

**UK Extractive Industries Transparency Initiative Multi-Stakeholder
Group (MSG)
Minutes of the 17th Meeting – 17 May 2016 – BIS Conference Centre,
SW1H 0ET (10-2pm)**

Attendance

<p><u>Chair</u> Maureen Beresford - Department for Business Innovation & Skills</p> <p><u>Secretariat</u> Margaret Sutherland - Department for Business Innovation & Skills Michelle Summer - Department for Business Innovation & Skills Joe Turtle - Department for Business Innovation & Skills</p> <p><u>Industry</u> Dr Patrick Foster - Mining Association of the UK /Camborne School of Mines - University of Exeter (<i>by phone from 11am</i>) Stephen Blythe - Independent Consultant -Teleconference Jerry McLaughlin - Mineral Products Association (alternate for John Bowater) Matthew Landy - Statoil</p> <p><u>Civil Society</u> Miles Litvinoff - Publish What You Pay UK Joe Williams - Natural Resource Governance Institute (alternate for Brendan O'Donnell) Eric Joyce - Extractive Industries Civil Society Martin Brown - Extractive Industries Civil Society(alternate for Danielle Foe) (<i>by phone</i>)</p>	<p><u>Government</u> Mike Earp - Oil & Gas Authority Alan Tume – HMRC (<i>until 10.45</i>) Martin Rounding – HMRC Chris Daboiko – HM Treasury</p> <p><u>Observers</u> Claire Ralph - Oil & Gas UK Eddie Holmes – Extractives Industries Civil Society (<i>by phone</i>)</p> <p><u>Nominated People</u> Roger Salomone - Exxon Mobil</p> <p><u>Experts</u> Tim Woodward – Moore Stephens Dora Chambers – Moore Stephens Eddie Rich - International Secretariat</p> <p><u>Apologies</u> John Bowater - Aggregate Industries Danielle Foe - Extractives Industries Civil Society Stephen Martin - Scottish Government Brendan O'Donnell – Global Witness</p>
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Agenda item 1: Welcome and introductions

1. The Chair welcomed Michelle Summer (Secretariat), Martyn Rounding (replacing Alan Tume from HMRC as a government representative), and Matthew Landy (replacing Andrew Enever as an industry representative).
2. The Secretariat thanked those who had attended the launch event on 19 April. Feedback had been good and there had been a small amount of press attention.

Agenda Item 2: Agreement of minutes

3. The minutes for the March MSG were agreed and no further changes were made.
4. The Secretariat asked for members to confirm their attendance 2-3 days in advance of the MSG. Requests for agenda items should be submitted for consideration 10 days in advance of the MSG.

Agenda item 3: Feedback from Subgroups:

Reconciliation

5. Materiality threshold: One of the recommendations from the Independent Administrator is that the way of calculating the materiality threshold for reporting should be changed. For year 1, companies were asked to report revenue streams where material payments had been made. It was recommended that once a company reaches the threshold in one revenue stream, it should report all revenue streams including when payments are below the materiality threshold.
6. The MSG discussed this recommendation but was concerned this would move EITI away from the mandatory reporting requirements. As the key issue underlying the recommendation was that companies had reported revenue streams inconsistently, the MSG agreed that the materiality threshold should not be changed for year 2. Instead the guidance for companies should be made clearer.
7. The MSG agreed that figures should be reported in £1s and not in £1000s as in year 1, as this had caused confusion.
8. HMRC explained that December's payment received in January led to a difference in the reconciliation in year 1 and is likely to do so next year. HMRC will work with Moore Stephens where differences arise in the reconciliation process. There was a discussion whether HMRC should attempt to resolve likely mismatched payments due to the calendar year end before submitting data to Moore Stephens but HMRC thought this would be problematic.
9. Concerns were raised as to whether this would lead to the publication of wrong information in the Report but the International Secretariat advised there is no requirement to include 'unwashed' figures.
10. HMRC have written a programme to extract the data and will submit the 2015 data early.

11. The sub-group agreed that compliance is a key issue this year and HMRC had agreed to contact companies to inform them that EITI is a major UK initiative.
12. HMRC would chase companies who had not submitted figures this year although the number was thought to be small.
13. There are still a small number of waivers to collect.
14. Only companies who are paying licence fees should be pursued.
15. The Secretariat has met with The Crown Estate (TCE) and has requested information about payments for pipelines from oil and gas companies so that the MSG can consider whether this revenue stream should be included within the second report. The Crown Estate has agreed to provide the Secretariat with further information to help inform this decision.
16. Eddie Rich from the International Secretariat suggested that the MSG had placed a great deal of emphasis on the reconciliation and wondered whether the UK should step back and consider whether it was necessary to reconcile all revenue streams over £86,000. A strong argument could be made for targeting reconciliation towards the major payments with unilateral reporting from government for others.
17. The MSG discussed whether the OGA Levy should be included in this year's report.
18. The MSG discussed whether the total amount was material (around £20m/year but only £10 million in 2015) and should be brought into the reporting requirements. In light of the earlier intervention by the International Secretariat, it was discussed whether the OGA Levy could be introduced but with unilateral reporting by government. The discussion expanded to whether petroleum licence fees needed to be reported by companies and reconciled; they had been for 2014 but in the end all payments were reported by the OGA. The £90m/year paid to the OGA is a very small amount compared with the overall payments of £3,233million received by UK Government Agencies from extractive companies in 2014. (But in 2016 could be the single largest revenue stream as upstream taxes are expected to be negligible or negative this year.)
19. There was universal agreement on the attraction of unilateral reporting of petroleum licence fees and the OGA Levy from Government.
20. The consensus was that unilateral reporting would reduce the reporting burden for companies and was preferred. However, it was suggested that Moore Stephens undertake a reconciliation exercise on a sample number of companies and if this proved successful that would provide sufficient reassurance that OGA data was trustworthy, and that a wider reconciliation was unnecessary. Oil & Gas UK would ask companies to volunteer to take part in a quick sample reconciliation exercise.

