UNITED KINGDOM EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (UK EITI)

UK EITI REPORT FOR 2014

April 2016



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LIST OF ABBREVIATIONS	
BGS	British Geological Survey
billion	one thousand million or 10^9
BIS	Department for Business, Innovation & Skills
BMAPA	British Marine Aggregate Producers Association
BO	Beneficial ownership
BODF	BO declaration form
boe	barrel of oil equivalent
Brent	as applied to trading, the standard quality of oil in Europe and elsewhere comprising a blend of four North Sea crudes from the Brent, Ekofisk, Forties and Oseberg fields
brownfield	an oil or gas field already in production
CA	Coal Authority
CFA	Cross Field Allowance
CNS	Central North Sea
CT	Corporation Tax
DCLG	Department for Communities and Local Government
DECC	Department of Energy & Climate Change
DETI	[Northern Ireland] Department for Enterprise, Trade and Investment
DOE	Department of the Environment
DRD	Decommissioning Relief Deed
E&P	Exploration and Production
EITI	Extractive Industries Transparency Initiative
FYAs	First Year Allowances
GB	Great Britain
GDP	Gross Domestic Product
GIS	Geographic Information System
GPA	Group Payment Arrangement
GVA	Gross Value Added
HM	Her Majesty’s
HMRC	Her Majesty’s Revenue and Customs
IA	Independent Administrator
LAs	Local Authorities
LPA	Local Planning Authority
M&Q	Other Mining & Quarrying
MEA	Mineral Extraction Allowance
MMO	Marine Management Organisation
MPA	Mineral Planning Authority
MPL	Mineral Prospecting Licence
MSG	UK EITI Multistakeholder Group
MTOE	Million Tonnes of Oil Equivalent
NAO	National Audit Office
NIEA	Northern Ireland Environment Agency
NPPF	National Planning Policy Framework

LIST OF ABBREVIATIONS	
NRW	Natural Resources Wales
NYM	North York Moors
OBR	Office for Budget Responsibility
OGA	Oil & Gas Authority (as inheritor body of oil and gas functions from DECC)
ONS	Office for National Statistics
PEDL	Petroleum Exploration and Development Licence
PEP	Politically Exposed Person
PMA	Plant and Machinery Allowances
PRT	Petroleum Revenue Tax
PSC	Persons exercising Significant Control
RDA	Research and Development Allowance
RFCT	Ring Fence Corporation Tax
RFES	Ring Fence Expenditure Supplement
SC	Supplementary Charge
SEPA	Scottish Environment Protection Agency
SPD	Supplementary Petroleum Duty
TCE	The Crown Estate
ToR	Terms of Reference
UCG	Underground Coal Gasification
UK	United Kingdom
UKCS	UK Continental Shelf

1. EXECUTIVE SUMMARY

The Extractive Industries Transparency Initiative (EITI) is a global standard of transparency that, for implementing countries, requests oil, gas and mining companies to disclose what they pay to the government; and the government to disclose what it collects from these companies. The initiative aims to encourage governments to be more transparent in publicising the benefits they receive from their country's natural resources.

The EITI Global Board published the 'EITI Standard' in May 2013. An updated version of the standard was published in February 2016. The EITI Standard sets minimum requirements that implementing countries must meet, with the fundamental aspect of revenue transparency at its core. At the national level, EITI is governed by a multi-stakeholder group (MSG) composed of representatives from the government, the extractive industries and civil society. This oversight body sets the direction for EITI implementation by formulating country objectives, engaging stakeholders and publishing an annual EITI report. The MSG is also responsible for selecting an Independent Administrator (IA) that is responsible for reconciling data on company payments to government receipts.

This first UK EITI report contains detailed information relating to £3,233 million of revenues received by UK Government Agencies from extractive companies in 2014 for a range of payments included within the scope of EITI. The report shows a breakdown of this sum between the oil & gas and mining & quarrying sectors, between the different payment types and between the Government Agencies that received those payments. A total of 71 extractive companies participated in compiling the report.

The IA has been able to reconcile £2,431 million of those payments to disclosures made by companies. The report shows the breakdown of this sum between companies and is the first time such information has been made available to the public. Information on the unreconciled amounts has also been included in this report.

A number of features of the global EITI Standard and how it interacts with the UK legislative framework have presented the MSG and the IA with challenges in meeting the requirements of the EITI requirements. Those features, which are described in more detail within the report, include:

Voluntary reporting: The absence of legislation requiring companies to disclose their payments results in UK EITI being a voluntary process for companies.

Taxpayer confidentiality: Legislation prevents HMRC from disclosing confidential taxpayer information. HMRC was therefore able to provide information relating to tax payments received only from extractive companies which gave their consent through a waiver of confidentiality. This constraint also had an impact on the MSG's ability to target the EITI process at companies that made material payments.

Oil & Gas Sector Taxes: Companies in the oil & gas sector are subject to a separate fiscal regime on their UK extractive activities. Whilst this separation aids the identification of taxes that are within the scope of UK EITI, the payment mechanism established by HMRC enables companies to combine payments that relate to their extractive activities with payments that relate to other activities. This required additional work on the part of HMRC and companies to distinguish the extent to which payments related to the extractive activities.

Mining & Quarrying Sector Taxes: There is no separate fiscal regime for UK mining and quarrying activities. For HMRC, this means that it cannot identify all of the companies that are engaged in those activities and the payments that those companies made. For companies, the lack of a separate fiscal regime for extractive activities means that the reported payments can relate to both extractive and non-extractive activities.

Despite these challenges, the MSG is encouraged by the level of company participation, the proportion of payments received by government that have been reported by companies, the positive outcome of the reconciliation process and the level of collaboration between stakeholders that led to the production of this report. The MSG's insights in relation to each of these areas are as follows:

Company Participation: Most of the companies that made material payments that are within the scope of EITI have reported their payments. A small number of oil and gas companies that made material payments in 2014 did not disclose their payments to the IA. Whilst a small number of mining and quarrying companies also did not disclose their payments, the exclusion of those payments from this report is not considered to have a material impact on the reported figures. Finally, the taxpayer confidentiality constraint led to a large number of companies being sent templates to try to capture all in-scope companies although in practice many such companies had not made material payments during the year.

Payment Disclosures: Of the £3,233 million of in-scope payments received by Government Agencies in 2014, £2,431 million has been reported by companies. The balance (£802.08 million) comprises tax payments made by oil & gas companies that did not report their payments to the IA, an unreconciled difference for non-tax mining and quarrying payments of £0.15 million, £10.09 million of non-tax payments made by oil & gas and mining & quarrying companies that did not report their payments to the IA and £0.09 million of payments to local authorities unilaterally reported by mining and quarrying companies.

Reconciliation: Except for the small differences of £0.15 million and £0.09 million mentioned above, the IA was able to reconcile all of the payments that were reported by companies (£2,431 million) to the amounts disclosed by the relevant Government Agencies for each of those companies to within the £10,000 threshold established by the MSG.

Collaboration: Preparation of this report required a high degree of collaboration between government officials, industry representatives, representatives of civil society organisations and the companies that agreed to provide their payment data. The MSG is grateful to all of these stakeholders and recognises the importance of maintaining and improving this level of collaboration for future reporting periods. The MSG will therefore conduct a thorough review to identify ways in which the UK EITI process can be made more efficient and effective to ensure that this high level of collaboration is sustained.

In conclusion, the MSG is grateful to all the companies that participated in the EITI process for 2014. We appreciate that the absence of legislation in the UK requiring companies to participate in EITI means that participation was voluntary. These companies have chosen to support increased transparency in the sector through their participation in the UK's EITI process.

Whilst the level of company participation in the first reporting period is encouraging, it is clear to the MSG that more work needs to be done to achieve compliance with the EITI Standard. To meet that objective, it is essential that all companies within the scope of the UK EITI process participate.

Further work is required to ensure that, to the extent possible, the UK EITI process is focused on extractive companies that have made payments in excess of the materiality threshold set by the MSG. Reducing the amount of work involved in interacting with companies that did not make material payments will enable the MSG, and the IA, to focus their efforts on the second priority issue, which will involve encouraging the companies that did not participate in EITI for the first reporting period, and which did make material payments, to participate in future periods.

Summary of Extractive Industries Payments to UK Government in 2014

The tables below summarises the total in-scope amounts reported as having been received by Government Agencies and/or reported as having been paid by extractive companies during the calendar year 2014.

There are minor differences in the totals reported here and in the first chapter for PRT and RFCT/SC which come from published HMRC estimates.[1]

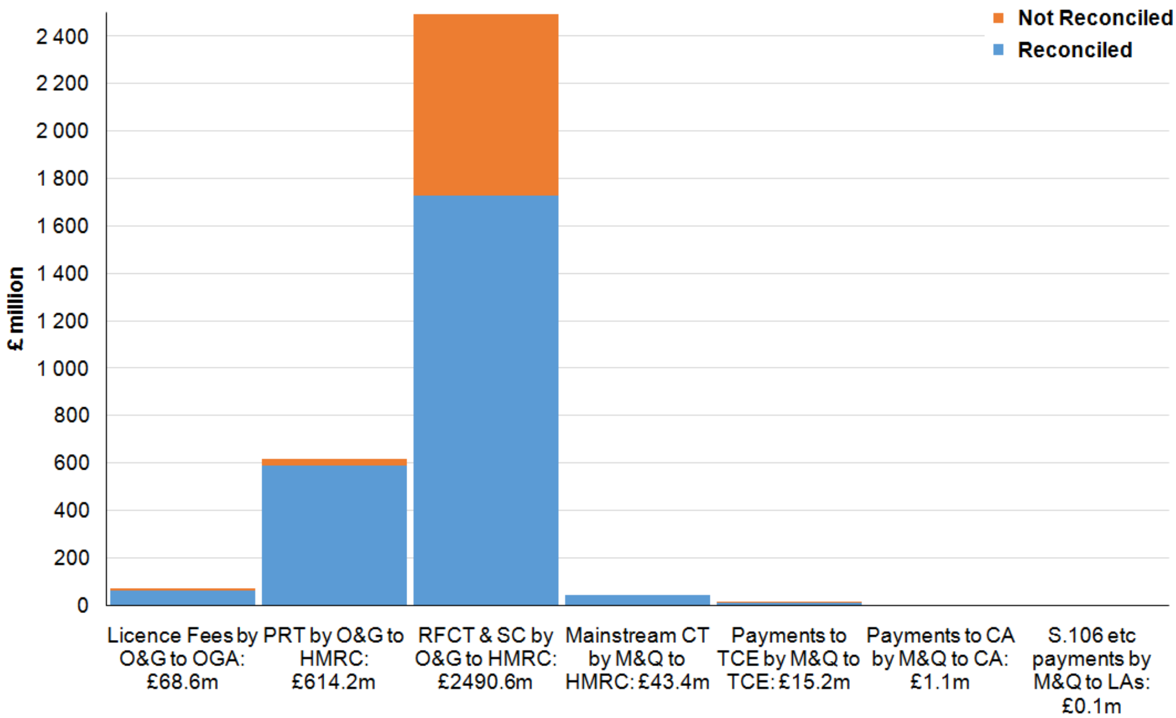
[1] Source: HM Revenue & Customs (HMRC), Tax Receipts and National Insurance Contributions for the UK, https://www.gov.uk/government/statistics/hmrc-tax-and-nics-receipts-for-the-uk

(in £ million)

Type of payee:	Oil & Gas	Oil & Gas	Oil & Gas	Other Mining & Quarrying	Other Mining & Quarrying	Other Mining & Quarrying	Other Mining & Quarrying	All
Recipient:	**OGA**	**HMRC**	**HMRC**	**HMRC**	**TCE**	**CA**	**LAs**	**All**
Payment stream:	**Licence Fees**	**PRT**	**RFCT & SC**	**Mainstream CT**	**Payments to TCE**	**Payments to CA**	**S.106 etc payments**	**Total payments**
Total	**68.58**	**614.23**	**2,490.57**	**43.44**	**15.21**	**1.10**	**0.09**	**3,233.24**
of which:								
reconciled	*60.75*	*587.78*	*1,725.40*	*43.44*	*13.69*	*0.10*	*-*	***2,431.16***
not reconciled	*7.83*	*26.46*	*765.17*	*-*	*1.52*	*1.00*	*0.09*	***802.08***

(in £ million)

Type of payee:	Oil & Gas	Other Mining & Quarrying	All	All	All	All	All	All
Recipient:	**All**	**All**	**OGA**	**HMRC**	**TCE**	**CA**	**LAs**	**All**
Payment stream:	**Total payments**	**Total payments**	**Total payments**	**Total payments**	**Total payments**	**Total payments**	**Total payments**	**Total payments**
Total	**3,173.39**	**59.85**	**68.58**	**3,148.25**	**15.21**	**1.10**	**0.09**	**3,233.24**
of which:								
reconciled	*2,373.93*	*57.23*	*60.75*	*2,356.62*	*13.69*	*0.10*	*-*	***2,431.16***
not reconciled	*799.46*	*2.62*	*7.83*	*791.63*	*1.52*	*1.00*	*0.09*	***802.08***



2. APPROACH AND METHODOLOGY

2.1. Payment Flows

The MSG considered which revenue streams should be included within the scope of the UK EITI reconciliation process. A sub-group of the MSG prepared a paper listing out potential revenue streams which could be included within the scope. The tax authorities and MSG representatives from the mining and quarrying trade bodies gave presentations to add context to the discussion of this paper.

The MSG agreed that the following payment/revenue streams would be in scope for the UK EITI reconciliation exercise (more detailed descriptions can be found in the fiscal regime and revenue streams sub-sections in chapter 3):

Oil and gas sector

Direct taxes specific to UK oil and gas production

Ring Fence Corporation Tax (RFCT): Paid to HMRC. A profits tax similar to corporation tax (CT) but with different treatment of losses, 100% first year capital allowances and (in 2014) a higher rate of 30% of all profits.

Supplementary Charge (SC): An addition to corporation tax, levied during 2014 at the rate of 32%. Profits are computed in the same way as for ring-fence corporation tax, but finance costs are not deductible for supplementary charge purposes and in 2014 there were additional deductions from field allowances.

Petroleum Revenue Tax (PRT): A field-based tax on profits which applies only to fields given development consent before 16 March 1993. In 2014, PRT was levied at a rate of 50% and was deductible for the purposes of computing profits charged to ring-fence corporation tax and the supplementary charge.

Licence and other payments

Petroleum licence fees: Paid in 2014 to DECC (now the OGA). Licences are granted to "search and bore for and get" petroleum. Each licence confers such rights over a limited area and for a limited period. There are also exploration licences. The MSG decided that licences should be reported at licence level, which is equivalent to project reporting. All payments were disclosed by the OGA to the IA and are reported in Annex 4.

Notes:

i. The MSG decided that any interest or penalty payments should be included as an element of the payment (or repayment) with which they are associated.

ii. Larger oil and gas companies pay mainstream CT, RFCT and SC in instalments "in-year" (based on estimates). A number of these instalments will consist of a single payment covering all three taxes, which are allocated only at a later date, too late to be included within the reconciliation. All three taxes are taxes on profits so can be treated as a single revenue stream for EITI purposes, but an additional complication arises because mainstream corporation tax paid by oil and gas producers is out of scope of the UK EITI so should not be reported.

iii. For 2015, to be covered by the second year report, companies have been given the option to make two payments, one being the mainstream corporation tax payment (out of scope) and the other being the RFCT and SC payment (within scope). Payments had already been made for the 2014 calendar year before the methodology was agreed so, as an exception for the 2014 reconciliation, companies were allowed to confirm the split between in-scope and out-of-scope payments themselves.

iv. The MSG decided that PRT should be reported at the project level (by field). However, in reality many companies pay the liability for a number of fields in one payment. To accommodate the MSG's decision HMRC agreed to provide a breakdown of the cash payments received by company and by field and to provide these data to the IA.

Mining and quarrying sector

Taxes

Corporation Tax: Paid to HMRC: Direct tax paid on company profits.

The UK allows for Group Payment Arrangements (GPAs) under which HMRC offer companies in the same group the facility to have one nominated company pay tax on behalf of all of them. Joining a GPA is optional, but the majority of mining and quarrying companies operating in the UK have used this option. The consequence is that reported payments may relate to certain non-extractive activities.

Licence and other payments

Payments to the Coal Authority:

- Statutory licences, operating or conditional for surface and underground coal gasification.
- Production related rents under coal leases.
- Fees and royalties for taking digging and carrying away coal during development (not coal related).
- Payments for coal rights.

Payments to The Crown Estate:

- Production royalty payments for marine aggregates and land based mineral extraction.
- Mineral rights to potash under the seabed.
- Mineral leases for land based mineral extraction operations.

Other taxes and payments made to government

Payments for Planning Obligations paid to Local Planning Authorities. Monetary payments to Local Planning Authorities as part of planning obligations.

There is no central record of planning obligation payments, therefore the MSG agreed these payments would be reported unilaterally by companies.

Note:

i. The MSG decided that any interest or penalty payments should be included as an element of the payment with which they are associated.

2.2. Government Agencies

The Government Agencies required to report for the 2014 EITI Report are:

- Her Majesty's Revenue and Customs (HMRC)
- Oil and Gas Authority (OGA) [as the inheritor body of key oil and gas functions from the Department of Energy and Climate Change (DECC)]
- The Crown Estate (TCE)
- The Coal Authority

2.3. Materiality Threshold

The MSG took an early decision to shadow the Reports on Payments to Government Regulations 2014 where practicable. These regulations require all EU large and listed extractives companies to publish the payments they make to governments in all the countries where they operate.

For EITI in line with the regulations, the materiality threshold is set at £86,000 and will apply to each revenue stream at group or individual company level. The threshold applies to the total of net payments and repayments – once the threshold has been reached in a revenue stream, then all individual payments within that stream will be included. This means that individual payments below £86,000 are included within the revenue stream total, once the threshold has been reached.

2.4. Completeness of Data

Taxpayer confidentiality provisions are established in UK law and are set out in the Commissioners for Revenue and Customs Act 2005[1]. These provisions prevented HMRC from providing the IA or the MSG with a list of companies that were "in scope" for EITI and had made material tax payments to the UK Government during 2014. Except in the case of oil and gas companies, it is anyway not possible for HMRC to know how much, if any, of the corporation tax they pay is in respect of extractive activities, so they could not provide a list of "in scope" companies.

In the absence of this list of companies from the tax authorities, the MSG considered alternative ways to contact companies that may need to report under the EITI. The

[1] www.gov.uk/government/uploads/system/uploads/attachment_data/file/209602/HMRC_s_Policy_and_Legal_Framework_08-05-13.pdf

MSG agreed on two different approaches, the first relating to oil and gas companies, the second relating to mining and quarrying companies:

Oil and gas companies

The MSG decided that the IA should send reporting templates and confidentiality waivers to all companies that hold petroleum licences. Information about who holds a petroleum licence is already in the public domain. These licences were administered in 2014 by the Department of Energy and Climate Change (DECC) with responsibility transferring to the Oil and Gas Authority (OGA) from 1 April 2015. This meant that templates and waivers were distributed to a significantly higher number of oil and gas companies than those that had made material payments during 2014.

Companies were asked to return confidentiality waivers to the IA so that HMRC, The Crown Estate and the Coal Authority could release details of receipts to the IA. This would include verifying when payments were below the £86,000 materiality threshold agreed by the MSG – see section 2.6 below. In many cases, once a company realised it did not have to return the template as its payments were not deemed to be material for the purposes of UK EITI, it did not return the confidentiality waiver.

HMRC has confirmed that six oil and gas companies made material tax payments in 2014 but have not returned waivers or completed templates.

Mining and quarrying companies

Oil and gas production apart, there is no specific tax regime for the minerals sector in the UK. This means that mining and quarrying companies pay mainstream corporation tax on all their profits with no requirement to identify separately the tax paid on their extractive activities. Minerals representatives on the MSG agreed a methodology with the MSG to identify companies that were thought to account for 80% by volume of the total output of the UK mining and quarrying sector. A list was provided to the IA and reporting templates and confidentiality waivers were sent to 39 mining and quarrying companies.

2.5. Material Deviation

The MSG agreed that the IA should reconcile differences of over £10,000.

2.6. Methodology

The reconciliation process consisted of the following steps:

- analysis of the reconciliation scope prepared by the MSG;
- collection of payment data from Government Agencies and extractive companies which provide the basis for the reconciliation;
- comparison of amounts reported by Government Agencies and extractive companies to determine if there are discrepancies between the two sources of information; and
- contact with Government Agencies and extractive companies to resolve the discrepancies.

Analysis of the reconciliation scope

The IA, Moore Stephens, undertook a preliminary analysis in accordance with their Terms of Reference for the purpose of reviewing the scope of the reconciliation exercise for the 2014 calendar year. This preliminary analysis covers the UK's extractive industries and related entities (Government Agencies and extractive companies).

Sub-groups were created within the UK EITI MSG in order to work on different aspects of the reconciliation exercise such as the scope, the reconciliation activities and the EITI report content. Moore Stephens reviewed all work carried out by sub-groups and provided recommendations where they noted deviations to the EITI 2013 Standard or where they felt improvements would make the EITI reporting process more efficient.

The preliminary analysis included:

- acquiring a good understanding of the extractive resources and industries of the country;
- reviewing the fiscal regime and other relevant revenue streams applicable to the extractive sector including in-kind payments, social payments, infrastructure provisions and other bartering agreements;
- reviewing existing data from the relevant period to determine significant revenue streams;
- reviewing materiality thresholds for revenue streams set by the MSG;
- identifying extractive companies which make material payments within the scope of the agreed material revenue streams;
- identifying Government Agencies which collect material revenues within the scope of the agreed material revenue streams;
- reviewing the reporting template to be used; and
- acquiring a good understanding of assurances to be provided by reporting entities to ensure the credibility of the data made available to us.

Moore Stephens also carried out:

- interviews with several entities involved in the EITI process in order to collect relevant information and documentation necessary to the achievement of the objectives of our review;
- two workshops for Oil & Gas Reporting entities in Aberdeen and London on 1 and 2 July 2015 respectively to present the:
    - ✓ reconciliation process
    - ✓ reconciliation scope
    - ✓ reporting templates and instructions
    - ✓ reconciliation issues;
- one Webinar for Mining & Quarrying Reporting entities on 22 July 2015.

