

**UK Extractive Industries Transparency Initiative Multi-Stakeholder Group
(MSG)
Minutes of the 19th Meeting – 13 September 2016 – BIS Conference Centre,
SW1H 0ET (10-2pm)**

Attendance

<p>Chair</p> <p>Chris Carr - Department for Business, Energy and Industrial Strategy</p> <p>Secretariat</p> <p>Margaret Sutherland - Department for Business, Energy and Industrial Strategy</p> <p>Rob Cottam - Department for Business, Energy and Industrial Strategy</p> <p>Joe Turtle - Department for Business, Energy and Industrial Strategy</p> <p>Industry</p> <p>John Bowater – Aggregate Industries</p> <p>Dr Patrick Foster - Mining Association of the UK /Camborne School of Mines - University of Exeter</p> <p>Stephen Blythe - Independent Consultant (by phone)</p> <p>Roger Salomone - Exxonmobil, alternate for Matt Landy</p> <p>Jerry McLaughlin - Mineral Products Association</p> <p>Claire Ralph - Oil & Gas UK</p> <p>David Hoy – Oil & Gas UK</p>	<p>Civil Society</p> <p>Miles Litvinoff - Publish What You Pay UK</p> <p>Eric Joyce - Extractive Industries Civil Society</p> <p>Joe Williams – Natural Resource Governance Institute, alternate for Brendan O'Donnell</p> <p>Alice Shone - Transparency International</p> <p>Government</p> <p>Joe Perman – Scottish Government (by phone)</p> <p>Jeff Asser – Department for Business, Energy and Industrial Strategy</p> <p>Paul Russell – Department for Education</p> <p>Mike Earp - Oil & Gas Authority</p> <p>James Marshall – HMRC</p> <p>Experts</p> <p>Tim Woodward – Moore Stephens</p> <p>Dora Chambers – Moore Stephens</p> <p>Eddie Rich - International Secretariat</p> <p>Apologies</p> <p>Danielle Foe - Extractives Industries Civil Society</p> <p>Matthew Landy - Statoil</p> <p>Brendan O'Donnell – Global Witness</p> <p>Martyn Rounding - HMRC</p>
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1 – Welcome and introductions

1. The new Chair, Chris Carr, introduced himself and welcomed everyone to the 19th meeting of the UK MSG.
2. The Chair welcomed new members: Scottish Government, Joe Perman taking over from Stephen Martin as full representative; and for BEIS, Jeff Asser appointed as Government full representative.

2 – Agreement of minutes

3. The Chair introduced the last MSG's minutes and invited comments. On the section on Contextual Information it was agreed that references to "the chair" should be changed to "co-chair". A civil society representative expressed disagreement with a certain reference in paragraph 43. The Chair agreed that the minutes needed to reflect the disagreement but also needed to reflect what was said. It was agreed by the MSG to agree the minutes in principle apart from this point; the minutes would be amended and recirculated.

3 – Feedback from Sub groups:

- **Reconciliation**

4. The sub-group chair was unable to attend the MSG so the government alternate for HMRC reported back in his place. The last subgroup meeting was held on the 1st of August, for which the following topics were tabled:
5. *Methodology regarding OGA payments.* At the previous MSG it was agreed that Moore Stephens would develop a methodology for a more targeted approach to the reconciliation of payments made to the OGA. Moore Stephens reported back to the sub-group on the reconciliation coverage that would be achieved at 80%, 90% or 100%. The minutes of the sub-group meeting noted that 90% should be recommended for approval to the MSG. However, on receiving corrected data Moore Stephens came back to the sub-group with a recommendation of 80%. The sub-group agreed to this in correspondence, and then issued a recommendation to the MSG for approval in write-round, which was subsequently accepted with no objections on Monday 15th August.
6. It was noted that the difference between 80% and 90% was one single entity and that 80% gives a very high level of assurance. In practice, more than 80% of reconciliation will be achieved as an entity which does not form part of the 80% but which reports payments under one stream (e.g. tax) then it will report material levy payments as well.
7. *Templates:* the government representative confirmed that the reporting templates have now gone out to all companies. He thanked Mike Earp for his work on this. The templates are also available on the web.