Mining and Quarrying:

21. Twelve companies from the mining and quarrying sector participated in the first report, 7 of which are aggregates based.

22. Selecting the companies that should participate in the UK's EITI had been difficult; unlike oil and gas they don't have a distinct tax regime or a single source for licencing. The sub-group was of the view, that the data published did not give a representative view of extraction in this sector and that a new methodology needed to be developed.
23. The sub-group was not in a position to make a formal recommendation to the MSG at this stage but is exploring the following methodology:-
24. MSG members will use their knowledge to list the 8 to 10 largest aggregates companies. The Secretariat will then ask HMRC to confirm that we have the largest producers if they will check the overall proportion of the levy paid by these companies (bearing in mind that aggregates levy is based on volume).
25. HMRC will also be asked to confirm whether there's any other company that pays 5% or more of the total paid for the levy in 2015.
26. For mining companies we should approach the Coal Authority and TCE to ask for a list of mining companies made material payments.
27. MSG will follow recommendation vi from the Moore Stephens (p52 of the EITI report) and discuss the possibility of requesting licence information from mining companies included in the scope of the EITI Report. This can be done through the reporting template where detailed information can be requested. The information collected from companies could then be annexed to the EITI report.
28. A publicly available register of licences is an EITI requirement; however the Coal Authority do not currently publish their licences but these are made available on request. The MSG agreed that the Coal Authority would be asked to put its public registry of licences online to facilitate greater transparency in line with the UK EITI process. There is no register of mining or aggregates companies, and onshore mining sites are not registered as such; however the British Geological Survey publishes a list of mines at Local Authority level, which, although it is not thought to be comprehensive, can usefully be cited and referenced in the context chapter of the second EITI report,.

Contextual Information:

29. The sub-group has not met since the last MSG but are due to do so during the week starting 6 June.

Communications

30. Stephen Blythe has now taken over as Chair of the Comms sub-group.
31. The comms sub-group meeting concentrated on how to retain and increase participation. Lessons from last year included early feedback and better connectivity between working groups; better targeting and challenging non-participating companies; the appointment of an EITI business champion in Aberdeen; and possibly asking UK EITI Champion Dame Lucy Neville-Rolfe to write to companies to encourage compliance.

32. The communications sub-group recognised that some of the communications-related interventions for year 1 were improvised in response to developments. The Group's aim is to be more structured in its approach in year 2 and to take care to highlight key messages that may have been lost in the detail in previous communications.
33. The observers commented that with a number of companies being headquartered overseas it was important to target decision makers abroad, some of whom may not have had experience of EITI.

Agenda item 4: Annual Activity Report (AAR):

34. The Secretariat circulated the AAR in advance of the meeting for comment and had taken on board those received
35. International Secretariat suggested changes to be made in the 2016 Report to meet the new requirements under the 2016 EITI Standard.
36. It was recommended adding in the difficulties around mining and quarrying – i.e. determining which companies should be in scope and accounting for corporation tax as extractive activities are not separated from non-extractive activities.
37. The International Secretariat suggested that the AAR could include a short summary of the difficulties involved with (1) selecting the mining and quarrying companies in scope and (2) establishing how corporation tax should be reported considering that it is not possible to distinguish between profits from extractive and non-extractive activities in this sector.

AOB

38. The Chair of the Open Data Subgroup confirmed they will convene the subgroup on making the data accessible once the Government files are live.
39. The International Secretariat reminded the MSG that a beneficial ownership roadmap needs completion.
40. Under the new standard the MSG has to produce information which probably is not relevant to the UK. The Secretariat has agreed to draft text.

**Next MSG Meeting- 12 July 2016 BIS Conference Centre,
SW1H 0ET (10-2pm)**

Actions:

1. Secretariat to request MS to amend guidance.
2. HMRC to explore whether they can approach and provide a listing of material payers for 2015.
3. Secretariat to confirm with HMRC whether they can confirm the percentage of aggregates levy paid by a particular list of companies.

4. The Secretariat to liaise with TCE to establish the companies that pay them for pipelines.
5. The Secretariat to liaise with TCE to establish which companies made material payments for extraction in 2015.
6. The Secretariat to liaise with the Coal Authority to ask it to put its public registry of licences online to facilitate greater transparency in line with the UK EITI process.

The MSG agreed:

1. To keep the £86,000 materiality threshold as it is in order to stay within the requirements of the Directive.
2. Pending the outcome of the reconciliation exercise on a sample number of companies, if successful and OGA data is found to be trustworthy, OGA will unilaterally report receipts from companies in scope of EITI.

Secretary's note:

- The EITI Secretariat acknowledges that there was a connection issue with the phone-line affecting those dialling in and has raised concerns with the Conference Centre.