The reconciliation of cash flows for the year ended 31 December 2014 is based on the reconciliation scope approved by the MSG.

The IA's recommendations are set out in Chapter 5 of this report to assist the MSG in its future reconciliation exercises , and relating to:

- a reporting template for government agencies;
- the reporting unit (£);
- the materiality threshold for the revenue streams;
- overall coverage of the report;
- determining in scope companies in the mining & quarrying sector; and
- register of licences for the mining sector.

Collection of payment data

The MSG developed instructions, including reporting templates and reporting guidelines which can be found here: https://www.gov.uk/guidance/extractive-industries-transparency-initiative

The reporting package included:

- Reporting template
- EITI guide
- Step-by-step guide
- Beneficial ownership guide
- Confidentiality waiver

The reporting template was sent electronically to all extractive companies by end of June 2015. This included 220 companies: 181 Oil & Gas companies and 39 Mining and Quarrying companies. Extractive companies were asked to report directly to the IA using the email address ukeiti@moorestephens.com, to which they were also requested to direct any queries on the reconciliation exercise. Extractive companies were also encouraged to visit the UK EITI website for information and guidance on the EITI process at https://www.gov.uk/extractive-industries-transparency-initiative.

Reliability and Credibility of Data Reported

Extractive companies were asked to have their reporting templates signed by a senior official.

For Government Agencies, the MSG accepted that rules of Government Accounting in the UK applied and the data to be reported was agreed with the IA in most instances.

Reconciliation and Investigation of Discrepancies

The process of reconciling the data and investigating discrepancies was carried out between 29 October 2015 and 18 March 2016. In carrying out the reconciliation, the IA performed the following procedures:

- figures reported by extractive companies were compared item-by-item to figures reported by Government Agencies. As a result, all discrepancies identified were listed item by item in relation to each Government Agency and extractive company;

- where data reported by extractive companies agreed with the data reported by the Entities, the Government figures were considered to be confirmed and no further action was undertaken; and
- the Government Agencies and the extractive companies were asked to provide supporting documents and/or confirmation for any adjustment to the information provided on the original data collection templates.

At the end of the reconciliation process, only one material payment was not reconciled to within the £10,000 tolerance agreed by the MSG.

INFORMATION ON THE UK EXTRACTIVE INDUSTRIES

3.1 The Extractive Industries in the UK

The extractive sector makes a sizeable contribution to the UK economy, while supporting substantial added value in downstream industries and related supply chains. Currently by far the largest economic contribution comes from offshore oil and gas production, but coal, aggregates and other mineral extraction remain significant subsectors. There is currently no UK state participation in the extractive industries.

In some of the summary information below, coal is grouped with oil and gas. However, for the rest of this chapter, oil and gas (Section 3.2) are treated separately from mining and quarrying, including coal (Section 3.3).
Value of the sector

The table below shows gross value added (GVA) for the mining and quarrying sector in UK national statistics, which includes fossil fuel production, other mining and quarrying, and mining support service activities. (Mining support services are essential to, but not themselves part of, the extractive sector for EITI purposes.) The table covers the years 2010–14 and gives for each subsector its percentage share of total UK GVA in 2014.[1]

Gross Value Added (£ million) [2]

Year	Mining of coal and lignite	Extraction of crude petroleum and natural gas	Other mining and quarrying	Mining support service activities {b}	Total mining and quarrying etc {a}	of which Extractive {c} = {a} - {b}	Total GVA	Total GDP {d}	of which Extractive GVA {c} / {d}
2010	993	25,134	2,127	2,134	**30,389**	*28,255*	1,397,744	1,555,548	*1.8%*
2011	399	27,941	2,524	2,669	**33,534**	*30,865*	1,443,281	1,619,480	*1.9%*
2012	380	23,558	3,015	2,832	**29,786**	*26,954*	1,485,776	1,665,213	*1.6%*
2013	381	23,199	3,037	2,820	**29,438**	*26,618*	1,546,914	1,734,949	*1.5%*
2014	298	18,973	3,321	2,991	**25,584**	*22,593*	1,612,905	1,816,439	*1.2%*
%*	**0.0%**	**1.2%**	**0.2%**	**0.2%**	**1.6%**	**1.4%**	**100.0%**		

* The percentages for 2014 are shares of total GVA for all industries.

[1] Source: Office for National Statistics (ONS), Gross Domestic Product Preliminary Estimates, Quarter 3 (July to Sept) 2015, http://www.ons.gov.uk/ons/rel/gva/gross-domestic-product--preliminary-estimate/q3-2015/stb-gdp-preliminary-estimate.html. Generally, in this chapter, unlike in the ONS table and some other official sources, a terminological distinction is made between "oil and gas" and "mining and quarrying", the latter comprising the extraction of coal and of all non-hydrocarbon minerals, and excluding oil and gas.
[2] Source: ONS, Gross Domestic Product Preliminary Estimate, Quarter 3 (July to Sept) 2015, published 27 October 2015.

3.1.2. Government revenues

UK Government accounts cover the period April–March rather than a calendar year, so some of the data on government revenues in this chapter are of necessity on that basis. Where possible, calendar year data is (also) provided, as in the table below.[1]

UK Government CT Revenues

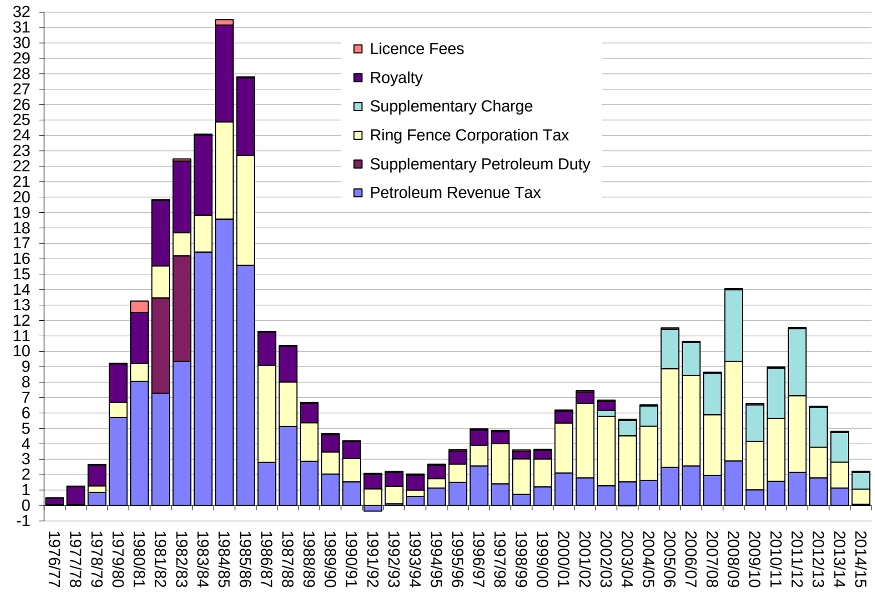
£ million	Total Corporation Tax	Of which offshore	Petroleum Revenue Tax	Total Upstream Oil and Gas	Total HMRC receipts	Upstream Oil and Gas Share of Total (%)
2010-11	43,040	6,864	1,458	8,322	453,614	1.8%
2011-12	43,130	8,840	2,032	10,872	472,315	2.3%
2012-13	40,484	4,393	1,737	6,130	473,779	1.3%
2013-14	40,327	3,556	1,118	4,674	493,646	0.9%
2014-15	43,005	2,073	77	2,150	515,348	0.4%
2010	42,148	6,232	1,349	7,581	444,761	1.7%
2011	43,231	8,270	1,775	10,045	469,554	2.1%
2012	40,726	5,847	2,106	7,953	470,767	1.7%
2013	40,418	3,862	1,296	5,158	489,334	1.1%
2014	41,577	2,538[2]	569[3]	3,107	506,570	0.6%

This table includes an estimate of the amount of corporation tax (CT) paid in respect of upstream oil and gas production (i.e. the exploration and production stage) activities (described for simplicity as “offshore” CT) and of petroleum revenue tax (PRT). The amount of CT paid by other extractive industries is not identified in UK Government accounts, because CT is a corporate tax so the amounts payable in respect of mining and quarrying activities (excluding the production of oil and gas) cannot be estimated. Estimates for mining and quarrying published annually by HMRC include oil and gas and mining support service activities and are on a liability basis for financial years rather than a cash basis for calendar years; the latest published estimate relates to 2013-14. In addition to taxation, the extractive sector in the UK also pays much smaller amounts by way of licence fees. These payments are summarised later in this sub-section.

The level of government revenues from taxes on production of oil and gas is dependent on rates of taxation and adjusted profitability, driven by a combination of production volumes, commodity prices and cost levels. Historical data by financial year since 1976/77 on upstream oil and gas taxes including licence fees are shown in constant price terms in Figure 1.

[1] Source: HM Revenue & Customs (HMRC), Tax Receipts and National Insurance Contributions for the UK, https://www.gov.uk/government/statistics/hmrc-tax-and-nics-receipts-for-the-uk
[2] The RFCT/SC figure contains a different reduction for estimated tax on non-upstream activities compared to EITI data.
[3] The PRT figure has a timing difference for the December payments compared to published EITI data that is based on when the payment was made by the business rather than received by Government.

Figure 1. Government revenues from UK oil and gas production (£ billion, 2014/15 prices) [1]



Income from fees for petroleum licences totalled £66.9 million in 2014/15 (£67.7 million in 2013/14).[2] For calendar year 2014, total licence fees were £68.6 million. In 2014 the Coal Authority received £238,000 in licensing fees and £863,000 in rents, royalties and rights.[3] Government revenues received by The Crown Estate for marine aggregate dredging licence and terrestrial minerals fees in 2014 were £15,210,000.

For more information on the specific tax regimes for oil and gas, and mining and quarrying, respectively, see sub-sections 3.2.8 and 3.3.5.

Section 106 payments (in England, plus equivalent payments made elsewhere in the UK) to local authorities relating to the granting of planning permission for mining operations, to the extent that these were captured in data provided for this report, totalled £94,000 in 2014 as reported by Aggregate Industries UK Ltd, a mining & quarrying company.

There are no barter arrangements between extractive companies and the government in the UK.

Forecasts of UK Government oil and gas revenues are published by the independent Office for Budget Responsibility (OBR), covering the medium term budget horizon (currently to 2020/21) and longer-term outlook (currently to 2040/41).[4] The OBR also publishes details of its underlying forecasts of oil and gas production, prices and expenditure broken down between exploration and appraisal, development capital expenditure, operating costs and decommissioning costs.

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[1] Source: Oil and Gas Authority (OGA), Oil and gas: tax and government revenues, https://www.gov.uk/guidance/oil-tax-government-revenues

[2] Department of Energy and Climate Change (DECC), Annual report and accounts: 2014 to 2015, https://www.gov.uk/government/publications/decc-annual-report-and-accounts-2014-to-2015

[3] Source: Coal Authority, email communication.

[4] OBR, Economic and Fiscal Outlook, July 2015, http://budgetresponsibility.org.uk/economic-fiscal-outlook-july-2015/; OBR, Fiscal Sustainability Report, June 2015, http://budgetresponsibility.org.uk/fiscal-sustainability-report-june-2015/

For projections of future oil and gas production volumes, and the production outlook for coal and non-hydrocarbon minerals, see Sections 3.2 and 3.3 respectively.

3.1.1. Exports

Data on the volume and value of exports (and imports) of fossil fuels is tabulated below, together with the volume and value of indigenous production.[1] The UK exports coal, oil and natural gas but with the decline in indigenous production of all three fossil fuels imports more of each and is thus a net importer overall.[2]

Volume & Value of UK Fossil Fuel Exports, 2010-14

Volume of exports (mtoe)					Value of exports (£ million)			
Year	Coal	Crude Oil	Natural Gas	Oil & Gas	Coal	Crude Oil	Natural Gas	Oil & Gas
2010	0.537	45.999	15.168	61.167	85	16,025	2,505	18,530
2011	0.370	36.770	15.794	52.565	60	16,830	3,555	20,385
2012	0.368	33.837	12.384	46.221	55	16,435	2,715	19,150
2013	0.447	36.192	9.429	45.622	90	17,460	2,510	19,970
2014	0.319	33.865	10.998	44.863	55	14,670	2,005	16,675

Volume of imports (mtoe)					Value of imports (£ million)			
Year	Coal	Crude Oil	Natural Gas	Oil & Gas	Coal	Crude Oil	Natural Gas	Oil & Gas
2010	17.723	60.135	50.951	111.086	2,080	21,165	7,120	28,285
2011	21.399	63.471	50.600	114.071	3,050	30,115	9,630	39,745
2012	29.061	66.090	47.250	113.340	3,315	31,270	10,045	41,315
2013	32.122	64.675	46.011	110.687	3,235	30,100	10,985	41,085
2014	27.289	58.852	41.029	99.881	2,235	24,145	7,250	31,395

Volume & Value of UK Net Fossil Fuel Exports & Indigenous Production, 2010-14

Volume of net exports (mtoe)					Value of net exports (£ million)			
Year	Coal	Crude Oil	Natural Gas	Oil & Gas	Coal	Crude Oil	Natural Gas	Oil & Gas
2010	(17.185)	(14.136)	(35.783)	(49.919)	(1,995)	(5,140)	(4,615)	(9,755)
2011	(21.029)	(26.701)	(34.805)	(61.506)	(2,990)	(13,285)	(6,075)	(19,360)
2012	(28.693)	(32.253)	(34.867)	(67.119)	(3,260)	(14,835)	(7,330)	(22,165)
2013	(31.675)	(28.483)	(36.582)	(65.065)	(3,145)	(12,640)	(8,475)	(21,115)
2014	(26.970)	(24.987)	(30.031)	(55.018)	(2,180)	(9,475)	(5,245)	(14,720)

Volume of indigenous production (mtoe)					Value of indigenous production (£ million)			
Year	Coal	Crude Oil	Natural Gas	Oil & Gas	Coal	Crude Oil	Natural Gas	Oil & Gas
2010	11.425	68.983	57.196	126.179	1,065	22,610	7,755	30,365
2011	11.532	56.902	45.289	102.191	1,175	26,525	7,890	34,415
2012	10.583	48.756	38.925	87.681	990	23,685	7,840	31,525
2013	7.973	44.468	36.523	80.991	535	21,330	7,755	29,085
2014	7.289	43.705	36.583	80.288	450	18,185	6,655	24,840

[1] Source: DECC, Digest of UK Energy Statistics 2015, https://www.gov.uk/government/collections/digest-of-uk-energy-statistics-dukes
[2] Source: Digest of UK Energy Statistics 2015.

Data for 2014 on the volume and value of exports, imports and production of non-hydrocarbon minerals (i.e. excluding oil, gas and coal) are not yet available. For the latest available data, for 2013, and an explanation of why 2014 data are not currently available, see Section 3.3.

3.1.2. Employment

The extractive industries are typically capital rather than labour intensive and represent a smaller share of the workforce than of GVA. In the table below, mining support service activities are included, even though they are not part of the extractive sector for EITI purposes, because regional data is not available for fossil fuel production and other mining and quarrying separately. Most of the first column in the table comprises employment related to extraction of oil and gas rather than coal.[1]

Workforce estimates from Business Register and Employment Survey (in thousands)

Year	Mining of coal and lignite Extraction of crude petrol/gas [SIC (2007) Divisions 05-06]	Mining of metal ores Other mining and quarrying [SIC (2007) Divisions 07-08]	Mining support service activities [SIC (2007) Division 09]	Of which Extractive [SIC (2007) Divisions 05–08]	Total mining & quarrying etc [SIC (2007) Section B]	Total industries [SIC (2007) Section A-T]
2010	19	19	26	*37*	63	**31,124**
2011	21	19	25	*40*	65	**31,323**
2012	24	22	30	*46*	76	**31,654**
2013	22	18	30	*40*	70	**32,074**
2014	**21**	**18**	**30**	***39***	**68**	**33,156**
2014*	**0.1%**	**0.1%**	**0.1%**	**0.1%**	**0.2%**	**100.0%**

* The percentages for 2014 are shares of the total workforce for all industries.

All extractive employment shown in the table above is in the private sector. Office for National Statistics (ONS) estimates exclude employees of first tier contractors working offshore in roles that would otherwise be within extractive companies and tend to exclude small groups of employees working in support activities. The data also excludes employment associated with the production of mineral products.

Extractive industry employment levels have fallen markedly from their historic peak decades ago, mainly due to the decline of the coal industry.

Further details of employment supported directly and indirectly by the oil and gas sector are available from various Oil & Gas UK (industry association) publications.[2]

3.1.3. Regional location of extractive industries

Almost all UK oil and gas production comes from fields located offshore. Maps showing the location of oil and gas fields in Great Britain and on the UK Continental Shelf (UKCS) are published online by the Oil and Gas Authority (OGA).[3] These maps also show which areas are under licence offshore and onshore in Great Britain. A map showing which areas are under licence in Northern Ireland is

[1] Source: ONS Labour Market Statistics, December 2015, http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/december-2015/statistical-bulletin.html
[2] Oil & Gas UK, http://oilandgasuk.co.uk/
[3] OGA, Oil and gas: offshore maps and GIS shapefiles, https://www.gov.uk/guidance/oil-and-gas-offshore-maps-and-gis-shapefiles, and Oil and gas: onshore maps and GIS shapefiles, https://www.gov.uk/guidance/oil-and-gas-onshore-maps-and-gis-shapefiles

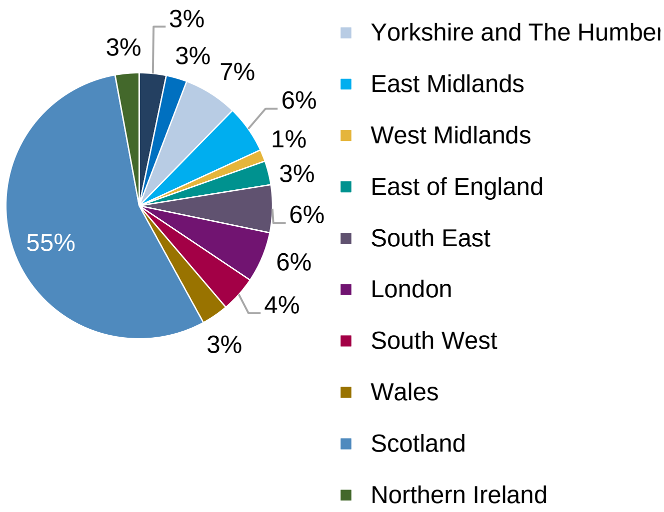
published by the Northern Ireland Department of Enterprise, Trade and Investment (DETI)[1] but there is as-yet no production.

The majority of coal production comes from sites in Scotland, England and South Wales, as mapped by the Coal Authority.[2] Mining and quarrying of non-hydrocarbon minerals are widely distributed across the UK. There are no significant hard-rock aggregate deposits in the South-East, so these materials are transported from further afield in the Midlands and the West Country to this important market.

The broad geographic spread of employment in the UK extractive sector (including oil and gas) is illustrated in the table and chart below. Because of data limitations, these include mining support service activities. The concentration of employment in Scotland reflects the dominance of the Aberdeen area in terms of oil and gas-related activity.

Figure 2. Mining & quarrying [SIC (2007) Section B] regional share of mining workforce (2014)

Region	2014 (thousand)	(share)
Scotland	38	55%
Yorkshire and The Humber	5	7%
East Midlands	4	6%
South East	4	6%
London	4	6%
South West	3	4%
North East	2	3%
North West	2	3%
East of England	2	3%
Wales	2	3%
Northern Ireland	2	3%
West Midlands	1	1%
United Kingdom	**69**	**100%**



For further details of the geographical location of UK oil, gas and minerals production, see Sections 3.2 and 3.3.

[1] Department of Enterprise, Trade and Investment (DETI), Petroleum Licensing, https://www.detini.gov.uk/publications/petroleum-licence-map
[2] Coal Authority, Interactive Map, http://mapapps2.bgs.ac.uk/coalauthority/home.html

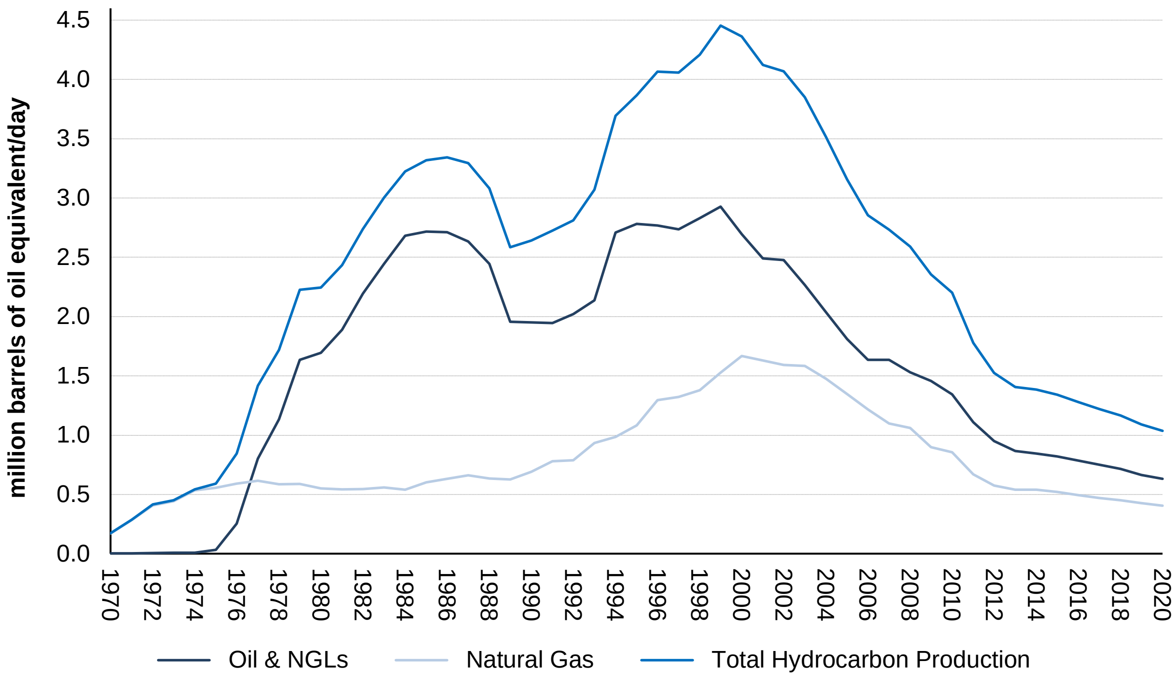
3.2 Oil and Gas

3.2.1. Production

Production of the UK's oil and gas is dominated by production from offshore areas, which account for virtually all of UK output.[1] Production of natural gas began in 1967 with the West Sole field in the Southern North Sea. Offshore oil production began with the Argyll field in the Central North Sea (CNS) in 1975.

