

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

**Minutes of the 43rd Meeting – 14th January 2021 – Via Microsoft Teams
(10.00am-13.00pm)**

Attendance

<p><u>Chair</u></p> <p>Matt Ray - Department for Business, Energy and Industrial Strategy (BEIS)</p> <p><u>Secretariat</u></p> <p>Nicola Wallace – Department for Business, Energy and Industrial Strategy</p> <p>Mike Nash - Department for Business, Energy and Industrial Strategy</p> <p><u>Industry</u></p> <p>Jacqui Akinlosotu – ENI</p> <p>Aurelie Delannoy - Mineral Products Association</p> <p>Dan Espie – Total</p> <p>Dr Patrick Foster – University of Exeter</p> <p><u>Civil Society</u></p> <p>Martyn Gordon – Robert Gordon University Aberdeen</p> <p>Miles Litvinoff – Publish What You Pay UK</p> <p>Joe Williams – NRGi</p>	<p><u>Government</u></p> <p>Jeff Asser – Department for Business, Energy and Industrial Strategy</p> <p>Mike Earp - Oil & Gas Authority</p> <p>Nicola Garrod – HMRC</p> <p><u>Others/observers</u></p> <p>Tim Woodward – BDO</p> <p>Hedi Zaghouani - BDO</p> <p>Karim Limam – BDO</p> <p>Linda Kaye – The Crown Estate</p> <p>Steve Webster - Department for Business, Energy and Industrial Strategy</p> <p><u>Apologies</u></p> <p>John Bowater – Aggregate Industries</p>
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1 – Welcome and Introductions:

1. The Chair welcomed all to the 43rd meeting of the UK EITI MSG.
2. The Chair welcomed Linda Kaye from the Finance Team at The Crown Estate and Steve Webster from the Company Transparency and Beneficial Ownership team at the Department for Business, Energy and Industrial Strategy (BEIS), who are both attending as observers. David Evans, External Affairs Adviser at OGUK (not present) will be attending future meetings on behalf of OGUK.
3. The Chair thanked Nicola Wallace, who is moving to a new post at DEFRA at the end of the month, to work on ocean climate change policy. Nicola is leaving the MSG in a much better position than when she took over the role of National Co-ordinator in 2019.

4. The Chair thanked all MSG members who were involved the UK Annual Review 2020 launch event on 9th December 2020.

2 – Agreement of minutes and action points of 18th November 2020 meeting:

5. The minutes of the 18th November 2020 meeting were agreed.
6. The MSG were updated on the main action points from the 18th November meeting.
 - BDO to provide Secretariat with recommendations paper to circulate to the MSG.
Paper circulated to MSG on 16th December and re-circulated with the MSG papers.
 - Secretariat to contact International Secretariat regarding the status of Coal Authority licences, which for UK EITI are currently out-of-scope, but would they be required to be disclosed for the purpose of addressing the validation corrective actions. **Secretariat awaiting response from the International Secretariat. Update: Response received 14th January . It is possible to disclose information on any coal license awards and transfers in the year under review, but leave the license register out. This will be discussed at the Compliance subgroup meeting on 26th January 2021.**
 - Secretariat to upload updated version of 2020 workplan onto website and circulate revised 2021 workplan for final approval. **2020 Workplan uploaded onto UK EITI website in December 2020. No further comments received on 2021 Workplan, which was uploaded onto website on 6th January 2021.**

3 – UK EITI Mainstreaming Subgroup - update:

7. Of the eight quick wins identified in the mainstreaming feasibility study action plan, three have been fully completed, the remaining five are nearly complete and require links and narrative to be added to the UK EITI website. These cover export data, exploration data, production data, the comprehensive disclosure of taxes and the distribution of extractive revenues.
8. Progress has been made on the longer-term issues, with three of the seven actions completed. Good progress has also been made on setting out the identified sources of revenue streams for The Crown Estate and Crown Estate Scotland. The remaining three actions cover possible options for mainstreaming tax data and the unilateral disclosure of OGA levy and licence data.
9. The Subgroup is continuing to work on the draft of the paper on mainstreaming tax data to table to the MSG in March, and have been analysing the different types of data available, including disclosures under the Payments to Governments Regulations. Some new text has also been drafted for the “Payments Data” section of the UK EITI website, this will include caveats to highlight that the figures will be different to those disclosed under EITI.
10. The Subgroup will also monitor the outcome of the current German pilot whereby companies disclose payments unilaterally, but government data is not collected, instead an explanation is provided of assurance processes within government.
11. Colleagues from Germany attended the Subgroup meeting in December and provided an update on the pilot. The final outcomes are not expected until February and it was agreed that they would provide a further update to the Subgroup. It was agreed that they should also be invited to report back at the March MSG.
12. The Subgroup recommended that the reconciliation process for 2020 should not change to include the mainstreaming of data. The MSG agreed.

4- UK EITI Reconciliation Process and UK EITI Annual Review 2020 – lessons learned

13. The Chair asked the MSG to consider setting an ambitious timetable for the 2020 process. The website will allow the early publication of payments data and the concerns over collecting data during the pandemic have so far proved unfounded. BDO tabled a paper that included a suggested timeline for 2020. The MSG were not required to finalise plans at the meeting, but consider a clear, shared vision for the overall, achievable timeframe. The Reconciliation subgroup will discuss the timeframe in more detail at their meeting planned for 28th January 2021.

2019 Reconciliation – lessons learned

14. BDO highlighted a number of practical recommendations for improving the reconciliation process for 2020. These were:
 - Updating the guidance by adding further notes and definitions in the reporting templates for Petroleum Licence Fees.
 - Updating the guidance notes to clearly state that payments collected by the agents acting on behalf of The Crown Estate (TCE) should also be reported.
 - Update the Beneficial Ownership disclosure form by adding a requirement for companies to disclose in which Stock Exchange they are listed and to identify their ultimate parent companies to improve the comprehensiveness of disclosure.
 - The MSG should explore alternative ways to encourage companies to participate. This may include visiting them, arranging a virtual meeting with them or their parent entity. Otherwise, the MSG will be encouraged to agree to drop them at an earlier stage (e.g. after two or three chasers) to help speed up the reconciliation process.
 - The MSG should reconsider the recommendation from last year to assess the amount of Diverted Profit Tax (DPT) paid by extractive companies compared to the entire revenues to consider whether these payments should be included in-scope.
15. It was agreed that an explanation of Petroleum Licence Fees (with a link to the OGA website) and the additional narrative regarding TCE payments collected by agents, should be added to the guidance.
16. The MSG agreed to update the Beneficial Ownership disclosure form to include the requirement to disclose information on which stock exchange companies are listed and their ultimate parent company.
17. Civil society members proposed that company numbers should also be requested on the templates. The guidance will need to clearly define at which level the number is required e.g. Group number.
18. Industry raised the issue of the reporting of Research and Development Expenditure Credits (RDEC), which has caused confusion during the 2019 process. It was agreed that greater clarity was required, but firstly HMRC would look at what they currently publish in terms of RDEC payments and the Reconciliation subgroup should discuss further.
19. It was agreed that DPT payments were not material enough to currently include as in-scope for EITI, but the annual payments figure should continue to be monitored each year.
20. It was agreed that once the list of in-scope companies is agreed the Secretariat and BDO should arrange an early meeting to discuss plans for chasing non-compliant companies.

2020 Reconciliation – timeframe

21. To help set the ambitious timetable for the 2020 process, BDO circulated a draft timeframe for a data collection exercise starting in April 2021 and running for four weeks. The data

reconciliation would take a further four weeks, with a further two weeks to reconcile any discrepancies. A further five weeks would be required to produce the draft report and then the final reconciliation report, taking the timeframe to mid-July 2021.

