

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

**Minutes of the 33<sup>rd</sup> Meeting – 22<sup>nd</sup> May 2019 – BEIS Conference Centre,  
SW1H 0ET (10-2.30pm)**

**Attendance**

<p><b>Chair</b></p> <p>Matt Ray - Department for Business, Energy and Industrial Strategy</p> <p><b>Secretariat</b></p> <p>Mike Nash - Department for Business, Energy and Industrial Strategy</p> <p><b>Industry</b></p> <p>Dr Patrick Foster - Mining Association of the UK &amp; 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 &amp; Gas UK</p> <p><b>Interim Civil Society</b></p> <p>Lorraine Allanson</p> <p>Joe Williams – Natural Resource Governance Institute</p> <p>Rocio Paniagua – Transparency International UK</p> <p>Martyn Gordon – Robert Gordon University Aberdeen (by phone)</p>	<p><b>Government</b></p> <p>Mike Earp - Oil &amp; Gas Authority</p> <p>Nicola Garrod – HMRC</p> <p>Jeff Asser – Department for Business, Energy and Industrial Strategy</p> <p>Rhona Birchall – DFID (by phone)</p> <p>Martin Quinn, Department for the Economy Northern Ireland (by phone)</p> <p><b>Experts</b></p> <p>Eddie Rich – EITI International Secretariat</p> <p>Sam Bartlett – EITI International Secretariat (by phone)</p> <p><b>Others</b></p> <p>Tom Bioletti - HMRC</p> <p>Steve Webster - Department for Business, Energy and Industrial Strategy</p> <p><b>Apologies</b></p> <p>John Bowater – Aggregate Industries</p> <p>Joe Perman – Scottish Government</p> <p>Lucy Felton - HMT</p>
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**1 – Welcome and introductions:**

1. The Chair welcomed all to the 33<sup>rd</sup> meeting of the UK EITI MSG.
2. The Chair announced that Nicola Risbridger will take over as the UK EITI National Co-ordinator from 10<sup>th</sup> June, replacing John Emeruwa, who has unfortunately had to step down from the role.

## **2 – UK EITI Updates:**

### ***Civil Society***

3. The Chair welcomed the Civil Society Network (CSN) representatives. CSN have agreed to return to the MSG and have agreed several key changes to their principles, including encouraging representation from local communities, and are actively looking for nominations.
4. CSN are attending the meeting on an interim basis. The full appointment of civil society members will take place once the CSN co-ordinator is in place to administer the new nominations process. The MSG agreed to this approach and way forward.

### ***4<sup>th</sup> UK EITI Report***

5. The 4<sup>th</sup> UK EITI report was published at the end of February 2019. The Chair thanked the MSG for their input and hard work to ensure the report was published on time.
6. Although the MSG agreed to a soft launch the publication of the report was referenced by Dr Liam Fox, Secretary of State for International Trade, in his speech at International Petroleum Week on 27<sup>th</sup> February.

### ***Independent UK EITI website***

7. Government Digital Services have approved the MSG application for an independent UK EITI website. The secretariat is currently awaiting the standard terms and conditions before taking forward.
8. The secretariat will engage with the comms subgroup and the MSG in the coming months. There is a budget in place and it is hoped that initial plans will be available in time for the July meeting for the MSG to consider. Further volunteers for the Comms subgroup will be sought.

### ***Independent Administrator***

9. We are close to appointing an Independent Administrator. The Secretariat are still awaiting the pricing and scoring from UK SBS, who administer the process. The Chair thanked Mike Earp, Romina Mele-Cornish, Joe Williams and Tom Evans for their contribution to the process.

### ***2018 Annual Progress Report and UK EITI Workplan***

10. Due to the weight of the agenda the Annual Progress Report (APR) and Workplan will be circulated by email for comment. The end of June deadline for the APR no longer applies due to changes in the EITI Standard.