Combined oil and gas production volumes peaked in 1999 at 4.59 million barrels of oil equivalent (boe) per day, and have since declined to 1.44 million boe/day in 2014, split roughly 60:40 between oil production and natural gas production (Figure 3).

Figure 3. UK oil and net gas production[2]



For data on the value of UK oil and gas production in 2014, see Section 3.1.

The OGA publishes data relating to production of UK oil and gas, including production data for individual fields, current and historical production figures, production projections, and tables and charts on UKCS income and expenditure.[3]

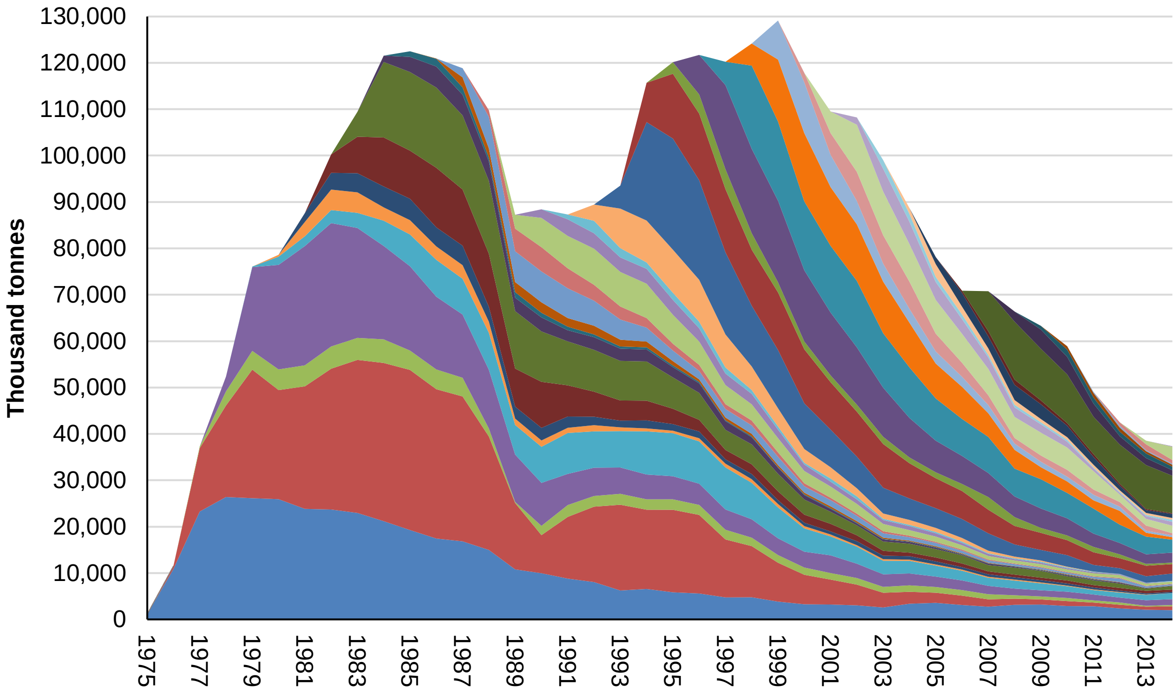
3.2.2. Background and recent developments

At the start of the industry in the 1960s and 1970s production was dominated by a small number of very large, profitable fields, such as Forties, Brent, Ninian and Piper, and the development of key offshore infrastructure pipelines. UKCS production now

[1] Wytch Farm in Dorset, England, is the only substantial onshore field and is partly covered by a "seaward" licence; the drilling sites are onshore, but some of the wells extend under Poole Harbour. Wytch Farm is here treated as offshore.
[2] Source: OGA, https://www.gov.uk/guidance/oil-and-gas-uk-field-data. Net natural gas production equals gross production less producers' own use, i.e. the gas used in the course of production of oil and gas and therefore not available for sale to end users.
[3] OGA, Oil and gas: field data, https://www.gov.uk/oil-and-gas-uk-field-data

comes from a large number (over 300) of predominantly small fields and others that are much more technically complex to produce from, both of which tend to increase unit development and production costs. The overall level of production has fallen significantly, especially in the last decade – a consequence of natural reservoir decline in existing fields combined with fewer/smaller developments. Figure 4 illustrates this for crude oil production.

Figure 4. UK crude oil production by start-up year of field[1]



At £14.8 billion, development capital expenditure in 2014 was at a record level with a number of large developments taking place, such as the Laggan and Tormore fields, the redevelopment of Schiehallion and the next phase of the large Clair Field. The costs of running the industry reached a total of £9.6 billion in 2014. Operating costs per barrel have more than doubled since 2010 as production has fallen while costs have risen (in a high oil price environment in which few fields ceased production). For the first time, the cost of decommissioning assets in the UKCS exceeded £1 billion in 2014. With oil prices falling by nearly 50% in the second half of 2014 to approximately US$60/barrel for dated Brent, despite flat production in 2014, income fell significantly resulting in strongly negative post-tax cashflow for the sector as a whole.

The UK is still a significant oil and gas producer. In 2014, the UK was the 23rd largest producer of oil and gas globally (ranked 24th for oil and 21st for gas production).[2] The UK produced 1.0% of global output of oil and gas in 2014.[3]

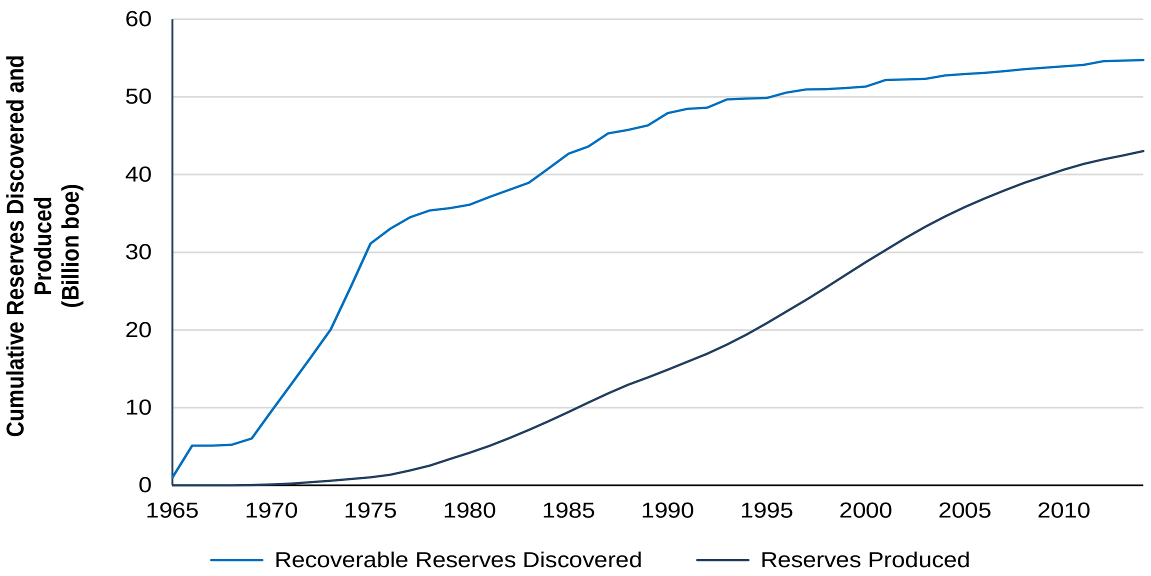
[1] Source: OGA.
[2] BP, Statistical Review of World Energy, 2015, http://www.bp.com/en/global/corporate/energy-economics/statistical-review-of-world-energy.html
[3] BP, Statistical Review of World Energy, 2015, http://www.bp.com/en/global/corporate/energy-economics/statistical-review-of-world-energy.html

3.2.3. Reserves and forecasts

A total of 42 billion boe had been produced from the UKCS by the end of 2014. The OGA estimates remaining recoverable hydrocarbon resources from the UKCS to lie in the range 11 to 21 billion boe.[1] Full details of the assumptions underpinning forthcoming years in the budget cycle and relating to projected production, commodity prices and revenue forecasts are provided by the independent OBR.[2]

Exploration activity in 2014 was at a historical low, matched only by 2011 since the start of offshore exploration in the mid-1960s. Only 14 exploration wells (including 1 sidetrack) were drilled in the year, and discovered volumes are thought to have been around 55 million boe.[3] Cumulative reserves produced to date are catching up with cumulative resources discovered to date (Figure 5); the number of fields discovered but not yet developed is dwindling – an important issue for the long term future of the UKCS.

Figure 5. Recoverable UKCS reserves discovered and reserves produced[4]



Forecasts of future production rates vary. Oil & Gas UK predicts that production will increase in the near term, with the start-up of some very large projects more than offsetting anticipated reservoir decline from existing fields. Official forecasts suggest little or no short-term increase and a more rapid return to declining production in future years (Figure 6).

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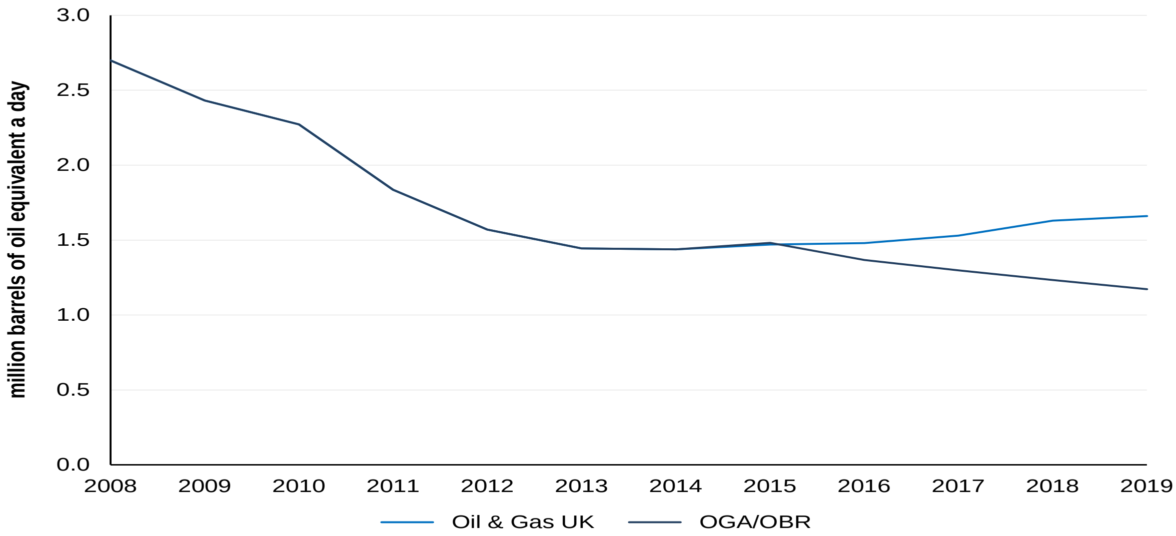
[1] OGA, UK Oil and Gas Reserves and Resources, https://www.gov.uk/guidance/oil-and-gas-uk-field-data#uk-oil-and-gas-reserves-and-resources

[2] OBR, http://budgetresponsibility.org.uk/

[3] Oil & Gas UK, Activity Survey 2015, http://oilandgasuk.co.uk/

[4] Underlying data from Wood Mackenzie, Upstream Data Tool, http://www.woodmac.com/content/portal/energy/highlights/wk4_Nov_13/Upstream%20Data%20Tool.pdf; chart showing up to 2013 from Oil & Gas UK, Economic Report 2014, http://oilandgasuk.co.uk/wp-content/uploads/2015/05/EC041.pdf, p. 28.

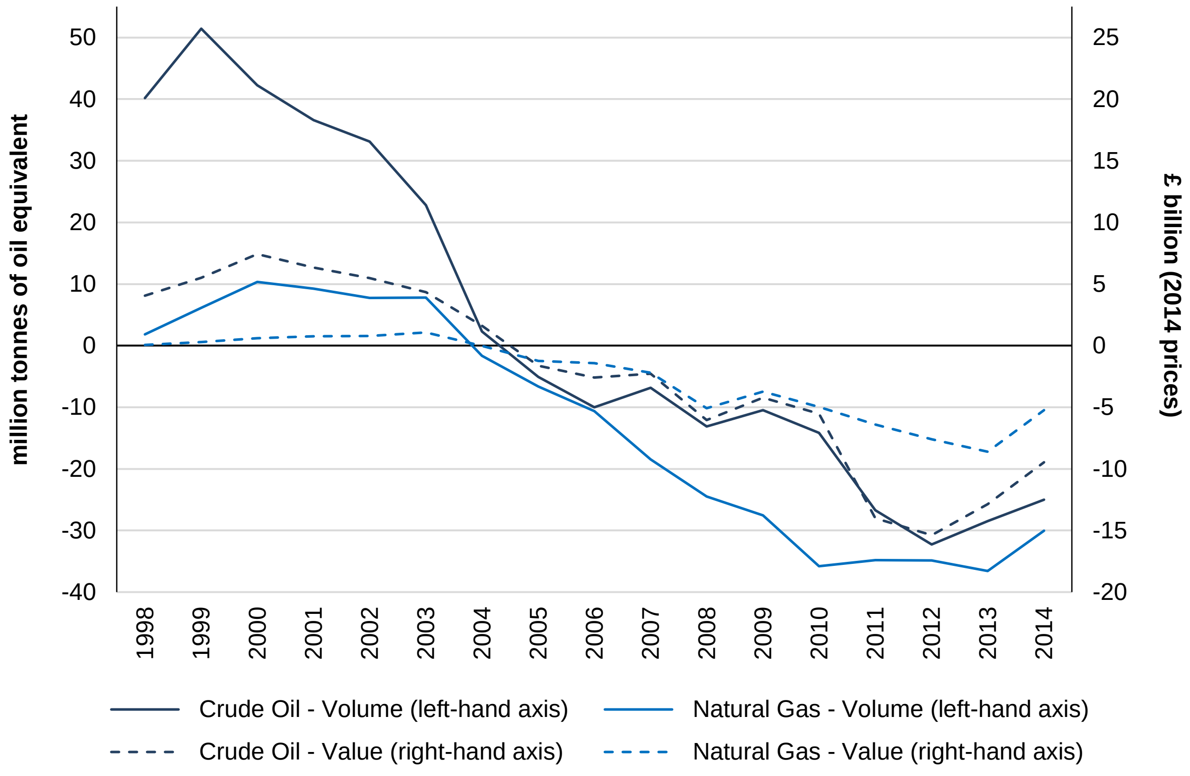
Figure 6. Oil & Gas UK and OBR forecast for future UKCS output[1]



3.2.4. Balance of trade

Domestic production of oil and gas continues to supply around 50% UK hydrocarbon consumption. For data on the volume and value of UK exports (and imports) of oil and natural gas, see Section 3.1. Net exports (imports) since 1998 are illustrated in Figure 7.

Figure 7. Volume and value of net UK oil and gas exports (imports)



[1] Source: Oil & Gas UK and OBR.

Oil and gas (whether domestically produced or imported) provide over 70% of the UK's total primary energy needs, and despite policy objectives and measures supporting the use of alternative energy sources, DECC expect this percentage to stay stable up to 2030 under current policies.

3.2.5. Employment

For data on the UK extractive sector employment, including in the oil and gas industry, see Section 3.1. Additional information on employment in the UK oil and gas industry, including the UK supply chain, is provided in the annual Economic Report of Oil & Gas UK, the main upstream trade association. [1]

3.2.6. Legal framework and licensing[2]

The Petroleum Act 1998 vests rights to oil and gas (petroleum) resources in the Crown.[3] The government grants petroleum licences, giving exclusive rights to "search and bore and get" petroleum (mineral oil, natural gas and any associated hydrocarbons) over a limited area for a limited period. There are separate licensing regimes for offshore (seaward) and onshore (landward) areas, with distinct licences in each. In Northern Ireland, the Petroleum (Production) Act (Northern Ireland) 1964 vests the property in oil and gas in Northern Ireland, with certain exceptions, in the Department of Enterprise, Trade and Investment (DETI).[4]

Before 1 April 2015 petroleum licences were awarded by the Department for Energy and Climate Change, (DECC). Since then a newly established independent regulator, the Oil and Gas Authority (OGA), has been the licensing authority in all areas other than onshore Northern Ireland, where the Northern Ireland Executive has retained responsibility.

Northern Ireland's offshore waters are subject to the same licensing regime as the rest of the continental shelf. The OGA publishes oil and gas licences and licence reports for Great Britain and the UKCS.[5] The OGA also publishes offshore and onshore maps and GIS shapefiles. The interactive maps allow users to find the co-ordinates of each licence and download individual licences. [6] Older licences have not all been scanned so some are not available online but copies may be requested from the OGA.

The Northern Ireland DETI issues separate onshore licences independently of the OGA and publishes current licences and a map showing licence areas.[7]

The OGA works to maximise economic recovery of the nation's petroleum resources. Before awarding the licence, the government also has essential requirements, such as the establishment of a tax base, requiring the would-be licensee to have a fixed

[1] Oil & Gas UK, Economic Report 2015, http://oilandgasuk.co.uk/economic-report-2015.cfm
[2] This subsection draws on OGA, Oil and gas: petroleum licensing guidance, https://www.gov.uk/guidance/oil-and-gas-petroleum-licensing-guidance
[3] Petroleum Act 1998, www.legislation.gov.uk/ukpga/1998/17/contents
[4] http://www.legislation.gov.uk/apni/1964/28/contents
[5] OGA, Oil and gas: licence data, https://www.gov.uk/oil-and-gas-licence-data; see also OGA, Current fields and licences wall map, https://www.gov.uk/oil-and-gas-onshore-maps-and-gis-shapefiles
[6] OGA, Oil and gas: offshore maps and GIS shapefiles, https://www.gov.uk/guidance/oil-and-gas-offshore-maps-and-gis-shapefiles, and Oil and gas: onshore maps and GIS shapefiles, https://www.gov.uk/guidance/oil-and-gas-onshore-maps-and-gis-shapefiles
[7] DETI, Petroleum Licensing, https://www.detini.gov.uk/articles/petroleum-licensing

place of business within the UK. The OGA routinely informs HMRC of proposed transactions so that the latter will be aware of potential tax issues.

Award and transfer of licences

Licences are awarded during regular competitive onshore and offshore licensing rounds once the OGA has been satisfied that the licensee has the necessary technical and financial capacity[1]. This method of licensing optimises recovery of the UK's petroleum. Out-of-round licence applications are possible but only in exceptional circumstances. Licensing rounds are announced in the Official Journal of the European Union and assessed against a publicly announced set of criteria. [2]

Each licence takes the form of a deed, which binds the licensee (either a single company or several working together and bound under joint and several liability) to obey the licence conditions regardless of whether or not they are using the licence at any given moment. The apportionment of costs arising from the licence (including the licence rental) and revenues arising from it require the Secretary of State's consent under licence conditions.

The OGA (and DECC previously) regulates the transfer and sale of licences in order to enforce its policy objectives.

Licence applications and interests attract fees and charges payable by the applicant or licensee. Each licence carries an annual charge, commonly called a rental. Rentals serve the double purpose of incentivising licensees to work their whole licensed areas and to surrender acreage they do not intend to exploit. Rentals are due every year on the licence anniversary, and are charged at a variable rate on each square kilometre that the licence covers at that date. The rates are set out in the licence document at award.

Licence conditions and types of licences

Each licence contains detailed terms and conditions, but not all regulation is contained in the licence. The Petroleum Act 1998 requires these conditions — called model clauses — to be published first in secondary legislation except in particular cases.[3] In recent years, the model clauses have also been set out in full in the licence document.

Production licences are valid for a sequence of periods, or terms. These terms mirror the typical life cycle of a field: exploration, appraisal and production, and provide that each licence will expire automatically at the end of each term, unless the licensee has sufficiently progressed to warrant a move into the next term. The duration of each term depends on the type of the licence.

The OGA publishes additional information about the different types of licences, their normal duration and different phases of the licensing lifecycle.[4]

[1] OGA documentation of award rounds is available at Oil and gas: licensing rounds, https://www.gov.uk/oil-and-gas-licensing-rounds

[2] See for example http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52014XG0620(01)&from=EN for the announcement of the 14th landward licensing round including the assessment criteria.

[3] Petroleum Licensing (Exploration and Production) (Landward Areas) Regulations 2014, http://www.legislation.gov.uk/uksi/2014/1686/contents/made

[4] OGA, Oil and gas: petroleum licensing guidance, https://www.gov.uk/guidance/oil-and-gas-petroleum-licensing-guidance

While landward licences confer the right to search for, bore and extract petroleum on areas under licence, they do not exempt the licensee from other legal or regulatory requirements, including a need to obtain access rights from landowners or planning permission from relevant local authorities, or to conform to health and safety regulations.

In Northern Ireland, there is only one type of petroleum licence which has broadly similar terms and condition to onshore GB Petroleum Exploration and Development Licences (PEDLs) but also some differences. [1]

3.2.7. An introduction to the published tax receipts

The published reconciled tax receipts in this EITI Report illustrate how the amount of tax paid by a company can vary significantly. This is because the level of tax paid by a company in a single tax period is the product of a number of different variables. The first is the level of taxable profits within that period. This is dependent on any capital expenditure incurred including decommissioning and investment. The second is the tax rate for that year. Third is any tax loss carried forward from the prior year or carried back from a later year. Where losses are carried back, a repayment of tax will often arise.

