

**UK Extractive Industries Transparency Initiative Multi-Stakeholder Group  
(MSG)  
Minutes of the 41<sup>st</sup> Meeting – 16<sup>th</sup> September 2020 – Via Microsoft Teams  
(10-12.15pm)**

**Attendance**

<p><b><u>Chair</u></b></p> <p>Matt Ray - Department for Business, Energy and Industrial Strategy</p> <p><b><u>Secretariat</u></b></p> <p>Nicola Wallace – Department for Business, Energy and Industrial Strategy</p> <p>Mike Nash - Department for Business, Energy and Industrial Strategy</p> <p><b><u>Industry</u></b></p> <p>Jacqui Akinlosotu – ENI</p> <p>Dr Patrick Foster – University of Exeter</p> <p>Aurelie Delannoy - Mineral Products Association</p> <p>Dan Espie - Total</p> <p><b><u>Civil Society</u></b></p> <p>Miles Litvinoff – Publish What You Pay UK</p> <p>Martyn Gordon – Robert Gordon University Aberdeen</p> <p>Joe Williams – NRGi</p>	<p><b><u>Government</u></b></p> <p>Mike Earp - Oil &amp; Gas Authority</p> <p>Jeff Asser – Department for Business, Energy and Industrial Strategy</p> <p>Nicola Garrod – HMRC</p> <p>Rob Keeling - Foreign Commonwealth and Development Office</p> <p>Raj Baisya – Home Office</p> <p>Joe Perman – Scottish Government</p> <p><b><u>Others/observers</u></b></p> <p>Sam Bartlett, EITI International</p> <p>Justyna Herbut, Civil Society Network</p> <p>Susannah Fitzgerald, Transparency International UK</p> <p>Tim Woodward – BDO</p> <p>Hedi Zaghouani – BDO</p> <p>Karim Limam – BDO</p> <p><b><u>Apologies</u></b></p> <p>John Bowater – Aggregate Industries</p> <p>Simon Clydesdale – Global Witness</p>
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**1 – Welcome and Introductions:**

1. The Chair welcomed all to the 41<sup>st</sup> meeting of the UK EITI MSG.
2. The Chair welcomed Rob Keeling from the Foreign Commonwealth and Development Office, (the new Department formed by the amalgamation of the Foreign and Commonwealth Office and the Department for International Development), who has replaced Matt Edwards.
3. The Chair also welcomed Sam Bartlett from the EITI International Secretariat and Susannah Fitzgerald, an observer from Transparency International UK.

## **2 – Agreement of minutes and action points of 14<sup>th</sup> July 2020 meeting:**

4. The minutes of the 14<sup>th</sup> July 2020 meeting were agreed
5. The MSG were updated on the main action points from the 14<sup>th</sup> July meeting.
  - Sam Bartlett to be invited to the 16<sup>th</sup> September MSG to provide an update on the latest EITI Board thinking on flexibility on validation and to help inform discussions on whether to start the revalidation process in November. **Sam Bartlett will be available at the meeting to help inform discussions on the timing of the validation.**
  - The “auction theory” paper to be shared with the MSG before it is forwarded to TCE. **The draft paper circulated for comment to the MSG on 28<sup>th</sup> July 2020. Secretariat to provide an update during the agenda item on progress on the validation corrective actions.**
  - Secretariat to chase Scottish and Welsh devolved administrations regarding licence and contract disclosure plans. **Secretariat have held discussions with the Scottish, Welsh (and Northern Ireland) Devolved Administrations to discuss licence and contract disclosure and good progress has been made.**
  - Secretariat to arrange meeting with colleagues in Germany and Netherlands to discuss methods they used for evaluating the impact of EITI in their countries. **Secretariat to hold meeting with German and Dutch colleagues on 22<sup>nd</sup> September 2020.**

## **3 – North Sea announcement:**

6. The Government has announced it will review its policy on the future UK offshore oil and gas licensing regime as part of the wider aim of achieving net zero emissions by 2050.
7. The review will ensure the Government has the information needed to plan for future oil and gas production in the UK, in a way that is aligned with tackling climate change. Initial findings and next steps will be published in the upcoming Energy White Paper.
8. The MSG agreed that the aspiration of the economic recovery and UK’s net zero commitments will be a difficult balance to strike. It was agreed that the MSG should look more critically at UK climate change policies and should be included as a future agenda item.
9. Many implementing countries are already discussing energy transition. The EITI Board are meeting to discuss energy transition and the International Secretariat have agreed to brief the MSG at a later meeting.

## **4 – UK EITI Reconciliation Data update:**

10. There are 58 companies in-scope for 2019. 51 companies have provided data. Of the remaining seven companies one has asked to be excluded as they are a non-operating company. The Secretariat has written to the remaining six companies. Two have responded positively. MSG members agreed to provide further contact details for two of the remaining companies.
11. 38 of the 51 companies have been successfully reconciled. It was agreed that BDO should provide a further update on the reconciliation for the MSG at the end of September.
12. It was agreed that the Chair would write again to the remaining companies and follow-up with a letter from the UK EITI Champion, if necessary.