## **3 – Agreement of minutes of 10<sup>th</sup> January 2019 meeting**

11. The minutes of the January meeting were agreed.

#### **4 – Action points update from 10<sup>th</sup> January 2019 UK EITI MSG meeting**

12. The MSG were updated on action points from the January meeting.

##### ***4<sup>th</sup> UK EITI Report***

13. An explanation of the unreconciled, out of scope payment of £2.39m was included as a footnote to the Full Summary table.
14. The unreconciled difference columns were removed from both of the 'Breakdown of Reconciled Data by Company and Sector' tables in the Reconciliation report.
15. The 'Government Revenues' section was moved to the 'Background Information on Oil and Gas' standalone chapter and the original text was re-instated.
16. All tables and graphs were updated to include 2017 data.
17. A link to an article on the closure of Drakelands mine was added as a footnote to the 'Background on Mining and Quarrying' standalone chapter.
18. Text to confirm that all companies had filed information at Companies House on people with significant control (PSC) was added to the Reconciliation report.
19. The timeline in the Reconciliation report was updated to reflect the publication of the 4<sup>th</sup> report and pending validation report.
20. The MSG were invited to provide final material comments on the Reconciliation report and standalone chapters by close of play on 10<sup>th</sup> January. No further comments were received.
21. The publication of the 4<sup>th</sup> UK EITI report was referenced in a speech by Dr Liam Fox, Secretary of State for International Trade, at International Petroleum Week on 27<sup>th</sup> February.

##### ***Reconciliation subgroup***

22. The Reconciliation subgroup met on 29<sup>th</sup> January to discuss proposals for excluding certain revenue streams and an updated paper was tabled for MSG consideration and agreement at today's meeting.

##### ***Comms subgroup***

23. Jerry McLaughlin and Tom Evans agreed to take part in the Comms subgroup and a meeting was arranged for 7<sup>th</sup> March.
24. The Comms subgroup agreed the "Extractive Industries in the UK" branding for all future UK EITI publications. The Comms subgroup met on 7<sup>th</sup> March and put forward proposals for awareness raising, including promoting UK EITI at the MPA Annual Conference on 24<sup>th</sup> June with possible Ministerial presence/MSG speaker. A possible post-validation outreach event to provide stakeholders with

an update on progress and to restate the UK's commitment to EITI. The use of trade publications and reports as a vehicle to promote EITI.

25. The Chair and Rhona Birchall took part in an Open Government event "Transparency in the world's oil, gas and mining industries – UK's contribution" organised by DCMS. It was the most attended event of the whole week and was well received by participants.

### ***Mainstreaming Scoping Study***

26. MSG were asked to provide any further comments on the mainstreaming scoping study by 25<sup>th</sup> January. No further comments were received.
27. The mainstreaming scoping study is a major strand of the current MSG work and will be covered in detail at the MSG arranged for 16<sup>th</sup> July.

## **5 – UK Validation Recommendations**

28. The initial Validation assessment and independent validators report have been circulated to the MSG.
29. The initial assessment had a number of recommendations and the independent validator has provided further comments on these recommendations.
30. The MSG need to agree one set of comments on the report and recommendations. If this is done quickly there is a chance of a decision at the EITI Global Conference in Paris in June.
31. Alternatively, the MSG may wish to take longer to comment and look at the 2017 report for subsequent actions to see if any of the recommendations have been addressed and wait for the next Board meeting after Paris, which takes place in October.
32. There were three areas where the independent validator questioned the initial recommendations, the MSG need to ensure they also respond to these comments.
33. Overall UK EITI has been successful in achieving its objectives and the report is positive. Compared to other countries there are few corrective actions, and these should be straight forward to address.
34. There were a couple of errors in both the initial validation assessment (page 14) and the independent validators report (page 3). The reports stated that Supplementary Charge rate was 32%, this is actually 10%. For Petroleum Revenue tax is set permanently at zero, not 50% as stated in both reports.
35. The MSG discussed each category and its recommendations.

### ***MSG Oversight***

36. Most requirements were assessed as satisfactory progress under MSG Oversight. However, the independent validator had disagreed with the initial

findings under Requirement 1.3 Civil Society Engagement and has suggested a downgrade from meaningful to inadequate progress stating that “Civil Society has not been substantively or meaningfully engaged in the EITI implementation in the UK so far”.

37. The MSG strongly disagreed with this statement and will ensure that their comments reflect that over the vast majority of the last five years there has been substantial Civil Society engagement and representation. It has only been in the last year and a half there have been some difficulties where engagement has not been as full and diverse as the MSG would have hoped. Great strides are now being made to resolve this and the MSG will highlight this in their comments.
38. The MSG agreed that in order to provide full and correct responses to the recommendations that they would not seek to achieve validation at the Paris conference in June. It was agreed that the MSG should seek an extension until the end of June to allow both Civil Society to move ahead with their nominations process (subject to securing funding) and the new UK National Co-ordinator to start.
39. The EITI International Secretariat agreed to approach the Validation Committee at their meeting on 23<sup>rd</sup> May to discuss an extension and will report back to the Chair on the decision of the validation committee.