Other industries pay standard corporation tax, which was 23% at the start of 2014, reducing to 21% from 1 April 2014; [2] this is largely based around accounting profit. Taxable profits and accounting profits diverge substantially for the ring-fence corporation tax in a way that no longer applies elsewhere. This is largely due to the 100% capital allowances, which are unique to the oil and gas industry, and the way decommissioning is accounted for. In periods where income within the ring fence (field production income, tariff income, etc.) exceeds ring fence expenditure (capital expenditure investing in new facilities and wells, and operating expenditure running installations and paying tariffs to third parties), this surplus (“profit”) is liable to tax at the prevailing rates. Where there is a deficit of income compared with expenditure, the company makes a loss, which can be carried forward to offset a future profit (or to a limited extent carried back to generate a repayment from government).

The UK tax regime does not ordinarily pay companies for their losses upfront, for example in the exploration phase when companies are spending money on drilling exploration wells and acquiring seismic data but have no production income within the UKCS. This trading loss can only be carried back one year or forward to offset trading profits in future periods. However, where a loss has arisen because the company is engaged in decommissioning a field, or for the terminal loss when the business ceases its ring fence trade, losses can be carried back further.

In recent years, levels of expenditure have been at record levels as global competition for rigs and resources has been significant, and a number of very large projects have been in the development phase. By virtue of historic losses built up within companies, the tax receipts lag behind profitability at the basin level. The day-to-day profitability of the UKCS decreased as production volumes declined and as the cost of operating the assets increased in line with the basin’s overall maturity.

[1] https://www.detini.gov.uk/articles/petroleum-licensing
[2] UK Corporation Tax rate fell to 20% on 1 April 2015.

This decline in profitability accelerated markedly during 2014 as benchmark oil prices fell by around 50% in the second half of the year.

3.2.8. Fiscal regime and revenue streams

Objectives and history

Background

Over the last 40 years, the UK has developed into one of the world's major oil production countries. Successive administrations have developed a fiscal regime which encourages companies to explore for and develop the nation's oil and gas reserves whilst aiming to ensure that an appropriate share of the benefits accrues to the UK economy as a whole.

Although the North Sea is a relatively high cost production area, its high quality crude oil, political stability and proximity to major European consumer markets have allowed it to play a major role in world oil and gas activity. However, as the North Sea matures, recovering the remaining oil and gas offshore is becoming more difficult. In recent years, the offshore industry has faced a growing challenge to maintain production, which has fallen 38% since 2010, and exploration, where rates have been low since 2009.

Foundations of the fiscal regime

The current ring fence fiscal regime grew out of the ordinary corporation tax system which has been amended by successive Acts and agreements to support the exploitation of the UK's oil and gas reserves.

As a direct result of early discoveries during the 1960s, by 1974 a number of gas fields were in production and a number of oil discoveries had been made further north in the CNS. In 1974 the Department of Energy issued a White Paper, *United Kingdom Offshore Oil & Gas Policy* (Cmnd 5696). This set out the government's two main objectives, to secure a fairer share of profit for the nation and to maximise the balance of payments benefit, while ensuring the oil companies received a suitable return on their heavy capital investment in exploration and production.

The White Paper proposed that the government should establish a specialist fiscal regime for the oil and gas industry. This was enshrined in law in the Oil Taxation Act 1975, which introduced the Petroleum Revenue Tax (PRT). The main objectives behind PRT when it was introduced in 1975 were: to allow a project to rapidly recover its cost, then tax it at an appropriate rate; to ensure that tax due was paid as early as possible; and to ensure that projects where no economic rent was likely were protected from the tax.

The 1975 Act also introduced a ring fence around corporation tax profits from UK oil production to prevent profits from the UK oil resource being diluted by losses or allowances on other activities. There were special rules for the allowance of interest and the treatment of advanced corporation tax.

There have been various incremental changes in the oil tax regime since 1975. PRT was removed for fields authorised after 1993 in the Finance Act that year and the rate lowered from 75% to 50%. This was part of a number of changes aimed at encouraging the further development of the UK's oil and gas resources by allowing companies to keep more of their profits, whether from additional investment in existing oil and gas fields, or from the development of new ones.

In 2002 an additional tax was introduced, the Supplementary Charge, which was increased in 2006 and 2011 peaking at 32%. Whilst rates of Corporation Tax outside the ring fence declined from 2008 onwards, the rate of Ring Fence Corporation Tax has remained static at 30%, meaning that the difference between the rates of corporation tax is a further effect of the ring fence.

The regime historically did include a royalty levied at 12.5% of "well head value", but this feature was partially abolished with effect from 1982 and finally abolished in 2002 due to its regressive nature distorting the investment incentives within the UKCS. A short lived Supplementary Petroleum Duty (SPD) also featured in the regime in 1981 and 1982.[1]

The current regime
The fiscal regime which applies to the exploration and production of oil and gas in the UK and UKCS comprises three taxes. In 2014, the rates were:

- *Ring Fence Corporation Tax (RFCT) – levied at 30%*
- *Supplementary Charge (SC) – levied at 32%*
- *Petroleum Revenue Tax (PRT) – levied at 50%*

The marginal tax rate in 2014 was 81% on income from fields paying PRT and 62% for other fields.

Ring Fence Corporation Tax (RFCT). RFCT is calculated in the same way as the mainstream corporation tax applicable to all companies but with the addition of a "ring fence" and certain other modifications. The main purpose of the modifications is to ensure the UK gains the proper benefit from oil extraction activities by stopping profits from oil extraction activities in the UK and UKCS being reduced for tax purposes by losses from other trading activities that the company may engage in (e.g. refining and petrochemicals and sales of oil and gas products to consumers).

Supplementary Charge (SC). A supplementary charge of 10% was introduced in Finance Act 2002 on companies producing oil and gas in the UK and UKCS. SC is levied on the profits that are charged to RFCT but without deduction for financing costs. The rate of SC was increased in Finance Act 2006 to 20% and was further increased to 32% in Finance Act 2011. In Finance Act 2015, it was reduced to 20%.

Petroleum Revenue Tax (PRT). The rate of PRT in 2014 was 50%. This is a special tax on oil and gas production from the UK and UKCS. It is a field based tax charged on profits arising from individual oil fields; it is not charged on the aggregate profits from all oil fields owned by each company. PRT was abolished in Finance Act 1993 for all fields given development consent on or after 16 March 1993. PRT is deductible in computing the profits for RFCT and SC. In Finance Act 2015 it was reduced to 35% with effect from 1 January 2016.

[1] For further detail about SPD see http://www.hmrc.gov.uk/manuals/otmanual/ot05705.htm

Allowances

There are various allowances that apply to reduce the profits chargeable to RFCT, SC and PRT.

Capital Allowances. Virtually all capital expenditure incurred by oil and gas companies for their ring fence trade, including putting the plant and machinery in place, or in dismantling it at the end of the life of an oil field, now qualifies for 100% First Year Allowances (FYAs), allowing the cost to be written off for tax purposes in the accounting period in which the expenditure is incurred. Three different capital allowances exist – namely the Research and Development Allowance (RDA), Mineral Extraction Allowance (MEA) and Plant and Machinery Allowances (PMA).

Ring Fence Expenditure Supplement (RFES). RFES assists companies that do not yet have sufficient taxable income for ring fence corporation tax purposes against which fully to set their exploration, appraisal and development costs. The RFES currently increases the value of unused expenditure carried forward from one accounting period to the next by a compound 10% a year for a maximum of 10 years (6 years prior to 2014), not necessarily consecutively.

Allowances that reduce the profits chargeable to SC

- ***Cluster Area allowance*** - Legislation was introduced in Finance Act 2015 to introduce a new cluster area allowance, which aims to support large development projects in areas of high pressure and high temperature, encouraging exploration and appraisal in the surrounding area (or "cluster"). The allowance provides for an amount of adjusted ring fence profits, equal to 62.5% of qualifying capital expenditure spent within the cluster area, to be exempted from SC. This means that these profits will only be subject to ring fence corporation tax at 30%. The allowance will be activated by production income from the cluster area. Cluster areas are determined as such by DECC, and the only area determined as such by the end of 2014 is the Culzean Cluster Area in the CNS.

- ***Onshore Allowance*** - The Onshore Allowance was introduced in Finance Act 2014 to provide support for the early development of onshore oil and gas projects which were economic but not commercially viable at the prevailing tax rate. The onshore allowance covers both conventional and unconventional hydrocarbons and replaces all existing field allowances for onshore projects. The allowance removes an amount equal to 75% of capital expenditure incurred by a company after 5 December 2013 in relation to an onshore site from its adjusted ring fence profits which are subject to SC, subject to certain capacity limits (for production yield).

- ***Field Allowance*** - In recent years the discoveries and subsequent developments on the UKCS have been increasingly small in size (<50 million boe, many of which are very small, i.e. <25 million boe), and/or technically challenging. These fields were not commercially viable at the previously prevailing tax rates. The Field Allowance was therefore introduced in 2009 based on the physical characteristics of qualifying fields (or in the case of the brownfield allowance, based on project economics). By the end of 2014 there were a total of seven different categories of field that were eligible.

The Field Allowance gives an amount of production income that can be earned free of the Supplementary Charge. The Field Allowance is only a relief against SC, so the full income (profit) from the field always pay RFCT at the full 30% rate (and PRT for applicable incremental projects). The existing system of offshore field allowances was replaced by a single Investment Allowance in Finance Act 2015. Similarly to the Cluster Area Allowance, the Investment Allowance provides for an amount of adjusted ring fence profits, equal to 62.5% of qualifying capital expenditure, to be exempted from SC.

PRT Allowances Within the PRT regime Oil Allowance is the only one of a package of measures designed to prevent PRT bearing unduly on smaller, more marginally economic fields. "Safeguard" and "Cross Field Allowance" have both expired and are only relevant to the current regime in a historical context.[1] Oil Allowance ensures that for at least the first 10 years of a field's life a substantial slice of production is free from PRT. The available amounts are converted each chargeable period into a "cash equivalent" which then reduces the liability to PRT.

Decommissioning

Decommissioning is an inherent cost of doing business in the UKCS. As a result, tax relief within the tax regime is given for decommissioning costs at the point that they are incurred and the decommissioning is carried out (for accounting purposes a company will make an annual provision – but this cannot be deducted for tax purposes as the cash has yet to be spent).

If decommissioning expenditure produces an overall loss for a year, the loss may be carried back against previous ring fence profits of that company, as far as 2002 for RFCT and SC, and indefinitely against field profits for PRT. Losses are offset against the profits of most recent years first. Losses generated by decommissioning costs and carried back to be offset against previous profits will be relieved at 20% for SC and 30% for RFCT in non-PRT paying fields. The rate of relief for PRT fields is up to 75%. The amount of relief available is limited to the taxable profits of the relevant field/company, and in economic terms represents a repayment of tax that has been overpaid through the profitable life of the company or field. Decommissioning relief is only available when the activity is carried out, and not as the annual provision is built up.

Decommissioning Relief Deeds (DRDs). At Budget 2012, the government announced a package of measures on oil and gas taxation to support investment. The package included the introduction of legislation in 2013 giving the government statutory authority to sign contracts (DRDs) with companies operating in the UK and UKCS.

The aim of the DRD is to ensure that a lack of certainty over decommissioning tax relief does not: create a barrier to asset trades and joint ventures; reduce companies' ability to access investment capital in the UKCS; and discourage existing asset owners from incremental investment.

[1] For further information about PRT, including Safeguard and CFA, see http://www.hmrc.gov.uk/manuals/otmanual/OT03000.htm

The DRD works by underpinning the quantum of expenditure that qualifies for tax relief in perpetuity based on Finance Act 2013. It provides a payment from the Exchequer to compensate companies for adverse changes to the tax regime provisions (but not tax rates) compared to those that existed in 2013. The DRD will also pay out to ensure the claiming company is no worse off in the instance that it picks up the decommissioning liabilities of another company that has defaulted under its Petroleum Act obligations than the latter company would have been. This provides industry with certainty over the availability of decommissioning relief in future years.

Looking ahead: the oil and gas plan

At Budget 2014 the government committed to review the long-term future of the oil and gas fiscal regime. Over 2014, HM Treasury sought views on how the government should best adapt the regime to the changing economics of the UKCS, create fiscal stability, help the UKCS compete for investment, simplify the regime and ultimately use the regime to help maximise the economic recovery of the UK's oil and gas resources.

In December 2014 the government published Driving Investment – a plan to reform the oil and gas fiscal regime.[1] Although the conclusion was that the fundamentals of the fiscal regime remain sound, there was recognition of the need for significant change within the ring fence in order to continue to attract investment. Some of the highlights from the plan are set out below:

- ***Driving investment: a plan to reform the oil and gas fiscal regime*** acknowledged that to be consistent with the objective of maximising economic recovery as new projects become ever more marginal the overall tax burden would need to fall as the basin matures. At Budget 2015 the government announced a reduction in the rate of SC from 32% to 20% with effect from January 2015 and this was further reduced at Budget 2016 to 10%. A reduction in the rate of PRT from 50% to 35% was also announced at Budget 2015 but this was subsequently reduced to 0% at Budget 2016. The plan also committed that when making judgments about fiscal policy, the government would consider the wider economic benefits of oil and gas production, in addition to revenues; and that the government's judgment of what constitutes a 'fair return' to the nation would take account of the global competitiveness of commercial opportunities in the UK and UKCS, and take account of both commodity prices and costs.

- ***A basin wide investment allowance*** **-** To support companies that are actively investing in the UKCS and to simplify and replace the existing suite of field allowances,[2] the government announced the introduction of a new basin wide investment allowance at Budget/Finance Act 2015, roughly mirroring the cluster area allowance. All capital expenditure incurred from 1 April 2015 will qualify, with transitional arrangements for projects which attracted a Field Allowance in the prior regime. It will provide greater certainty on the tax treatment to help ensure companies maximise the remaining opportunities in the North Sea. As with the

[1] HM Treasury, Driving Investment – a plan to reform the oil and gas fiscal regime, 2014,https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/382785/PU1721_Driving_investment_-_a_plan_to_reform_the_oil_and_gas_fiscal_regime.pdf

[2] From the effective date, new fields and incremental projects will no longer qualify, respectively, for field allowances for new fields or for the brownfield allowance.

Cluster Allowance, the Investment Allowance reduces the amount of adjusted ring fence profits subject to SC. This means that these profits will only be subject to ring fence corporation tax at 30%. The portion of profits reduced by the allowance will be dependent on a company's investment expenditure and will be generated at 62.5% of that expenditure.

- ***Supporting exploration*** - The plan advised that the government would open discussions in 2015 to consider options for supporting exploration through the tax system, such as a tax credit or similar mechanism, in a way that is carefully targeted and affordable.

- ***Fiscal treatment of infrastructure*** - The call for evidence identified a number of issues concerning the tax treatment of tariffs (where infrastructure owners charge for its use by third parties) and of asset transfers which could improve stewardship of infrastructure assets. The plan advised that the government would consider options for reforming the fiscal treatment of infrastructure and consult further with industry in 2015.

- ***Decommissioning*** - A number of responses to the call for evidence identified that where specialists are taking ownership of assets, they will not be in a position to offset their decommissioning costs against RFCT and SC unless they are making profits from production in other fields. This is not an issue for PRT, as the relief can be carried back and offset against the tax history of the field. However, stakeholders are not permitted to "look back" to RFCT and SC history in the same way. The plan advised that the government would consider options to improve access to decommissioning tax relief to encourage new entrants into the UKCS, where this does not increase the overall forecast cost to government of providing decommissioning tax relief, and consult further with industry in 2015.

3.2.9. Unconventional hydrocarbons

Research by the British Geological Survey (BGS) indicates that there are potentially large volumes of shale gas beneath the UK. Further exploration is required before the full extent of these resources is known and the benefits they may bring can be estimated. There is also some interest in underground coal gasification (UCG) from offshore coal seams.

The licence and fiscal terms do not generally differentiate between conventional and unconventional hydrocarbon activities. For example, the "onshore allowance" (an allowance against the supplementary charge which ensures that otherwise economic developments are not uncommercial) is applicable to both new conventional oil and gas as well as to shale gas developments. As Petroleum Exploration and Development Licences (PEDLs) do not grant automatic rights to operations such as drilling or hydraulic fracturing, any company looking to develop shale will also need to obtain all necessary permissions, like planning and environmental permits. A range of measures specific to hydraulic fracturing and the shale industry have been put in place. The Infrastructure Act 2015, for example, specifies 13 conditions that need to be met before a hydraulic fracturing consent will be issued, including public notification and a scheme to provide financial or other benefit for the local area.

The UK Government is committed to encouraging the safe and sustainable development of shale gas whilst ensuring that communities share in the benefits from shale gas developments in their areas. Delivering on the commitment made at Summer Budget 2015, the Government announced at Autumn Statement 2015 that it will commit up to 10% of tax revenues from shale gas developments to a Shale Wealth Fund, which could deliver up to £1 billion of investment in local communities hosting shale gas developments, the north of England and other shale-producing regions. The Government will set out its proposals in more detail in 2016.

The Scottish Government has announced a moratorium on planning consents on 28 January 2015. Scottish Ministers have announced a public consultation and have since announced a comprehensive programme of research and a consultation timetable. This was followed by a separate moratorium on planning consents for UCG developments on 8 October 2015, which will be followed by an independent examination of the issues and evidence surrounding UCG, working closely with stakeholders and communities. On 13 February, Welsh Minister for Natural Resources, Carl Sargeant, issued a new direction to Mineral Planning Authorities (MPAs) requiring them to notify him of any planning application where unconventional extraction techniques such as fracking are proposed. This direction only applies if the MPA plans to approve the application and gives the Minister an opportunity to consider calling it in.

3.3 Mining and Quarrying[1]

3.3.1. Production

The UK has relatively diverse and large deposits of minerals that have been historically mined. Key sectors include:

- energy minerals – coal;
- construction minerals – aggregates, brick clay and cement raw materials;
- industrial minerals – kaolin (china clay) and ball clay, silica sand, gypsum, potash, salt, industrial carbonates, fluorspar and barytes;
- metal minerals – tungsten, gold.

Construction is the largest bulk market for non-energy minerals. Industrial minerals extracted and used in the UK, range from minerals used primarily domestically (for example, silica sand and limestone for glassmaking, iron and steel manufacture) and minerals such as kaolin, ball clay and potash, which have significant international markets. Mineral production supports a wide variety of upstream, midstream and downstream industries.

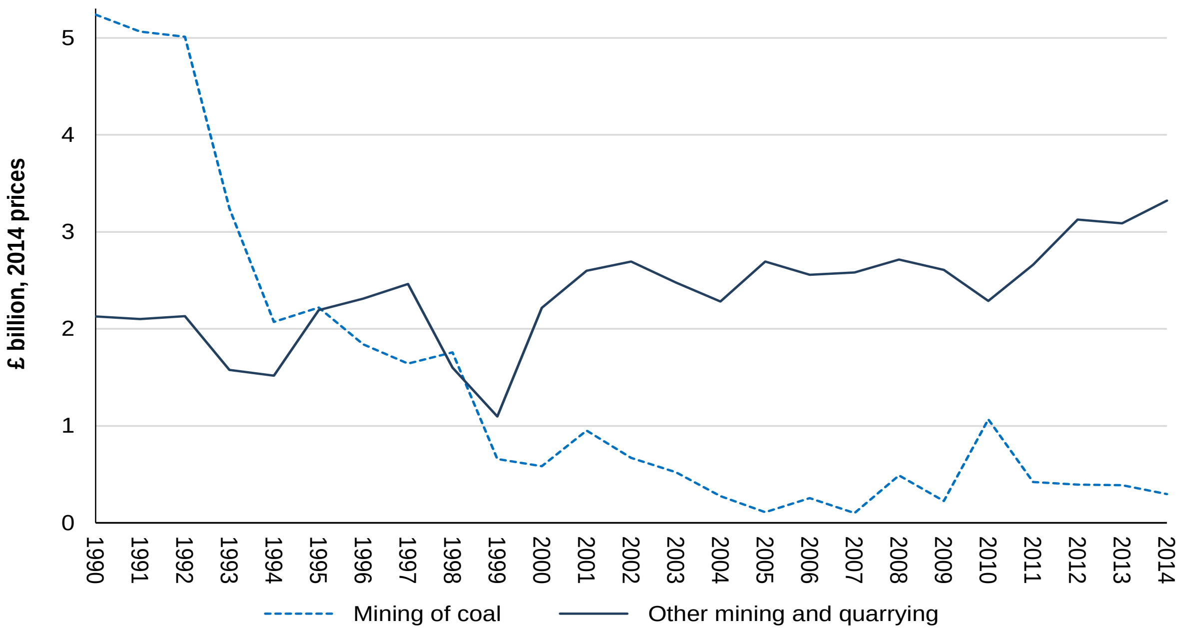
Total turnover of the UK mining and quarrying industry, including coal but excluding oil and gas and mining services activities, was £7 billion in 2013.[2] Total value (GVA) for the same sector definition was £2.2 billion according to the Annual Business Survey. The UK Minerals Yearbook includes 2013 value-of-production data for individual minerals.[3]

In recent years, an increase has occurred in the UK mining and quarrying non-coal production, while coal production volumes have consistently fallen for the past two

[1] Unless noted otherwise in this section of the chapter, mining and quarrying include coal but exclude oil and gas extraction.
[2] BGS, UK Minerals Yearbook 2014, p.11, gross value added table, https://www.bgs.ac.uk/mineralsuk/statistics/UKStatistics.html
[3] BGS, UK Minerals Yearbook 2014, https://www.bgs.ac.uk/mineralsuk/statistics/UKStatistics.html 2014 data for specific minerals is due to be incorporated into the BGS UK Minerals Yearbook 2015 from the Annual Minerals Raised Inquiry (AMRI) carried out by the Office for National Statistics (ONS) for the Department of Communities and Local Government (DCLG), and will become available during 2016.

decades. Output of non-coal mining and quarrying and support activities (including in this case oil and gas support activities) has grown substantially since 2010, picking up after a post-2007 downturn (Figure 8).

Figure 8. Gross Value Added mining and quarrying 1990-2014[1]



Production volumes for specific minerals are provided in sub-section 3.3.6 below.

