Extractive Industries Transparancy Initiative
The Netherlands

The Netherlands Extractive Industries Transparency Initiative (NL-EITI)

Report 2017

Foto: Marcel te Buck

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This report has been drawn up by the Netherlands EITI multi-stakeholder group (NL-EITI MSG), which is responsible for implementing the EITI in the Netherlands, in collaboration with the Independent Administrator. This report has been set up in accordance with the EITI-Standard 2016 and is being published for informative purposes. Much of the information in this report has been drawn from external sources and frequent reference is made to information from external sources. The NL-EITI MSG has not checked the accuracy of this information, and therefore cannot accept responsibility for it.

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Foreword

The Netherlands would like society to be sustainable, for everyone, wherever they are in the world, which is why the Dutch government has committed itself to achieving the Sustainable Development Goals (SDG agenda). The extractive industries play an important role in achieving these goals in various ways, by creating economic prosperity (if managed properly) and supplying raw materials for the generation of renewable energy. Conversely, they can also have a negative impact on the climate, environment and local communities.

The Netherlands is working hard with other countries to achieve the international climate targets. The expectation is that this will prompt a further increase in demand for raw materials for renewable energy in the years ahead. This development will make the extractive industries crucial. That means working with them to reduce the negative impact of raw material production and improve the transparency of these industries is vital.

Extracting and using fossil fuels to meet total energy demand will continue to be necessary (in reducing amounts) until all of the energy generated globally is renewable. The Netherlands wants to keep the transition period from fossil fuel to renewable energy as short as possible. It is important to minimise the negative impact of this transition, and the Netherlands has committed itself to this at the international level, via the Climate Smart Mining Facility of the World Bank, for instance.

The Extractive Industries Transparency Initiative (EITI) is an important, global and voluntary standard that aims to promote the transparency of information about the management of oil, gas and mineral resources throughout the chain: *from the production of raw materials to how revenue is spent*. The Netherlands has been actively involved in the development and improvement of this standard since its inception some 20 years ago. It is encouraging to see that 52 countries, including the Netherlands, have now decided to implement the EITI Standard. This will give citizens and companies a better idea of where their raw materials come from, how they are obtained and how the ensuing revenue is used. This is important, because mineral production in many developing countries is often still detrimental to the population and/or the environment. Moreover, women are profiting insufficiently from the revenue secured by the extractive industries, despite this being essential for healthy economic development. The EITI is making it possible to gain greater insight into this problem.

The first Netherlands EITI report has been drawn up and published by the Netherlands EITI MSG, which is made up of representatives of civil society, the government and the business community. The government would like to thank everyone involved for the work delivered and compliment them on the results achieved.

The Netherlands has a long tradition of transparent policy on the management of oil, gas and mineral resources. The publication of this annual report is a continuation of this tradition. We hope and expect that it will contribute to well-informed debate about the extractive industries in the Netherlands.

Eric Wiebes	Sigrid Kaag
Minister of Economic Affairs and Climate Policy	Minister for Foreign Trade and Development Cooperation

Management summary

The Extractive Industries Transparency Initiative (EITI) is the global standard for the good governance of oil, gas and mineral resources. At the beginning of 2019, 52 countries had become members of the EITI, including the Netherlands. The EITI Standard requires the disclosure of information along the extractive industry value chain from the point of extraction, to how revenues make their way through the government, and how they benefit the public.

The Dutch government has been actively involved in the EITI right from the very start, in 2002. In 2015, the Dutch government submitted two letters to the House of Representatives to explain its decision to implement the EITI Standard in the Netherlands. In June 2018, the international EITI Board approved the Dutch candidature application.

The Netherlands EITI multi-stakeholder group (hereinafter referred to as the NL-EITI MSG) implements the EITI Standard in the Netherlands. It is made up of representatives of the Dutch government, oil and gas companies and civil-society organisations. This is the Netherlands' first EITI report and it has been drawn up in line with the EITI Standard 2016. This report describes mineral production in the Netherlands and also clearly sets out the financial flows between the oil and gas industries and the Dutch government in 2017. The companies that supplied figures for this purpose have done so on a voluntary basis. A total of 15 oil and gas companies (or groups), including all of the operators, contributed to this report. Together, they are responsible for most of the oil and natural gas production in the Netherlands. The NL-EITI MSG is very grateful to them for their contributions. Ultimately, the intention is to involve all mining companies in the NL-EITI process in the Netherlands.

The object underlying the Netherlands' implementation of the EITI Standard – and the publication of this report – is to make factual and understandable information available about mining in the Netherlands and about the financial flows between the extractive industry and the Dutch government and, by doing this, to contribute to a well-informed debate about the value chain of the extractive industry in the Netherlands.

The extractive industries in the Netherlands

The extractive industry has a long history in the Netherlands. The production of coal in mines in the south of the Netherlands began in 1893. Later – in the 20th century – the country started to produce salt, oil and natural gas as well. In 1965, following the discovery of the vast Groningen natural gas field, the government decided to end coal mining in the country. The last mine closed in 1974.