8. *Guidance for industry*: the government representative thanked Jerry McLaughlin and Claire Ralph for their work on getting the mining & quarrying and oil & gas guidance ready to circulate to companies in good time.
9. *Taxpayers waivers*: the sub-group agreed that the waivers in place from the previous reporting cycle will still stand, but that new waivers would be made for companies newly in scope to EITI for the second report. The MSG had agreed to this in write-round.
10. *Beneficial Ownership*: The sub-group had agreed that now that there is a Person of Significant Control (PSC) Register, companies reporting under it should be able to cross-refer to the PSC information at Companies House. This will avoid a duplication of information. The MSG had agreed to this in write-round. A civil society representative added that, though companies will be able to cross-refer, the EITI requirement to identify politically exposed persons will remain.
11. *Publication of pre-reconciliation figures*. The sub-group had discussed whether figures should be published before they had been reconciled. It was agreed that this was not necessary as any unreconciled differences would be reported.

- **Contextual Information**

12. The co-chair of the sub-group reported to the MSG that the sub-group had not met since the previous MSG. Information and data was still being collected; this would be put into one document and then shared with the group.

- **Communications**

13. The sub-group chair opened by explaining that, in order to give a fair account to the issues that had been raised under the group's competence, he would explain the non-controversial issues and then address the disagreements at the end in order to give all parties a chance to voice their opinion.
14. The sub-group met to discuss three agenda items: industry comms, proposal for an MSG meeting in Scotland and validation comms.
15. For industry comms the sub-group chair outlined that UK EITI has a positive story to tell and that we were able to demonstrate that lessons had been learned from year one. The process had given very good comms messages.
16. The sub-group chair explained that though the sub-group was not responsible for the guidance that had gone to companies in the oil & gas and mining & quarrying sectors it was very good work from a comms perspective, and as such wanted to extend the sub-group's endorsement to those exercises.
17. On validation comms, the sub-group chair explained that the sub-group had recognised that getting the positive messages on EITI publicised had been a challenge historically, due to various reasons including lack of public interest. Under the EITI standard the validator will be looking to see if UK EITI has

“stimulated debate”, and it would be wise to consider what more could be done bearing in mind the validator’s focus.

18. On the proposal for a Scottish MSG the sub-group chair explained that the sub-group had been unable to reach agreement on the minutes of the previous meeting of 24th August. Therefore the minutes circulated to the MSG had the agreement of the majority of the sub-group participants while the areas of disagreement were set out in an annex.
19. The sub-group chair explained that at the last MSG there was agreement in principle to have a meeting in Scotland, providing that this was fleshed out in more detail about what the benefits were. A member had been tasked to make a wider proposal on the matter. A paper was presented but the majority of sub-group members thought there was insufficient detail to make a recommendation to the MSG at this stage.
20. The sub-group chair explained that there was no reservation about having an event in Aberdeen. An industry representative had expressed that he saw no logic in hosting an event in the autumn/winter, as it was not a particularly exciting phase for EITI – in fact it would be a very beneficial exercise for the launch of the second report. Most of the sub-group representatives had voiced agreement to this.
21. The sub-group chair reaffirmed that the sub-group wholly echoed the MSG’s endorsement that an event in Scotland would be beneficial and positive to UK EITI.
22. A civil society representative explained that he understood that the MSG had agreed in principle to have a meeting in Scotland. He had issued a short paper giving a simple outline of a day in Aberdeen. He explained that it is near the end of the MSG’s four year cycle and all the meetings in that period have been in London. The group needed to set a date now; a one day visit would be easy to organise.
23. The Chair reaffirmed on behalf of the MSG that it was very happy to attend an event in Scotland. The Chair explained that, from the government perspective, it was a difficult case to arrange an event without ministerial involvement, but that following the MSG’s prospective endorsement of a specific event the secretariat would develop advice to ministers seeking permission.
24. The Chair explained that this would be for the remit of the EITI Champion, but that the portfolio of EITI Champion had not been confirmed since the reshuffle, though was expected soon. The secretariat would confirm to the MSG when this occurs.
25. An industry representative thought that, though it would be good to get a minister involved in a Scottish EITI event, it should not necessarily be contingent on it. The representative further explained that he was not convinced that the best hook for a Scottish event would be an MSG to be hosted there – more so that the launch event would be much more appealing to press, industry and other stakeholders. Civil society agreed with this.