3.3.2. Balance of trade

Although the UK has significant domestic supply of some minerals, it is a net importer of many minerals and mineral-based products, particularly metals, and in the long term has experienced a balance of trade deficit. UK mineral exports and imports have both increased in recent years. In 2013 the value of total UK exports of minerals and mineral products was £77.1 billion and imports £98.7 billion. Excluding hydrocarbons and coal, exports of other minerals and mineral products were valued at £37.8 billion and imports of other minerals and mineral products valued at £43.6 billion.

Export data for specific minerals is provided in sub-section 3.3.6 below.

[1] ONS, Index of Production, 2015, http://www.ons.gov.uk/ons/rel/iop/index-of-production/january-2015/index.html

3.3.3. Employment

In 2013, total UK employment (employed and self-employed) in mining and quarrying approximated 131,090 people, of whom 17,812 worked in quarrying of stone, sand and clay (the largest subsector of the industry in terms of employment).[1] All employment is in the private sector.

ONS data allows for a disaggregation of employment by subsectors of mining and quarrying in Great Britain, where the majority of UK activity takes place (Figure 9).

Figure 9. Total GB employment in mining and quarrying in 2013 by sub-sectors, in thousands[2]

3.3.4. Legal framework, fiscal regime and revenue streams

Planning

Extraction of minerals is subject to the UK's mineral planning process.[3] The aim of mineral planning is to meet the social, economic and environmental cost, while protecting conservation or heritage areas. Mineral working is not a permanent use of land, and extraction sites are usually restored for beneficial after-use.

Mineral planning policy is devolved and set out in the National Planning Policy Framework (England),[4] Mineral Planning Policy Wales[1] and National Planning

[1] ONS, Labour Force Survey, average of four quarterly survey results for 2013: www.ons.gov.uk
[2] ONS, BRES 2013 revised, 2015, http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-391230. The true employment figure is likely to be slightly higher, because the ONS tends to exclude small groups of employees working in support activities for UK mining and quarrying. The UK dataset combines data for Great Britain with estimates for Northern Ireland.
[3] See BGS, Planning, https://www.bgs.ac.uk/mineralsuk/planning/home.html
[4] Department for Communities and Local Government (DCLG), 2012, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6077/2116950.pdf

Framework for Scotland 2.[2] In Northern Ireland, policy and guidance are provided through documents such as the Strategic Planning Policy Statement for Northern Ireland, [3] which partly supersedes the

Planning Strategy for Rural Northern Ireland.[4] The UK framework is supported by technical documents providing guidance on particular issues of mineral planning. The focus of the mineral planning process is on whether the development itself is an acceptable use of the land.[5]

Mineral planning and decisions on planning applications are a responsibility of a local authority body designated as the Mineral Planning Authority (MPA). In Wales, Scotland and some parts of England MPAs are Unitary Authorities. In most of England MPAs are the County Councils or National Parks. In Northern Ireland, the Minerals Unit, part of the Planning Service of the Department of the Environment, was responsible for minerals planning until 1 April 2015. [6] MPAs have four areas of planning responsibility:

- planning to guide future developments;
- safeguarding mineral resources;
- managing developments by deciding on planning applications; and
- monitoring and enforcement of existing planning permissions.

Some minerals permissions last for many years, and there may be a need for periodic reviews of the planning conditions attached to that permission. MPAs control mineral developments under the orders established under the Town and Country Planning Act 1990 (Section 97, Part II of Schedule 5, and Schedule 9).[7]

Minerals extraction may only take place if the operator has obtained both a planning permission from the MPA and any other permits and approvals. The latter may include:

- permits relating to surface water, groundwater and mining waste, issued by the Environment Agency (under UK legislation related to the EU Water Framework Directive and Mining Waste Directive);
- where appropriate, European Protected Species Licences, issued by Natural England;
- where appropriate heritage asset consents issued by Historic England;
- licences for exploration and extraction of coal, or agreements to enter into or pass through a coal seam to extract any other mineral, need to be granted by the Coal Authority;
- licences for exploration and extraction of minerals managed by TCE need to be obtained from the latter.[8]

[1] Welsh Government, 2001, http://gov.wales/topics/planning/policy/minerals/?lang=en
[2] Scottish Government, 2009, http://www.gov.scot/resource/doc/278232/0083591.pdf
[3] http://www.planningni.gov.uk/index/policy/spps.htm
[4] Northern Ireland Department of the Environment, 1993, http://www.planningni.gov.uk/index/policy/rural_strategy.htm
[5] For environmental issues that may be considered during the planning process, see DCLG, Assessing environmental impacts from minerals extraction, http://planningguidance.planningportal.gov.uk/blog/guidance/minerals/assessing-environmental-impacts-from-minerals-extraction/
[6] The functions of the Department's Strategic Planning Division Minerals Unit in Northern Ireland transferred to each of the 11 councils on 1 April 2015. Under the two-tier planning system councils, will be the determining planning authority for the vast majority of planning application, including mineral applications. Applications of regional significance will be submitted directly to the DOE under the provision set out in S26 of the Planning Act (Northern Ireland) 2011.
[7] For more information see DCLG, Minerals planning orders, http://planningguidance.planningportal.gov.uk/blog/guidance/minerals/minerals-planning-orders/
[8] The Crown Estate (http://www.thecrownestate.co.uk) is an incorporated public body that manages the monarch's property portfolio.

Additional consents, such as relating to diverting and reinstating rights of way or temporary road orders, may need to be obtained. Additional rights of way and land use may need to be secured from landowners. Active mining and quarrying operations are also regulated by the Health and Safety Executive.

Information about mineral planning and environmental permitting within the UK's devolved administrations is available as follows:

- Scottish Government, Guide to the Planning System in Scotland.[1]
- Northern Ireland Environment Agency (NIEA) and Scottish Environment Protection Agency (SEPA), NetRegs: Environmental Guidance for Your Business in Northern Ireland and Scotland.[2]
- Northern Ireland Planning Service, Minerals Planning.[3]
- Welsh Government, Planning.[4]
- Natural Resources Wales, Mining waste.[5]

3.3.5. Fiscal regime and revenue streams

Mineral ownership and licensing

With the exception of oil, gas, coal, gold and silver, the state does not own mineral rights in the UK.[6] Generally, mineral rights belong to private landowners. There is no single national licensing system for exploration and extraction of non-petroleum minerals. Planning permission goes with the land, so if the land is sold, the rights under the permission transfer to the new owner. Environmental permits are granted to the operator and therefore must be formally transferred to a new operator.

Where mineral rights belong to a private landowner, permission for exploration must be received from the landowner. As The Crown Estate and (in Great Britain) Forestry Commission manage land on behalf of the Crown, they also issue exploration and extraction licences for mineral deposits under their management and grant access right permits (wayleaves). In some cases, mineral rights can be managed by a private agent on behalf of a public body (The Crown Estate and Forestry Commission Scotland).

Coal Authority

The Coal Authority is a regulatory executive non-departmental public body, established in 1994 following privatisation of the industry and sponsored by DECC.[7] The Authority owns, on behalf of the State, the majority of unworked coal and abandoned underground coal mine workings in Great Britain and regulates and grants licences for working of coal and underground coal gasification together with agreements to enter its coal estate for other processes such as coal bed methane extraction.

[1] http://www.gov.scot/Publications/2009/08/11133705/1
[2] http://search.netregs.org.uk/environment/Mineral-Extraction
[3] http://www.planningni.gov.uk/advice_special_studies_minerals
[4] http://gov.wales/topics/planning/?lang=en
[5] https://naturalresources.wales/apply-for-a-permit/waste/waste-permitting/mining-waste/?lang=en
[6] BGS, Legislation & policy: mineral ownership, https://www.bgs.ac.uk/mineralsuk/planning/legislation/mineralOwnership.html

[7] See https://www.gov.uk/government/organisations/the-coal-authority

The Coal Authority holds an offline public registry of licences and does not publish licences online. Information about coal licences can be requested by post and email.[1] The Authority provides online coal mining data including on licence areas and known areas of activity.[2]

Coal Authority revenue streams include:[3]

- fees for statutory licences, either operating or conditional (where the licensee is yet to secure planning permission) for surface and underground coal mining operations and underground coal gasification;
- fees for licences for coal exploration;
- production-related rents under coal leases which transfer the property interest in the coal to the licensee when holding an operating licence;
- fees and royalties for digging and carrying away coal during non-coal-related development (Incidental Coal Agreement);
- fees for agreements to access or pass through the Authority's coal estate for processes such as coal bed methane and abandoned mine methane extraction, mine water heat recovery and deep energy exploitation (e.g. geothermal, shale gas);
- payments for coal rights under options for lease (granted with conditional licences) and rights for pillars of support in coal.

In 2014, the Authority received £238,000 income in fees for its licensing activities (retained by the Authority) and £863,000 in rents, royalties and rights for its coal (these pass to HM Treasury).[4]

At the end of March 2015, 24 surface mines were in operation under licences held by 17 companies, and 9 underground mines were in operation under licences held by 9 companies. In addition, there were 19 underground coal gasification licences held by 2 companies, but all were conditional licences and none operational.

Northern Ireland

All mineral rights in Northern Ireland are vested in the DETI (Department for Enterprise, Trade and Investment, the successor to the Ministry of Commerce) with certain exceptions.[5] The DETI publishes a description of the process for the award of Mineral Prospecting Licences (MPLs) and consults publicly on applications.[6] Applications are accepted on a "first come, first served" basis, although there is provision for a competitive process where an expression of interest has been lodged over an area for which an application is subsequently submitted by another company. In 2014 the DETI awarded seven new MPLs to two companies. MPLs are held electronically and available on request from the DETI's Minerals and Petroleum Branch.

[1] Contact details at https://www.gov.uk/government/organisations/the-coal-authority
[2] Coal Authority, https://www.gov.uk/government/collections/coal-mining-data
[3] Coal Authority, www.gov.uk/government/organisations/the-coal-authority/about/about-our-services#licensing-charges
[4] Source: Coal Authority, email communication.
[5] Mineral Development (Northern Ireland) Act 1969, http://www.legislation.gov.uk/apni/1969/35/contents.
[6] DETI, Mineral Licences-Guidance for Applicants, DETI, Minerals licensing, https://www.detini.gov.uk/articles/minerals-licensing

The Crown Estate: marine licences

The Crown Estate (TCE) manages the seabed to the 12-nautical mile territorial limit and non-energy mineral rights out to 200 nautical miles.[1] TCE awards, through a market-based tendering process, commercial agreements to companies to explore for or extract marine aggregate minerals, and it collects royalties for minerals extracted. TCE's policy is not to disclose contracts and agreements relating to minerals on the grounds that they contain commercially confidential information. All licensed application and exploration/option marine aggregate area details are published online.[2]

Such rights and options can only be exercised once the necessary regulatory consent (marine licence) is obtained under the Marine Works (Environmental Impact Assessment) Regulations 2007, as amended in 2011, from the national regulator: the Marine Management Organisation (MMO) in England, Natural Resources Wales (NRW), Marine Scotland or the Northern Ireland Executive, according to location.[3] All regulators are required to keep a public register of marine licences they have issued.[4] Applications for marine licences must be publicised to allow anyone who is interested a chance to object.[5]

Revenue streams for marine aggregates comprise:

- marine licence payments to the relevant regulator;
- annual per tonne production royalty payments to TCE.[6]

TCE manages mineral rights to potash mined from beneath the UK seabed. Currently only one operating mine pays royalties for potash mined offshore (Boulby, operated by Cleveland Potash); there is also one exclusive option agreement (York Potash) on which planning approval has been granted but extraction has yet to start. Fees and royalties received by TCE are negotiated privately. Rock salt is a by-product of potash mining at Boulby, with arrangements analogous to potash (royalty fees to TCE for minerals mined from the offshore section of the mine) are in place.

The Crown Estate: terrestrial minerals

TCE has also granted mineral leases across the UK for land based mineral extraction operations, including sand, gravel, hard rock, dimension stone and slate. It charges royalties for minerals extracted. Lease conditions and royalty payment provisions are negotiated on an open market and case-by-case basis. TCE also

[1] http://www.thecrownestate.co.uk/
[2] TCE, Our portfolio, http://www.thecrownestate.co.uk/energy-and-infrastructure/aggregates/our-portfolio
[3] British Marine Aggregate Producers Association (BMAPA), Licensing and regulation, http://www.bmapa.org/regulation_and_management/licensing_and_regulation.php; the MMO is an executive non-departmental public body sponsored by the Department for Environment, Food & Rural Affairs: see https://www.gov.uk/government/organisations/marine-management-organisation
[4] England: https://marinelicensing.marinemanagement.org.uk/mmo/fox/live/MMO_PUBLIC_REGISTER;Wales: https://naturalresources.wales/media/4986/applications-received-and-determined-july-2015.pdf; Scotland: http://www.gov.scot/Topics/marine/Licensing/marine/register; Northern Ireland: "A register of licensing information is available for inspection at all reasonable times by members of the public free of charge. This register is available to view at the NIEA Lisburn Office or regional offices if requested" – Northern Ireland Environment Agency (NIEA), Marine Dredging, https://www.doeni.gov.uk/contact
[5] UK Environmental Law Association, Marine Licensing, http://www.environmentlaw.org.uk/rte.asp?id=275
[6] Royalty rates vary between licences and are commercially confidential. Companies also pay "dead rent", a standard minimum annual fee payable to TCE if no dredging has occurred within the past 12 months.

manages the right to gold and silver ("Mines Royal"),[1] but there is no significant gold or silver production in the UK.

Local Planning Authorities (planning obligations payments)

Planning obligations are agreements made between a planning applicant (including the freehold owner of land where the operator only has a minerals lease) and a Local Planning Authority (LPA) under Section 106 of the Town and Country Planning Act 1990 in England and Wales, Section 75 of the Town and Country Planning (Scotland) Act 1997 (and its 2010 modification regulation) in Scotland and Article 40 of the Planning (Northern Ireland) Order 1991. Planning obligation payments are site-specific and negotiated case by case. They may comprise:

- monetary payments to LPAs; or
- "in-kind" infrastructure provisions: mainly off-site provisions, usually in form of highway improvements (on-site provisions within the boundary of a planning permission are theoretically possible but more likely to be included in planning conditions rather than under planning obligations).

The difference between off- and on-site "in-kind" infrastructure provisions can be understood as between provisions that benefit the local community and those used by the extractive company itself. Only monetary payments and off-site provisions are in scope for the UK EITI.

Planning obligations can be short term, such as obligations to carry out works before the extraction can take place, or long-term, such as obligations to restore or provide after-care of extraction sites.

Obligations are recorded in online planning registries kept by LPAs, but payments owed or made are not recorded, and no central registry of such planning obligations or relevant payments exists.

Fiscal regime

HMRC collects tax from mining and quarrying businesses, and the applicable CT regime is the same as for all other business sectors in the UK[2] (apart from the Ring Fence CT oil and gas regime). Mining and quarrying companies pay standard rate CT. [3] Profits from upstream and downstream activities are not separated, and such companies pay a single amount of CT on the profits arising from all their activities. It is therefore not possible to say how much of the taxes paid by the companies whose tax payments are reported here related to their extractive activities nor what the total of such taxes was (and therefore what proportion of the total is covered by these companies).

Companies based in the UK have to pay CT on all their taxable profits, wherever in the world those profits originate, although double tax relief is available where appropriate to avoid the same profits being taxed twice. Companies not based in the UK, but with branches operating in the UK, have to pay CT on taxable profits arising

[1] With an exception of a few places in Scotland, where mineral rights were transferred historically.
[2] More advice on corporation tax can be found at: https://www.gov.uk/corporation-tax-rates/allowances-and-reliefs?
[3] Corporation tax rates: https://www.gov.uk/corporation-tax-rates/rates

from their UK activities. CT payments by mining and quarrying companies are included in the scope of the UK EITI. The figures reported are for total CT and include tax on both upstream and downstream activities.

Aggregates businesses pay HMRC the aggregates levy - an environmental tax on commercial exploitation of sand, rock and gravel introduced in 2002 because of the impact of extraction on the environment and to encourage use of recycled aggregates. Charged at £2 per tonne of commercially exploited material, the levy raised £328 million in 2014. With the exception of a sustainability scheme operated by the Welsh Government, all revenues are now used for general taxation purposes. Responsibility for the levy in Scotland is to be devolved. The levy is excluded from the scope of the UK EITI as it is a sales tax charged at the first point of sale and not directly related to extraction.

3.3.6. Mineral subsectors

Coal

The majority of coal output comes from surface mining (opencast) sites in Scotland, England (North East and East Midlands), and South Wales. At the end of March 2015 there were 24 operating surface mines. Underground coal mining output was predominantly from three large operational deep mines - Hatfield and Kellingley in Yorkshire and Thoresby in Nottinghamshire - but all were due to be closed by the end of 2015. At the end of March 2015 there were 9 operating underground mines.

UK coal production peaked in 1913 and has been contracting, with fluctuations, since the mid-twentieth century, with the sharpest decline in the 1990s.[1] Electricity-generating power stations currently account for most of the UK's coal consumption. Output in 2014 was 11.6 million tonnes (7.9 million surface mining, 3.7 million underground).[2] For data on value of production (GVA) and coal exports, see Section 3.1.

Construction minerals

Construction minerals include aggregates, brick clay and cement raw materials. Supply of aggregates includes crushed rock, sand and gravel (land-won and marine-dredged) with contributions from recycled and secondary materials. Brick clay is an essential raw material for the manufacture of bricks; limestone and chalk are the primary materials for the production of cement.

The aggregates industry produces crushed rock, sand and gravel. According to the Mineral Products Association, in 2014 the industry produced 149 million tonnes of aggregates (in addition to 60 million tonnes of recycled and secondary aggregates), 12 million tonnes of cementitious products and 1 million tonnes of dimension stone for construction uses in Great Britain. In addition, 17 million tonnes of rock and 4 million tonnes of industrial sand for non-construction use in Great Britain, and 4

[1] DECC, Historical coal data: coal production, availability and consumption 1853 to 2014, 2015, https://www.gov.uk/government/statistical-data-sets/historical-coal-data-coal-production-availability-and-consumption-1853-to-2011
[2] Source: Coal Authority, email communication.

million tonnes of clay were extracted in 2013 for brick manufacture. [1] The BGS does not record statistics on the value of production of construction minerals.

Aggregates are the largest element of the supply chain of the construction industry, and fluctuations in construction have a large impact on demand and production. The market has declined since the mid-1990s, most steeply following the 2008 economic crisis, but in 2014 production of land-based primary aggregates increased by 11% relative to the previous year. Production of marine aggregates also increased by 11%, due to higher UK construction demand. Exports to the near Continent (in 2014, 17% of marine aggregate production from UK waters was exported) declined, but demand for replenishing UK beaches increased. There is evidence of a long-term decline in reserves of land-based sand and gravel, which could constrain supply if production continues to be greater than the approval of new reserves.[2]

Most (65% of) UK primary aggregates production in 2014 took place in England, 15% in Scotland, 12% in Northern Ireland and 8% in Wales.[3] In 2014, 726 sq km (less than 0.1% of the total area of UK seabed) were licensed for dredging by TCE, three-quarters of this off the east and south coasts of England from where the majority of aggregates are supplied to the construction market in London and the South East. The area dredged in the year, however, was significantly lower – 86 sq km, within which 90% of extraction effort (defined by hours dredged) occurred in an area of 37 sq km.[4]

The UK is a net exporter of aggregates, although both imports and exports represent less than 5% of UK markets. Because transport costs are a very significant factor for aggregates, most markets are local or regional, with relatively little international trade. Historically, the UK has been self-sufficient in the supply of primary aggregates due to significant geological resources and adequate reserves with planning permissions. Export of UK aggregates were valued at £77.3 million in 2014, compared with imports worth £39.4 million.[5]

Industrial minerals

Industrial minerals include a number of raw materials used in specialised industrial processes, with notable production in the UK of the following:[6]

Kaolin Kaolin, also known as china clay, is a commercial clay with specialist applications in paper production, ceramics, cosmetics and other industries. UK deposits of kaolin are concentrated in Cornwall and Devon and world-class in terms

[1] Mineral Products Association, The mineral products industry at a glance – key facts, 2014, http://www.mineralproducts.org/documents/mpa_facts_at_a_glance_2014.pdf, based on BGS data (excluding Northern Ireland); BGS, UK Minerals Yearbook 2013, https://www.bgs.ac.uk/downloads/start.cfm?id=2930

[2] UK Minerals Forum, The future of our minerals: A summary report, November 2014, http://www.british-aggregates.co.uk/documentation/doc136_UKMineralsForumFINAL07112014(1).pdf

[3] Mineral Products Association, The mineral products industry at a glance, http://www.mineralproducts.org/documents/mpa_facts_at_a_glance_2014.pdf

[4] British Marine Aggregate Producers Association, Sustainable development report 2014, http://www.bmapa.org/documents/BMAPA_SD_Report2014.pdf

[5] BIS, Monthly Bulletin of Building Materials and Components, https://www.gov.uk/government/collections/building-materials-and-components-monthly-statistics-2012

[6] Sources of data in this subsection include: BGS, UK Minerals Yearbook 2014; https://www.bgs.ac.uk/downloads/start.cfm?id=3030; BGS, Mineral Planning Factsheets, https://www.bgs.ac.uk/mineralsuk/planning/mineralPlanningFactsheets.html; BGS, UK mineral statistics, https://www.bgs.ac.uk/mineralsuk/statistics/UKStatistics.html; UK Minerals Forum, Trends in UK Production of Minerals, http://www.ukmineralsforum.org.uk/downloads/Trends%20in%20UK%20Production%20of%20Minerals_08012014.pdf

of size and quality.[1] Production peaked in 1988 at 2.8 million tonnes but since then has declined to 1.1 million tonnes in 2013, 90% of which was exported, mostly to Europe. Value of production was estimated at £129 million. The UK exported 1 million tonnes (dry weight) of kaolin in 2013 worth £116 million and imported 0.9 million tonnes (dry weight) worth £15 million.

Ball clay Ball clay, another major industrial mineral, is produced in Devon and Dorset mainly for the manufacture of white ware ceramics. Production levels peaked between 2005-8 at more than 1 million tonnes. In 2013, production was estimated at 740,000 tonnes, 75.8% of it exported. Estimated value of production in 2013 was £50 million, with 560,843 tonnes exported worth £37.6 million and imports totalling 6,848 tonnes worth £2.4 million.

