

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

**Minutes of the 34th Meeting – 16th July 2019 – BEIS Conference Centre,
SW1H 0ET (10-2.00pm)**

Attendance

<p><u>Chair</u></p> <p>Matt Ray - Department for Business, Energy and Industrial Strategy</p> <p><u>Secretariat</u></p> <p>Nicola Risbridger – 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>Dr Patrick Foster - Mining Association of the UK & Camborne School of Mines, University of Exeter (by phone)</p> <p>Jerry McLaughlin – Mineral Products Association</p> <p>Jacqui Akinlosotu – ENI</p> <p>Romina Mele-Cornish – Oil & Gas UK</p> <p>Martin Kirkham – Chevron (by phone)</p> <p><u>Interim Civil Society</u></p> <p>Lorraine Allanson</p> <p>Joe Williams – Natural Resource Governance Institute</p> <p>Miles Litvinoff – Publish What You Pay UK (by phone)</p> <p>Martyn Gordon – Robert Gordon University Aberdeen (by phone)</p>	<p><u>Government</u></p> <p>Mike Earp - Oil & Gas Authority</p> <p>Nicola Garrod – HMRC</p> <p>Rhona Birchall – DFID (by phone)</p> <p>Martin Quinn, Department for the Economy Northern Ireland (by phone)</p> <p><u>Others</u></p> <p>Hedi Zaghouani – BDO</p> <p>Tom Bioletti - HMRC</p> <p>Suresh Rao – Department for Business, Energy and Industrial Strategy</p> <p>Eddie Holmes (by phone)</p> <p><u>Guests</u></p> <p>Celestino Calabrese – National Economic Crime Centre</p> <p><u>Apologies</u></p> <p>John Bowater – Aggregate Industries</p> <p>Joe Perman – Scottish Government</p> <p>Lucy Felton – HMT</p> <p>Howard Forti – Exxon Mobil</p> <p>Jeff Asser – Department for Business, Energy and Industrial Strategy</p> <p>Sam Bartlett – EITI International Secretariat</p>
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1 – Welcome and introductions:

1. The Chair welcomed all to the 34th meeting of the UK EITI MSG.

2. The Chair welcomed Nicola Risbridger, the new UK EITI National Co-ordinator, who is attending her first meeting.
3. The Chair welcomed Celestino Calabrese from the National Economic Crime Centre who will be making a presentation of the work of the NECC.
4. The Chair welcomed the interim Civil Society representatives – Joe Williams, Miles Litvinoff, Lorraine Allanson and Martyn Gordon.
5. The Chair announced that Eddie Rich had moved on from his role at the EITI International Secretariat and thanked him for his contribution to the UK EITI process over the last five years. Sam Bartlett will now be the UK's main contact at the International Secretariat and will dial-in when required.

2 – UK EITI Updates:

Civil Society representation

6. CSN will continue to attend the meeting on an interim basis until the co-ordinator post has been filled. Funding is now in place and the formal process to identify the co-ordinator will start shortly. It is hoped that a co-ordinator will be in place by the Autumn.

EITI Global Conference, Paris

7. Helen Clark, the former New Zealand Prime Minister, was endorsed as the new EITI Chair.
8. The UK seat on the EITI Board held by DfID has temporarily come to an end due to a rotation policy that gives other countries a seat on the main Board for a set period.
9. The 2019 Standard updates were agreed and the new Standard will now apply to any reports that are published after 31st December 2019. This is a good reason to publish the next UK EITI report by the end of the year. The MSG will get the opportunity to look more substantively at the revised Standard at the September MSG.
10. It was agreed that the next report will be key for validation as the UK could be re-validated within the next eighteen months. The UK is currently assessed as having made “Meaningful Progress”, but is not too far away from being assessed as “Satisfactory Progress”. The MSG will strive to attain this rating by the next validation.
11. John Penrose, the government Anti-Corruption Champion, attended the Conference and spoke twice on the theme of Beneficial Ownership.
12. Both the Chair and Nicola Risbridger attended and spoke to a number of counterparts from other countries. This included a useful tri-lateral with colleagues from Germany and Holland. The Dutch are at an early stage in the process, however the Germans have leapfrogged the UK, but did admit to replicating the UK in a number of areas. The Germans are happy to advise the UK on how to overcome any challenges in the future, particularly on an independent website and validation.
13. One area where the Germans had been successful was engagement and awareness raising. A key part to this success has been the website and portal and the UK Secretariat will be discussing the process of setting up a website with the Germans in due course

14. Nicola Risbridger is keen to attend as an observer at future German and Dutch MSG meetings and is also keen to invite the respective Secretariat's to observe one of the UK EITI MSG meetings in the future.

