

EITI and the energy transition

Webinar | 1 December 2022



The global standard for the good governance
of oil, gas and mineral resources.

Objectives for today

- Discuss the **role of the EITI** in the energy transition
- Provide inspiration for **country-level reporting and activities** related to the energy transition
- Highlight key **initiatives, projects and resources**



How is the energy transition impacting the extractive industries?



1. Shifting fossil fuel demand



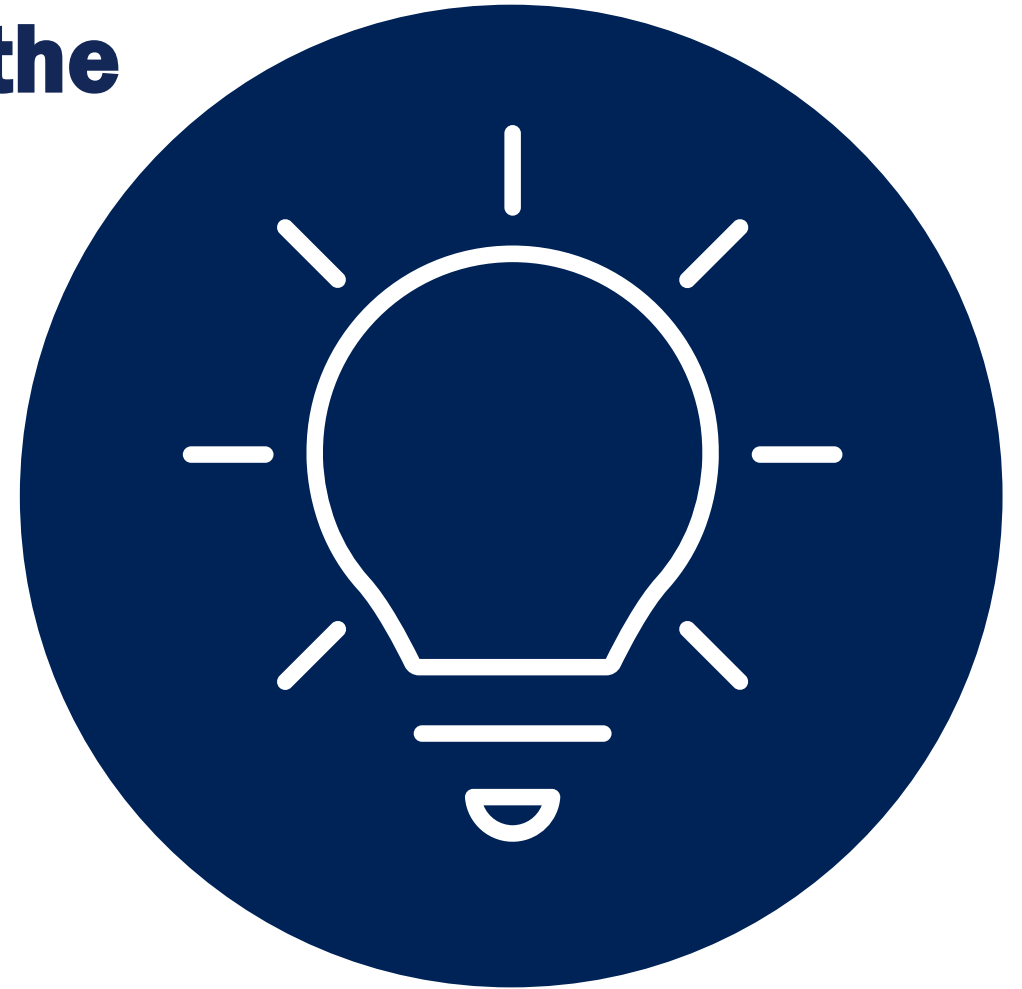
2. Demand growth and volatility for transition minerals



3. Widespread deployment of renewable energy

What is the role of the EITI in the energy transition?

The EITI can provide **data** and **dialogue** platforms to help stakeholders make informed decisions on how to navigate the energy transition's **opportunities** and **challenges**.