Potash Yorkshire has one of the largest proven world deposits of potassium-rich minerals. There is one potash mine in the UK, at Boulby, Yorkshire, and in June 2015 a planning application was approved for another mine in the North York Moors (NYM) National Park. Ninety per cent of potash mined in the UK is used for agricultural fertiliser production. Small quantities are also used in the pharmaceutical and chemical industries. Production of potash reached its record high of 1.04 million tonnes (refined potassium chloride) in 2003 but then declined. Current production (2013) is estimated at 0.9 million tonnes, worth an estimated £248 million.[2]

The Boulby mine, which produces salt in conjunction with potash, directly employs about 1,000 people, half of whom work underground.[3] The mine that is to be established in the NYM National Park is expected to employ between 1,000 and 2,000 people and could make the UK a major world exporter of potash.[4]

Salt England accounts for 95% of UK salt production, 80% of which takes place in Cheshire; the Boulby potash mine in Yorkshire is another large centre. About 70% of salt is extracted through solution mining, the rest mined as rock. County Antrim is the main area of salt production in Northern Ireland. Rock salt is primarily used for de-icing roads and in agriculture. Brine salt is chiefly used in chemical industrial processes that require chlorine. 6.6 million tonnes of salt were produced in the UK in 2013, with exports totalling 497,670 tonnes worth £42 million and imports 738,670 tonnes worth £54 million.

Silica sands contain a high proportion of silica and their properties make them essential for glassmaking and a wide range of other industrial and horticultural applications. UK production has declined from approaching 7 million tonnes in 1974 to about 4 million tonnes currently. Hydraulic fracturing for shale gas/oil could offer a significant new market.

Gypsum Natural gypsum is used in plaster, plasterboard and cement making and has historically been mainly extracted by mining in the UK. The amount extracted in the UK has declined appreciably because of the use of desulphogypsum derived from flue gas desulphurisation at coal-fired power stations.

[1] BGS, Mineral Planning Factsheet, Kaolin, https://www.bgs.ac.uk/downloads/start.cfm?id=1362
[2] Company information; BGS, UK Minerals Yearbook 2014, https://www.bgs.ac.uk/downloads/start.cfm?id=3030
[3] BGS, Mineral Planning Factsheet, Potash, https://www.bgs.ac.uk/downloads/start.cfm?id=1367
[4] Company information; H. Pidd, "North York Moors potash mine gets £1.7bn go-ahead", Guardian, 30 June 2015, http://www.theguardian.com/environment/2015/jun/30/north-york-moors-potash-mine-gets-17bn-go-ahead

Industrial and agricultural carbonates are important in iron and steel making, sugar refining and glass making, as fillers in various products, to reduce soil acidity in agriculture and flue gas desulphurisation in coal fired power generation. Total industrial carbonates production peaked at around 11.5 million tonnes in the late 1990s but was around 10 million tonnes in 2014.

Fluorspar is the most important and only UK source of the element fluorine, most of which is used in the manufacture of hydrofluoric acid. It is extracted from the Southern Pennine ore field in the Peak District National Park.

Barytes is principally used as a weighting agent in drilling fluids used in hydrocarbon exploration, to which its fortunes have been linked. The major source comes from the Foss mine near Aberfeldy in Scotland.

Metal minerals

Tungsten (wolfram) is an essential element in a range of industrial processes, valued for its high melting point, density and extreme strength. England hosts the world's fourth largest known tungsten deposit – the Drakelands Mine near Plympton, Devon. This has been estimated to contain 318,800 tonnes of tungsten metal, or about 10% of the world's known reserves, as well as an estimated 43,700 tonnes of tin. Production at Drakelands, historically known as Hemerdon mine, began in 2015 after a 70-year break, operated by Australian company Wolf Minerals. This is the first significant new metal mine to open in the UK for 45 years. Production will take the form of open-pit mining, and the company predicts producing 5,000 tonnes of tungsten concentrate and 1,000 of tin. concentrate each year, mainly for export.[1]

3.3.7. Outlook

Coal

At the end of 2014 the UK had an estimated 166 million tonnes of coal reserves and resources at operating surface and underground mines together with those in the planning process. In addition there was some 167 million tonnes of resources in projects at the pre-planning stage plus just under 4 billion tonnes of potential resources at identified projects developed to various stages in the past 30 years.[2]

Construction minerals

Construction output has increased since the end of the industry recession and rose by 9.5% in 2014. Independent forecasts suggest a growth trend in construction of 3% to 5% per annum in the medium term to 2018, based on factors including modest growth in housebuilding, increased spending on infrastructure projects in areas such as transport, energy and water, and increases in commercial construction (including offices and retail development) outside London and the South-East. The demand trend for construction minerals such as aggregates is therefore likely to increase. Longer- term construction-related demand will depend on economic performance and government spending and policy decisions, but projected UK population

[1] BGS, Mineral profiles, Tungsten, http://www.bgs.ac.uk/downloads/start.cfm?id=1981; Wolf Minerals, Drakelands Mine, http://www.wolfminerals.com.au/irm/content/drakelands-mine.aspx?RID=324&RedirectCount=1

[2] Source: Coal Authority, email communication.

increases to 2030 suggests a continuing underlying need for construction activity and minerals.

Although there may be a greater general focus on the use of recycled materials in aggregates markets, their use is already mature in domestic markets (in recent years recycled materials have made up an estimated 25% to 30% of the market in England, Wales and Scotland, over twice the European average). Therefore, demand for quarried and dredged aggregates is likely to remain significant. Geologically the UK has substantial resources of construction minerals, which will remain subject to planning approvals before they can be extracted.

Industrial and metal minerals

Future extraction trends for industrial minerals will depend on movements in UK and overseas markets and on the competitiveness of operating costs and the business environment in the UK. The recent opening of a globally significant tungsten mine in Devon and planning approval for a major new potash mine in the NYM illustrate the continuing importance of the UK as a mineral producer.

Recent assessment of the gold deposit at Curraghinalt in Northern Ireland gives a measured mineral resource of 15,100 ounces, an indicated mineral resource of 989,000 ounces and inferred mineral resource of 2,490,000 ounces: a significant deposit in global terms.[1]

For both aggregates and industrial minerals, future extraction trends will be linked to economic growth. The National Planning Policy Framework (NPPF) recognises in paragraph 142 that ‘Minerals are essential to support sustainable economic growth and our quality of life. It is therefore important that there is a sufficient supply of material to provide the infrastructure, buildings, energy and goods that the country needs. However, since minerals are a finite natural resource, and can only be worked where they are found, it is important to make best use of them to secure their long-term conservation.[2]

The NPPF also places an obligation on MPAs to plan for a steady and adequate supply of aggregates and industrial minerals.

3.4 Beneficial Ownership

The UK EITI Multi-Stakeholder Group (MSG) agreed to incorporate beneficial ownership disclosure as an ongoing reporting requirement. Accordingly, companies reporting under the UK EITI were asked to disclose their beneficial owners, that is, the identity of the people who ultimately own and control each company.

The approach to beneficial ownership in the UK EITI is aligned with the related provisions of the Small Business, Enterprise and Employment Act 2015.[3]

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[1] Source: Micon International for Dalradian Resources Inc., An Updated Preliminary Economic Assessment of the Curraghinalt Gold Deposit, Tyrone Project, Northern Ireland, October 2014, filed on SEDAR, http://s1.q4cdn.com/162468244/files/doc_downloads/PEA/Curraghinalt-PEA-Report-2014-10-31-(SEDAR).pdf

[2] DCLG, NPPF, 2012, para 142, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6077/2116950.pdf

[3] http://www.legislation.gov.uk/ukpga/2015/26/contents/enacted

Publicly listed companies are asked to confirm their listed status, because they are already required to provide ownership information under stock exchange requirements. Private companies are asked to identify the owners who exercise control or receive economic benefits from the company. This control or benefit could be represented by owners having shareholdings of 25% or more or be exercised through one or more intermediary companies (trusts or company partners) or by other means.

Private companies are also asked to disclose information on any owners who are identified as "politically exposed", that is, have political influence, or who as family members or close associates have links to senior political figures or government officials in the UK or abroad, and who have a share of 5% or more in the company. A senior company official is required to verify the information provided.

Data collected on reporting companies' beneficial ownership and politically exposed persons is detailed in Annex 5 of this report. Out of the 13 private companies that reported beneficial ownership information, and which made payments to the UK Government, 1 company (HJ Banks) has reported a beneficial owner who holds more than 25% of the shares in the company.

3.5 The UK's Budget and Audit Processes

The UK Government publishes full details of its income and expenditure (outturn figures, estimates and forecasts).[1] Budget forecasting is now overseen by the independent Office for Budget Responsibility (OBR).[2] Government accounts are audited by the National Audit Office (NAO)[3] and scrutinised by the Public Accounts Committee.[4]

With very few exceptions (see below for one relating to extractive income), central government receipts are not hypothecated to specific items or types of expenditure. From 2015 onwards, that will change in the case of the newly introduced OGA levy, which will fund the operation of the recently created Oil and Gas Authority (OGA).[5]

The only extractive revenues currently earmarked for specific UK programmes or geographic regions involve the allocation of a population-based share of income from seaward petroleum licences to the Northern Ireland Government, as required by section 2 of the Miscellaneous Financial Provisions Act 1968. The amount transferred in 2014/15 was £1,850,000 (£1,759,000 in 2013/14). [6]

[1] See e.g. HM Treasury, Summer Budget 2015, https://www.gov.uk/government/publications/summer-budget-2015
[2] OBS, http://budgetresponsibility.org.uk/
[3] NAO, https://www.nao.org.uk/
[4] Public Accounts Committee, http://www.parliament.uk/business/committees/committees-a-z/commons-select/public-accounts-committee/
[5] DECC, Funding the Oil and Gas Authority, https://www.gov.uk/government/consultations/funding-the-oil-and-gas-authority-consultation-on-levy-design
[6] DECC, Annual report and accounts: 2014 to 2015, https://www.gov.uk/government/publications/decc-annual-report-and-accounts-2014-to-2015

3. RECONCILIATION RESULTS

We present below the detailed results of our reconciliation exercise, as well as differences noted between amounts paid by extractive companies and amounts received by Government Agencies.

3.1. Payment Reconciliation between Extractive Companies and Government

The table below summarises the differences between the payments reported by extractive companies and receipts reported by the various Government Agencies. The MSG agreed that differences of £10,000 or less were not considered material and were not investigated by the IA. Any companies with differences below this threshold are considered fully reconciled and fully compliant with EITI.

The table includes consolidated figures based on the reporting templates prepared by every extractive company and Government Agency.

(in £000)

Company	Government Agencies (A)	Extractive companies (B)	Difference (B) - (A)
Oil & Gas	**3,173,388**	**2,373,990**	**(799,398)**
Adamo Energy (UK) Ltd	139	139	-
Alkane Energy plc	240	240	-
Alpha Petroleum Resources Limited	1,135	1,130	(5)
Apache North Sea	475,774	475,774	-
Atlantic Petroleum UK Ltd	173	173	-
Bayerngas Europe Ltd:	115	115	-
BG Group Plc	646,079	646,079	-
BP	(128,552)	(128,556)	(4)
CalEnergy Resources Group	(135)	(135)	-
Carrizo Oil & Gas, Inc.	116	116	-
Centrica Energy E&P	181,490	181,500	10
Chevron North Sea Limited	38,388	38,388	-
Chrysaor Holdings Limited	391	391	-
CNR International	419	419	-
ConocoPhillips	220,154	220,149	(5)
Dana Petroleum	(5,903)	(5,899)	4
DEA UK	2,439	2,439	-
DONG E&P UK Ltd	838	838	-
Dyas UK Ltd and EOG Ltd	15,000	15,000	-
E.ON E&P UK Limited	2,114	2,111	(3)
Egdon Resources plc	203	203	-
Eni UK Limited	153,118	153,116	(2)
EnQuest PLC	6,173	6,173	-
Europa Oil & Gas Limited	400	400	-
ExxonMobil	(31,931)	(31,926)	5
Fairfield Energy Limited	202	211	9
GDF SUEZ E&P UK Ltd	7,855	7,856	1
Hess Limited	250	250	-
Hurricane Energy plc	1,093	1,093	-
Idemitsu Petroleum UK Ltd.	9,144	9,144	-
IGas Energy Group	1,659	1,659	-
InfraStrata plc	86	86	-
Ithaca Energy (UK) Limited	17,039	17,039	-
JX Nippon Exploration and Production (U.K.) Limited	(19,989)	(19,989)	-
Maersk Oil North Sea UK Limited	12,506	12,506	-
Marathon Oil	97,243	97,240	(3)
Marubeni North Sea Limited	363	363	-
Mitsui E&P UK Ltd	9,915	9,915	-
MPX North Sea Limited	227	227	-

(in £000)

Company	Government Agencies (A)	Extractive companies (B)	Difference (B) - (A)
Murphy Petroleum Limited	221	221	-
Noble Energy (Oilex) Ltd	383	383	-
Norwegian Energy Company UK Ltd	233	233	-
OMV (U.K.) Limited	(402)	(402)	-
Parkmead Group plc	449	449	-
Perenco UK	251,924	251,929	5
Premier Oil	35,548	35,548	-
Providence Resources Plc	197	197	-
Shell UK Limited	(187,324)	(187,324)	-
Serica Energy (UK) Limited	355	355	-
Statoil (UK) Limited	9,469	9,469	-
Sterling Resources (UK) plc	368	368	-
Suncor Energy UK	550,614	550,614	-
Talisman Sinopec Energy UK Limited	(102,525)	(102,525)	-
Taqa Global	79,873	79,873	-
Total Holdings UK Limited	12,014	12,007	(7)
Tullow Oil plc	5,090	5,090	-
Verus Petroleum Holding Limited	125	125	-
Wintershall Noordzee B.V.	507	507	-
Xcite Energy Resources plc	751	751	-
Other companies	799,548	145	(799,403)
Mining & Quarrying	**59,848**	**57,168**	**(2,680)**
Aggregate Industries UK Ltd	3,212	3,212	-
Breedon Aggregates Ltd	1,998	2,000	2
Britannia Aggregates Ltd	182	187	5
CEMEX UK	3,847	3,835	(12)
Cleveland Potash Limited	1,919	1,919	-
Compass Minerals- Winsford Salt Mine	919	919	-
Hanson UK	3,404	3,404	-
Hargreaves Services plc	4,486	4,483	(3)
HJ Banks & Company	3,966	3,966	-
Saint-Gobain Construction Products UK Limited	29,520	29,520	-
Tarmac Holdings Limited	3,052	2,899	(153)
Volker Dredging Ltd	730	730	-
Other companies	2,613	94	(2,519)
Total payments	**3,233,236**	**2,431,158**	**(802,078)**

3.2. Unreconciled Differences

After reconciliation, there were only a handful of differences in excess of the £10,000 materiality threshold agreed by the MSG. The main difference relates to payments by Tarmac to TCE.

Tables in section 1 summarises the total in-scope amounts reported as having been received by Government Agencies and/or reported as having been paid by extractive companies during the calendar year 2014.

There are minor differences in the totals reported here and in the first chapter for PRT and RFCT/SC which come from published HMRC estimates.[1]

[1] Source: HM Revenue & Customs (HMRC), Tax Receipts and National Insurance Contributions for the UK. https://www.gov.uk/government/statistics/hmrc-tax-and-nics-receipts-for-the-uk

4. INDEPENDENT ADMINISTRATOR'S RECOMMENDATIONS TO THE MSG

These recommendations are made solely to assist the MSG in the definition of the scope of the future reconciliation exercises including:

- a reporting template for government agencies;
- the reporting unit (£);
- the materiality threshold for the revenue streams;
- overall coverage of the report;
- determining in scope companies in the mining & quarrying sector; and
- register of licences for the mining and quarrying sector.

i. Reporting template for Government Agencies

Paragraph 5.2 of the 2013 EITI Standard requires the MSG and the IA to develop the reporting templates and agree on the assurances to be provided by the reporting entities to the IA. This may include sign off by a senior company or confirmations from the company / government auditors.

The MSG discussed assurances to be provided by reporting entities during the September 2015 meeting. It was concluded that the statutory requirements on government bodies and Companies Act requirements on the companies were sufficient for EITI purposes.

However, while templates requiring sign off by senior company officials had been designed for companies, there was not a template for Government Agencies. This caused some difficulties in the reconciliation process as we received data from some government bodies in a different format from those received from companies. Absence of an agreed reporting template for Government Agencies caused several challenges to the reconciliation process. For example, the data received from one government body was not structured in the same way as the companies reporting templates.

It is highly recommended that the MSG agree a reporting template for Government Agencies reporting. This should be designed to facilitate the reconciliation work.

ii. Reporting unit

We noted that the use of 'thousand £' in the reporting template created confusion for some extractive companies. We received a number of templates where payments were reported in units of £ instead of thousand £. This issue has led us to request confirmations from various companies in order to check whether they have reported the correct amount.

We recommend that in future reconciliation exercises both extractive companies and Government Agencies are asked to report their payments in units of £ to avoid confusion.

iii. Materiality threshold

In accordance with requirement 4.1 of the 2013 EITI Standard, the MSG is required to agree which payments and revenues are material and therefore must be disclosed, including appropriate materiality definitions and thresholds.

Payments and revenues are considered material if their omission or misstatement could significantly affect the comprehensiveness of the EITI Report. A description of each revenue stream, related materiality definitions and thresholds should be included in the EITI Report. In establishing materiality definitions and thresholds, the MSG should consider the size of the revenue streams relative to total revenues. The MSG should document the options considered and the rationale for establishing the definitions and thresholds.

The MSG has agreed that the £86,000 disclosure threshold will be applied at the group level for each payment stream. However, a number of companies applied the threshold to individual payments rather than to total payment streams.

In addition, companies may have payment streams above the threshold and other payment streams which are below the set threshold. We noted that in some instances, entities reported payment streams below the materiality threshold as they were already considered within the scope (due to making significant payments for other types of payment streams). We also noted the opposite situation where companies or Government Agencies reported only payment streams above the materiality threshold.

We recommend that in future reconciliation exercises the materiality threshold is applied to the company and not to each payment stream. If one tax meets the materiality threshold of £86,000, all other taxes under the materiality threshold would then be included in the EITI scope.

iv. Overall coverage of the EITI report

As highlighted in the Executive Summary, there is specific legislation in the UK which prevents HMRC from disclosing confidential taxpayer information.[1] HMRC are therefore not able to provide data relating to tax payments received from the extractive companies without the consent of these parties. Consequently, we were unable to report all companies which had made material tax payments in the year.

Extractive companies were not obliged to disclose their payments, thus 72 extractive companies have not reported their figures either for lack of being in scope, lack of involvement in the EITI process or due to lack of contact details available to us.

In view of the current legislation with regard to disclosure of confidential information, we recommend that the MSG focuses on enhancing the communication aspects of the EITI process in the UK in order to encourage more companies to join the reporting process, notwithstanding the significant efforts already made in this respect. The MSG should introduce the EITI to extractive companies through a strong awareness campaign such as conferences, meetings, workshops, etc.

v. Determining in scope companies in the Mining & Quarrying sector

Due to the difficulty in tracing all extractive companies which might exceed the £86,000 threshold, the MSG decided to identify companies responsible for 80% of the total output volume of the mining and quarrying sector. Consequently, the Mining Sub-Group provided a list of companies that constitute over 80% of production of

[1] http://www.hmrc.gov.uk/manuals/emmanual/em0070.htm

mining and quarrying in the UK. This list provides the basis for determining which companies will be within scope for the EITI reconciliation exercise.

A list of companies representing those potentially in scope above the lower cut off (80% of production) were prepared from three sources: (i) the Minerals Products Association (covering aggregates); (ii) the Coal Authority (covering both surface and underground coal); and (iii) the Mining Association of the UK (covering underground non coal, as well as other industrial minerals).

The methodology adopted for selecting mining companies considers only the volume of production and was chosen because it was an initial means of identifying companies more likely to be in the scope of EITI. One of the drawbacks of the methodology is that it does not identify companies by the value of extraction, profitability or potential payments to Government.

It would therefore be worthwhile reviewing the methodology used in order to better identify mining and quarrying companies within the scope of EITI. One avenue to explore could be the potential to link participation in EITI with the UK implementation of the Reports on Payments to Government Regulation 2014.

vi. Register of licences for the mining sector

In accordance with requirement 3.9 of the 2013 EITI Standard, implementing countries are required to maintain a publicly available register or cadastre system(s) with timely and comprehensive information regarding each of the licences pertaining to companies operating in the extractive sector. The Oil & Gas Authority has a publicly available register of licences which can be consulted through its website. The Coal Authority has an offline public registry of licences and does not publish licences online. Information regarding coal licences can be requested by post and email.

However, The Crown Estate has a policy not to disclose contracts and agreements relating to minerals on the grounds that they contain commercially confidential information.

The MSG should discuss the possibility of requesting licence information from mining companies included in the scope of the EITI Report. This can be done through the reporting template where detailed information can be requested. The information collected from companies could then be annexed to the EITI report.

ANNEXES

Annex 1: Detail of mining & quarrying receipts

Mining & Quarrying receipts reported by the relevant Government Agencies are detailed by company as follows:

(in £000)

Company	Government Agencies				
	Corporation Tax	Payments to the Crown Estate	Payment to the Coal Authority	S106 payment[1]	Total
Aggregate Industries UK Ltd	3,212			94	3,306
Breedon Aggregates Ltd	1,442	556			1,998
Britannia Aggregates Ltd		182			182
CEMEX UK		3,847			3,847
Cleveland Potash Limited		1,919			1,919
Compass Minerals- Winsford Salt Mine	919				919
Hanson UK		3,404			3,404
Hargreaves Services plc	4,384		102		4,486
HJ Banks & Company	3,966				3,966
Saint-Gobain Construction Products UK Ltd	29,520				29,520
Tarmac Holdings Limited		3,052			3,052
Volker Dredging Ltd		730			730
Other companies		1,520			1,520
Total payments	**43,443**	**15,210**	**102**	**94**	**58,849**

[1] This payment was reported unilaterally by the company.