26. An industry representative explained that she is still broadly supportive of a Scottish event, but was disappointed at the lack of progress made by civil society in progressing this forward. She further explained that she felt that, in the space of two months, there had not been much more development than the original proposal.
27. Seeking further concrete plans, the Chair asked the MSG to conclude that the prospective Scottish event should in fact be held in Aberdeen – to which the MSG formally agreed. The Chair asked whether the launch of the next report should be the hook around which to build the event.
28. A civil society representative thought that the impact of the report needed to be considered. It was likely to stimulate debate, not least because it is likely to show a low level of tax paid by the oil and gas sector. The OGA representative considered that we should be upfront about e.g. tax and explain it.
29. The Chair acknowledged that ministerial involvement around the report could be tricky, and so contingency plans for an event should not be overlooked. The MSG concluded that a launch event in Scotland should be arranged. The secretariat would do their best to optimise the case that the Minister should attend.
30. The OGA representative pointed out that OGA would not be a BEIS asset after 1 October and it therefore could not be assumed that they would host a meeting without checking first. A civil society representative considered that there were lots of venues available. The Chair considered that suggestions about the venue should be taken off-line.
31. The Chair asked who was willing to lead the development of the proposal and come back to the MSG with an update. The question was whether the issue should be dealt with by the sub-group, the secretariat, or a new group.
32. The sub-group Chair considered that it would be premature to treat the event as a purely practical matter as there were a number of questions and options, such as what visits would be best. More work needed to be done.
33. It was noted that the report needed to be published by 15 April 2017. Ideally the launch event would be on the same day as the report was published. The sub-group Chair suggested that the reconciliation sub-group could come back to the MSG with a view about how much of a window there would be to publish the report.
34. An industry representative noted that the launch for the first report took place sometime after the report had been published. There was no media attention as there was no story. Dis-alignment didn't work and using separate dates would reduce interest.
35. The Chair said it was agreed that there would be an event in Aberdeen for the launch of the report. Contingencies would be in place if it proved impossible to publish the report by the event. Best efforts should be made to prepare the

report to be ready by the launch event. The secretariat would prepare a project plan. The launch event should be on publication of the report, not separately.

36. It was agreed that a special working party should be convened in order to progress this work further. Those who volunteered and were accepted by the Chair are:

Pat Foster
Eric Joyce
Jerry McLaughlin
Joe Williams

37. Based on the previous discussion on the suitability for a Scottish event to be around an MSG, the Chair concluded that for now the proposal should seek to include an MSG if possible.
38. It was noted that the next MSG meeting would be in London on 22nd November.

4 – Validation process

39. An expert of the international secretariat noted that it was unlikely that the UK would be validated on 15th April 2017, as was previously expected. Due to the number of issues connected with agreeing a validation process there has been a delay and as such a backlog in validations – the UK is no. 40 on the list and 15 are being done this year. The expert believes that it is likely that there will be at least a year's delay in the UK's validation which takes us to July 2018. This means that there will be another report before validation. The expert emphasised that it was the process that was being validated, not the report, although the report is a large part of it.
40. The Chair noted that the Government's Manifesto commitment referred to 2017, so the UK may need to ask for early validation.
41. The expert explained that the 2016 EITI standard encompasses a lot of new elements, and as such every EITI country is starting afresh as candidate countries. The language around the assessment would move away from a binary compliance/non-compliance. It would be about nuance.
42. He added that the process should, of course, be more about access to data rather than reports per se. Reports should be shorter and act as signposts to where people could look for information.
43. A civil society representative voiced that, as the MSG had worked towards seeing the year 2 report as the validation-stage report, we should continue to do so. There was agreement from other MSG members to this statement.
44. The expert outlined the steps that the international secretariat will take:
45. *Step 1:* the international secretariat will conduct a data-gathering exercise. During this it will go through an EITI country's minutes, reports, work plans, annual progress reports, and other relevant documents. There will then be a country visit, during which MSG members and other stakeholders will be

interviewed to see where they stand on whether it is felt that the technical issues have been covered. The interview process takes roughly a week; the writing of reports afterwards is around 12 further weeks.

46. *Step 2:* An assessment scorecard is then put together, for which someone independent quality-assures. The UK will then be measured against its progress.
47. *Step 3:* Board review. A recommendation is made to the full Board. The MSG will see the report and the intention is that the report will be made public.
48. The expert explained that validation is an important and hopefully worthwhile process, allowing the international secretariat and domestic secretariats to judge whether EITI is a meaningful process, and how to make it more so. At the end of the stages an impact assessment on how meaningful EITI has been is produced.
49. An industry representative asked if the international secretariat's process for validation would be available in the public domain, to which the expert confirmed that this is the intention.