UK Validation update

15. The MSG were thanked for their input and comments on the validation recommendations. The UK response was sent back to the independent validator on 3rd July. The independent validator will consider the UK comments and revert in the next few weeks.

Independent Administrator update

16. BDO have been confirmed as the new UK EITI Independent Administrator. The MSG looked forward to working with Tim Woodward, Hedi Zaghouni and other BDO colleagues again.

3 – Agreement of minutes of 22nd May 2019 meeting

17. The minutes of the 22nd May meeting were agreed subject to the Civil Society representatives being grouped together as "Interim Civil Society" and the misspelling of an attendee's name.

4 – Action points update from 22nd May 2019 UK EITI MSG meeting

18. The MSG were updated on action points from the 22nd May meeting.

UK EITI Validation

- Secretariat to seek an extension of the EITI International Secretariat's deadline for final comments until the end of June and circulate independent validators report to the MSG for substantive comments. **The Secretariat successfully secured an extension from the International Secretariat for an MSG response to the validation report.**
- Jerry McLaughlin to look into the type of information that is currently available on marine and quarrying licences and contracts and report back with evidence for the MSG validation response. **Jerry provided this information, which has been incorporated in the validation response.**

Reconciliation subgroup

- Reconciliation subgroup to meet to discuss 2018 process and update templates and guidance. **Reconciliation subgroup met on 3rd June (meeting note circulated with the papers) and templates and guidance updated and made available on UK EITI website on 19th June.**
- Secretariat and reconciliation subgroup to look at better ways of capturing S.106 payments and other environmental payments. Jeff Asser agreed to provide some initial information on shale payments. **Initial background note on shale payments has been provided by Jeff Asser for subgroup discussion. The reconciliation subgroup will discuss S.106 and environmental payments before the September MSG.**
- Secretariat and reconciliation subgroup to look at changes to the EITI Standard and implications for the 2018 report and future reporting. To report back to the MSG in the Autumn. **Reconciliation subgroup and secretariat to discuss implications of changes in the Standard before the September MSG.**

Others

- Secretariat to circulate 2018 Annual Progress Report and updated workplan for MSG approval. **The Annual Progress Report was circulated on 3rd July. The Secretariat have updated the workplan and are currently in the process of improving its presentation and look and feel.**
- Secretariat and Jerry McLaughlin to discuss RITI participation at the MPA Annual Conference on 24th June. **A speaking slot was secured and the Chair provided a short presentation on EITI at the conference.**
- Secretariat to seek further volunteers for the Comms subgroup to take forward the independent website work. It is anticipated that some initial plans and ideas will be put forward at the July MSG. **This will be covered in item 7 on the agenda.**
- Secretariat and Oil and Gas UK to meet to discuss plans for the EITI Global Conference in Paris. **A meeting was held on 5th June.**

5 – The work of the National Economic Crime Centre

19. The National Economic Crime Centre brings together all of the UK's law enforcement agencies from across government, law enforcement, financial regulators and the private sector. Priorities centre around money laundering, bribery, asset denial and fraud, both domestic and international.
20. The extractives sector has been recognised as one of the highest risk sectors for bribery and corruption internationally according to a joint private sector/law enforcement assessment.
21. The NECC is involved in the new Expert Working Group on the extractives sector and attends the OECDs Law Enforcement Workshop on Extractives. The Expert Working Groups are fluid and open to participation from interested parties.
22. The NECC aim is to work jointly with the public and private sectors to improve intelligence flows, change systems to combat threats and collaborate on domestic and international anti-corruption initiatives.
23. Although there are no perceived problems within the UK extractives sector the MSG were encouraged to think about any risks for money laundering within the sector and look at the resources that are available from the NECC.

6 – Taking forward the Mainstreaming Scoping Study

24. The original recommendations from the Mainstreaming Scoping Study were circulated in a paper broken down into "quick wins" and "longer-term issues". It was anticipated that headway can be made on a number of the "quick wins" where data is already available with the "longer term issues" being looked at in more depth by a mainstreaming subgroup. Both Nicola Garrod and Mike Earp agreed to take part in the subgroup.