Annex 2: Detail of RFCT & SC by company

RFCT & SC reported by HMRC are detailed by company as follows:

(in £000)

Company	RFCT & SC
Apache North Sea	282,632
Atlantic Petroleum UK Ltd	173
BG Group Plc	612,000
Centrica Energy E&P	20,000
Chevron North Sea Limited	22,009
ConocoPhillips	175,429
Dyas UK Ltd and EOG Ltd	15,000
EnCounter Oil Ltd	96
Eni UK Limited	141,969
Europa Oil & Gas Ltd	400
ExxonMobil	10,599
Ithaca Energy (UK) Ltd	5,504
Marathon Oil	82,921
Murphy Petroleum Ltd	221
Noble Energy (Oilex) Ltd	383
Perenco UK	154,955
Suncor Energy UK	550,614
Total payments	**2,074,905**
BP	(31,856)
Dana Petroleum	(4,255)
EnQuest PLC	(1,491)
JX Nippon Exploration and Production (U.K.) Ltd	(13,334)
OMV (U.K.) Limited	(1,998)
Premier Oil	(6,590)
Shell UK Limited	(203,555)
Talisman Sinopec Energy UK Ltd	(50,000)
Taqa Global	(33,357)
Total Holdings UK Ltd	(3,066)
Total repayments	**(349,502)**
Total net payments	**1,725,403**

Annex 3: Detail of PRT by company

PRT reported by HMRC for those companies signing waivers are detailed as follows. In all cases, material payments were reconciled and the company's reported figure differed from that shown here by no more than the agreed materiality threshold of £10,000.

(in £000)

Company / field name	PRT
Apache North Sea	**192,399**
Beryl	38,969
Forties	148,414
Nelson	9,118
Scott	(4,102)
BG Group	**33,362**
Everest	3,923
Judy	29,439
BP	**(102,622)**
Alba	(178)
Bruce	8,383
Everest	3,370
Forties	(64,314)
Magnus	(39,927)
South Valiant	(1,736)
Vulcan	(8,220)
CalEnergy Resources Group	**(135)**
Victor	(135)
Centrica Energy E&P	**157,147**
Alba	15,698
Amethyst East	(365)
Audrey	(1,113)
Brae	(1,764)
East Brae	1,953
Galleon	(683)
Ravenspurn	(6)
South Morecambe	98,814
Statfjord	46,333
Victor	(1,720)
Chevron	**14,650**
Alba	14,650
ConocoPhillips	**39,791**
Everest	55
Galleon	(646)
Judy	38,076
Miller	(1,489)
Murdoch	12,748
South Valiant	(3,845)
Thistle	(36)
Victor	(667)
Vulcan	(4,405)
Dana Petroleum	**(2,865)**
Claymore	(2,261)
Victor	(604)
Eni UK Limited	**10,056**
Everest	28
Judy	29,098
Magnus	(2,719)
Ninian	(8,689)
Piper	(7,662)
EnQuest PLC	**5,773**
Alba	5,773

(in £000)

Company / field name	PRT
ExxonMobil	**(42,530)**
Barque	(3,098)
Brent	(61,631)
Forties	4,105
Fulmar	154
Galleon	(3,887)
Nelson	18,551
North Sean	(1,713)
South Sean	6,285
Victor	(1,296)
GDF SUEZ E&P UK Ltd	**5,005**
Murdoch	5,005
Idemitsu	**9,145**
Nelson	9,145
Ithaca Energy (UK) Limited	**10,891**
Wytch Farm	10,891
JX Nippon Exploration and Production (U.K.) Ltd	**(6,783)**
Brae	(1,127)
East Brae	1,840
Magnus	(7,496)
Maersk Oil North Sea UK Limited	**11,314**
Scott	(248)
Wytch Farm	11,562
Marathon Oil	**14,041**
Brae	(2,934)
East Brae	16,975
Marubeni North Sea Limited	**363**
Bruce	1,981
Magnus	(1,746)
Ninian	128
Mitsui E&P UK Ltd	**9,915**
Alba	9,915
Perenco UK	**93,053**
Amethyst East	837
Lancelot	4,324
West Sole	18,665
Wytch Farm	69,227
Premier Oil	**40,610**
Nelson	1,236
Scott	(7,784)
Wytch Farm	47,158
Shell UK Limited	**14,296**
Barque	(6,108)
Beryl	38,401
Brent	(69,321)
Forties	79
Fulmar	176
Galleon	(2,840)
Miller	(3)
Nelson	53,124

(in £000)

Company / field name	PRT
Shell UK Limited (continued)	**14,296**
North Sean	(2,386)
NW Hutton	(1)
South Sean	3,175
Statoil (UK) Limited	**8,404**
Alba	8,404
Talisman Sinopec Energy UK Limited	**(54,251)**
Claymore	(31,899)
Piper	(30,103)
Wytch Farm	7,751
Taqa Global	**112,001**
Brae	1,029

(in £000)

Company / field name	PRT
Taqa Global (continued)	**112,001**
East Brae	21,639
North Cormorant	69,877
SNC Brae	(553)
Tern	20,009
Total	**10,877**
Alwyn North	5,537
Bruce	5,340
Tullow Oil plc	**3,868**
Murdoch	3,868
Total payments	**587,775**

Annex 4: Detail of petroleum licence fees by company and licence number

Licences fees reported by the OGA regardless of the £86,000 materiality threshold are detailed by company and licence number as follows.

In all cases, where companies reported material payments they were reconciled and the company's reported figure differed from that shown here by no more than the agreed materiality threshold of £10,000.

(in £000)

Company / licence number	Licence Fees
4Gen Energy (UK) Ltd	**4**
P1949	1
P1959	3
Adamo Energy (UK) Ltd	**138**
PEDL100	138
Alkane Energy (UK) Ltd	**73**
AL010	28
EXL253	3
PEDL001	11
PEDL014	6
PEDL037	8
PEDL039	2
PEDL191	3
PEDL202	4
PEDL254	5
PEDL255	3
Alpha Petroleum Resources Ltd	**768**
P001	7
P1062	61
P1070	313
P1736	109
P683	278
Altaquest Energy Corporation (UK) Ltd	**40**
EXL141	24
EXL294	16
Angus Energy Weald Basin No.3	**32**
PL235	20
PL241	12
Antrim Resources (NI) Ltd	**23**
P077	7
P1875	16
Apache Beryl 1 Ltd	**418**
P087	32
P103	51
P139	37
P1764	2
P1982	29
P1983	6
P1984	1
P1985	16
P1986	20
P254	10
P337	214

(in £000)

Company / licence number	Licence Fees
Apache North Sea Ltd	**323**
P057 (i)	4
P057 (ii)	4
P084 (i)	6
P084 (ii)	6
P087	32
P1753	31
P1788	27
P1820	24
P1998	23
P2001	4
P2005	26
P2035	12
P2042	26
P246 (i)	41
P246 (ii)	41
P255 (i)	8
P255 (ii)	8
APEC Ltd	**3**
P1962	2
P2002	1
Ardent Oil Ltd	**4**
P1950	2
P1951	1
P1955	1
ATP Oil & Gas plc ['Alpha']	**367**
P1034	261
P1609	106
Aurora Exploration Ltd	**5**
PEDL164	5
BayernGas Europe Ltd	**116**
P1639	66
P2199	50
BG International Ltd	**718**
P066	44
P098	28
P101	73
P110	68
P2071	30
P2078	3
P2079	6
P2187	4
P591	136
P672	68
P810	258
BHP Billiton Petroleum Ltd	**15**
P209	15

(in £000)

Company / licence number	Licence Fees
Biogas Technology (Sawtry) Ltd	**49**
EXL203	24
EXL276	25
Blackland Park Exploration Ltd	**5**
PL199	4
PL215	1
BP Exploration Operating Company Ltd	**5,926**
E408	2
P057 (i)	12
P057 (ii)	12
P059 (i)	18
P059 (ii)	14
P092	78
P103	43
P110	4
P111	29
P1570	161
P165	71
P168	52
P1777	31
P1803	25
P1819	3
P193	69
P198	36
P2041	11
P2111 (i)	13
P2111 (ii)	13
P2125	94
P2127 (i)	72
P2127 (ii)	72
P240	5
P276	167
P340 (i)	242
P340 (ii)	242
P363 (i)	204
P363 (ii)	204
P556	1,310
P558	442
P566	124
P803	520
P974	176
P975 (i)	645
P975 (ii)	710
Bridge Energy (UK) Ltd	**116**
P1767	81
P1791	10
P1915	23
P2122	2
Burgate (E&P) Ltd	**2**
P2076 (i)	1
P2076 (ii)	1
Burlington Resources (Irish Sea) Ltd ['Conoco']	**732**
P099	16
P1904	6
P251	9
P287	182
P547	122
P706	366

(in £000)

Company / licence number	Licence Fees
Burlington Resources (Irish Sea) Ltd ['Conoco'] (continued)	**732**
P865	31
Carrizo Oil & Gas, Inc	**115**
P1797	23
P1801	20
P2121 (i)	36
P2121 (ii)	36
Celtique Energie Holdings Ltd	**10**
PEDL197	10
Celtique Energie Weald Ltd	**50**
PEDL231	20
PEDL234	15
PEDL243	15
Centrica North Sea Gas Ltd	**2,039**
P028	57
P030	5
P1060	122
P1186 (i)	22
P1186 (ii)	162
P1241 (i)	205
P1241 (ii)	244
P1246 (i)	20
P1246 (ii)	23
P1447	182
P1724	34
P1727	72
P1828	142
P1899	71
P1906	62
P455	287
P468	329
Centrica North Sea Oil Ltd	**369**
P1673	44
P212	24
P351	301
Centrica Resources Ltd	**1,274**
P016	8
P083	14
P104	10
P1354	135
P1443	147
P2019	30
P2057	22
P2066	10
P2108	63
P2112	72
P2116	1
P2117	22
P2120	7
P2126	124
P2128	36
P293	8
P323	141
P612	110
P774	37
P776	147
P901	130

(in £000)

Company / licence number	Licence Fees
CGG Services (UK) Ltd	**4**
E422	2
P2008	2
Chevron North Sea Ltd	**1,730**
P1026	603
P119	23
P1191 (i)	274
P1191 (ii)	325
P1272	26
P183	16
P213	65
P264	79
P324	23
P345 (i)	148
P345 (ii)	148
Chrysaor Ltd	**392**
P1578	44
P1932	8
P1977	305
P2074	35
Cirque Energy (UK) Ltd	**15**
EXL294	15
Cluff Natural Resources plc	**36**
P2248	3
P2252	11
P2253	3
P2259	8
P2261	11
CNR International (UK) Ltd	**417**
P104	12
P114	4
P119	17
P199	28
P202	42
P203	12
P204	46
P224	14
P225	30
P328	15
P329	61
P748	136
Coastal Oil & Gas Ltd	**21**
PEDL216	2
PEDL217	5
PEDL219	5
PEDL220	5
PEDL249	1
PEDL250	1
PEDL252	2
ConocoPhillips (UK) Ltd	**3,848**
P025	34
P033	133
P039	24
P103	70
P1058	347
P1139	265
P118	15
P130	111
P170	35

(in £000)

Company / licence number	Licence Fees
ConocoPhillips (UK) Ltd (continued)	**3,848**
P1773	7
P1798	3
P1809	5
P2081	3
P341	177
P347	82
P450	414
P451	479
P452	261
P459	319
P519	269
P590	110
P640	250
P691	193
P741	242
ConocoPhillips Petroleum (UK) Ltd	**349**
P032	56
P079	33
P1589	100
P1821	2
P672	158
Courage Energy Ltd	**40**
PEDL090	40
Cuadrilla Balcombe Ltd	**8**
PEDL244	8
Cuadrilla Bowland Ltd	**56**
PEDL165	56
Cuadrilla Elswick Ltd	**65**
EXL269	65
Cuadrilla Weald Ltd	**54**
EXL189	54
Dana Petroleum (E&P) Ltd	**1,215**
P021	28
P1051	98
P1242	301
P1566	163
P1610	66
P1720	44
P1742	21
P1766	7
P1786	13
P1896	39
P1935	17
P1987	2
P215	1
P225	57
P353	135
P361	51
P472	42
P570	130
Dart Energy (EE) Ltd	**29**
PEDL173	4
PEDL174	5
PEDL178	3
PEDL179	4
PEDL200	6
PEDL207	1
PEDL210	6

(in £000)

Company / licence number	Licence Fees
Dart Energy (FV) Ltd	**87**
PEDL133	83
PEDL163	4
Dart Energy (WE) Ltd	**20**
PEDL185	10
PEDL188	5
PEDL189	5
DEO Petroleum (UK) Ltd	**131**
P588	131
DEO Petroleum Exploration Ltd	**10**
P1993	10
Dolphin Geophysical Ltd	**2**
E419	2
Dong E&P (UK) Ltd	**838**
P1598	459
P1931	18
P2014	59
P2021	40
P2022	114
P2044	148
E.On E&P (UK) Ltd	**2,113**
P1114	171
P1330	340
P2003	16
P2010	18
P2012	76
P2020	60
P2023	59
P2073	59
P2090	21
P2103 (i)	18
P2103 (ii)	18
P2105 (i)	17
P2105 (ii)	17
P2136 (i)	2
P2136 (ii)	2
P380	519
P452	65
P456	307
P686	194
P766	61
P771	73
Egdon Resouces (UK) Ltd	**205**
P1929	54
PEDL005	24
PEDL068	50
PEDL118	4
PEDL130	14
PEDL180	5
PEDL182	2
PEDL201	5
PEDL203	1
PEDL209	3
PEDL237	5
PEDL241	6
PEDL253	10
PL090	22

(in £000)

Company / licence number	Licence Fees
Elf Exploration (UK) Ltd (Total)	**461**
P2068	1
P362	279
P666	181
EMGS ASA	**2**
E428	2
Encounter Oil Ltd	**26**
P1943	5
P1945	3
P2095 (i)	2
P2095 (ii)	2
P2096 (i)	7
P2096 (ii)	7
Endeavour Energy (UK) Ltd	**656**
P1615	22
P1948 (i)	109
P1948 (ii)	109
P1990	48
P1991	12
P1999	16
P2034	2
P2060	17
P2065	18
P226	56
P339	115
P592	132
Enegi Oil plc	**41**
P1974	15
P2007	26
ENI (UK) Ltd	**92**
P1620	92
ENI (ULX) Ltd	**8**
P473	8
ENI Hewitt Ltd	**65**
P028	63
P112	2
ENI Liverpool Bay Operating Company	**937**
P099	4
P710	688
P791	245
Enquest Heather Ltd	**1,896**
P073	2
P1077	480
P1107	49
P1200	56
P1214	301
P1415	234
P1617	27
P1765	75
P1825	15
P1892	24
P1967	28
P1968	64
P1976	42
P1978	7
P1996	57
P2000	2

(in £000)

Company / licence number	Licence Fees
Enquest Heather Ltd (continued)	**1,896**
P2027	5
P2084	7
P209	11
P2137	5
P2143	9
P2148	12
P2176	29
P2201	17
P236	26
P238	49
P242	39
P475	16
P585	97
P902	111
Enterprise Oil Ltd ['Shell']	**69**
P069 (i)	13
P069 (ii)	13
P077 (i)	14
P077 (ii)	14
P111	7
P114	8
EOG Resources (UK) Ltd	**337**
P1476	337
Europa Oil & Gas Ltd	**70**
DL001	14
DL003	6
PEDL143	23
PEDL181	27
Extract Petroleum Ltd	**15**
P1938	15
Fairfield Cedrus Ltd	**94**
P1746	29
P2089	36
P591	29
Fairfield Energy Ltd	**88**
P104	8
P2043	1
P2059	6
P232	16
P296	17
P721	40
Fairfield Fagus Ltd	**20**
P721	20
Faroe Petroleum Ltd	**359**
P1839	50
P1853	105
P2011	44
P2045	62
P324	13
P689	85
First Oil Expro Ltd	**103**
P1627	70
P1887	33
Frequent Oil Ltd	**2**
P2226	2
Fugro Survey Ltd	**2**
E424	2

(in £000)

Company / licence number	Licence Fees
GdF Suez E&P (UK) Ltd	**2,852**
P1055	1,485
P1588	41
P1731	62
P1745	23
P1799	37
P1805	16
P1818	8
P1823	9
P1900	50
P1901	33
P1907	95
P1936 (i)	9
P1936 (ii)	9
P2083	6
P2087	2
P2102	5
P2113	1
P2130	36
P454	98
P611	532
P614	295
GP Energy Ltd	**359**
EXL273	58
EXL288	90
PEDL012	33
PEDL146	69
PEDL147	22
PEDL159	73
PEDL186	5
PEDL187	4
PL162	5
GTO Ltd	**19**
P2245	6
P2267	13
Harworth Power (Generation) Ltd	**1**
EXL250	1
Hess Ltd	**250**
P1830	18
P1831	57
P218	8
P310	123
P588	44
Humbly Grove Energy Ltd	**12**
PL116	12
Hurricane Energy Ltd	**1,093**
P1368	948
P1485	138
P1835	7
Hydrocarbon Resources Ltd	**613**
P1483	255
P153	43
P1919	161
P2106	23
P251	33
P543	98
Idemitsu Petroleum (UK) Ltd	**22**
P1800	22

(in £000)

Company / licence number	Licence Fees
Igas Energy (Caithness) Ltd	**175**
P1270 (i)	61
P1270 (ii)	75
PEDL158	39
Independent Oil & Gas Ltd	**27**
P1737	22
P1941	3
P2085 (i)	1
P2085 (ii)	1
Infrastrata plc	**86**
P1918	86
Iona Energy Company (UK) Ltd	**69**
P1606	48
P1607	12
P185	9
Iranian Oil Company (UK) Ltd	**38**
P198	38
Island Gas (Singleton) Ltd	**66**
PEDL233	4
PL240	62
Island Gas Ltd	**922**
AL009	10
DL002	16
DL004	20
ML003	3
ML004	8
ML006	1
ML007	1
ML018	1
ML021	2
PEDL006	136
PEDL021	50
PEDL040	36
PEDL056	15
PEDL070	22
PEDL078	120
PEDL107	8
PEDL116	9
PEDL139	25
PEDL140	35
PEDL145	19
PEDL184	14
PEDL190	5
PEDL193	15
PEDL235	5
PL178	2
PL179	107
PL182	55
PL199	4
PL205	22
PL211	33
PL220	16
PL233	71
PL249	36
Ithaca Energy (UK) Ltd	**642**
P1011	19
P1031	22
P128	29
P1293	148

(in £000)

Company / licence number	Licence Fees
Ithaca Energy (UK) Ltd (continued)	**642**
P1383	26
P1392	35
P1631	74
P1632	43
P1665	39
P1832	20
P187	20
P1994	12
P201	4
P2048	138
P2064	5
P982	8
Jetex Petroleum (UK) Ltd	**7**
P2092	7
JX Nippon E&P (UK) Ltd	**128**
E426	2
P1850	57
P312	69
Maersk Oil North Sea Ltd	**1,192**
P032	8
P090	3
P103	6
P1041	384
P1320	51
P1424	34
P1464	11
P1612	26
P1891	76
P2036	5
P2039	3
P2054	2
P2099	3
P2131	21
P2132	52
P233	51
P255	17
P257	7
P295	28
P496	290
P631	24
P735	57
P980	33
Magellan Petroleum (NT) Pty Ltd	**2**
PEDL246	2
Marathon Oil (UK) Ltd	**281**
P108	54
P313	191
P483	36
Margin Oil & Gas Ltd	**11**
P2263	11
Moorland Exploration Ltd	**94**
PEDL120	94
MPX North Sea Ltd ['Zennor']	**227**
P1633	198
P1763	27
P1981	2

(in £000)

Company / licence number	Licence Fees
Nautical Petroleum plc	**115**
P1759	21
P2123	94
Newton Energy (UK) Ltd	**15**
PEDL204	5
PEDL208	10
Nexen Petroleum (UK) Ltd	**4,393**
P1192 (i)	254
P1192 (ii)	302
P1298	114
P1560	31
P1580	11
P1659	133
P1771	129
P1779	13
P1796	17
P1829	167
P1848	19
P185	109
P1893	61
P1988	14
P1992	16
P2029	15
P2046	5
P205	8
P2050	208
P2056	28
P2062	68
P2067	69
P2101 (i)	21
P2101 (ii)	21
P218	23
P244	50
P273	220
P300	302
P317	275
P928	1,690
Northern Petroleum (GB) Ltd	**3**
PEDL126	3
Norwegian Energy Company (UK) Ltd	**233**
P1768	39
P1934 (i)	9
P1934 (ii)	9
P1989	97
P2009	29
P2032	50
NP Solent Ltd	**7**
P1916	7
OK Energy Ltd	**12**
P2104	12
OMV (UK) Ltd	**1,596**
E436	2
P1028	669
P1189	342
P1190	455
P1833	21
P1849	45
P1854	48
P2080	14

(in £000)

Company / licence number	Licence Fees
Onshore Oilfield Services Ltd	**10**
PL215	10
ORG Geophysical Ltd	**2**
E437	2
PA Resources (UK) Ltd	**4**
P2025	4
Parkmead E&P Ltd	**233**
P2069	31
P2082	20
P2107 (i)	55
P2107 (ii)	55
P2110 (i)	36
P2110 (ii)	36
Perenco (UK) Ltd	**3,920**
ML005 (i)	3
ML005 (ii)	3
P001	119
P005	35
P016	152
P024	20
P025	63
P028	19
P030	14
P037	91
P050	10
P064	15
P105	6
P1061	155
P133	36
P138	11
P142	17
P1743	1
P1744	4
P2114 (i)	3
P2114 (ii)	3
P302	367
P460	365
P461	255
P463	233
P534	451
P606	133
P609	505
P685	386
P780	136
P787	75
P844	69
P947	105
PL089	33
PL259	27
Polarcus Seismic Ltd	**2**
E423	2
Premier Oil (UK) Ltd	**1,526**
P1042	137
P1420	289
P1430	528
P1463	131
P164	36
P1655	39
P1812	69

(in £000)

