

UK Extractive Industries Transparency Initiative Multi-Stakeholder Group
Minutes of the 3rd Meeting-Tuesday 4th February

Attendance

<p>Jenny Willott-EITI Champion Maria Isanzu- Private Secretary to the Minister</p> <p><u>Chair</u> Marie-Anne Mackenzie- Department for Business Innovation & Skills</p> <p><u>Secretariat</u> Margaret Sutherland- Department for Business Innovation & Skills Vina Krishnarajah - Department for Business Innovation & 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 Michael Barron – BG Group</p> <p><u>Civil Society</u> Gavin Hayman-Global Witness Brendan O ‘Donnell- Global Witness (Alternate for Miles Litvinoff) Joe Williams- Revenue Watch Institute (Alternate for Rachel Davies)</p>	<p><u>Government</u> Mike Earp- Department of Energy & Climate Change Alan Tume- HM Revenue & Customs Sandra Johnson-Blake- Department for Business Innovation & Skills Jenna Percival- Scottish Government</p> <p><u>Observers</u> Ashley Shackleton-Oil & Gas UK Jerry McLaughlin- Mineral Products Association Colin Tinto- Global Witness Laura Kiddoo- HM Treasury Justine de Davila- Department for International Development</p> <p><u>Experts</u> Carolinn Booth- HM Revenue & Customs Tony Chanter- HM Revenue & Customs</p> <p><u>Nominated people</u> Alison Hills- ExxonMobil Donovan Ingram- ExxonMobil Liz David Barratt- Said Business School, University of Oxford Jon Atkinson- Department for International Development</p> <p><u>Apologies</u> Rachel Davies- Transparency International Miles Litvinoff-Publish What You Pay Eric Joyce MP</p>
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Summary of Proceedings

1. Jenny Willott (EITI Champion covering for Jo Swinson) opened the meeting by explaining the importance of the UK showing international leadership in implementing EITI. Few developed economies have signed up to EITI and once compliant, the UK will be better placed to encourage other countries to do the same and drive change globally.

UK Extractive Industries Transparency Initiative Multi-Stakeholder Group
Minutes of the 3rd Meeting-Tuesday 4th February

2. The Minister explained that she spent some time at Rio Tinto as part of the Industry and Parliament Trust initiative which improved her knowledge of the mining industry.
3. She confirmed that the timetable for UK implementation is challenging but it can be achieved.
4. The minutes were agreed with a minor amendment.
5. Civil Society confirmed that the EITI Multi Stakeholder Group webpage where minutes are published is useful to stakeholders.

Timeline

6. Secretariat explained the timeline which would need to be met in order for the EITI Board to consider the UK's candidacy application at their October 2014 meeting.
7. The International Board would need to receive the UK candidacy application by August 2014.
8. Cross government clearance for the UK candidacy application will be needed ahead of the House rising for summer recess on the 22 July 2014.
9. There are two MSG meetings remaining (April and June) ahead of July.
10. Secretariat confirmed they intend to circulate the first draft of the candidacy application form following the April MSG meeting for comments. It is expected to be agreed at the June MSG meeting.
11. Industry representatives raised concerns about the October EITI International Board meeting driving the UK implementation process. It was suggested that the UK application should not be submitted until the end of 2014 to then be considered by the International Board at their February 2015 meeting.
12. Civil Society explained that the timeline was ambitious but the MSG should stick to an ambitious timeframe to set a good example to other countries. Progress had been swift thus far, with political will and harmonisation of interests between civil society and business both evident.
13. The International Secretariat confirmed that it was right that the timeline was challenging as it showed that the UK was being ambitious in its implementation, noting that on this timeline it would be possible to produce a first report in 2015.

UK Extractive Industries Transparency Initiative Multi-Stakeholder Group
Minutes of the 3rd Meeting-Tuesday 4th February

14. Agreement was reached that the UK would aim to submit their candidacy application form by August 2014 to be considered at the October 2014 International Secretariat meeting. This would ensure the UK meets its OGP commitment to be recognised as a candidate country in 2014. However, the timeline will be kept under review.
15. Secretariat confirmed that if this deadline was met the first UK EITI report would need to be published by April 2016 based on figures for the 2014 calendar year.
16. This means that UK extractive companies may be reporting under EITI in advance of the Accounting Directive. The consultation on chapter 10 suggests reporting in 2016 on figures for the 2015 calendar year..
17. International Secretariat suggested that the UK could publish a report in 2015 based on 2013 figures if they wanted to commence reporting immediately.

