

UK Extractive Industries Transparency Initiative Multi-Stakeholder Group  
Minutes of the 6th Meeting-Tuesday 3<sup>rd</sup> June

Attendance

<p>Jenny Willott-EITI Champion 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>Industry</u> Dr Patrick Foster- Camborne School of Mines-University of Exeter- via teleconference Andrew Enever- Shell Stephen Blythe- BP Donovan Ingram- ExxonMobil</p> <p><u>Civil Society</u> Miles Litvinoff-Publish What You Pay Eric Joyce MP Yannick Vuylsteke- Transparency International Brendan O 'Donnell- Global Witness (Alternate for Gavin Hayman)</p>	<p><u>Government</u> Mike Earp- Department of Energy &amp; Climate Change Alan Tume- HM Revenue &amp; Customs Carolinn Booth- HM Revenue &amp; Customs</p> <p><u>Observers</u> Ashley Shackleton-Oil &amp; Gas UK Muriel Roberts- Chevron Colin Tinto- Global Witness Joe Williams- Revenue Watch Institute Laura Kiddoo- HM Treasury Justine de Davila- Department for International Development</p> <p><u>Apologies</u> Eddie Rich- International Secretariat Jerry McLaughlin- Mineral Products Association</p>
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Summary of proceedings

1. The following changes in MSG representation were highlighted:  
Yannick Yuylsteke from Transparency International is replacing Rachel Davies as a Civil Society representative. Donovan Ingram from ExxonMobil would temporarily stand in for Michael Barron.

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Agreement of Minutes

2. The Chair explained that comments received on the minutes from the April meeting had been circulated. However, agreement was yet to be reached under the petroleum revenue tax section of the minutes.
3. The Chair suggested retaining the Secretariat's original wording unless it contained any factual incorrectness.
4. After some discussion the MSG agreed the minutes with the addition of a new paragraph on petroleum revenue tax reporting.

EITI objectives

5. Jenny Willott (EITI Champion) praised the MSG for their efforts in agreeing the UK EITI objectives. She understood this was a challenge but explained that this was an important milestone in implementation.
6. She highlighted that there was still a lot of work to do to ensure speedy implementation in the UK.
7. It was a good message to be sending to other countries that the UK was signed up and delivering rapidly.

Work plan

8. Secretariat introduced the draft work plan, explaining that the activities within it are designed to implement the UK EITI objectives. It was explained that the draft work plan was based on the Philippine's model which worked well.
9. Civil Society highlighted that the UK using the Philippines work plan to inform the UK application was a very good example of the importance of peer learning, which should be noted in our application.
10. The work plan was a key document to go alongside the UK candidacy application.
11. Secretariat confirmed that the objectives were re ordered in the draft work plan as it was felt that increasing public understanding and accountability were the most important elements which should be listed first.
12. The work plan included the range of activities, some of which had already been carried out under EITI and others which were yet to be implemented. These were linked to a specific objective.
13. Secretariat welcomed comments from MSG members on the work plan.

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14. Industry representatives explained that critical deliverables should be made clearer in the work plan and expressed that further iterations of the work plan would be needed before agreement.
15. Secretariat confirmed that further information on costings, timeline and status would be added to the work plan.
16. Secretariat summarised the timeline for the candidacy application and work plan. The work plan would need to be submitted to the International Board by August 2014 to be considered at their October meeting.
17. It would need to be submitted for Cabinet Clearance ahead of the summer recess in July.
18. Government representatives highlighted that the work plan would need to be a public document which was fully costed. They also suggested that tasks should be allocated to individuals rather than merely to the Secretariat, MSG etc. The Chair suggested creating a working level document which would be more detailed which would run alongside the formal Work Plan that would be submitted as part of our candidacy application.
19. Civil Society explained that a scaled down version of the work plan would be beneficial to see the critical path and major actions to get to candidacy. They also highlighted that the work plan didn't appear to include anything contentious.