This report will focus primarily on the oil and gas industries. They generate the lion's share of revenue that the Dutch government receives from the extractive industries in the Netherlands. The Groningen natural gas field was discovered in 1959. It soon became clear that this was the biggest known natural gas field in the world at that time. The government and companies joined forces to launch production at the field and develop a market for natural gas. In 1963, the State Mines Department (*Rijksdienst Staatsmijnen* (now Energie Beheer Nederland (EBN)), Nederlandse Aardolie Maatschappij b.v. (NAM), Shell and ExxonMobil signed a Cooperation Agreement (CA 1963), which was approved by the Minister of Economic Affairs (De Pous). The whole of agreements between the State and the private companies in question – Shell and ExxonMobil – that ensued from the Cooperation Agreement form the basis of the 'Gasgebouw' (the public-private partnership between the Dutch State and several gas companies). After the discovery of the huge Groningen natural gas field, production also started at many other onshore and offshore natural gas fields in the Netherlands (these were small in comparison with the Groningen gas field). Following the energy crisis in the early 1970s, the Dutch government developed its so-called 'small fields policy' in 1974, to promote natural gas production at the small fields and make the best possible use of Dutch mineral resources.

Mineral production in general and natural gas production in particular were and continue to be very important to the Dutch economy, especially because of their contribution to our energy supply, economic growth and employment. Since 1965, the government has received a total of €416.8 billion in natural gas revenues (expressed in 2018 prices).
However, further to a number of earthquakes in Groningen, total natural gas production volumes fell significantly from 2013 onwards. Since 2014, maximum production levels for the Groningen natural gas field have been determined by decision of the Minister of Economic Affairs and Climate Policy. The Dutch government has decided to reduce natural gas production in Groningen as soon as possible and to stop it entirely by 2030, or earlier if possible.

Legal and institutional framework

The legal framework for the extractive industries in the Netherlands is set out in the Mining Act (*Mijnbouwwet*) of 1 January 2003, which brings together all previous onshore and offshore mining legislation. The Mining Act sets out the rules for surveys on, exploration for and production of mineral resources and geothermal energy, storage of mineral resources and mining-related activities.
Under the Mining Act, licences are granted that give licence holders the exclusive right to carry out activities in a certain area.
Government policy aims to realise the greatest transparency possible. Licences are published in the Government Gazette (*Staatscourant*) and can also be found in the licence register on www.nlog.nl. The Netherlands Tax and Customs Administration levies mining payments, which are subject to the financial payment provisions set out in the Mining Act.

The five licences that were granted before 1965 (including those for the Groningen natural gas field) do not yet fall under the Mining Act. The payments to be made to the government for these licences are set out in agreements. Where the Groningen natural gas field is concerned, a number of agreements were entered into between the parties concerned at the time. Together, these agreements form the basis for the current 'Gasgebouw'. A number of these agreements – or parts of them – have been published and explained in Parliamentary Papers over time. Following the adoption of new government policy, statutory payments for the Groningen natural gas field have also fallen under the Mining Act since 1 January 2018.

The Minister of Economic Affairs and Climate Policy is the competent authority for all activities involving exploration for and production of mineral resources and geothermal heat and the storage of substances and minerals. The Minister of Economic Affairs and Climate Policy also represents the State as a shareholder in EBN, a State-owned company that is involved in virtually every natural gas production operation in the Netherlands. Just like any other company, EBN is required to pay corporate income tax to the State. EBN pays dividends to the State too.

The financial figures for 2017

The added value of mineral production in 2017 was €7.4 billion, an amount that represents 1% of the gross domestic product (GDP). In 2017, approximately 8,000 individuals were employed in the mining industry; this represents 0.11% of total employment. In 2017, natural gas revenues were €3.2 billion. This figure represents 1% of total central government revenue.
In this report, the payment flows of 15 companies or groups are accounted for. Together, the companies or groups in question paid an amount of over €2.8 billion to the government. The most important payment flows are corporate income tax (more than €450 million), payments based on the surplus revenue generated in Groningen (more than €1.9 billion) and the dividends that EBN has paid to the State (more than €480 million).

Given the decreased level of natural gas production in the Netherlands, natural gas imports, from Norway and Russia in particular, have increased in recent years. In 2018, the Netherlands became a net importer of natural gas for the first time.

Results of the reconciliation of payment flows

As instructed by the NL-EITI MSG, the BDO accountancy firm gathered information about the payment flows between exploration and production companies and the Dutch government and also compared the payments and revenue reported. The results of this reconciliation of payment flows are summarised in the tables below. The remaining difference of €562 is negligible. It has not been possible to establish the reason for this difference for the governmental bodies or companies concerned; it is probably the result of rounding differences and/or minor typing errors. The approach and methodology underlying the reconciliation of payment flows are described in this report.