22. The MSG broadly thought the deadlines were workable, but thought it would be worth checking with the relevant colleagues both government and industry that provide the data to assess whether an early start to the process is feasible.
23. The Reconciliation Subgroup will be meeting on 28th January and will review and discuss the timeframe along with the guidance and templates.
24. It was agreed that the aspiration to get the reconciliation data onto the website in four months from the start of the process was a worthwhile ambition.

Reconciliation coverage rate

25. To speed up the reconciliation process BDO proposed that the MSG could consider a lower coverage rate of 80-90% by applying the new coverage rate either to the total government receipts or to each revenue stream or by increasing the materiality threshold (currently £86,000).
26. BDO also suggested that the MSG could consider a higher materiality deviation while keeping the quality of data. This can be achieved by increasing both criteria (absolute amount and percentage) or by keeping only the percentage criteria and set it higher (at 5% for example).
27. Concerns were raised that any materiality deviation could have a negative impact, especially if the percentage figure is applied to a high payment total – it could call into question the integrity of the figures from high paying companies.
28. The mining and quarrying constituency agreed to get together to discuss the proposals in more detail.

UK EITI Annual Review 2020 – publication and launch

29. Looking back on the launch and publication of the Annual Review in December there were many positives as well as lessons learned.
30. A strong line-up of speakers - including Lord Callanan and representatives from across industry and civil society - helped attract over 80 delegates via Eventbrite.
31. Eventbrite was a useful tool that maintained the delegate list, sent out instructions and messages to all attendees, including timed reminders, without compiling time-consuming email lists. It is certainly worth using Eventbrite for any future awareness-raising events.
32. The review and launch generated interest in the UK EITI website, with traffic increasing in the period before, during and immediately after the publication and launch. Since the start of December 2020 the website has been visited by 152 different users, 133 of these have been new users, including 42 on the day of the launch. UK EITI website is now fourth on the Google list when searching “UK EITI”.
33. The real downside was the technology – Microsoft Events - letting us down on the day, which we could not have foreseen or done anything about (despite the fact that a number of rehearsals were held). It is worth considering using Microsoft Teams in future. It was thought using Microsoft Events would provide more control of the event, but unfortunately the problems negated this. Fortunately, there was a back-up plan - using Microsoft Teams - which

worked well on the day. We will ensure that for future events a similar back-up plan is prepared when running any further virtual events.

34. The website allowed us to publish the reconciliation data in late November. This worked well and helped to ensure more timely data was published. We should aim to do the same for 2020 data. The amalgamation of the reconciliation report, state of industry and annual review into one overall report worked well and gave the report more substance and timeliness.

5 – Compliance update:

Validation tracker

35. The Secretariat have received an email from the International Secretariat setting the UK revalidation date to 1 April 2021. The UK Secretariat's understanding was that the revalidation would take place after the self-assessment planned for the MSG meeting in May, so will write back for clarification of the timing for the revalidation and report back to the MSG.
36. Since September, when the MSG last looked at the validation tracker, good progress has been made in the majority of the corrective actions.
37. Corrective actions covering civil society engagement are mostly complete. CSN are still working on the appointment of local representatives and have had some recent interest. Ideally they would like to appoint a local representative for each of the oil and gas and the mining and quarrying communities. CSN will update the MSG as soon as there is any news on appointments.
38. The main outstanding corrective action is around contract and licence disclosure. Northern Ireland Government is now fully compliant with requirements. There is further work to be done by the Welsh Government, but it is hoped that this will be completed shortly. The Crown Estate have added information on aggregates licences to their website, but work still needs to be done on oil and gas pipelines and terrestrial mining contracts and licences.
39. The UK Secretariat have written to the International Secretariat to clarify whether the OGA proposal to publish historic field level data on an annual basis in line with EITI reporting satisfies the requirement.
40. For corrective action 5, the explanation of government policy on each type of extractive licence is nearly complete. A section entitled "[Contract and licence transparency](#)" has been added to the UK EITI website. The Secretariat would welcome any comments on the new section.
41. Corrective actions 7 is now complete. The MSG organised a virtual event to mark the launch of the EITI Annual Review 2020. The event took place 9th December 2020 and included presentations from the UK EITI Champion (Lord Callanan) and representatives from government, industry and civil society.
42. The event was publicised on the UK EITI website and by MSG members, over 50 individuals attended. A tweet from the BEIS Twitter account publicised the publication of the Review and received 10 likes and 7 retweets. The UK EITI website had 331 page views from 42 users on the day of the launch event (a significant peak) and 116 page views from 20 users on the following day.
43. Corrective action 8 is also complete. The [UK EITI impact assessment paper](#) was published on the website in November 2020. The MSG were asked to share the impact assessment within their networks.