Independent Administrator

20. The MSG discussed the procurement of the independent administrator. The Chair confirmed that the independent administrator does not need to be appointed ahead of making the application. There was a general view that it would be helpful to appoint the administrator sooner rather than later.
21. Secretariat explained UK SBS (UK Shared Business Services Limited) is responsible for delivering all procurement activity on behalf of the department. A contact within UKSBS will work with the sub group once it has been formed.
22. The Chair explained that the Department for Business, Innovation & Skills (BIS) will fund the reconciliation. A business case will need to be put forward ahead of the budget next April 2015 to the Permanent Secretary.
23. After discussion it was agreed that Secretariat would chair the sub group for the independent administrator and volunteers were sought from the existing sub groups.

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EITI Application form

24. Secretariat explained that the candidacy application form goes through the four sign up steps (statement of intention, appointment of a Champion, formation of an MSG and development of a work plan) and requires evidence under each step to show that the step has been completed.
25. Secretariat confirmed that they intend to circulate the draft application form within the next two weeks.
26. After discussion it was agreed that an extraordinary meeting would be arranged in July to agree both the work plan and application form. Dialling into this meeting would be an option.

Reconciliation sub group

27. The Chair of the sub group opened by thanking all the sub group members for their participation.
28. HMRC explained that oil and gas companies make payments to HMRC in-year based on their estimated liability for corporation tax, ring-fenced corporation tax and supplementary charge (covering both upstream and downstream activities). In addition HMRC enters into voluntary arrangements with groups (called a Group Payment Arrangement) to allow a nominated company to make a payment on behalf of the whole group. This is to ease the administrative burden on business. It is only when the individual companies submit their tax return 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. 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).
29. 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

30. The first option was to wait for all returns to be submitted and Group Payment Arrangements to be finalised. This would mean that HMRC

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could try to allocate out payments received in a year, to the various tax streams on a company-by-company basis. This would be difficult and could lead to differences in reconciliation as the system to allocate payments is very complicated, the allocations can also be changed.

31. In addition HMRC is unlikely to have all of this information for 2014 before February 2016.
32. If the MSG chose this option and submit its application in time for the October EITI Board, it is possible that this would not leave enough time for the reconciler to carry out the work needed for the first report.
33. An alternative may be to use data for the 2013. This would be allowable under the EITI rules as long as the first report is published by December 2015 however, it was questioned whether the UK would be setting a good example if it is using old data.

Option 2

34. The second option would involve HMRC submitting details of the in-year group payments received to the independent administrator. As outlined earlier, these payments may relate to a number of companies within a group and include both upstream and downstream payments.
35. It would then be the responsibility of the company to notify to reconciler about the proportion of the payments that relate to upstream activity and to which company.
36. It may be possible to link the reconciliation with the returns made under the Accounting and Transparency Directives. Companies will be required to file a return setting out all payments they make to governments in all countries they operate. The return includes taxes paid in the UK and the data will be broken down by type of revenue stream. Therefore, the reconciliation could include a comparison of EITI data to returns made under the Accounting or Transparency Directives.
37. The first option is detailed and requires additional time to allow for all the information to be collected while the second option is simpler. The sub group confirmed that they need to do more work looking at both of these options.
38. The sub group confirmed these options were wholly concerned with oil and gas payments.
39. Petroleum Revenue Tax (PRT) is a separate tax and is accounted for differently by HMRC.
40. Mining representatives explained that some mining companies had volunteered to disclose their payments and it may be a good idea to get them onto the reconciliation sub group.

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41. Industry representatives confirmed that as the first option does take longer one idea would be to use 2013 data. However, there is a risk that the UK will be criticised for using old data in the first report.
42. Adapted implementation was discussed and there was some concern that the second option set out by the reconciliation sub group would fall under adapted implementation. It was agreed that the Secretariat would approach the International EITI Secretariat for their views on the two options.
43. The reconciliation sub group were tasked with producing a paper ahead of the extraordinary meeting of the MSG which would set out the pros and cons of each of the options for the reconciliation.