#### ***Licences and contracts***

40. Two requirements were assessed as Beyond Progress and three Meaningful Progress. The “Policy on Contract Disclosure” was downgraded by the independent validator from Satisfactory to Meaningful.
41. In error the independent validator report indicated that the “License register” requirement should be downgraded from Meaningful to Inadequate rather than “Policy on contract disclosure” being downgraded from Satisfactory to Meaningful. The MSG asked the EITI International Secretariat to re-issue the report with this error amended.
42. The recommendations relate to 2.4 and 2.4b in the Standard that states that report documents the disclosure of contracts and licences that govern the exploration and exploitation of oil, gas and minerals. The independent validator questioned the initial validation assessment that the “Policy on contract disclosure” and adoption of Open Contracting and Open Government Partnership’s national action plans were not sufficient to meet requirement 2.4b.
43. The only area of non-oil and gas licensing is marine dredging, which should be available from The Crown Estate. All other mining and quarrying activity requires planning permission, not licences. It would be difficult for government to collect any non-marine dredging data. Jerry McLaughlin agreed to check what information is currently available and report back to the MSG.
44. It was agreed there are areas where The Crown Estate (TCE) could be more transparent and there was a need to clarify what they publish and if they are

doing it in the right way. The Chair would be happy to take forward any conversations with TCE.

### ***Monitoring production***

45. The Exploration data requirement was assessed beyond progress and production data and export data were assessed as meaningful progress.
46. The initial validation assessment contained recommendations for both meaningful progress requirements. For production data the UK should ensure that estimates are publicly disclosed for all minerals produced in the year under review and for export data the UK should ensure that export volumes and values are publicly disclosed for every mineral commodity exported annually.
47. This data is not a material government revenue source so is not collected. The MSG agreed that this need to be articulated to the EITI Secretariat in the overall response to the validation. It was agreed that the current assessment of meaningful progress is correct.

### ***Revenue Collection and revenue allocation***

48. All applicable requirements were assessed as satisfactory progress under both categories and there were no specific recommendations attached to either.

### ***Socio-economic contribution***

49. Mandatory social expenditures was assessed as meaningful and economic contribution assessed as satisfactory progress. The initial assessment recommended that the UK should assess the materiality of mandatory social expenditures ahead of future EITI reporting and ensure that such expenditures can be disaggregated.
50. The requirement includes S.106 payments, which are not all extractive related and are not material enough. There are a number of voluntary schemes which may be worth considering for future reports. Jeff Asser to provide information on current voluntary schemes.
51. An aggregates levy tax was available for community projects, but this was discontinued a few years ago.

### ***Outcomes and impact***

52. The initial assessment for public debate and follow-up on recommendations were assessed as satisfactory progress and outcomes of impact of implementation assessed as meaningful progress. The independent validator has questioned the public debate assessment and has downgraded it to meaningful progress.
53. The independent validator stated that though the UK EITI reports are clear and comprehensive the contribution to public debate appears weak, partly because of the civil society engagement issues.

54. It was agreed that as well as further outreach events the MSG should engage with more fully with the current issues that the UK extractives sector are debating such as fracking.
55. A recommendation under outcomes of impact of implementation from the initial assessment suggested that the MSG should review the impact of the first five years of EITI implementation and explore the opportunity to further leverage the EITI platform to enrich public debate.
56. The Secretariat will invite further comments in writing from the MSG once the new timescales have been agreed with the International Secretariat.

## **6 – EITI Standard 2019**

57. The 2019 Standard will be launched in Paris in June to help make implementation less burdensome. There are a new set of requirements, expectations and encouragements.
58. There will be more emphasis on systematic disclosure, how information is released through government systems to make data more timely and reliable. The MSG should concentrate more on analysing rather than collecting data.
59. There are a number of new initiatives around contract transparency, whereby extractive contracts are required to be published by 2021.
60. There will be more emphasis on collecting statistics on employment of women and marginalised groups, where the information is available.
61. Material environmental payments should be disclosed along with information relating to environmental impact.
62. Annual progress reports are no longer required to be completed by the 1 July and the MSG can choose how to undertake the review of outcomes and impact of EITI implementation.
63. It was agreed that the UK secretariat should look at the changes in the new Standard and the implications for the 2018 and future reporting during the Summer and report back to the MSG in the Autumn.

