lead from the front in taking forward the EITI agenda and extractives transparency more generally.

7 – Any Other Business

40. It was agreed that an agenda item for the May meeting should be roadmapping of next years report.

41. The next meeting will take place on Wednesday 17th May 2017.

Actions:

- The secretariat to update both the September and January minutes with the minor changes and post them on the website.
- The secretariat to update draft of UK EITI report with recommendations received during the meeting.
- The secretariat to provide embargoed copies to the MSG and each company that participated in the process 24-48 hours before launch.
- Moore Stephens to revise Independent Administrator recommendations and update draft report where requested.
- Stephen Blythe agreed to provide name of industry representative for panel discussion.
- Joe Williams agreed to provide a list of companies reporting under mandatory disclosure legislation which have made payments to UK government entities. A link to this list would be added to the Reconciliation section of the UK EITI report.
- The secretariat to work with BEIS legal to provide new proposals for dealing with complaints, with pros and cons, for the MSG to consider.