## **5– Sectoral subgroup update:**

13. The Sectoral subgroup are in the process of updating the narrative and tables and figures for the sector information on the website to ensure it is up-to-date in time for the publication of the reconciliation data.
14. The subgroup agreed that it would be useful if civil society could comment on the content and accessibility of the website.

## **6– UK EITI Validation:**

15. The MSG have been asked to make a provisional decision on the timing of the revalidation. A paper was circulated with the following three options:
  - i) Proceed with validation as scheduled, commencing 13<sup>th</sup> November.
  - ii) Short delay: validation commencing in December 2020.
  - iii) Longer delay: validation in 2021 or beyond.
16. The original validation published in November 2019 assessed the UK as having made “meaningful progress” against implementation of the EITI Standard. The validation did, however, include assessments of satisfactory or beyond under a number of the requirements. The MSG are aiming for a “satisfactory progress” assessment for the revalidation.
17. The validation highlighted eight corrective actions that need to be addressed by the MSG to allow the UK to obtain a “Satisfactory” rating.
18. There are three factors that the MSG will need to consider; progress on the corrective actions; progress on the new requirements of the 2019 EITI Standard; and the reform to the validation process.

## **Corrective actions**

19. Overall progress on the vast majority of corrective actions has been good. Corrective actions 1 and 2 regarding Civil Society engagement are now complete.
20. Corrective action 3 - disclosure of licences by government agencies. All bodies are content to disclose the data required, but the timing is uncertain.
  - i) The OGA are updating their website and do not expect to be able to disclose the information required until early 2021, but happy to provide a list in the interim.
  - ii) The Welsh Government are on track to publish all the information required.
  - iii) The Scottish Government are content to publish, but don't yet disclose details on application or expiry dates for licences – they will contact OGA to see if this information is available. They will then consider adding a list of this information to their website in the interim.
  - iv) Northern Ireland hoped to put the information on their updated website, but this is delayed, so they will consider uploading a list of the required information on their website in the interim.
  - v) The biggest development has been the agreement of The Crown Estate (TCE) to disclose their financial data at project level. The Secretariat are still awaiting a response from Crown Estate Scotland (CES) on their licence disclosures. The TCE project-level data for 2018 has been added to the website.

21. Corrective action 4 – all agencies have confirmed that they will disclose comprehensive information on all active licences, but the Secretariat are unsure when TCE and Northern Ireland would be able to disclose this information and will discuss further with them in more detail.
22. Corrective action 5 – the Compliance Subgroup agreed that there is no overall government policy on disclosure of contracts and licences. It was agreed that narrative highlighting that the UK is a major supporter of, and is committed to, the open data contracting partnership should be added to the website. Secretariat agreed to draft some narrative for the website.
23. Corrective action 6 - covering mandatory social expenditures is now complete.
24. Corrective action 7 – the outreach events for 2020 had to be postponed because of the global pandemic. The UK Secretariat understands from the International Secretariat that the EITI Board will use their discretion when assessing this part of the revalidation and will not penalise the MSG.
25. Corrective action 8 – a review of the impact of EITI in the UK is nearly complete.
26. The MSG should also be aware of the option of adapted implementation for any aspects of the requirements where there is no public interest or that are cost prohibitive.
27. Civil society raised the question of whether the MSG were satisfied that all project-level reporting is now being reported in all areas of the sector. The MSG were asked to consider this. The issue would also be added to the agenda item of the next Compliance subgroup meeting.
28. If the validation takes place before 1 January 2021 the UK will be assessed against the 2016 Standard. If not, it will be assessed against the 2019 Standard.

## **2019 EITI Standard**

29. This will need to be considered by the MSG, as there are three new requirements that the UK will need to be compliant with under the new Standard.
30. The Secretariat believe that the UK is compliant with the new requirement on gender. The Terms of Reference for the MSG have been revised to include gender considerations and employment data broken down by gender has been added to the background sector information.
31. The requirement on environmental reporting is also complete with data on environmental payments now available on the website.
32. The area of concern is the requirement to publish all contracts entered into, signed or amended from 1<sup>st</sup> January 2021. There are currently some significant gaps in meeting this requirement, particularly for TCE and CES. The Secretariat thinks it is unlikely that the UK will be compliant with this requirement by 1<sup>st</sup> January 2021.

## **Reform of validation process**

33. The EITI Board is currently considering a series of reforms to the validation process and is expected to make a decision in October. The reforms will bring greater flexibility and will reduce the focus on compliance, which could lead to better outcome for the UK in validation. This new model is expected to come into effect from 1<sup>st</sup> April 2021. If the MSG wished to be assessed against the new validation proposals they would need to request an extension into 2021.