UK EITI contracts and licences disclosure strategy

44. The 2019 Standard includes a requirement to disclose any contracts and licenses that are granted, entered into or amended from 1 January 2021. There is also an encouragement to publicly disclose any contracts and licenses that provide the terms attached to the exploitation of oil, gas and minerals. The MSG is expected to agree and publish a plan for disclosing contracts with a clear time frame for implementation and addressing any barriers to comprehensive disclosure.
45. A draft strategy on implementing this requirement has been circulated. This includes an action plan, with timeframes and an assessment of the current level of disclosure by each government agency.
46. Next steps in the proposed strategy include a letter to the relevant government agencies from Lord Callanan to inform them of the requirement and to ask them to ensure that they are compliant by 1st April 2021. The MSG have already agreed that they would like to achieve this requirement and the government are keen to support them in their aim.
47. A meeting of Compliance Subgroup to discuss how the MSG can support the Secretariat and government agencies to ensure compliance will take place on 26th January 2021.
48. The MSG were asked to consider the following questions:
 - Is the MSG content with the Secretariat's assessment of scope and current level of disclosure?
 - Is the MSG content with the proposed action plan? Are there any other steps it wishes to take?
 - Is the MSG content for the Compliance Subgroup to oversee this process and to be kept informed as necessary?
49. OGA licences are now available via their website, so their action on this requirement is now complete.
50. Any further comments on the strategy should be sent directly to the UK Secretariat.

6– Energy Transition and EITI:

51. Energy transition is a big issue for the sector and the MSG have yet to have a full discussion or to define and agree their role in the debate.
52. The government published its Energy White Paper in December 2020 setting out how the UK will clean up its energy system and reach net zero emissions by 2050.
53. The Energy White Paper outlines policies which will support up to 220,000 green jobs across the UK with an aim to fully decarbonise electricity generation by investing in offshore wind, clean hydrogen, carbon capture and storage, and advanced nuclear.