25. The “quick wins” should not prove too burdensome with links to sources of data or the proposed UK EITI independent website data portal, including data sources that update automatically. The short-term proposal is to use the current UK EITI gov.uk website.
26. The MSG were keen to ensure that mainstreaming was rolled out in an organised manner and not carried out blindly. Each recommendation was discussed in turn and action proposed for each agreed.

“Quick wins”

Legal framework and fiscal regime (Requirement 2.1)

27. It was agreed that some basic contextual background on how the legal framework and fiscal regimes work were still required – the current summary in the background pages of the EITI report is a good starting point. Links to sources of information for the fiscal regime (HMRC website) and legal frameworks (OGA website) should be included and efforts made to ensure that sources of information holders keep the information as up to date and timely as possible.

Beneficial Ownership (2.5)

28. A link to the Companies House People with Significant Control (PSC) register should cover this recommendation. The PSC register does not identify Politically Exposed Persons (PEPs). A line should be included requiring companies to disclose any PEPs if they have not already done so. Reference needs to be made to the fact that publicly listed companies are exempt.

Exploration/Production/Exports (3.1-3.3)

29. It was agreed that all three areas required some narrative in the form of a short summary and a number of links to relevant websites. For exploration links to the Oil and Gas Authority (OGA) and British Geological Survey (BGS) website. There are problems capturing all production data for some minerals as the government no longer collects the information. Estimates from BGS were included in the last report – this was picked up in the validation recommendations. A link to the Digest of UK Energy Statistics (DUKES) would be useful, although the figures require a lot of manipulation. Links to the relevant oil and gas and mining and quarrying export data along with contextual narrative should be included. If possible, include updated and fuller data that the validator had highlighted as being inadequate.

Comprehensive disclosure of taxes and revenues, data quality (4.1/4.9)

30. It was agreed that this recommendation should be looked at in more detail by the Mainstreaming Subgroup.

Distribution of extractive industry revenues (5.1)

31. It was agreed that this recommendation should be looked at in more detail by the Mainstreaming Subgroup.

Sub-national transfers (5.2)

32. The only sub-national payment concerns Northern Ireland. It was agreed that information relating to the NI share of the continental shelf should be included on the new independent website with a link to formula and explanation that the amount is calculated by population share based on the latest census. The Isle of Man is now excluded, so this should be highlighted in any narrative. The information currently sits on the Department for the Economy NI website, but as the income goes to the NI Department for Finance, therefore it should be included on the independent website.

“Longer Term Issues”

Licence Allocations (2.2)

33. The MSG agreed that a meeting with The Crown Estate (TCE) and Crown Estate Scotland (CES) to discuss disclosure of the value of their licences and their position on transparency should be arranged. MSG members wishing to take part in discussions should inform the Secretariat, who will arrange a meeting.

Register of licences (2.3)

34. The Coal Authority do not have an online register and data is only available by request. The MSG agreed that discussions should be held with both the Coal Authority and the BEIS coal team ascertain what data is available and could be included online, along with contextual information on coal.
35. The MSG agreed that there was no value in updating the coverage of the transfer of or changes to licences published on the OGA PEARS portal. Instead a list of current licence holders should be included on the website, updated annually.
36. The MSG agreed not to pursue the recommendation of links to the relevant Local Planning Authorities (LPAs) as it is not essential or required by the EITI Standard.

Comprehensive disclosure of taxes and revenue/Profits taxes/Licence fees, rental fees, entry fees and other considerations for licences and concessions (4.1-4.1.b(vii))

37. The MSG agreed that these issues should be considered in more detail by a Mainstreaming Subgroup

Revenue management and expenditures (5.3)

38. The MSG agreed that revenue management and expenditure was covered in requirements 4.1.b(vii) and 5.2.

The contribution of the extractive sector to the economy (6.3)

39. The MSG agreed that the contextual background chapters of the EITI reports covered this recommendation and agreed to include on the new portal.