Aggregate payments	Initially reported (EUR)	Explainable differences (EUR)		Adjusted report (EUR)
		Companies	Government	
Companies	1,914,143,406	914,178,171		2,828,321,577
Government	2,800,237,589		28,083,426	2,828,321,015
Difference	**(886,094,183)**	**914,178,171**	**28,083,426**	**562**

No.	Company	E&P companies (EUR)	Government (EUR)	Difference (EUR)
1	Energie Beheer Nederland (EBN BV)	795,999,416	795,999,416	–
2	Dana Oil	3,067,779	3,067,779	–
3	Hansa Hydrocarbons Ltd	456,946	456,946	–
4	Nederlandse Aardolie Maatschappij BV (NAM)	2,003,459,970	2,003,459,210	760
5	Neptune Energy	27,918,099	27,918,522	(423)
6	Noordgastransport B.V. (NGT)	24,787,103	24,787,103	–
7	Northern Offshore Natural Gas Transport (NOGAT BV)	10,594,105	10,594,105	–
8	Petrogas E&P Netherlands BV	1,414,785	1,414,785	–
9	Spirit Energy Nederland BV	(4,946,516)	(4,946,516)	–
10	TAQA Energy BV	5,529,129	5,529,129	–
11	Total E&P Nederland BV	(21,698,171)	(21,698,171)	–
12	Tulip Oil Netherlands BV	362,370	362,370	–
13	Vermilion Energy Netherlands BV	5,268,495	5,268,250	245
14	Wintershall Noordzee BV (BASF)	(23,805,865)	(23,805,865)	–
15	ONE-Dyas	(86,068)	(86,048)	(20)
	Total payments	**2,828,321,577**	**2,828,321,015**	**562**

Recommendations to the NL-EITI MSG

BDO has made a number of recommendations relating to the improvement of this report in future years. Besides this, the NL-EITI MSG will need to consider making a number of changes to the report and its format, as the EITI Standard has changed.

In any event, the NL-EITI MSG wants to be able to include all of the various mining companies in future reports, preferably companies involved in salt mining too. Careful thought must also be given to the extent to which it will be possible to reconcile payment flows at individual licence level.

1. Introduction

What is the EITI?

The Extractive Industries Transparency Initiative (EITI) is the global standard for the good governance of oil, gas and mineral resources. At the beginning of 2019, 52 countries had become members of the EITI, including the Netherlands.[1] The EITI Standard requires the disclosure of information along the extractive industry value chain[2] from the point of extraction, to how revenues make their way through the government, and how they benefit the public. The EITI focuses on the extractive industries, which are involved in exploration for and production of mineral resources. This is therefore the scope for this report.

The EITI in the Netherlands

The creation of the EITI was first announced at the World Summit on Sustainable Development in Johannesburg in 2002 and was officially launched in London in 2003. The Dutch government has been actively involved in the EITI right from the very start, in 2002. Table 1 sets out the Dutch involvement in the EITI in chronological order.

Table 1 – Timeline of Dutch involvement in the EITI

Date	Event
2003	The Netherlands declares its support for the EITI at the first EITI conference.
2005	The Netherlands donates USD 1.5 million to the Multi-Donor Trust Fund (World Bank management).
2005	The Netherlands becomes a member of the international EITI Board.
2010	The Dutch government instructs the Roland Berger consultancy to research the feasibility of implementing the EITI Standard in the Netherlands.
2011	The government submits the Policy Document on Raw Materials (*Grondstoffennotitie*) to the House of Representatives.
2011-2015	The Dutch government supports the EITI secretariat with an annual contribution of USD 250,000.
2012-2013	The Netherlands becomes a member of the international EITI Board again.
2012-2015	An official from the Ministry of Foreign Affairs is seconded to the EITI secretariat in Oslo.
2014	The Dutch government instructs Roland Berger to update its 2010 research report.
2015	In 2015, the Dutch government sends two letters to the House of Representatives to explain its decision to implement the EITI Standard in the Netherlands.
2016	The Netherlands Enterprise Agency (RVO) is made the national EITI coordinator and starts preparatory work for EITI implementation.
2016-2018	The special representative for raw materials from the Ministry of Foreign Affairs becomes an active member of the international EITI Board.
2017	The Minister of Foreign Affairs and the Minister of Economic Affairs and Climate Policy appoint Dirk-Jan Koch to manage implementation of the EITI in the Netherlands.
2017	The Minister of Foreign Affairs and the Minister of Economic Affairs and Climate Policy appoint the members of the NL-EITI MSG.
16 April 2018	The Netherlands submits a candidature application to the international EITI Board.
28 June 2018	The international EITI Board approves the Dutch candidature application.
December 2019	The first NL-EITI report, which relates to tax year 2017, is ready.

Source: NL-EITI

1 https://eiti.org/who-we-are.
2 https://eiti.org/eiti-value-chain

The NL-EITI MSG is responsible for implementing the EITI Standard. It is made up of representatives of the Dutch government, oil and gas companies and civil-society organisations (see Appendix 1 for an overview of members of the NL-EITI MSG). RVO runs the NL-EITI secretariat on behalf of the Ministry of Foreign Affairs and the Ministry of Economic Affairs and Climate Policy. The NL-EITI MSG will ensure that the annual NL-EITI report is delivered on time.

