

UK Extractive Industries Transparency Initiative Multi-Stakeholder Group  
Minutes of the 7th Meeting-Monday 7<sup>th</sup> July

Attendance

<p>Jo Swinson-EITI Champion and Chair Tracy Barker- Private Secretary to the Minister</p> <p><u>Chair</u> Marie-Anne Mackenzie- Department for Business Innovation &amp; Skills</p> <p><u>Secretariat</u> Margaret Sutherland- Department for Business Innovation &amp; Skills Vina Krishnarajah - Department for Business Innovation &amp; Skills</p> <p><u>International Secretariat</u> Eddie Rich</p> <p><u>Industry</u> Dr Patrick Foster- Camborne School of Mines-University of Exeter Andrew Enever- Shell Stephen Blythe- BP Donovan Ingram- ExxonMobil</p> <p><u>Civil Society</u> Miles Litvinoff-Publish What You Pay Gavin Hayman- Global Witness Joe Williams- Natural Resource Governance Institute- Alternate for Yannick Vuylsteke</p>	<p><u>Government</u> Alan Tume- HM Revenue &amp; Customs Carolinn Booth- HM Revenue &amp; Customs</p> <p><u>Observers</u> Ashley Shackleton-Oil &amp; Gas UK Jerry McLaughlin-Mineral Products Association David McNair-ONE Laura Kiddoo- HM Treasury Jon Atkinson- Department for International Development</p> <p><u>Nominated People</u> Muriel Roberts- Chevron</p> <p><u>Apologies</u> Eric Joyce MP Yannick Vuylsteke-Transparency International Mike Earp- Department of Energy &amp; Climate Change Jenna Williamson-Scottish Government</p>
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Summary of proceedings

1. Jo Swinson chaired the meeting and opened by praising the MSG and BIS Secretariat for the impressive progress they had made on implementation to date.
2. Industry representatives thanked BIS Secretariat and the Chair for everything that had been achieved and explained there was still plenty to do.

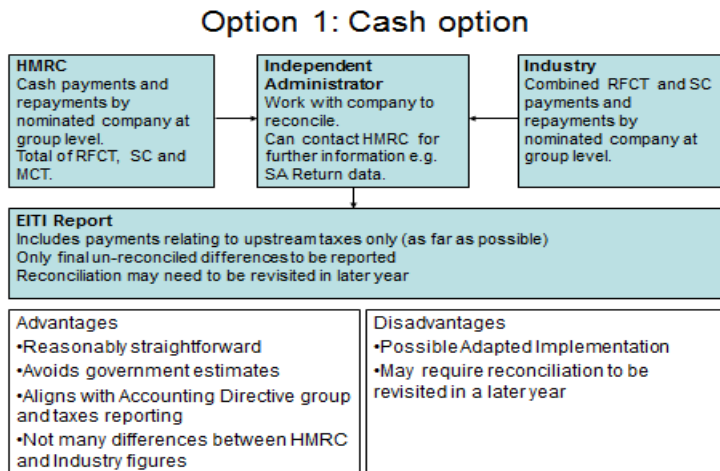
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3. Industry expressed their commitment to working towards successful implementation of EITI in the UK. It was highlighted that contentious issues had been worked through by consensus. Extra MSG meetings had also been arranged to make key decisions on implementation.
4. Civil Society agreed that a great deal had been achieved on UK EITI implementation in a very short space of time.
5. They also commended the UK Government for setting the political agenda globally on extractives transparency, Government colleagues and the BIS Secretariat for the work they had put in.
6. Civil Society also stated that political leadership was significant to keep the UK implementation on track.

