

UK Extractive Industries Transparency Initiative Multi-Stakeholder Group
Minutes of the 2nd Meeting-Tuesday 3rd December 2013

Attendance

<p>Jo Swinson-EITI Champion Sneha Patel- Private Secretary to the Minister</p> <p><u>Chair</u> Marie-Anne Mackenzie- BIS</p> <p><u>Secretariat</u> Margaret Sutherland- BIS Vina Krishnarajah - BIS</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> Miles Litvinoff- Publish What You Pay Eric Joyce MP Brendan O ‘Donnell- Global Witness (Proxy for Gavin Hayman) Joe Williams- Revenue Watch Institute (Proxy for Rachel Davies)</p>	<p><u>Government</u> Mike Earp- Department of Energy & Climate Change Alan Tume- HM Revenue & Customs Sandra Johnson-Blake- BIS Jenna Percival- Scottish Government</p> <p><u>Observers</u> Claire Ralph- 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</p> <p><u>Nominated people</u> Ashley Shackleton-Oil & Gas UK Alison Hills- ExxonMobil Donovan Ingram- ExxonMobil Liz David Barratt- Said Business School, University of Oxford</p> <p><u>Apologies</u> Rachel Davies- Transparency International Gavin Hayman-Global Witness</p>
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Summary of Proceedings

1. Jo Swinson opened the meeting by going through the action points from the previous meeting in October. The minutes were agreed with a minor amendment.
2. Civil Society and Industry representatives gave positive feedback on the training event on the 20 November which was given by Eddie Rich from the International Secretariat.

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Report back from Sub group considering taxes to be in scope of UK EITI

3. Government representatives provided an overview of the report detailing information on taxes and payments made to the UK Government by the extractive industries sector.
4. It was highlighted that recommendations made in the report were not final conclusions but designed to instigate discussion and debate by the MSG.

Direct taxes specific to oil and gas companies

5. The main 3 taxes for oil and gas extraction are Petroleum Revenue Tax (PRT), Ring Fence Corporation Tax (RFCT) and Supplementary Charge (SC). The MSG agreed that they should all be in scope of UK EITI.

Corporation Tax

6. It was recommended that general corporation tax on downstream activity from oil and gas companies should be out of scope as it does not relate to extraction. The MSG all agreed.
7. It was also agreed that concentrating on upstream activity would increase clarity on the value of extraction in the UK to avoid confusion between upstream and downstream activity. The ring fence is a benefit which sets a good example where the UK can be an exemplar to other countries.

Employment Taxes

8. The MSG agreed that taxes on employment such as Income Tax, Pay as You Earn and National Insurance Contributions (NICs) should be out of scope of UK EITI as they do not relate to profits from extraction.
9. However, there was also agreement that some of the information on employment figures etc will be detailed in the contextual information part of the EITI report.
10. Other taxes that the MSG agreed should be out of scope of UK EITI include:
 - Stamp Taxes and Annual Tax on Enveloped Dwellings- Not considered material in a quantitative or qualitative sense for the extractive industries sector
 - VAT- This is an indirect tax and would be collected whether extraction takes place or not

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- Air Passenger Duty- Not directly related to extraction
- Hydrocarbon Oils Duty- Would be paid regardless of whether there was any extractive activity in the UK.
- Environmental Taxes- Climate Change Levy (CCL), Carbon Price Floor (CPF) & Landfill Tax-These would be paid regardless of whether there was any extractive activity in the UK.
- Customs Duty- Not related to extraction in the UK
- Insurance Premium Tax- Unlikely to be considered material in a qualitative or quantitative sense for UK EITI.

Mining

11. While oil and gas companies have a separate fiscal regime for exploration and production, there is not an equivalent regime for mining companies on the profits from extraction.
12. It was agreed that initial scoping indicates that mining may be excluded from UK EITI based on materiality but more work needs to be done to research the number of mines in the UK and whether their payments would be material.
13. It was suggested that if the decision was taken to exclude mining, this decision could be revisited when it comes to the second or third EITI report. The Accounting Directive will then be in place so the decision on the scope of UK EITI can be looked at again should any mining companies report under that requirement and not EITI.
14. Civil society asked whether there were other payments from mining which went to local government or councils. Further research will be needed to determine this.
15. Some information is already publicly available such as on coal authority licensing; therefore the EITI report can refer to this and signpost where this is available in the public.
16. Industry representatives explained that coal mining companies currently pay a levy to fund the mine rescue service, however this is due to come to an end after one year when there will be a change in legislation.
17. Concerns were raised about a gap in the collective knowledge surrounding the mining sector. It was agreed that the mining representatives would give a presentation at the next meeting giving an overview of mining in the UK.