This is the Netherlands' first EITI report and it has been drawn up in line with the EITI Standard 2016.[3] The EITI Standard 2016 describes which information the member countries are required to publish each year in the form of EITI Requirements.[4] See Appendix 2 for an overview of the EITI Requirements and the parts of this report in which the information required can be found. The EITI Standard is managed by the international EITI secretariat, which is based in Oslo, Norway. Changes to the EITI Standard are decided on by the international EITI Board, which is made up of representatives of governments, the extractive industries and civil-society organisations. This first NL-EITI report relates to 2017.

The present report contains information about the value chain for the extractive industries; it describes extractive production in the Netherlands and clearly sets out the financial flows between the Dutch extractive industries and the Dutch government. Information about these financial flows was gathered by the NL-EITI MSG and was then audited by an independent accountancy firm: BDO Tunisia Consulting.[5] As instructed by the NL-EITI MSG, BDO Tunisia Consulting also explains any discrepancies and makes recommendations to the NL-EITI MSG. The companies that take part in the reconciliation of financial flows do this on a voluntary basis.

This report will focus primarily on the oil and gas industry, as they generate a substantial amount of the revenues that the Dutch government receives from the extractive industries in the Netherlands. The NL-EITI MSG also invited salt companies that are active in the Netherlands to take part in this report. They are still considering whether or not they wish to do so, because of which they will not form part of the reconciliation set out in this report. However, the salt industry and surface minerals will still be touched on in the contextual information in this report. Sustainable energy options like geothermal energy and wind energy will be discussed briefly in the contextual information as well.

The object of the NL-EITI report

The object underlying the Netherlands' implementation of the EITI Standard – and the publication of this report – is to make factual and understandable information available about mining in the Netherlands and about financial flows between the extractive industry and the Dutch government and, by doing this, to contribute to a well-informed debate about the value chain for the extractive industry in the Netherlands.

The data in this report are largely already available elsewhere. This report makes these data accessible to everyone in their relevant context. Frequent reference will be made to the sources of these data.

Finally, EBN, the Netherlands Organisation for Applied Scientific Research (TNO) and Statistics Netherlands (CBS) have actively contributed to parts of this report. The NL-EITI MSG is very grateful to these organisations for their contributions. Furthermore, various relevant governmental bodies, including the Ministry of Economic Affairs and Climate Policy, the Ministry of Justice and Security, the Ministry of Infrastructure and Water Management and the Netherlands Enterprise Agency, delivered or checked texts. All of the information and data in this report are also available online, from www.eiti.nl.

3 https://eiti.org/sites/default/files/migrated_files/english_eiti_standard_0.pdf.
4 The new (and current) EITI Standard 2019 will apply to EITI reports that are published after 1 January 2020.
5 BDO Tunisia Consulting was appointed for one year (following an invitation to tender by RVO) at the beginning of January 2019, acting on the instructions of the NL-EITI MSG.

Contents of the report

This NL-EITI report consists of the following six sections:

1. Introduction
2. The extractive industries in the Netherlands
3. Legal and institutional framework
4. Natural gas and oil exploration and production in 2017
5. Revenue and reconciliation of E&P companies in 2017
6. Recommendations of the Independent Administrator to the NL-EITI MSG

2. The extractive industry in the Netherlands

2.1. Coal

History

Coal production in the Netherlands started near Kerkrade in South Limburg (which is now Dutch territory) around the 11th century. From the 14th century onwards, the coal to be found on the surface had been mostly exhausted and mining moved underground. The Netherlands' large and easily extractable quantities of turf enabled it to switch to coal later than England, where coal made up 75% of the fuel used in the early 17th century. In the Netherlands, this was still only 2% in 1890.

Coal mining in the Netherlands started in 1893, with the construction of the first Oranje-Nassau mine in Heerlen. The number of mines grew rapidly and initially mainly supplied neighbouring countries with coal. Private mine companies (including Domaniale Mijn Maatschappij) as well as a State-owned mining company set to work. Between 1875 and 1975, towns like Heerlen and Kerkrade experienced explosive growth as a result.

However, coal mining got off to a difficult start in the Netherlands for a number of reasons. The need for shafts to pass through aquifers presented difficulties. Another problem was the lack of infrastructure to carry the coal away. This changed in 1896 with the opening of a rail connection from Sittard, via Heerlen, to the German city of Herzogenrath. The distance to the mining area determined the price of coal in the Netherlands.[1]

The State-owned mining company operated four mines: the Wilhelmina, Emma, Hendrik and Maurits mines. The last three of these mines were situated in the north-west of the mining area, where the soil contained a natural gas-rich type of coal. Unlike the coal produced at most of the private mines and the Wilhelmina mine, this was not suitable for domestic use. However, it was used to make coke, a pure fuel for the metal industry. In 1914, the first coking plant was built at the Emma State-owned mine; a second was later built at the Maurits State-owned mine. This marked the start of chemical activities by the State-owned mines in Limburg, which were later continued by the international chemical company Koninklijke DSM N.V.[2]