Feedback from Reconciliation Sub group

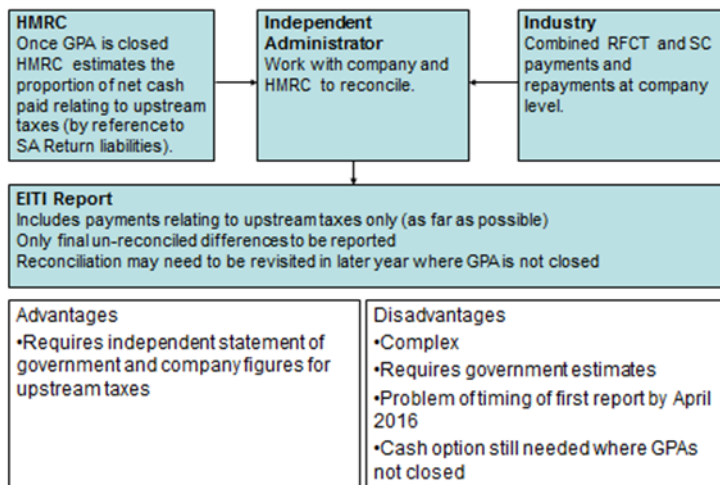
7. HMRC explained that in the UK, oil and gas companies pay upstream tax in advance, 3 times a year, 2 of the payments are made in-year and are therefore based on estimates of the total liability.
8. These payments are made at group level and include both upstream and downstream payments (Supplementary Charge, Ring Fence Corporation Tax and Corporation Tax).
9. It is only when the individual companies submit their tax return (usually 12 months after their financial year end) that HMRC have confirmation of the tax liability at company level broken down to the different types of tax.
10. Finalisation of the Group Payment Arrangement (usually 30 days after the last return is filed) allocates the group payment to a particular company. At that point the allocation of cash paid should match the liability (although there may be over or under payments and cash can be allocated to earlier or later years in full or part settlement of liabilities).
11. There can be delays in finalising Group Payment Arrangements where one or more group companies are late in submitting their returns or where HMRC has queries over any aspect of the return. Two options were presented to the MSG for reconciliation routes.

Option 1- Cash option



12. The reconciliation sub group was in agreement and recommended to the MSG that this was the preferred route for UK EITI reconciliation as it was quick, transparent and also included payments in cash terms.

**Option 2: Allocation option**



13. The reconciliation sub group explained that the second allocation option would be more time consuming and also problematic as it mixes liability and cash payments.

14. This option would also make it difficult to produce the first EITI report by the April 2016 deadline with 2014 calendar year figures (subject to the UK receiving candidacy status in October 2014).

15. In addition this option might incur costs as HMRC would need to devise an allocation methodology and possibly update their systems.

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16. Civil Society representatives highlighted that the reconciliation sub group would need to do further work on areas such as looking into the reconciliation of Petroleum Revenue Tax (PRT) and licenses.
17. The International Secretariat explained that it is not uncommon for there to be discrepancies in the EITI report and that these can be explained.
18. The International Secretariat also favoured option 1, the cash option, for the route of reconciliation. They confirmed that they would not consider this a matter requiring adapted implementation.
19. The International Secretariat also explained that if HMRC are unable to break down upstream and downstream payments, the next annual report or a supplementary report can include the updated reconciliation with an accompanying explanation
20. The MSG also discussed the role of the independent administrator in liaising with the company and HMRC when carrying out the reconciliation.
21. The reconciliation sub group paper also suggested a sub-option whereby companies provide the administrator with the figure of total cash paid, including a breakdown of upstream and downstream taxes, so that there is an amount which can be independently reconciled with the HMRC figure, but this was something which would be discussed further over the summer.
22. The MSG agreed that UK reconciliation will follow option 1, the cash option, which would be based on figures for the 2014 calendar year.
23. International Secretariat explained that a meeting was arranged for later that day to discuss the option recommended and would confirm its view of the suitability of this reconciliation route shortly.

Mining

24. The reconciliation sub group highlighted that there is no separate fiscal regime for mining; therefore reconciliation will need to be carried out for Corporation Tax which includes both upstream and downstream payments.
25. It was confirmed that the Aggregates Levy would not be in scope of EITI as discussed at an earlier MSG meeting as it is an indirect tax.
26. Mining representatives confirmed that a meeting with two large mining companies had been organised for the 17<sup>th</sup> July, the intention being to find out further information about payments made and how these are broken down.
27. The MSG also discussed that information on mining in the first report may be very high level. This could be developed once it is clear what

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mining information is published through Chapter 10 of the Accounting  
Directive.