Key governance challenges for resource-rich countries in the energy transition



Revenue volatility
and resource
dependency



Corruption risks

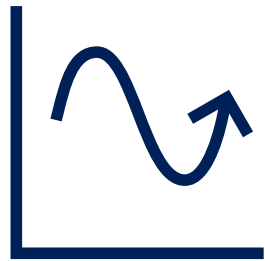


Impacts on
communities and
the environment



Public finance
and governance
risks associated
with SOEs

How can the EITI help to address these challenges?



Revenue volatility
and resource
dependency

EITI disclosures can shed light on **existing revenues flows** and can inform forecasts on **revenue sustainability and resource dependency**. Relevant EITI requirements include:

- 3.1 Exploration
- 3.2 Production
- 3.3 Exports
- 4.1 Comprehensive disclosure of taxes and revenues
- 5.3 Revenue management and expenditures

How can the EITI help to address these challenges?



Corruption risks

EITI disclosures can shed light on **corruption risks**, particularly related to the **awards of exploration and production licenses**. Relevant EITI requirements include:

- 2.2 Contract and license allocations
- 2.3 Register of licenses
- 2.4 Contracts
- 2.5 Beneficial ownership

How can the EITI help to address these challenges?



Impacts on
communities and
the environment



EITI disclosures can shed light on revenue flows to local governments, as well as the sector's **local-level contributions and impacts**. Relevant EITI requirements include:

- 4.6 Subnational payments
- 5.2 Subnational transfers
- 6.1 Social and environmental expenditures by companies
- 6.3 Contribution of the extractive sector to the economy
- 6.4 Environmental impact

How can the EITI help to address these challenges?



Public finance
and governance
risks associated
with SOEs

EITI disclosures can shed light on the financial relationships between SOEs and the government, as well as the governance of SOEs. Relevant EITI requirements include:

- 2.6 State participation
- 4.2 Sale of the state's share of production

Options for energy transition-related reporting

- Disclosing energy transition policies, laws and regulations that relate to the extractive industries
- Documenting any **deviations from standard licensing processes** related to the energy transition (e.g., fast-tracked licensing for transition minerals)
- Disclosing the assumptions underpinning **revenue forecasts** in the extractive industries
- Expanding reporting (e.g., on licensing, company ownership and revenues) to the **renewables sector**



Options for other energy transition-related activities

- Modelling the revenue implications of different energy transition scenarios
- Conducting a **corruption risk assessment** with an energy transition focus
- Strengthening disclosures and dialogue at the **community level**



Examples

- **Albania:** reporting on the legal and regulatory framework and revenue flows for hydropower
- **Germany:** disclosure of fossil fuel subsidies in EITI reporting
- **Ghana:** analysis of the economic potential of the transition minerals sector
- **Mauritania:** revenue forecasting for the gas and green hydrogen sectors



Key global projects and initiatives

1. Launch and dissemination of new report “**Mission critical: strengthening governance of mineral value chains for the energy transition**”
2. Implementation of “**Engaging communities in a just transition**” project in Colombia, Ghana and Indonesia over a two-year period
3. Energy transition **datathon** with submissions from Mexico, the Philippines, Togo and UK
4. Engagement with stakeholders in the **renewables sector** to strengthen transparency and multi-stakeholder dialogue, including at COP27



The process for **refining the EITI Standard** is underway – including refinements specific to the energy transition. The refinements will be finalised at the Global Conference in June 2023.



Resources

- EITI Standard
- University of Queensland study *Mission critical: strengthening governance of mineral value chains for the energy transition*
- Chatham House paper *Transparency in Transition*
- Policy briefs, e.g.,:
 - *Subsidies at what cost? (March 2021)*
 - *Preparing for the energy transition (October 2021)*
 - *Shining a light on company ownership (March 2022)*
 - *Strengthening governance of critical minerals (May 2022)*
- Energy transition country factsheets, e.g., for Colombia, DRC, Ghana, Mauritania, Nigeria, Senegal, Zambia
- Updated guidance notes, e.g., on state participation, contract transparency, subnational revenues





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Thank you

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