## **Recommendation to MSG**

34. Based on the options put forward and current progress on corrective actions and the 2019 EITI Standard requirements the Secretariat recommended that the MSG make a provisional decision to choose option 2, whereby there is a short delay to the revalidation until December 2020.
35. This option will maintain momentum and allow the MSG to publish the 2019 report before the validation start date. The UK would be assessed against the 2019 Standard, but not against the requirements on contract transparency, which come into force 1<sup>st</sup> January 2021.
36. The MSG were in agreement with the recommendation from the Secretariat to publish the 2019 reconciliation data in October/November 2020 and made a provisional decision to seek a short extension to the revalidation deadline and ask for validation to commence late December 2020. The Secretariat will review progress on compliance regularly, keep the MSG informed and seek a final decision late October/early November. Depending on the speed of progress the MSG may decide to pursue option 1 or 3.

## **7- Mainstreaming update:**

37. The EITI Standard states that the desired end-state is that EITI's disclosures are met through routine and publicly available company and government reporting or mainstreaming.
38. One of the main recommendations of the mainstreaming feasibility study was for the publication of tax data (disaggregated to the company level) in government reporting.
39. The mainstreaming subgroup have identified 3 possible options for taking forward this recommendation on the disclosure of HMRC data:
  - Option 1 - Continuing current reconciliation approach.
  - Option 2 - A bilateral disclosure process with no reconciliation process (with HMRC publishing their data under EITI waivers)
  - Option 3 - Model based on pilot project by EITI Germany – unilateral disclosure by companies, relying on Payments to Governments Regulations and explanation of assurance processes within government.

## **Industry view**

40. Although the companies consulted did not offer any strong preference for any of the options there are concerns about the robustness of the data under bilateral disclosure with no reconciliation process. Relying on Payments to Government regulations is a viable option.

## **Civil society view**

41. The reconciliation is a valuable part of the process so unilateral disclosure is not an attractive option. Using Payments to Government data could lessen the burden on reporting companies. Combining the best parts of options 2 and 3 could be an alternate way forward.

## **Government view**

42. EITI's disclosure requirements are met through routine and publicly available company and government reporting. The current approach to reconciliation involves employment of an IA at some expense to BEIS and the organisations involved (companies and government agencies) but, despite often large variances in the original amounts reported, has resulted in close agreement between the final amounts reported by payers and payees.

43. Publication by companies under EU reporting requirements is haphazard, especially for mining and quarrying companies, with differences due to varying accounting periods, reporting currencies and treatment of interest payments.
44. The constituencies were thanked for their feedback which will be incorporated into an updated version of the mainstreaming tax data paper.
45. Civil society said that the majority of the data under Payments to Government were available in May or June. This information could be made available at a much earlier stage than the current reporting process and published on the website with a disclaimer that it has yet to be reconciled.
46. All comments will be added to the mainstreaming paper and discussed further by the subgroup at their next meeting.

### **8– Comms – update:**

47. There has been some Comms activity since the last MSG with Lord Callanan releasing a Tweet to announce his appointment as the UK EITI Champion and a statement in support of UK EITI.
48. The Chair will be providing an overview of UK EITI at the ABC Minds Energy & Extractives Virtual Conference on Monday 21st September. This anti-bribery and corruption conference is focussing on new techniques and tested processes for compliance strategies.
49. Any comments welcome on the website. The Secretariat will be meeting Civic the developers in early October to look at how the website has worked since its launch and to look at any updates or tweaks required.
50. The UK EITI website is now up to sixth on the Google list when you search under “UK EITI”.

### **9– Any Other Business:**

51. The next meeting will take place on 18<sup>th</sup> November 2020.

### **Action points:**

- Secretariat to ensure an item on energy transition is added to a future MSG agenda.
- Secretariat to circulate the final “auction theory” paper to the MSG.
- BDO to provide an update on reconciliation by the end of September and discuss publication timetable for October/November 2020 with Secretariat.
- Secretariat to draft letters on behalf of the Chair to late reporting companies and consider further chaser from UK EITI Champion, if required.
- Civil society to provide any views on content and accessibility of website before report publication.
- Secretariat agreed to draft narrative on the overall government policy on disclosure of contracts and licences for the website.
- Secretariat to arrange a meeting of the Compliance subgroup to check that the UK has everything required by the Standard on project-level reporting.
- MSG, Secretariat and BDO to proceed with plans for revalidation in December 2020 and publication of 2019 report in October/November 2020.
- Secretariat to arrange a Comms subgroup to discuss and consider options for virtual outreach or awareness raising events and to re-visit the Comms strategy
- Mainstreaming subgroup to update the tax mainstreaming paper for re-circulation to the MSG and Secretariat to arrange a further meeting.