Project Plan

18. Mining representatives suggested an extra column should be added to the project plan detailing the timetable of the Accounting Directive.
19. International Secretariat explained that further work would be needed on the project plan as it will feed into the work plan. This includes a narrative explaining the key objectives of EITI in the UK explaining what the UK hopes to achieve through implementation.
20. The objectives should reflect the first paragraph of the Terms of Reference for the Multi Stakeholder Group. This was drafted by industry and civil society representatives and reflects the agreement to work together in the spirit of collaboration to ensure UK EITI implementation is a success.
21. The International Secretariat confirmed that the details of which reconciliation route the UK choose to adopt does not need to be included in the work plan, however, work on this should begin as once the application is approved, the UK will only have 18 months to produce it's first report.
22. A reconciliation sub group was setup headed by Government representatives. The Chair highlighted that participation in sub groups can be opened up to other experts outside the MSG.

Candidacy Application

23. Secretariat highlighted that further work on communications was needed to raise the profile of UK EITI and volunteers were sought for a communications sub group.

UK Extractive Industries Transparency Initiative Multi-Stakeholder Group
Minutes of the 3rd Meeting-Tuesday 4th February

24. Mining representatives explained that it would be helpful to hold an event for their constituency in the next few months to raise the profile of EITI and increase understanding amongst mining stakeholders.
25. Civil Society confirmed that it may be possible to get other organisations involved in the communications sub group but they would confirm.
26. The Chair confirmed that any outreach that has already been done on EITI or that is planned for the future should be shared with the Secretariat so that it can be logged.

Mining Presentations

27. Mining representatives provided an overview of mining and aggregates production in the UK.
28. There are plenty of coal reserves in the UK but they are not in use. Production in the UK is declining as it is cheaper to import coal from other countries.
29. Some mining companies such as Cleveland Potash pay royalties to the Crown Estate. These payments would need to be captured under EITI.
30. There are around 300 companies in the aggregates sector with approximately five companies producing 75% of the output.
31. In the UK mining sector it is unclear which figures come from upstream and downstream activity.
32. International Secretariat confirmed that there is scope for UK to apply materiality thresholds, and that different materiality thresholds could apply for reporting by mining companies compared to reporting by companies extracting oil and gas. The MSG would have to clearly present the grounds for any such position and justify these if possible with indicative figures in the EITI reports.
33. Civil Society noted that any exclusion on the basis of materiality should be spelled out, also explaining that materiality is not only a matter of profitability (for example, environmental and social impact are also relevant).
34. Other countries implementing EITI have established different materiality thresholds for oil and gas and for mining.
35. Government representatives suggested waiting to see which mining companies report under the Accounting Directive and then making a decision on which mining companies should report under EITI.

HMRC Presentation on taxes

36. HMRC representatives gave an overview of the North Sea tax regime explaining how the various taxes are collected. There was a great deal of discussion on PRT.
37. HMRC explained that for the 2012-13 tax year gross PRT receipts were approximately £1.7 billion and that there are currently fewer than 50 PRT paying fields. Each field may have a number of participators. HMRC receive approximately 200 PRT returns every six months.
38. The MSG discussed the advantages and disadvantages of reporting Petroleum Revenue Tax (PRT) at field level.
39. Civil Society raised the importance of reporting PRT at field level as it would show leadership. Industry highlighted that due to the limited number of fields paying PRT, this information would be of limited value. This is largely because PRT only applies to fields that were in operation before March 1993 meaning that this tax is not paid on many fields. Also a number of companies could be reporting PRT on an individual field.
40. After some discussion the MSG agreed that Petroleum Revenue Tax (PRT) should be reported at field level under UK EITI. A key factor was the recognition that individual PRT returns are submitted to HMRC at the field level, so the cost of providing field level returns would be low; however the limitations of the data would need to be explained in the EITI report.

Contextual Information Sub group

41. The sub group outlined the information required for the contextual information chapter of the EITI report and agreed who would be responsible for taking each area forward. There was agreement that most of the contextual information required for the EITI report already exists in the public domain but it is very fragmented.

