

The UK Open Data Consultation Paper: EITI Submission

EITI International Secretariat Oslo, October 2010

1 Summary

In his foreword to this consultation paper, Minister for the Cabinet Office, Francis Maude, announces that “these proposals represent our determination to be the most ambitious Open Data agenda of any government in the world”. With 35 countries implementing the Extractive Industries Transparency Initiative (EITI) – a global transparency standard launched by the UK, but not implemented by the UK – it would be highly desirable if the UK were to live up to Mr Maude’s aspiration by implementing the EITI. This commitment would:

- Provide a low-cost process for disseminating and discussing information on a key source of government revenue;
- Improve the management of UK public resources and revenues;
- Build public trust through a national consultation, multi-stakeholder, process;
- Help the UK promote extractive resources transparency as a global standard.

2 Rationale for EITI implementation

The EITI was launched by the UK government in 2002, to promote trust and to reduce corruption in resource-rich countries. It is a standard with two key elements:

- An EITI report - Governments disclose their revenues from oil, gas and mining. Meanwhile, oil, gas and mining companies disclose their payments to governments in bonuses, royalties, taxes and payments-in-kind. A third-party entity reconciles these two reporting streams, making efforts to clarify any discrepancies;
- A multi-stakeholder group oversees the process and builds a platform for the key stakeholders to discuss the information and management of the sector more widely. This group also ensures that the EITI is inclusive and collaborative in each country

35 countries across all continents are implementing the standard. These include Afghanistan, Azerbaijan, Indonesia, Iraq, Mongolia, and Nigeria – which span the range of natural resource rich countries. The list also includes Norway, the world’s fourth largest oil exporter and one of the most transparent countries in

the world. At the Open Government Partnership launch in New York in September 2011, President Obama committed the US to implement the EITI.

The EITI global standard is overseen by an international board on which the UK government; companies like BP, Shell, Rio Tinto, AngloAmerican, investors like F&C Asset Management and Standard Life Investments; and civil society organizations including the Publish What You Pay coalition and Global Witness, serve or have served. The Board is chaired by Clare Short. The EITI is supported by a large number of British companies and institutional investors.

The G8 has supported the EITI for years, and affirmed this in its 2011 Deauville Declaration, which called on “all countries” (i.e. emerging and developed economies) to join or support the EITI. The EITI has been endorsed by the G20 and the UN General Assembly. In October 2011, the Economist described the EITI as an ‘ingenious scheme’.

In the UK, the EITI enjoys support across political parties, media groups, academics, faith groups, and industry associations. The UK government provides political, technical and financial support largely, but not exclusively, through DFID.

UK implementation of EITI would contribute to both domestic and foreign policy objectives, as well as serve as a cost-effective commitment for the UK government towards the Open Government Partnership agenda.

Domestically, implementation would help deliver on the government’s commitment to transparent, participatory, and collaborative governance.

By implementing the EITI, the UK would help make the EITI a truly global standard for transparency in extractive industries. Countries like Angola, South Africa, Brazil, Sudan, Colombia, Uganda, Papua New Guinea, often question why they should implement if the UK is not willing to subscribe to the international standard itself. The US commitment to implement the EITI has highlighted the anomaly that the UK is not implementing – with recent critical commentary in the Daily Telegraph and Africa Confidential. Canada and Australia are also under international and domestic pressure to implement the EITI.

Clare Short briefly discussed this proposal with Francis Maude when they met in New York, and also with Secretary of State for International Development, Andrew Mitchell in London in October.

3 Relationship to the “Six Opportunities of Open Data”

3.1 Accountability

The revenues generated by the oil, gas and mining sectors are one of the largest nontax sources of government income. They are inherently regionally skewed, whereas their spending is not necessarily. This, along with the environmental and social aspects of the industry, are key causes of tension.

Prime Minister David Cameron and Chancellor George Osborne has declared their government’s support for the draft EC Disclosure Directive on mandatory disclosure of all payments to governments made by oil, gas and mining companies that are listed or registered in the EU (which echoes the Cardin-Lugar provision of the US’s Dodd-Frank Act). Publishing these payments is important, but mandatory disclosure

requirements in US and EU alone do not contribute to accountability in the countries themselves. The EITI multi-stakeholder platform provides the essential element for in-country dialogue.

3.2 Choice

EITI implementation enables a well-informed debate about whether a country and its citizens are benefitting appropriately from their non-renewable natural resources. This debate can cover policy options regarding tax and royalty regimes, contract processes, operating regulation, energy security, spending discussions, environmental issues, recovery rates, etc.

UK EITI implementation would offer the UK Government and all necessary stakeholders an opportunity to tailor the EITI to highlight aspects of domestic oil, gas and mineral production and profits that might be of special interest to UK taxpayers.

3.3 Productivity

The international aspects of the EITI enable benchmarking to take place both to inform domestic and international policy concerns – e.g., is Ghana's oil and gas regime going to secure as much revenue in relative terms as in Norway and the UK?

3.4 Quality and outcomes

In all implementing countries, including Norway, the EITI process has led to incremental improvements in the quality of the data. Government and civil society capacity to collect and analyse the data continues to improve with the publication of each EITI report.

3.5 Social growth

The EITI requires the publication of key information from the oil, gas and mining sector "to a wide audience in a publicly accessible, comprehensive and comprehensible manner". Access to this information and to parliament, the multi-stakeholder group, and on-line and live debates, enables all citizens to demand the best management and use of the revenues from these resources.

3.6 Economic growth

The EITI sits well with the UK government's second phase of the Growth Review, which looks specifically at the economic opportunities of Open Data. A level-playing field for data on these resources is why the EITI is supported by 60 major oil, gas and mining companies, including all the big names, plus 80 institutional investors who collectively manage assets of over \$16trillion. Companies and investors who wish to play by the rules see the EITI as the best way to do business.

4 Costs of implementing the UK EITI

In this challenging economic climate, we recognise the need for low-cost initiatives. The costs of implementing the EITI are not great. A dynamic and well managed EITI process supports increased revenue capture, and more than offsets the cost of implementation. Norway has been implementing the EITI for over two years. They estimate the cost of implementation to be about £230k per year. This estimate includes the cost of one official's time. It is likely that the responsibility for implementation would fall under BIS or, possibly, the Treasury.

Furthermore, implementing the EITI would not require legislative action.

5 Next steps

The EITI Rules (<http://eiti.org/document/rules>) set out the five requirements to become an EITI Candidate country:

1. The government is required to issue an unequivocal public statement of its intention to implement EITI.
2. The government is required to commit to work with civil society and companies on the implementation of the EITI.
3. The government is required to appoint a senior individual to lead on the implementation of the EITI.
4. The government is required to establish a multi-stakeholder group to oversee the implementation of the EITI.
5. The multi-stakeholder group, in consultation with key EITI stakeholders, should agree and publish a fully costed work plan, containing measurable targets and a timetable for implementation and incorporating an assessment of capacity constraints.

The UK Government should consider following Norway and the US by announcing its commitment to implement the EITI as part of its commitment to Open Data. It can then undertake a scoping study to analysis what sectors, what levels of materiality and thresholds should be covered, as well as how the multi-stakeholder group should be selected and function, and how the process should relate to Parliamentary processes. It is advantageous to engage with the companies and civil society organisations and trade unions early in the process.