In 1965, the government decided to end coal mining in the Netherlands. Oil and natural gas were growing in popularity and work in the coal mines was unhealthy and hard. Moreover, rising wage costs were making it cheaper to import coal. The last mine closed in 1974. Demolition of the "Lange Jan" – the chimney of the first Oranje Nassau mine – symbolised the definitive end of coal mining in 1976. A total of 568 million tonnes of coal had been produced by the Dutch mines.[3]

Energy supply

Globally, coal provides for 30% of energy demand. In the Netherlands, this was approximately 12% in 2017.[4] Coal continues to be an important energy carrier for our energy supply and economy. In 2017, approximately 15 million tonnes of coal were imported into the Netherlands.[5]
The Netherlands has five active coal-fired power stations (2018), which produce approximately 30% of Dutch electricity. The government has announced that it will ban coal-fired electricity production in the Netherlands with effect from 2030.[6] This serves to implement a commitment set out in the Coalition Agreement, to close coal-fired power stations by 2030 at the latest. The ban on coal will significantly contribute to the government's ambition to reduce CO_2 emissions by 49% in 2030.

1 *De Bosatlas van de Energie* (Noordhoff Atlasproducties), November 2012.
2 Ibid.
3 Ibid.
4 http://www.energieinnederland.nl/2017.
5 https://opendata.cbs.nl/statline/#/CBS/nl/dataset/71554ned/table?fromstatweb.
6 https://www.rijksoverheid.nl/actueel/nieuws/2018/05/18/kabinet-verbiedt-elektriciteitsproductie-met-kolen.

The two oldest power stations – the Hemweg and the Amercentrale – are to end coal-powered electricity production at the end of 2024. The three newest power stations at the Port of Rotterdam and Eemshaven must stop using coal to produce electricity by 31 December 2029. In the lead-up to these deadlines, the owners can prepare their power stations for electricity production via other fuels, such as sustainable biomass.

2.2. Salt

Introduction

In 1886, salt was discovered in the ground near the Dutch town of Delden (Twente). Koninklijke Nederlandse Zoutindustrie (the predecessor of AkzoNobel Salt (now Nouryon Salt)) started salt production in Boekelo in 1919 with a well that was approximately 300 metres deep. The Dutch State participated in this company.

Today, two companies produce kitchen salt (sodium chloride) in the Netherlands. The first of these, Nouryon, operates in Twente and Groningen, near Heiligerlee and Zuidwending. The second, Frisia (part of ESCO), has its registered office in Harlingen and produces kitchen salt in Friesland. A third company, Nedmag, produces magnesium salt (magnesium chloride) near Veendam.

In 2017, approximately seven tonnes of kitchen and magnesium salt were produced in the Netherlands: 2.9 million tonnes by AkzoNobel Hengelo, 2.6 million tonnes by AkzoNobel Delfzijl, 1.2 million tonnes by Frisia and 0.25 million tonnes by Nedmag. Of these 6.9 million tonnes, 2.3 million tonnes were used in the Netherlands.

Approximately 790 people are employed in the Dutch salt industry. Indirect employment is estimated at 2,000 jobs (full-time equivalents).

The State receives annual payments for the salt produced. Revenue has been quite stable in recent years at approximately €2.5 million per year.

For more information about licences and the production of salt in 2017, see the 2017 TNO report entitled "Natural resources and geothermal energy in the Netherlands".[7]

Kitchen salt is used for various purposes. The most important of these is electrolysis, a chemical process in which salt or brine is converted into other chemical products that are used to produce PVC, aluminium and paper, amongst other things. A total of 40% of salt production is used for this purpose. Grit salt and food-grade salt are important applications too and represent approximately 25% and 15% of salt use respectively. Other applications are dishwasher salt, water-softening salt, salt for animal feed and salt for pharmaceutical use (for dialysis and physiological salt, amongst other things). Finally, salt plays a role in other important industrial products, such as chlorine, soda, potash, soap and glass.
Magnesium salt (magnesium chloride or MgCl) is used to produce fire-resistant materials as well as cosmetic applications.

Development of the market

In 2013, approximately 264 million tonnes of salt were produced globally; China (71 million), the United States (40 million) and India (18 million) were the biggest producers. Approximately 7 million tonnes of salt were produced in the Netherlands in 2017.

7 https://www.nlog.nl/sites/default/files/jaarverslag%20delfstoffen%20en%20aardwarmt%20in%20nederland%20-%202017.pdf.

The European salt market is served by several multinationals and larger companies. Nouryon and European Salt Company GmbH & Co. KG (ESCO) both have about a one-fifth share of the market. ESCO produces salt in Germany, France, Belgium, the Netherlands, Spain, Portugal and Italy. Nouryon produces salt in the Netherlands and Denmark. Other companies operate in France (Salins du Midi), Germany (Südsalz) and the United Kingdom (Salt Union) and jointly serve more than 40% of the market. All of the major competitors have extensive distribution networks and are able to compete with each other in any country. One-third of global salt trade takes place in Europe.