Work plan

28. BIS Secretariat talked through the main amendments on the work plan and thanked MSG members for their input.
29. BIS Secretariat explained that further information on the taxpayer waiver had been added to the work plan along with information on the annual activity report.
30. Government representatives suggested that industry should produce the first draft of wording for the taxpayer waiver which can then be shared with legal representatives. The reconciliation sub group would look at this in more detail.
31. The MSG discussed potential mechanisms should companies fail to return the taxpayer waiver. HMRC highlighted that they will not be in a position to release any information to the independent administrator without the consent of companies.
32. To avoid this situation occurring, HMRC suggested sending a reminder to companies and suggested that the reconciliation sub group should look into this further.
33. International Secretariat confirmed that if the UK reaches candidacy status in October 2014; their first annual activity report would be due by the 30 June 2015.
34. Civil Society representatives asked whether HMRC had permission to participate in EITI, Government official's confirmed that a legislative route was being used to give HMRC a function to participate under EITI. The intention was for this clause to be included in the Infrastructure Bill.
35. There was some discussion about the availability of licences for mining. It was confirmed that DECC has access to licenses for coal mining.
36. The MSG also discussed that the contextual section of the EITI report could be used to set out the statutory requirements for mining such as the planning process.
37. The MSG discussed whether it would be possible to rely on the template, which is currently being developed for the Accounting Directive returns. It was decided that this would be problematic as EITI will be reporting a year in advance of the Directive. There was a clear preference for a separate template for EITI which the reconciliation sub group offered to develop.

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BIS Secretariat confirmed that the first sub group meeting looking at the independent administrator was scheduled for the 31 July.

A representative from the central procurement team was due to be present to talk through the procurement process within Government.

38. International Secretariat explained that they would be surprised if the cost for the independent administrator exceeded £100,000.

Timing of Candidacy Application

39. International Secretariat confirmed that if the UK proceeds with their application for the October 2014 Board meeting, the first UK EITI report would need to be published by April 2016.
40. The deadline for submitting the application is August 2014.
41. International Secretariat confirmed that the UK can produce two reports ahead of undergoing validation; therefore the first report can be used to tease out some of the areas where further lessons might be learnt.
42. BIS Secretariat confirmed that ahead of submitting the UK application both the work plan and candidacy application will need to be sent for cross departmental clearance which will take approximately 3 weeks.
43. International Secretariat explained that the UK application could be considered by board circular rather than a full Board meeting.
44. However, MSG members were in agreement that the August deadline was achievable.
45. MSG representatives asked whether the General Election would have any impact on EITI implementation. BIS Secretariat confirmed that Government would be constrained from making any public announcements during purdah, but this should not affect UK EITI implementation.
46. Industry representatives suggested forming a small planning group consisting of representatives from each constituency and BIS Secretariat to ensure the implementation timeline remains on track.

Costing

47. International Secretariat explained that providing brief details in the candidacy application about time spent by MSG representatives on EITI implementation in the UK might be beneficial to other countries looking to sign up.

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48. The work plan was agreed by the MSG. Representatives were given further time to consult with their constituencies and send any comments to BIS Secretariat.

Candidacy Application Form

49. The candidacy application form was discussed by the MSG.
50. BIS Secretariat stated that they intended to undertake outreach with stakeholders in Scotland and asked mining representatives if there were any mining companies in Scotland that it would be helpful to visit.
51. There was some discussion about how to engage wider civil society in the MSG. Civil Society representatives confirmed that they have attempted to widen their network but the majority of civil society organisations were more interested in forums that developed policy rather than one which provided information to encourage debate.
52. The Chair asked MSG representatives to share any contact details of relevant organisations with an interest in EITI with BIS Secretariat.
53. Mining representatives confirmed they would share details of the Civil Society representatives on the UK Minerals Forum.
54. The candidacy application form was agreed by the MSG. Representatives were given further time to consult with their constituencies and send any comments to BIS Secretariat.