5 – Update on procedures for Nominating and Changing MSG Representatives

50. The secretariat confirmed that a paper had been circulated setting out how government representatives were decided upon. This is a process of self-nomination in which candidates set out their skills and relevance, providing details of qualifications and experience. At the end of this process the Chair confirms the appointments.
51. An industry representative expressed that the paper outlining the government nomination process exhibits the appropriate amount of rigour that he would expect for the process. There was general agreement from the MSG that the right governmental organisations were represented.
52. An industry representative explained that the secretariat had approached Oil and Gas UK (OGUK) when the MSG was originally being put together. This seemed like a logical step because OGUK represents offshore oil & gas companies on the supply side and on the supply chain too. This is a considerable chunk of the UK's extractives industries, comprising 98.47% of the UK's oil and gas revenues. OGUK convened a work group in the UK and requested self-nomination, to which three candidates stood out and were appointed. The mining and quarrying sector at this point had one representative, but OGUK then, in agreement with colleagues from the Mineral Production Association, vacated one of its three seats in order for mining and quarrying to have fairer representation on the MSG. It was noted that UK Onshore Oil and Gas had declined to be involved in the MSG – it was a much smaller organisation and the issues were not pressing ones for its members. OGUK would continue to try to represent onshore interests as these were the same.

53. A civil society representative noted that the onshore sector may become more significant in future, e.g. through fracking. An industry representative noted that it was important that the representation at the MSG needed to be proportionate. The Chair explained that he wanted a process that was futureproof; the process needed to be flexible enough to deal with appropriate changes.
54. In response to a question from a civil society representative about what happens after the 4 year appointment terms expires, the Chair noted that the secretariat had a record of the terms of office of MSG members and would have conversations with the relevant constituencies.
55. Industry representatives around the MSG commented that it had been a fair and transparent process, leading to members who were qualified to speak on certain topics and represent specific groups.
56. A civil society representative fed back to the MSG on the position of the Civil Society Network (CSN) who, like OGUK for industry, had received the original invitation from BIS to put forward representatives for the civil society constituency.
57. CSN adopted in February 2016 a procedure for internal nomination of civil society representatives. The first principle is that voting (but not membership) is limited to one vote per civil society organisation. This was adopted to address a previously unsatisfactory process which left room for tactical and block voting to occur. With their vote, they are entitled to nominate one full member and one alternate. There was agreement from industry and government that this seemed like a fair process.
58. In response to a question by the Chair about whether this procedure could be tabled at the next MSG meeting for agreement as the process for civil society, a civil society representative noted that there is a dispute in the civil society constituency. The representative proposed that there should be an independent person to make a recommendation. The MSG could then take a view on this.
59. The Chair explained that the outcome the MSG is seeking is a document akin to those for other constituencies which had been agreed by the civil society constituency. Although this is not needed until validation, it would be helpful to have agreement prior to this. The only forum where the issue can be resolved is the MSG.
60. In response to the view of a civil society representative that it would be inappropriate for industry/Government members of the MSG to vote on civil society processes, the Chair noted that the MSG had to own the decision.
61. A civil society representative explained that the CSN comprised a range of different NGOs (and others) and that this involved MSG representatives being accountable to CSN members. Highlighting this point he explained that getting this group of people to turn around a speedy answer is not easy. He could not say whether or not the CSN would agree or object to proposals emanating from the MSG.

62. The Chair confirmed that the secretariat will set out a proposal, including the organisations that could carry out an independent review, to be agreed by correspondence before the next MSG meeting; the proposal will set out a deadline for agreement.

6 – Beneficial Ownership

63. The secretariat explained that under the most recent EITI standard there is a requirement to produce a roadmap on how UK EITI will ensure full Beneficial Ownership reporting by 2020. Considering the UK's PSC register we are in a good place to achieve this. The secretariat explained though that there are some gaps in what we currently collect and what will be required under the standard. The MSG agreed that a working group should be formed to progress this work further, with the aim of putting a draft roadmap to the next MSG.
64. The Chair asked the MSG for volunteers, and accepted the self-nomination of:

Joe Williams
Pat Foster
Mike Earp
Alice Shone

7 - AOB

65. The Chair and MSG acknowledged that this may be the last MSG that Claire Ralph attends before her successor takes up post, and as such thanked her for her hard work on UK EITI.

Date of next meeting: 22nd November