The price of kitchen salt varies greatly between different types of application, from approximately €40 per tonne for grit salt for roads to 10 times as much for refined kitchen salt.

Imports and exports

According to Statistics Netherlands, 0.5 million tonnes of salt products were imported into the Netherlands in 2017. Of this total, 0.3 million tonnes were imported from EU countries and 0.2 million tonnes from non-EU countries. Approximately 5 million tonnes were exported in 2017. Of this total, 4 million tonnes were destined for EU countries and approximately 1 million tonnes for non-EU countries.

2.3. Oil

Onshore production

In the Netherlands, oil is produced in Schoonebeek, in the vicinity of Rijswijk and in the Dutch part of the continental shelf. Production of this oil started about halfway through the 20th century. In 1923, 240 litres of oil were produced during a coal drilling operation in the Achterhoek region. This was the first oil to be discovered in the Netherlands.

In 1943, Bataafse Oil Maatschappij (BPM) discovered the Netherlands' biggest oil reserve near the village of Schoonebeek in Drenthe. At the time, it was also the biggest oil field on the Northwestern European mainland. Operations here started after the war. In 1946, pumpjacks pumped up approximately 400,000 barrels of oil. This was eclipsed by the production of more than 3 million barrels in 1957, which was a record year. Approximately 250 million barrels of oil were produced here until 1996. Trains transported the oil to the refineries in Pernis near Rotterdam. Later, a relatively large number of smaller oil fields were still operating in the Western Netherlands in particular. The oil field near Schoonebeek was closed in 1996, but resumed production in 2011. Thanks to new technologies – horizontal drilling, high efficiency pumps and steam injection – it is now possible to profitably produce the viscous oil.[8]

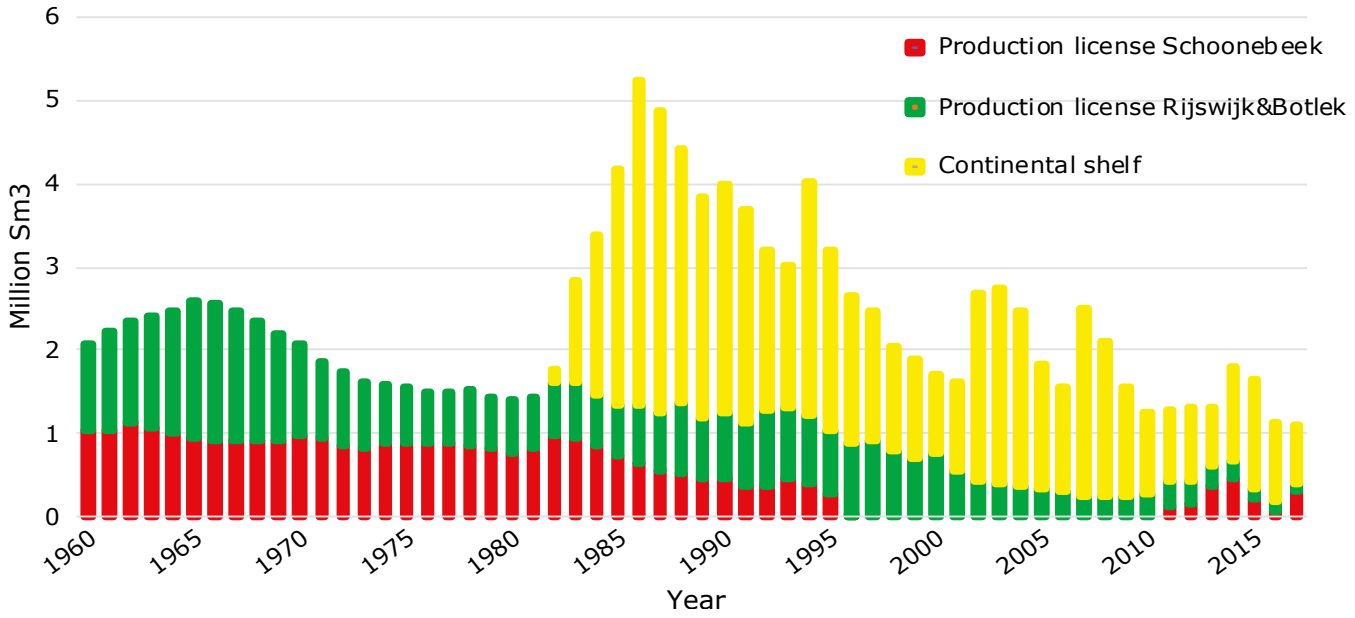
Offshore production

Offshore production started in the 1980s, prompted by high oil prices and uncertainty about the reliability of the energy supply following the oil crises of 1973 and 1979. The oil produced offshore is brought onshore via a pipeline system or by ship from the production platforms. Besides the production platforms, drilling platforms are in place to facilitate oil exploration. These are mobile platforms and are used for oil exploration purposes.[9]

In 1986, several years after production had started on the continental shelf, Dutch oil production reached its peak (see Figure 1). Production then gradually decreased.