Contextual Information sub-group

44. The sub group shared a range of data including illustrative charts exist on UK oil and gas production which should be included in the contextual section of the EITI report with an explanatory narrative.
45. It would be relatively easy to provide this information in the EITI report but further work needs to be done to ascertain what can be included for mining.
46. Government representatives requested early clarification of which year the first EITI report will cover as this will have a bearing on the version of the illustrative charts to be used.
47. The sub group would give further thought to the level of information that will be provided in the contextual section of the report and whether links to external sources of information will be included. They will also give further thought to how this information will be presented.
48. Civil Society representatives highlighted that the Open Knowledge Foundation is very good at producing info graphics which could be beneficial for the communication sub group.
49. Civil Society suggested that the contextual information include an explanation of the level of taxes paid by industry. This is an important aspect of the EITI and may encourage people to ask questions. It may be useful to hold a forum with journalists closer to the time of the publication of the first report.

Communications sub group

50. Secretariat talked through the EITI communications strategy which includes the overarching EITI objectives, the communications completed, stakeholder prioritisation and a communications calendar.
51. Discussion then focussed on the EITI mining event on the 12 June and the industry guidance document.

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EITI mining event

52. Dr Patrick Foster explained that the take up for the mining event was poor but a final push for attendees was being conducted with the assistance of the secretariat.
53. MSG representatives were encouraged to attend.

Industry guidance document

54. Industry representatives explained that they had developed a guidance document for oil and gas companies which they were keen to circulate asap, this was the first of a range of documents.
55. The document includes background information on EITI and provides an update on implementation. It also covers more details on EITI such as when companies will have to report and what types of payments will be covered and the benefits of EITI.
56. Industry outlined the range of publications which will be used to disseminate the guidance document such as newsletters, magazines and the upcoming EITI event in October.
57. Industry asked whether the Government was planning any announcements following the G7 last year to provide an update on progress. The Chair highlighted that would be a decision for the G7 to agree.

Any other business

58. Secretariat confirmed that the minutes from the extraordinary meeting on the 20 May would be circulated shortly and agreed at the extraordinary meeting in July.
59. The amended Terms of Reference were briefly discussed and the MSG agreed the changed surrounding decision making rules and voting.
60. The Chair explained that the responses to the consultation document on Chapter 10 of the Accounting Directive would be published in due course and secretariat would circulate a web link when available.

Actions agreed at this meeting

61. At the sixth meeting of the EITI the MSG agreed the following:
  - The MSG agreed to have an extraordinary meeting in July to agree the UK candidacy application.

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 Next Meeting- Monday 7<sup>th</sup> July- 10-2pm

Summary of actions

Action	Status
Industry to discuss with their constituency the possibility of including a worked example of a company's tax calculations for the first EITI report.(Stephen to action)	Complete
Secretariat to amend the minutes from the April MSG meeting and recirculate for agreement. They will then be published on the EITI Multi Stakeholder Group Webpage.	Complete
Secretariat to circulate the minutes from the Extraordinary 5 <sup>th</sup> meeting of the MSG.	Complete
Secretariat to update the Terms of Reference and publish on the Webpage	Complete
Secretariat to publish the EITI objectives on the Webpage	Complete
Secretariat to circulate the industry oil and gas guidance document. Comments to be sent direct to Stephen Blythe.	Complete
Secretariat to circulate a blank copy of the EITI application form.	Complete
MSG representatives to email comments on the work plan to secretariat by Friday 13 June. (Secretariat to then complete further work on the work plan to include a second working level document with a timeline).	Complete
UK Secretariat to chair a new sub	Complete



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group setting out the role of the independent administrator. MSG members from the existing sub groups to nominate the names to Secretariat by Tuesday 10 <sup>th</sup> May.	
Secretariat to circulate provisional dates for an extraordinary meeting to take place in July.	Complete
Reconciliation sub group to produce a paper ahead of the extraordinary meeting including worked examples of the options available for reconciliation.	Complete
UK Secretariat to set up a meeting with International Secretariat and HMRC to go through the options available for reconciliation.	Complete
Miles Litvinoff to combine the two sets of recommendations from the context sub group.- Complete	Complete
Contextual sub group to produce a worked example of information that will be included in the contextual part of the EITI report	