The new EITI Standard – *an Explainer*

What is the EITI?

The Extractive Industries Transparency Initiative (EITI) is a global initiative that promotes open and accountable management of oil, gas and mineral resources. The UK is one of 56 countries implementing the EITI Standard.

The EITI mission

- Build understanding of natural resource management
- Strengthen public and corporate governance and accountability
- Provide data to inform policymaking and multi-stakeholder dialogue about the extractive sectors.

A core part of EITI requires companies to voluntarily disclose the payments they make to government agencies. These payments are independently reconciled with government receipts.

EITI in the UK is overseen by a Multi-Stakeholder Group (MSG) comprising representatives from industry, civil society and the governments of each of the UK's four nations.

EITI in the UK

- The UK was a prime mover in establishing the EITI in 2004
- The UK began implementing the EITI in 2014 to show global leadership in the anti-corruption agenda.
- The UK uses the EITI platform to bring together data from a wide range of sources in an accessible format, to strengthen public understanding of UK extractive industries.
- UK EITI reporting helps identify the sector's contribution to the economic and social development of the country.

UK EITI achieved an overall "High Score" - 90 out of 100 - against the "old" 2019 EITI Standard in the most recent validation and has set the global standard for timely public reporting the last two years.

New EITI Standard adopted

At the global conference in June last year, celebrating the EITI's 20th anniversary, the International Board adopted an update to the EITI Standard.

This explainer provides a snapshot of the new EITI Standard and what that can mean for UK implementation of it.

What is the Standard?

The EITI Standard establishes a common set of rules for all countries that implement the EITI. It details the information that governments and companies in EITI countries should disclose and when it must be reported. The Standard promotes good governance of the extractives sectors in each country. For the UK, that means oil, gas, mining and quarrying. It enhances transparency, strengthens accountability and facilitates public debate about how countries manage their natural resources.

UK EITI is implementing the Standard

As an implementing country since 2014, the UK EITI MSG is responsible for implementing the new Standard. The UK will be validated against implementation of the new Standard from 1st January 2025. UK EITI has set up a Compliance subgroup to take forward the requirements, including any possible risks or constraints arising from the new Standard in readiness for the validation.

What is new in the Standard?

The energy transition – from ramping up critical mineral production to shifting demand away from fossil fuels - holds a prominent place in the new Standard. New requirements (11 new and 28 refinements) for disclosing carbon taxes and pricing mechanisms, greenhouse gas emissions, production costs, reserves and subsidies, for example, aim to improve public understanding about the impact of the energy transition on the oil, gas and mining sectors and to inform policymaking. Transparency over the terms of transactions and who benefits from critical mineral activities builds good governance and sustained supply. Revenue forecasts and companies' costs can strengthen public understanding of expected revenues and investment decisions, while data on greenhouse gas emissions can help guide policymakers, citizens and investors. The new Standard also strengthens current requirements around corruption risks, revenue collection, impact and stakeholder engagement and gender equity.

Whilst the rules are collectively called "requirements", many of the changes under the new Standard are "expectations" or "encouragements" to encourage ambition, innovation and best practice.

The thematic areas below are *an indicative overview* of the changes to the Standard. *Not* all of them are 'requirements' and thus do not necessarily impose reporting or other burdens.

> ***Requirement*** = **mandatory**
> UK EITI will be evaluated on all mandatory issues to assess progress in implementation.
>
> ***Expected*** = **should**
> MSG is to consider the issue and document MSG deliberations, including the rationale for and barriers to disclosing/ not-disclosing.
>
> Validators will consider and document MSG's discussions.
>
> ***Encouraged*** = **optional (optimal)**
> Validators will note MSG work/efforts but will not take it into account in assessing fulfilment of the Standard - positively or negatively.

1. Anti-corruption

- Expects companies to disclose their anti-corruption policies.
- Encourages lower thresholds for reporting beneficial owners, providing more transparency in ownership structures, including non-UK owners.
- Links license registers with ownership registers to improve the usability of data.
- Encourages companies to disclose the identity of beneficial owners and politically exposed persons (PEPs), as well as the full ownership structure leading to beneficial owners.

2. Energy transition (ET)

- Supports disclosure and public debate on ET impacts on extractive sectors, national economies.
- Encourages governments to disclose energy transition policies, carbon pricing mechanisms, subsidies.
- Expects fast-tracked license awards to be documented transparently.
- Requires disclosures on proven reserves and greenhouse gas emissions (GGE).
- Expects disclosure of revenue forecasts and scenarios.
- Increases understanding about energy transition commitments, policies, plans as well as carbon taxes, pricing and subsidies.
- Sheds light on investments by state-owned enterprises (SoEs).

3. Gender, social & environmental

- Promotes diverse participation in decision-making and gender-sensitive data disclosures.
- Requires gender-disaggregated data on benefits to communities and employment.
- Expects environmental, social, and gender impact assessments and monitoring reports to be publicly accessible.

4. Impact & engagement

- Expects countries and companies to provide information on free, prior and informed consent (FPIC) and community consultation.
- Ensuring EITI implementation addresses key governance challenges related to energy. transition, anti-corruption and gender equity.

5. Revenue collection

- Introduces leaner processes for revenue disclosure, including effective tax rates, incentives and deductions.
- Requires more granular, higher quality disclosures on production, exports, costs and resource-backed loans, including collateralised sovereign debt.
- Countries should disclose how they monitor and verify production and export data.
- Companies and governments are encouraged to disclose capital and operating expenditures.
- Requires disclosure of exploration contracts, sales agreements, contracts with infrastructure. and barter provisions, and contracts mandating social and environmental payments.
- Sheds light on companies' costs and government systems for monitoring costs.

Possible risks to implementation and compliance

- There is the possibility of pushback from industry on a number of new requirements and expectations for publication of potentially commercially confidential details, eg. data relating to project costs, production data by value and data around the award of licences.
- Resource implications on the sourcing and collection of new data by government agencies.
- Availability and reliability of some of the new data required or expected to be disclosed under the new Standard.