8 *De Bosatlas van de Energie* (Noordhoff Atlasproducties), November 2012.
9 *De Bosatlas van de Energie* (Noordhoff Atlasproducties), November 2012.

Figure 1 – Oil production from 1960-2017[10]



Source: TNO Annual Report 2017 entitled "Natural resources and geothermal energy in the Netherlands"

Imports and exports

The volume of oil produced in the Netherlands is small in comparison with the volume we import. Each year, the Netherlands imports almost 1.57 billion barrels of crude oil and processed oil, via the ports of Rotterdam and Amsterdam. Major suppliers are Russia, the United Kingdom, Norway and the Middle East. The Netherlands produces 12.7 million barrels of oil itself, less than 1% of the total oil imported.

The Netherlands is a transit country for oil and oil products, and we export three-quarters of what we import. Our many crude oil refineries even allow us to export more oil products than we import. For example, imported crude oil is resold as fuel, such as petrol or diesel, or as a raw material or ancillary material, such as turpentine, lubricants and bitumen (asphalt). A small portion of the oil is used by energy companies to generate electricity.

2.4. Natural gas

Introduction

Until the beginning of the 1960s, only moderate natural gas reserves had been found in the Netherlands. Exploration at this time focused on oil, not natural gas. When the NAM – a joint venture of Shell (then still Bataafse Oil Maatschappij) and ExxonMobil (then still Standard Oil Company) – discovered the first volumes of economically producible natural gas in the Netherlands in 1948, even the most optimistic estimates revealed that this natural gas would only be able to meet a very limited part of Dutch energy demand. As the Dutch State was already involved in laying natural gas pipelines from Germany, to import the coke oven natural gas produced there for a number of municipalities in Gelderland, it seemed obvious that the State would play the same role for the natural gas produced in the Netherlands. In 1957, the Natural gas Supply Department (*Rijksdienst gasvoorziening*) became the State Mines Department in Limburg (*Rijksdienst Staatsmijnen*, later EBN) and was made responsible for this role.

10 See the TNO Annual Report 2017 entitled "Natural resources and geothermal energy in the Netherlands" for the oil and condensate volumes in Standard cubic metres (Sm^3). "Standard" relates to the reference conditions 15°C and 101.325 kPa.

At this time, the State was required to buy natural gas from the concessionaire NAM. The NAM supplied the State with any natural gas it was not using itself, at a reasonable price. Sales were arranged via the State Mines Department. This changed when the Groningen natural gas field was discovered in 1959. It soon became clear that this was the biggest natural gas field in the world (at that time). However, there was no real sales market or infrastructure to get the natural gas produced at this field to customers. This made it necessary to develop the Groningen natural gas field at the same time as the sales market and the infrastructure required.

Given the above and the importance of natural gas for the economy and Dutch energy supplies, a major role was deemed desirable for the State in relation to the production, transmission and sale of Groningen natural gas, particularly because – as already stated – the State was required to pay the NAM for the volumes of natural gas presented to it, even if it was actually unable to buy the natural gas in question. A unity of policy was established for production and sales: it was agreed that sales and production would be integrated to a far-reaching extent at the concession and that a joint policy would be pursued when exploring for and extracting natural gas deposits at the Groningen concession.

Creation of the 'Gasgebouw'

After Nederlandse Aardolie Maatschappij b.v. (NAM) discovered the Groningen natural gas field in 1959, the then Minister of Economic Affairs, Jan Willem de Pous, submitted a policy document on natural gas (*Nota inzake het aardnatural gas*) to the House of Representatives on 11 July 1962. In it, he proposed the creation of what would later be called the 'Gasgebouw'. In accordance with the De Pous policy document, the State Mines Department, the NAM, Shell and ExxonMobil signed a Cooperation Agreement (CA 1963), which was then approved by the Minister. The collaboration set out in the CA was entered into for the economic life of the Groningen concession. The object of the CA was to coordinate the production, transmission and sale of Groningen natural gas and also the transmission and sale of natural gas produced elsewhere in the Netherlands. The CA required the parties to set up two organisations.

Firstly, the licence (then still called a concession) for the Groningen natural gas field was granted to the NAM by royal decree on 30 May 1963, on the condition that a Partnership that was still to be set up – which we will refer to as the Groningen Partnership (*Maatschap Groningen*) in this report – would become responsible for the operation and management of the Groningen natural gas field. The parties to this Partnership were the NAM and the State Mines Department. Voting rights were divided proportionally and resolutions were to be passed unanimously. The NAM contributed 60% of the capital in the Partnership and the State Mines Department 40%.

Secondly, a new public limited company was set up at the same time, to buy, transmit and sell the natural gas produced under the Groningen concession: N.V. Nederlandse Gasunie. The State contributed 10% of the share capital for this new company directly, the State Mines Department contributed 40% and Shell and Exxonmobil each contributed 25%. The distribution network of the State Mines Department became part of this new public limited company.