Company / licence number	Licence Fees
Premier Oil (UK) Ltd (continued)	**1,526**
P1886	64
P201	16
P2028	15
P2040	34
P2063	17
P2070	20
P2077	34
P2086	44
P233	8
P354	45
Providence Resources (UK) Ltd	**196**
P1885	166
P1930	30
Rathlin Energy (UK) Ltd	**49**
PEDL183	49
Reach Coal Seam Gas Ltd	**20**
PEDL162	20
Regent Park Energy Ltd	**116**
PEDL011	6
PEDL040	14
PEDL043	46
PEDL056	25
PEDL057	20
PEDL169	3
PL161	2
RWE Dea (UK) Ltd	**2,437**
P1230	1,094
P1328	109
P1630	153
P1726	40
P1741	79
P1909	12
P1975	27
P2018	28
P2109 (i)	33
P2109 (ii)	33
P2119	28
P2134 (i)	38
P2134 (ii)	38
P520	134
P524	98
P607	325
P608	168
Scottish Power Ltd	**17**
PL161	4
PL162	13
Sendero Petroleum Ltd	**145**
P1783	63
P1795	12
P1888	29
P2013	8
P2031	33
Serica Energy (UK) Ltd	**355**
P1314	87
P1482	218
P1917	32
P2124	18

(in £000)

Company / licence number	Licence Fees
Seven Star Natural Gas Ltd	**51**
PEDL141 (i)	20
PEDL141 (ii)	25
PL213	6
Shell UK Limited	**1,865**
P007	88
P008	181
P011	55
P012	60
P013	72
P054	32
P064	2
P088	15
P096	8
P1015	77
P1117	50
P117	31
P132	61
P1664	18
P169	74
P1749	6
P1750	3
P1807	1
P185	6
P188	28
P1890	29
P1894	8
P1895	11
P1910	15
P1911	18
P1912	31
P1937	16
P2038	34
P2058	18
P233	13
P255	11
P257	22
P295	15
P296	48
P465	211
P523	12
P559	164
P598	112
P664	135
P732	44
P739	4
P886	26
Sonorex Oil & Gas Ltd	**13**
PEDL157	9
PEDL224	4
Spectrum Geo Ltd	**2**
E431	2
Statoil (UK) Ltd	**1,066**
E427	2
P1758	6
P1846	22
P1847	33
P2061	11
P2067	34

(in £000)

Company / licence number	Licence Fees
Statoil (UK) Ltd (continued)	**1,066**
P2075	26
P2097 (i)	44
P2097 (ii)	44
P2144	92
P2145	71
P2151	1
P2152	9
P2207	105
P234	11
P335	236
P493	83
P726	126
P920	45
P977	65
Sterling Resources (UK) Ltd	**368**
P1792	17
P1914	37
P2133 (i)	157
P2133 (ii)	157
Summit Petroleum Ltd	**20**
P2006	20
Suncor Energy (UK) Ltd	**76**
P1666	14
P1889	62
Swift Exploration Ltd	**1**
P1963	1
Talisman Sinopec Energy (UK) Ltd	**1,725**
P019	16
P020	13
P073 (i)	25
P073 (ii)	25
P111	11
P116	11
P1621	27
P1622	128
P1781	3
P1806	3
P185	27
P1880	34
P1939	1
P2049	10
P2053	86
P219	12
P220	24
P237	17
P240	8
P241	29
P249	22
P250	28
P256	5
P263	8
P266	218
P291	63
P292	15
P294	6
P295	1
P297	157
P307	178

(in £000)

Company / licence number	Licence Fees
Talisman Sinopec Energy (UK) Ltd (cont)	**1,725**
P324	53
P344	180
P593	55
P729	148
P973	78
Taqa Bratani Ltd	**1,230**
P1021 (i)	12
P1021 (ii)	13
P1064	198
P1634	32
P1680	90
P1774	18
P184	32
P1969	11
P1995	33
P201	30
P2015	30
P205	5
P209	18
P226	17
P232	22
P239	1
P258	20
P296	78
P338	95
P474	2
P478	381
P945	22
P980 (i)	33
P980 (ii)	37
TGS Geophysical Co (UK) Ltd	**4**
E434 (i)	2
E434 (ii)	2
Third Energy (UK) Gas Ltd	**9**
DL005	7
PEDL177	2
Total E&P (UK) Ltd	**3,746**
E425	2
P090	82
P1159	177
P118	16
P119	5
P1195	476
P1453	605
P1626	104
P1678	14
P1754	31
P1755	63
P1789	17
P1816	10
P1822	23
P1970	8
P1973	12
P1980	21
P199	1
P2017	122
P2047	36
P2051	30

(in £000)

Company / licence number	Licence Fees
Total E&P (UK) Ltd (continued)	**3,746**
P2055	30
P2072	112
P208	1
P2194	48
P2203	45
P2204	28
P2214	117
P2216	50
P239	17
P268	41
P281	31
P284	51
P416	38
P491	82
P622	16
P701	127
P724	51
P752	91
P911	530
P967	385
Trap Oil Ltd	**304**
P1267	199
P1556	56
P2026	3
P2170	46
Tullow Oil (SK) Ltd	**1,222**
P039	6
P453	459
P516	595
P786	50
P852	112
UK Methane Ltd	**67**
PEDL148	25
PEDL149	25
PEDL214	4
PEDL215	5
PEDL227	8

(in £000)

Company / licence number	Licence Fees
UPB Services Ltd	**12**
P1960 (i)	6
P1960 (ii)	6
Veritas GeoPhysical Ltd	**37**
P2146	32
P2225	5
Verus Petroleum (SNS) Ltd	**8**
P2122	8
Viking (UK) Gas Ltd	**38**
PL077	5
PL079	10
PL080	11
PL081	12
WesternGeco Ltd	**2**
E435	2
Wingas Storage (UK) Ltd	**29**
PEDL005	29
Wintershall (E&P) Ltd	**55**
P1619	45
P1972	10
Wintershall Noordzee BV	**452**
P1239	367
P1733	4
P1902	4
P1903	17
P2115 (i)	7
P2115 (ii)	7
P2135 (i)	23
P2135 (ii)	23
Xcite Energy Resources Ltd	**750**
P1078	697
P1760	6
P1761	6
P1979	41
Zeus Petroleum Ltd	**75**
P1861	25
P1863	50
Total payments	**68,583**

Annex 5: Beneficial ownership reporting form

Of the 101 reporting templates received, 83 companies submitted a beneficial ownership declaration form. 25 of these companies were privately held, of which 13 stated they had made material payments to the UK Government under UK EITI. These 13 companies are detailed in the table below.

List of Privately owned companies making material payments which submitted a beneficial ownership declaration form.

Company	Sector	Beneficial ownership disclosed	PEP disclosed
Alpha Petroleum Resources Ltd	Oil & Gas	No	No
Britannia Aggregates Ltd	Mining & Quarrying	No	No
Chrysaor Holdings Ltd	Oil & Gas	No	No
Dana Petroleum	Oil & Gas	No	No
DONG E&P UK Ltd1	Oil & Gas	No	No
Dyas UK Ltd and EOG Ltd	Oil & Gas	No	No
Fairfield Energy Ltd	Oil & Gas	No	No
GDF Suez E&P UK Ltd	Oil & Gas	No	No
HJ Banks & Company	Mining & Quarrying	Yes: Mr Harry James Banks	No
Mitsui E&P UK Ltd	Oil & Gas	No	No
Perenco UK	Oil & Gas	No	No
Statoil (UK) Ltd	Oil & Gas	No	No
Verus Petroleum Holding Ltd	Oil & Gas	No	No

Annex 6: Reporting templates

2014 Reporting Templates for Oil & Gas Companies

Template 1 - Tax and Licence Summary

REPORTING TEMPLATE ACCORDING TO THE UK EITI REGULATIONS (TEMPLATE 1) PAYMENTS/REPAYMENTS IN CALENDAR YEAR 2014			
Reporting group:			
REPORTING ITEMS	**PAYMENTS (£ thousand)**	**REPAYMENTS (£ thousand)**	**NET PAYMENT (£ thousand)**
1. TOTAL COPORATION TAX AND SUPPLEMENTARY CHARGE			
a. Ring Fence CT and Supplementary Charge			
b. Mainstream CT			
2. PETROLEUM REVENUE TAX			
3. PETROLEUM LICENCE FEES			
4. PAYMENTS TO THE CROWN ESTATE			
SUM OF REPORTED PAYMENTS			
Name of contact person:			
Telephone number			
E-mail:			

I confirm that the information above reflects an accurate record of the relevant transactions during 2014.

SIGNATURE DATE

Template 2 - Corporate Tax and Supplementary Charge

APPENDIX TO UK EITI REPORTING TEMPLATE (TEMPLATE 2)

RFCT/SC PAYMENTS/REPAYMENTS IN THE CALENDAR YEAR 2014 PER GPA/INDIVIDUAL COMPANY

Reporting Entity (Name)	UTR	RFCT/SC Payment (£ thousand)	RFCT/SC Repayment (£ thousand)	NET RFCT/SC Payment (£ thousand)	Mainstream CT Payment (£ thousand)	Mainstream CT Repayment (£ thousand)	NET Mainstream CT Payment (£ thousand)
SUM							

Template 3 - Petroleum Revenue Tax

APPENDIX TO UK EITI REPORTING TEMPLATE (TEMPLATE 3)

PRT PAYMENTS/REPAYMENTS IN THE CALENDAR YEAR 2014 PER FIELD

Reporting Entity (Name)	Field (Name)	PRT Reference	PRT Payment (£ thousand)	PRT Repayment (£ thousand)	NET Payment (£ thousand)
SUM					

Template 4 - Licence Fees

APPENDIX TO UK EITI REPORTING TEMPLATE (TEMPLATE 4) PAYMENTS IN THE CALENDAR YEAR 2014 PER PETROLEUM LICENCE		
Reporting entity (Name)	**Licence Number**	**Licence Fee (£ thousand)**
SUM		

Template 5: The Crown Estate

APPENDIX TO UK EITI REPORTING TEMPLATE (TEMPLATE 5) PAYMENTS TO THE CROWN ESTATE IN THE CALENDAR YEAR 2014		
Reporting Entity (Name)	**License Number or other reference**	**Payment (£ thousand)**
SUM		

2014 Reporting Templates for Mining & Quarrying Companies

Template 1 - Tax and Licence Summary

REPORTING TEMPLATE ACCORDING TO THE UK EITI REGULATIONS (TEMPLATE 1) PAYMENTS/REPAYMENTS IN CALENDAR YEAR 2014			
Reporting group:			
REPORTING ITEMS	**PAYMENTS (£ thousand)**	**REPAYMENTS (£ thousand)**	**NET PAYMENT (£ thousand)**
1. CORPORATION TAX			
2. COAL AUTHORITY LICENSING AND PERMISSIONS CHARGES			
3. PAYMENTS TO THE CROWN ESTATE			
4. SECTION 106 (Town and Country Planning Act 1990) PAYMENTS			
SUM OF REPORTED PAYMENTS			
Name of contact person:			
Telephone number			
E-mail:			

I confirm that the information above reflects an accurate record of the relevant transactions during 2014.

SIGNATURE DATE

Template 2 - Corporation Tax

APPENDIX TO UK EITI REPORTING TEMPLATE (TEMPLATE 2) CT PAYMENTS/REPAYMENTS IN THE CALENDAR YEAR 2014 PER GPA/INDIVIDUAL COMPANY				
Reporting Entity (Name)	UTR	CT Payment (£ thousand)	CT Repayment (£ thousand)	NET Payment (£ thousand)
SUM				

Template 3 - Licence & permissions charges

APPENDIX TO UK EITI REPORTING TEMPLATE (TEMPLATE 3) PAYMENTS TO THE COAL AUTHORITY IN THE CALENDAR YEAR 2014 PER LICENCE		
Reporting entity (Name)	Licence Number	Licence Fee (£ thousand)
SUM		

Template 4 - The Crown Estate

APPENDIX TO UK EITI REPORTING TEMPLATE (TEMPLATE 4) PAYMENTS TO THE CROWN ESTATE IN THE CALENDAR YEAR 2014		
Reporting Entity (Name)	License Number or other reference	Payment (£ thousand)
SUM		

Template 5 - S106 Payments

APPENDIX TO UK EITI REPORTING TEMPLATE (TEMPLATE 5)

S106 PAYMENTS TO LOCAL AUTHORITIES IN THE CALENDAR YEAR 2014 PER SITE

Reporting Entity (Name)	Local Authority	Unique Reference	Payment (£ thousand)
SUM			

Beneficial ownership declaration form

Company identification

Full legal name of the company (including legal form)	[Company name]
Unique identification number (e.g. company registration number)	[Unique identification number]
	Is the company a publicly listed company, or a wholly owned subsidiary of a publicly listed company? □ Yes – there is no need to complete the remainder of the form □ No – please go to the following question Is the company reporting payments to the UK Government under the UK EITI? □ Yes – please complete the remainder of the form □ No – there is no need to complete the remainder of the form
Contact address (registered office for companies)	
Declaration form prepared by	Name Position
	E Mail Address Signature

Beneficial ownership definition

In accordance with the EITI Standard, Requirement 3.11.d.i, a beneficial owner in respect of a company means the natural person(s) who directly or indirectly ultimately owns or controls the corporate entity. Further to Requirement 3.11.d and in accordance with the decision of the UK EITI MSG, for the purposes of the UK EITI and for non-PEP beneficial owners (as defined below), beneficial ownership declarations are only required in respect of beneficial owners who directly or indirectly ultimately own or control more than twenty-five per cent (25%) of a company that (a) is reporting payments to the UK Government under the UK EITI and (b) is not a publicly listed company, or a wholly owned subsidiary of a publicly listed company. In connection with (a) above, companies will be asked to prepare a report under UK EITI if any reportable payment exceeds the agreed materiality threshold of £86,000. This threshold will be applied at the group level to each separate payment type.

The >25% threshold is calculated by reference to the nominal value of the shares in the company in the case of a company with share capital. If the company does not have a share capital, this condition is met by an individual holding a right to share in more than 25% of the entity's capital or profits.

Control shall be defined consistently with the interpretative provisions applying to the new public register of persons with significant control of UK companies introduced in the Small Business, Enterprise and Employment Act 2015 (the "PSC Register").

A person with significant control over a company is defined as an individual that (either alone or as one of a number of joint holders of the share or right in question) meets one of the following conditions:

1. The individual holds, directly or indirectly, more than 25% of the shares in the company. The 25% threshold is calculated with reference to the nominal value of the shares in the case of a company with share capital. If the company does not have a share capital, the condition is met by an individual holding a right to share in more than 25% of the entity's capital or profits
2. The individual holds, directly or indirectly, more than 25% of the voting rights in the company. Voting rights held by the company itself are disregarded for this purpose.
3. The individual holds the right, directly or indirectly, to appoint or remove a majority of the board of directors of the company
4. The individual has the right to exercise, or actually exercises, significant influence or control over the company. (The Secretary of State for Business Innovation and Skills is required to issue guidance on the meaning of 'significant influence or control' and regard must be had to that guidance in interpreting this condition).
5. The trustees of a trust or the members of a firm that is not a legal person meet one or more of the other specified conditions in their capacity as such or would do if they were individuals, and the individual has the right to exercise, or actually exercises, significant control or influence over the activities of that trust or firm

Beneficial ownership disclosure

Identity of beneficial owner	
Full name as it appears on national identity card	
Month and year of birth	
Nationality	
Country of residence	
Date when beneficial interest was acquired	
Service address	
Method of Control	
Select from:	1. The individual holds, directly or indirectly, more than 25% of the shares in the company. The 25% threshold is calculated with reference to the nominal value of the shares in the case of a company with share capital. If the company does not have a share capital, the condition is met by an individual holding a right to share in more than 25% of the entity's capital or profits
	2. The individual holds, directly or indirectly, more than 25% of the voting rights in the company. Voting rights held by the company itself are disregarded for this purpose.
	3. The individual holds the right, directly or indirectly, to appoint or remove a majority of the board of directors of the company
	4. The individual has the right to exercise, or actually exercises, significant influence or control over the company. (The Secretary of State for Business Innovation and Skills is required to issue guidance on the meaning of 'significant influence or control' and regard must be had to that guidance in interpreting this condition).
	5. The trustees of a trust or the members of a firm that is not a legal person meet one or more of the other specified conditions in their capacity as such or would do if they were individuals, and the individual has the right to exercise, or actually exercises, significant control or influence over the activities of that trust or firm

Politically exposed person (PEP) definition

In accordance with the decision of the UK EITI MSG, for the purposes of the UK EITI, declarations are required in respect of PEPs who directly or indirectly ultimately own or control more than five per cent (5%) of a company that (a) is reporting material payments to the UK Government under the UK EITI and (b) is not a publicly listed company, or a wholly owned subsidiary of a publicly listed company.

UK EITI has adopted the EU's definition of politically exposed person as described in the new EU Fourth Money Laundering Directive. The term 'politically exposed person' means a natural person who is or who has been entrusted with prominent public functions and includes the following:

(a) heads of State, heads of government, ministers and deputy or assistant ministers;
(b) members of parliament or of similar legislative bodies;
(c) members of the governing bodies of political parties;
(d) members of supreme courts, of constitutional courts or of other high-level judicial bodies, the decisions of which are not subject to further appeal, except in exceptional circumstances;
(e) members of courts of auditors or of the boards of central banks;
(f) ambassadors, chargés d'affaires and high-ranking officers in the armed forces;
(g) members of the administrative, management or supervisory bodies of State-owned enterprises;
(h) directors, deputy directors and members of the board or equivalent function of an international organisation.

No public function referred to in points (a) to (h) shall be understood as covering middle-ranking or more junior officials

“Family members” includes the following:

(i) the spouse;
(ii) any person considered as equivalent to the spouse;
(iii) the children and their spouses or persons considered as equivalent to the spouse;
(iv) the parents.

Persons known to be “close associates” means:

(i) any natural person who is known to have joint beneficial ownership of legal entities or legal arrangements, or any other close business relations, with a person referred to in points (i) to (vii);
(ii) any natural person who has sole beneficial ownership of a legal entity or legal arrangement which is known to have been set up for the benefit de facto of the person referred to in points (i) to (vii).

The [>5%] threshold is calculated by reference to the nominal value of the shares in the company in the case of a company with share capital. If the company does not have a share capital, this condition is met by an individual holding a right to share in [more than 5%] of the entity’s capital or profits.

Disclosures in relation to PEP beneficial owners reflect the actual knowledge of the company based on the information available to the company in the ordinary course of business, i.e. with no requirement for incremental due diligence.

PEP disclosure

Identity of PEP:	
Full name as it appears on national identity card	
Month and year of birth	
Nationality	
Country of residence	
Date when beneficial interest was acquired	
Service address	

Political Connection	
Name of public office holder	
Public office position and role	
Date when office was assumed	
Date when office was left, if applicable	
If the PEP beneficial owner is not the public office holder, PEP beneficial owner’s connection with the public office holder	

Attestation

Select one of the following:

1. Full Attestation

“I, undersigned, for and on behalf of [company], confirm that all information provided in the above beneficial ownership declaration is, to the best of my knowledge, accurate and reliable.”

Attestation prepared by: [Name, Position, Signature]

2. Qualified Attestation

“I, undersigned, for and on behalf of [company], confirm that all information provided in the above beneficial ownership declaration is, to the best of my knowledge, accurate and reliable, subject to the following qualifications:
□ *Information was not received from one or more beneficial owners; and/or*
□ *One of more beneficial owners did not give satisfactory consent for the disclosure of information; and/or*
□ *Other – please specify.”*

Attestation prepared by: [Name, Position, Signature]

Annex 7: Persons contacted or involved in the 2014 UK EITI reconciliation

Independent Administrator | Moore Stephens LLP	
Tim Woodward	Partner
Ben Toorabally	Mission Director
Radhouane Bouzaiane	Team Leader
Hedi Zaghouani	Supervisor
Dora Chambers	Supervisor

UK EITI Secretariat | Department for Business, Innovation & Skills	
Margaret Sutherland	UK EITI Secretariat
Vina Krishnarajah	UK EITI Secretariat
Joseph Turtle	UK EITI Secretariat
Taras Fedirko	UK EITI Secretariat (formerly)

HMRC	
Alan Tume	Large Business Deputy Director
Paul Sozi	Tax Professional Manager
Carolinn Booth	Oil & Gas Policy
Andrew Nicholls	CT Specialist
Femi Ojo	CT Specialist
Craig Murray	PRT Specialist

Coal Authority	
Simon Cooke	Principal Manager Licensing

Crown Estate	
Anne Thomas	Group Financial Controller
Rosie Carolan	Rental Accounts Assistant

Oil and Gas Authority	
Mike Earp	Senior Fiscal Analyst
Darrell Sime	Finance Officer (Licence Rentals and Fees)

Multi Stakeholder Group (MSG)	
Baroness Neville-Rolfe DBE, CMG	Parliamentary Under-Secretary of State for the Department for Business, Innovation and Skills and Minister for Intellectual Property / EITI Champion
Marie-Anne Mackenzie (Chair to November 2015)	Department for Business Innovation & Skills
Maureen Beresford (Chair from November 2015)	Department for Business Innovation & Skills
Dr Patrick Foster	Mining Association of the UK / Camborne School of Mines-University of Exeter
John Bowater	Aggregate Industries
Stephen Blythe	Independent Consultant
Andrew Enever	Shell
Danielle Foe	Extractive Industries Civil Society
Eric Joyce	Extractive Industries Civil Society
Miles Litvinoff	Publish What You Pay UK
Brendan O'Donnell	Global Witness
Mike Earp	Oil & Gas Authority (OGA)
Alan Tume	HMRC
Stephen Martin	Scottish Government
Victoria Molho	Department for Business Innovation & Skills

Multi Stakeholder Group (MSG) Alternates	
Jon Atkinson	Department for International Development (DfID)
Natalie Reeder	HM Treasury (HMT)
Claire Ralph	Oil and Gas UK
Roger Salomone	ExxonMobil UK
Jerry McLaughlin	Mineral Products Association
Joseph Williams	Natural Resource Governance Institute
Colin Tinto	Independent consultant
Martin Brown	Extractive Industries Civil Society
Eddie Holmes	Extractive Industries Civil Society

Multi Stakeholder Group (MSG) Previous members	
Michael Barron	BG Group
Rachel Davies	Transparency International
Yannick Vuylsteke	Transparency International
Gavin Hayman	Global Witness