Any other business

Case study paper-Oil & Gas

55. Industry presented a paper to the MSG with a case study illustrating some of the key features of the corporate tax regime for the UK Oil & Gas sector.
56. The paper highlighted the number of features of the UK fiscal regime which can impact the amount of taxes that a company pays. These may include tax refunds, enhancing production facilities and loss carry forwards and carry back.
57. The case study included information for a company for a range of years and also gave an overview of the different taxes in the UK.
58. The paper was well received by the MSG. The International Secretariat explained that the EITI process would be helpful in improving understanding of the Oil and Gas sector in the UK.
59. The Chair asked the communications sub group to consider how the paper could be disseminated to raise awareness of the Oil and Gas extractives industry. She also suggested that a similar paper for mining would be helpful.

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60. Industry representatives confirmed that HM Treasury was looking to review the Oil and Gas fiscal regime, Government officials confirmed more would be known by the autumn.

Additional EITI Resource

61. The Chair confirmed that the Big 4 audit firms (Deloitte, PWC, Ernst & Young and KPMG) had volunteered to undertake work on the various EITI subgroups.
62. The Chair explained that this assistance was very welcome.
63. The MSG was asked for their views on whether taking up this offer was the favoured approach amongst the communications, contextual information and reconciliation sub groups.
64. The Chair explained for propriety reasons, a representative of the BIG4 would not be able to sit on the sub group looking at the independent administrator.
65. Civil Society representatives raised concerns that using Big 4 representatives would make the sub groups unbalanced in industry's favour.
66. International Secretariat recommended that this offer should not be taken up for the reconciliation sub group and could also be problematic for the contextual information sub group if a decision was made that some of the work on the contextual information should be contracted out.
67. Chairs of sub groups were asked to check with their members if they wanted to take advantage of this additional resource.

Minutes

68. There was some discussion about agreeing these minutes ahead of the September MSG meeting. The Outreach & Candidature Committee may need to refer to them when assessing the UK EITI candidacy application.

Actions agreed at this meeting

69. The MSG agreed that UK reconciliation will follow option 1 the cash option which would be based on figures for the 2014 calendar year
70. The work plan and candidacy application were agreed by the MSG.

**Next Meeting- Tuesday 9<sup>th</sup> September (Global Witness Offices-Tower Hill)**



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Action	Status
1. Secretariat to publish the minutes from the 5th (extraordinary) meeting and circulate the minutes from the June MSG meeting for agreement via email.	Complete
2. Eddie Rich to confirm with the International Secretariat whether the preferred reconciliation route for UK EITI will be sufficient.	Complete
3. BIS Secretariat to update the work plan and candidacy application form and re circulate	Complete
4. MSG representatives to liaise with their constituencies re work plan and candidacy application form and provide comments to Secretariat by Monday 14 July.	Complete
5. BIS Secretariat to circulate the link to the Infrastructure Bill which includes a clause giving HMRC a function to engage in EITI.	Complete
6. MSG representatives to confirm with BIS Secretariat how much time they have spent working on UK EITI in the last year (from April 2013-March 2014).	Complete
7. BIS Secretariat to update the one page EITI implementation timeline and circulate	Complete
8. BIS Secretariat to arrange fortnightly phone meetings to update progress on timeline. Stephen Blythe, Miles Litvinoff and Carolinn Booth have volunteered to participate.	Complete
9. Civil society to send through lines on outreach for the candidacy application	Complete
10. Dr Foster to provide Miles Litvinoff with the details of NGOs that participate in the UK Minerals Forum	Ongoing

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<p>11. BIS Secretariat to circulate the excel file which accompanies the case study paper on oil and gas Complete. Any comments on the paper from MSG members to be sent directly to Stephen Blythe.</p>	<p>Complete</p>
<p>12. Communications sub group to consider how best to publicise case study paper, with the aim of raising awareness of the extractives industry.</p>	<p>Ongoing</p>
<p>13. Comms and contextual information sub groups to consider whether they want to take up the offer from the BIG 4 accounting firms to assist with EITI.</p>	<p>Ongoing</p>