54. Also in December the Prime Minister announced an end to the UK Government's direct support for the fossil fuel energy sector overseas.
55. The world-leading policy will see the UK end export finance, aid funding and trade promotion for new crude oil, natural gas or thermal coal projects, with very limited exceptions. This is a significant change –in the last four years, the government supported £21 billion of UK oil and gas exports through trade promotion and export finance.
56. The policy will be implemented after a short period of consultation and is intended to come into force as soon as possible, and before COP26 November 2021.
57. The [consultation](#) will last 8 weeks and end on 8th February 2021. It will look at the implementation and impact on industry. Any contributions to the consultation from industry and civil society representatives would be welcome.
58. The OGA have published a revised strategy, which will for the first time place an obligation on the UK upstream oil and gas industry to support the UK's net zero target while still maximising the economic recovery of hydrocarbons from the UK Continental Shelf (UKCS).
59. Oil and gas are expected to remain a vital part of the UK's energy mix for the foreseeable future, and the landmark strategy positions the UKCS as a key enabler for the transition towards net zero carbon.
60. The onus is on industry to step up efforts to reduce emissions from existing and new production; support game-changing carbon capture and storage projects; and help unlock clean hydrogen production.
61. For the mining and quarrying sector the World Bank published a report on "The Growing Role of Minerals and Metals for a Low Carbon Future" which highlights that the green energy technologies required for a low-carbon future will lead to a growth in demand for a wide range of minerals and metals.
62. In November 2020 the Chancellor announced that the UK will become the first G20 country to make disclosures aligned with the Taskforce on Climate-related Financial Disclosures (TCFD) fully mandatory across the economy, with most of its requirements introduced over the next three years. This was referenced in Lord Callanan speech at the Annual Review launch. TCFD seeks to improve and increase reporting of climate-related financial information. The Secretariat have been in contact with the team taking this work forward at BEIS, to look at opportunities for collaboration, including adding information to the UK EITI website and to invite them to a future MSG meeting. The MSG were positive about this suggestion.
63. The MSG were asked to consider the following questions:
 - i) What risks and opportunities does the energy transition present for UK EITI?
 - ii) What role should UK EITI play in the energy transition?
64. Civil society have concerns about some of the practicalities of delivering the government's aspirations. Tracking these aspirations and commitments will be key. It was important that the MSG look at where they and EITI can add value. Civil society also thought that the MSG should consider any possible link-ups with COP26 taking place in Glasgow in November 2021.
65. Industry has a big role to play in energy transition and will be part of the solution. Anything that EITI can do to promote the sector positively will be important. However, it is important that industry has the right skillsets to deliver the required solutions.
66. It was agreed that further discussions were required to define the MSG role and thinking. The Secretariat will carry out a mapping exercise to establish what is out there in the energy transition space – any opportunities or gaps - and bring it back to a future MSG meeting to help inform a broader discussion. Any further thoughts should be sent to the Secretariat.

7– Any Other Business:

67. The next meeting will take place on 16th March 2021.

Action points:

- Secretariat to invite German EITI colleagues to March MSG to provide an update on the “German Pilot”.
- Secretariat to amend Mainstreaming Subgroup note to reflect that under Payments to Governments regulations companies are required to report at project level where possible.
- HMRC to look at level of data published for RDEC payments and Reconciliation subgroup to discuss whether tax data should be reported net of RDEC repayments.
- Reconciliation subgroup to consider recommendations and timeframe for 2020 process in their meeting on 28th January 2021 and agree updates for guidance and templates for 2020 process.
- BDO to consider suggestion to include company numbers in reconciliation templates, particularly in beneficial ownership section.
- Reconciliation subgroup to monitor annual DPT payments data to consider whether to include as a future in-scope payment.
- Secretariat and BDO to discuss plans for chasing non-compliant companies once the list of in-scope companies is finalised.
- Industry and government representatives to check with colleagues whether an accelerated timetable starting in March/April is workable.
- Mining and quarrying subgroup to discuss BDO proposals on accelerated timetable separately.
- Secretariat to clarify start date for revalidation with the International Secretariat and report back to the MSG.
- MSG to provide comments on new “Contract and licence transparency” section of the UK EITI website.
- MSG to highlight the “UK EITI impact assessment” paper to their networks.
- MSG to send any further comments on contracts and licence disclosure strategy.
- Compliance subgroup to consider proposals in the contracts and licences disclosure strategy.
- Secretariat to draft letters from Lord Callanan to government agencies regarding the requirement for full disclosure of contracts and licences from 1 January 2021, as required by the 2019 EITI Standard.
- MSG to provide input into consultation on the end of government support overseas for the fossil fuel sector overseas.
- Secretariat to invite TCFD colleagues to a future MSG meeting.
- Secretariat to map climate change activity for the sector, identifying any opportunities or gaps.
- MSG to send any further thoughts on the energy transition debate to the Secretariat.
- Mining and quarrying representatives to consider options for escalating concerns on skills needs. Also consider including something on the website.