## **7 – EITI Implementation Committee papers – Beneficial Ownership and Project-Level reporting**

64. The EITI timeline for Beneficial Ownership implementation is January 2020. The UK is in a strong position as it already meets the EITI requirements.
65. On project-level reporting the UK is in a good position to meet requirements. The broader objective is to have a clearer definition of what project by project reporting means.
66. When the new IA has been appointed the Secretariat need to discuss what to include in the reporting templates for Beneficial Ownership and PSC.

## **8 – 2018 process, including the exclusion of certain payment streams**

67. A paper was tabled proposing the exclusion of a number of payment streams. The proposed exclusions relate to payments to the Coal Authority, S.106 payments to local planning authorities, payments by oil and gas companies to The Crown Estate (TCE) and Crown Estate Scotland (CES) and Corporation Tax payments by other mining and quarrying companies.
68. The omission of such payments will not significantly affect the comprehensiveness of the EITI report.
69. Payments to the Coal Authority have fallen well below £1 million a year and seem unlikely to grow and details of payments are available in their Annual Report and Accounts.
70. There have only been two S.106 payments reported in the last four years, both just over the materiality threshold of £86k each.
71. Total payments for non-aggregates to TCE and CES are less than £5 million a year, these payments are for the right to cross land rather than for any extractive activity.
72. Corporation Tax is paid at company level so the amount relating to extractive activities is not identifiable if a company is also engaged in other non-extractive activities. This gives a misleading impression of the extent of Corporation Tax paid by these companies.
73. The MSG agreed to exclude Coal Authority payments in the future as they are not material enough.
74. It was agreed that the secretariat and reconciliation subgroup should look at more effective ways of capturing S.106 payments. The decision to exclude S.106 payments will be revisited next year.
75. It was agreed that payments to TCE and CES should be retained for 2018, but revisited next year in light of the discussions on mainstreaming.
76. The reconciliation subgroup will consider the process and messaging to companies about identifying the payments of Corporation Tax that are extractive related.

## **9 – EITI Global Conference, Paris, 18-19 June 2019**

77. The latest EITI Global conference is taking place in Paris 18-19 June, focussing on open data, building trust and the new Standard.
78. It is hoped that a DFID Minister may attend, as well as John Penrose the government's Anti-Corruption Champion.
79. The UK Secretariat will be taking up the offer to man a stand at the National Innovation Exchange as part of the conference. The idea of the Exchange is



that there will be a “Country Space” for each implementing country for peer learning and innovation sharing and a place where countries can present their achievements and exchange best practice.

80. As well as the Chair and new UK EITI National Co-ordinator, a colleague at BEIS who covers Beneficial Ownership issues and a representative from the Companies House digital team will also be attending. Historically there has always been a lot of interest in these two areas from other EITI implementing countries.
81. The UK will also have the opportunity to make a short pitch on the UK’s EITI journey, experiences and future plans.
82. Oil and Gas UK representatives agreed to meet with the secretariat to discuss plans for the conference and any messages to put out.

### **Action Points**

- Secretariat to circulate 2018 Annual Progress Report and updated workplan for MSG approval.
- Secretariat and Jerry McLaughlin to discuss EITI participation at the MPA Annual Conference on 24<sup>th</sup> June.
- 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.
- Secretariat to seek an extension of the EITI International Secretariat’s deadline for final comments until the end of June and circulate amended independent validators report to the MSG for substantive comments.
- Jerry McLaughlin to look into the type of information that is currently available on marine and quarrying licences and contracts and report back for evidence in the MSG validation response.
- Secretariat and reconciliation subgroup to look at better ways of capturing S.106 and other environmental payments. Jeff Asser agreed to provide some initial information around shale payments. To report back in the Autumn.
- Secretariat and reconciliation subgroup to look at changes to the Standard and implications for 2018 report and future reporting. To report back to MSG in Autumn.
- Reconciliation subgroup to meet to discuss 2018 process and update templates and guidance.
- Secretariat and Oil and Gas UK to meet to discuss plans for the EITI Global conference in Paris.