Optional Areas Sub group

42. The sub group considered optional areas to include in the EITI report under the new Standard. This included revenue management, beneficial ownership and contract disclosure.
43. Revenue management was also discussed by the context sub group which recommended that part of the EITI standard in this area is not applicable as the UK does not earmark extractive revenues for specific programmes. The optional areas sub group concurred with the context sub group's recommendation in this area.

UK Extractive Industries Transparency Initiative Multi-Stakeholder Group
Minutes of the 3rd Meeting-Tuesday 4th February

44. The sub group explained that government does not contract with the oil & gas industry. However, license information is expected to be included in UK EITI.

45. The sub Group recommended that Beneficial Ownership should be part of the UK EITI and be included within the first EITI Report.

46. The Secretariat will check this does not conflict with government plans to legislate in this area considering plans to legislate for a Beneficial Ownership register. In particular, to consider the likelihood that the first EITI Report will be published before the register. Should the inclusion of beneficial ownership within the first year prove problematic¹, the first report should include as a minimum a commitment to include beneficial ownership in future reports.

47. The MSG accepted the definition of Beneficial Ownership set out in the EITI Standard. This would mean that:

- Private companies would need to disclose the real individuals who ultimately own the company.
- Listed companies would disclose their wholly owned subsidiaries operating in the UK.
- Companies owned by a state would have to declare their owner.
- The disclosure obligations on private companies would apply to the privately held parts of joint ventures or other companies with mixed ownership.

48. The MSG accepted this recommendation.

49. International Secretariat emphasized that beneficial ownership is encouraged under the new standard and 12 countries have currently volunteered for the pilot. However, guidance from the International Secretariat will not be published for the next couple of years.

50. Civil Society stated that discussions during the sub group meeting were extremely helpful in agreeing recommendations.

Other discussions

51. The MSG agreed that the materiality threshold for EITI will mirror the Accounting Directive.

¹ *This will take account of the requirements and timing of UK legislation on beneficial ownership, identifying any potentially conflicting provisions. It will also take into consideration the guidance for the beneficial ownership pilots issued by the EITI International Secretariat.*

UK Extractive Industries Transparency Initiative Multi-Stakeholder Group
Minutes of the 3rd Meeting-Tuesday 4th February

52. Government representatives highlighted that further thought will need to be given on how to account for refunds that HMRC may issue for decommissioning of land.

53. The MSG agreed to adopt an accounting period based on Calendar Year.

Civil Society Concept Paper

54. Civil society outlined proposals for discussion of further areas of reporting which they suggested should be relevant for EITI in the UK context. These included details of company profits and sales, production levels and environmental constraints, as set out in a concept paper circulated to the MSG. Industry raised concerns that these elements were beyond the scope of EITI reporting. International Secretariat noted that it is for UK to determine a scope of reporting based on the aims of the UK in joining EITI.

55. Agreement that the issues would be discussed in more depth at a meeting hosted by Civil Society.

Next Meeting- Tuesday 8th April

Summary of Actions from MSG 3

Action	Status
Secretariat to amend the minutes to highlight where text has been added following the 2 nd MSG. It will then be published on the EITI Multi Stakeholder Group Webpage.	Complete
Secretariat to update the project plan to include details of sub group meetings and to add timeline for Accounting directive.	Complete
Secretariat to draft objectives for UK EITI which will be agreed by the MSG, and feed into the work plan.	Complete
International Secretariat to pass work plan guidance to UK Secretariat. (completed)	Complete

UK Extractive Industries Transparency Initiative Multi-Stakeholder Group
Minutes of the 3rd Meeting-Tuesday 4th February

Reconciliation sub group to be formed and headed by HMRC	Complete
Communications sub group to be formed	Complete
Secretariat to work with Dr Foster on arranging an EITI event for mining representatives in the next quarter	Complete
All representatives to let Secretariat know what outreach on EITI has been carried out by their constituency.	Complete
Dr Foster to find out if British Gypsum separates out it's upstream to downstream activity costs.	Complete
Secretariat to circulate the link to the gov.uk website where details are given of field and projects qualifying for new and brown field allowances.	Complete
Joe Williams to look into other implementing countries reports to see how they have reported on mining payments	Complete
Scoping paper on mining to be produced by Mike Earp, Jerry Mclaughlin and Dr Patrick Foster	Complete
Civil society to host a meeting to discuss their concept paper on country-by-country reporting	Complete