7 – Independent UK EITI website update

40. Nicola Risbridger took the MSG through the independent UK EITI development process and timeline. The procurement process via the BEIS digital marketplace was expected to take five weeks. This will be followed by the Discovery Stage where stakeholders, including the MSG, will be consulted on specifications for the website. The website developers will then build a site based on the stakeholder research. After the build has been tested it is hoped that the site will go live by the end of March 2020.
41. The MSG were keen that the website was simple to use, attractively designed and interactive (use of natural resource maps etc.). It should continue to host primary data and contact details. Updated data should be notified with a “Last updated” date and where possible a

release schedule for updated data should be included. Content should include the economic value of the sector and contextual information with links to the more granular data. The design will incorporate the latest UK EITI logo as used for the Global Conference in Paris.

42. Further volunteers for the Comms subgroup were sought to help take the process forward. Civil Society agreed to provide a representative to take part and Jeff Asser from BEIS would be approached by the Secretariat.
43. Oil and Gas UK flagged possible UK EITI awareness raising opportunities at Offshore Europe in 3-6 September 2019 and Prospex 11-12 December 2019, which could tie-in with the publication of the next EITI report in December.

8 – Recommendations by IA from 2017 report

44. The 2017 Independent Administrator recommendations highlighted some discrepancies during the process involving CES, in particular payments relating to coastal rights were not initially included. These discrepancies were identified and reconciled. It is anticipated that this will not occur in the future as CES are now more familiar with the process.
45. TCE and CES payments were not disaggregated by revenue stream. Although the total payments reconciled the IA needs to establish which revenue stream they relate to e.g. fees or royalties.
46. BDO agreed to provide a breakdown of the work that they carry out that the MSG does not see. They also agreed to respond with an acknowledgement to companies once they have received their templates, a copy will be sent to the Secretariat to circulate to the MSG.

9 – 2018 reconciliation process

47. BDO circulated the reporting package to 61 companies (40 oil and gas and 21 mining and quarrying) on 19th June, with a deadline for completion of 2nd August.
48. Only OGA from the government agencies have provided data so far. HMRC and TCE will provide later in the week, CES are currently undergoing an audit and will provide the data as soon as possible. There may be further companies that come into scope that will need to be added the list.
49. Nine oil and gas companies have submitted their EITI templates. None of the mining and quarrying companies have yet to respond.
50. As coal payments are no longer in scope the MSG asked BDO to remove the relevant coal related companies from the list.
51. The MSG agreed that any new in-scope companies added should be given a deadline of four weeks to complete their templates.
52. A strategy of chasing companies after the 2nd August deadline needed to be agreed by the Secretariat and BDO. This could include an initial chaser by BDO, a chaser by the Secretariat a couple of weeks later and a further chaser by the Chair for any remaining companies. As a final option a chaser could be sent from the relevant Minister.

53. BDO to provide list of companies that have been included in previous reconciliation reports but not in-scope for 2018 to Oil and Gas UK and MPA asking them to identify possible further material companies.

Action Points

- Secretariat to update minutes from 22nd May MSG to reflect the “Interim Civil Society” and correct the misspelling of the name of an attendee and upload onto the UK EITI website.
- Secretariat to circulate Jeff Asser’s note on shale payments. This will be discussed in more detail by the reconciliation subgroup.
- Secretariat to arrange for the 2018 Annual Progress report to be uploaded onto UK EITI website and update and improve the presentation of UK EITI workplan.
- Secretariat to seek further volunteers for mainstreaming subgroup.
- Secretariat to arrange mainstreaming subgroup meeting to discuss scoping study recommendations in more detail.
- Secretariat to arrange meeting with The Crown Estate and Crown Estate Scotland to discuss disclosure of the value of their licences and their position on transparency. MSG members wishing to take part should contact the Secretariat.
- Secretariat to discuss with the Coal Authority and BEIS coal team the data currently available that could be linked to the new website.
- Secretariat to seek further volunteers for Comms subgroup. Civil Society agreed to provide a representative and the Secretariat will approach Jeff Asser.
- Secretariat to arrange Comms subgroup meeting for August.
- Secretariat to discuss the possibility of using Offshore Europe and Prospex as vehicles for raising awareness of EITI with Oil and Gas UK.
- Secretariat and BDO to discuss strategy for chasing companies post the 2nd August deadline (or 4 week deadline for companies identified at a late stage).
- BDO to provide a note on the background work they carry out that the MSG may not be aware of.
- BDO to remove coal companies from the in-scope mining and quarrying list.
- BDO to provide Oil and Gas UK and MPA with a list of companies that have been included in previous reconciliation reports (but not 2018), to identify further material companies.