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Licenses

18. Government representatives explained that information on Petroleum licenses is currently made available to the public and will need to be reported in the EITI report. However, work will need to be done to differentiate between the different types of license that exist.

Taxpayers confidentiality

19. Civil Society raised queries about taxpayer confidentiality and Government representatives explained that they are looking into this and will report back to the sub group in due course.

20. The Minister thanked the sub group for all of their work on the report and the sub group agreed to look further into how the taxes are reported.

Report back from Sub group considering the differences between EITI and the Accounting Directive

21. Industry representatives provided an overview of the differences between Chapter 10 of the Accounting Directive and the requirements under the EITI Standard. This highlighted a number of decisions to be made by the MSG.

22. The MSG will need to decide the reporting period. The data used in EITI reports must not be more than 2 years old. A decision will also need to be made about reporting using calendar or financial year.

Project by project reporting

23. Eddie Rich has confirmed the EITI International Secretariat's view that paragraph 5.2(e) of the new EITI Standard does not come into force until both the EU and US provisions come into force. However, he has repeatedly emphasised that the spirit of this provision is clear and has encouraged the MSG to push ahead with project by project reporting using their own definition.

(This text was agreed after the meeting)

24. Civil society highlighted the importance of the UK adopting project by project reporting under EITI to provide global leadership.

25. There was agreement that burdens on business should be minimised and it would be unhelpful if companies are made to report differently under EITI and the Accounting Directive.

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26. The discussion on project reporting centred on PRT. There was consensus that corporation tax payments would be reported at the entity level and licence payments would be reported at the licence level.

(This text was agreed after the meeting)

Contextual Information

27. MSG representatives discussed the contextual information required under the new EITI standard for the annual reports. It was explained that other countries such as Tanzania have already produced a report under the new standard so this can be used as a starting point for the UK.

28. Representatives agreed the importance of carrying out additional scoping work to find out what information required for the contextual information part of the EITI report already exists in the public domain.

29. Government representatives also explained that further research will also be needed on the details of licensing information which already exists.

Beneficial Ownership

30. Civil Society stressed the importance of the UK leading the way on beneficial ownership and including it within the scope of EITI and going beyond the minimum requirements of the new standard.

31. Government representatives highlighted that the International Secretariat is currently piloting beneficial ownership in some countries.

Maternity cover for UK EITI Champion

32. The Chair explained that during Jo Swinson's absence Jenny Willott Liberal Democrat Whip will be covering but it is not confirmed at this stage if she will be attending future meetings.

Next Meeting- Tuesday 4th February

Summary of Actions from MSG 2

Action	Status
Secretariat to publish the agreed minutes and Terms of Reference on the EITI Multi Stakeholder Group webpage.	Complete
Secretariat to liaise with Dr Patrick Foster about presenting an overview of mining in the UK at	Complete

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the next MSG.	
Government representatives to contact the Crown Estates to get a better understanding of whether payments from individual companies would be material.	Ongoing
Government representatives to give a presentation at the next MSG Meeting (4 February) about how the taxes are collected for Oil & Gas.	Complete
Secretariat to send project definitions to Government representatives (Accounting Directive and US rules)	Complete
Civil Society led sub group formed to carry out scoping work on contextual information and report back at the next MSG meeting in February	Complete
Industry led sub group that considered the differences between EITI and the Accounting Directive to consider areas which are encouraged under the new EITI standard e.g. beneficial ownership and report back at the next MSG meeting	Complete
Government led sub group to consider how taxes are reported.	Complete
Secretariat to speak with the International EITI Secretariat to understand work under way on beneficial ownership	Complete
Secretariat to a draft and circulate a copy of the preliminary work plan document.	Complete
Civil Society to provide the MSG with a paper suggesting data which would prove useful for the UK EITI ahead of the next meeting in February.	Complete- To be discussed further at April MSG