The whole of agreements between the State and the private companies in question – Shell and ExxonMobil – form the basis for the Gasgebouw.[11] By entering into the CA, parties arranged the economic relations and control structure in the Groningen Partnership and Gasunie. The parties pursued a coordinated production and sales policy, which was achieved via unity between the executive boards of the Groningen Partnership and Gasunie, amongst other things. The agreements also provided for the payments due on natural gas production revenue to the State (see § 3.1.2).

11 For an overview of these agreements, see § 3.2.4. of this report.

The Groningen Partnership

The NAM and the State Mines Department (which became DSM N.V. in 1966) formed the Groningen Partnership to manage production at the Groningen natural gas field. In 1973, to separate natural gas interests from the other, increasingly commercial activities of DSM in the chemical sector, all State interests in Dutch natural gas that had been placed with DSM were placed in a separate legal entity: DSM Aardgas B.V. DSM initially held all of the shares in DSM Aardgas B.V. However, these were transferred to the State when the company was floated on the stock exchange in 1989. The company's name changed to Energie Beheer Nederland (EBN) at this time. A management agreement entered into between the State, DSM and EBN on 23 January 1989 arranged that DSM would continue to be responsible for the administrative and operational management of EBN. Since 2008, EBN has been an independent company with its own management board and supervisory board; the State is its sole shareholder.

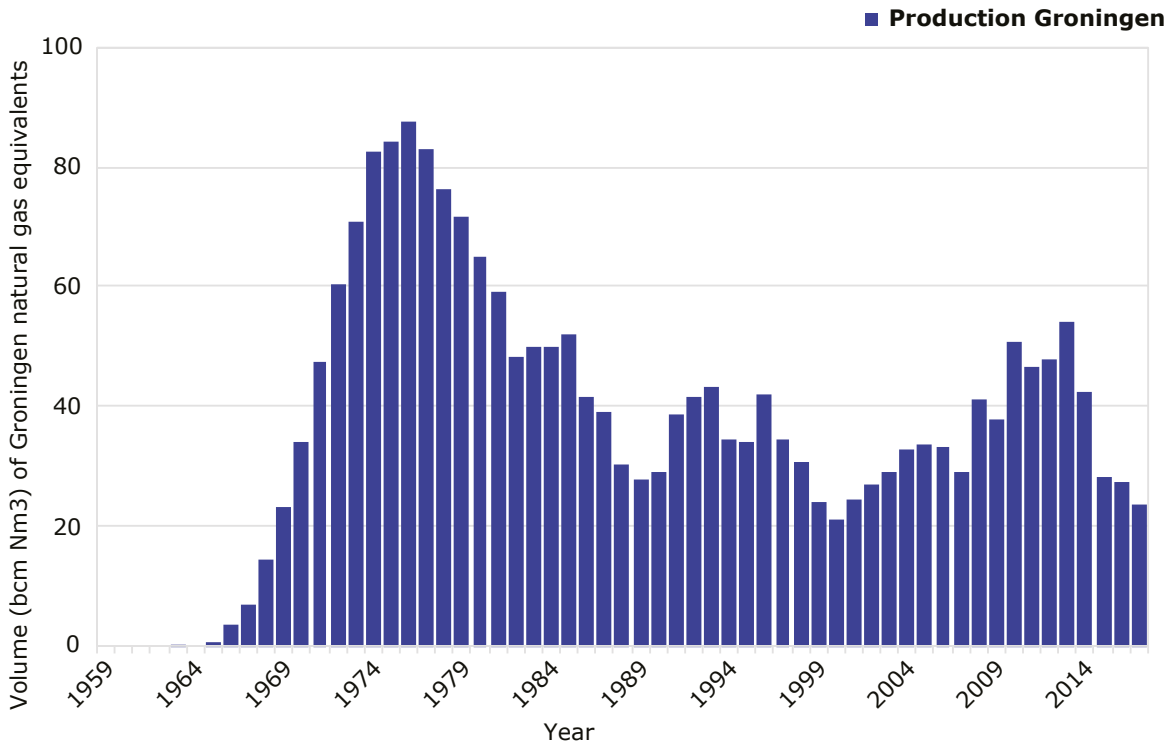
The Groningen Partnership is managed by the *College van Beheer Maatschap* (CBM), which is made up of representatives from EBN and the NAM, as well as a government representative as an observer. The NAM implements decisions and, as the operator,[12] operates the concession at the expense and risk of the Groningen Partnership. The NAM is required to implement the decisions of the CBM unless they are incompatible with the obligations applicable for the concessionaire and director under mining legislation. Under the CA 1963, natural gas from the Groningen natural gas field may only be sold to GasTerra B.V. (previously Gasunie).

Production at the Groningen gas field

The NAM estimates that the original producible natural gas reserve at the Groningen natural gas field was approximately 2,900 billion cubic metres (m^3). Approximately 2,100 billion m^3 was produced in the period up to and including 2017.
Production at the Groningen natural gas field has fluctuated significantly over the years. Production levels have been determined by the production plan for the Groningen natural gas field, which the Minister approved on a regular basis, on the one hand, and demand for natural gas on the other.

12 The operator is the party that plans and implements activities for the other parties in the consortium.

Figure 2 – Production at the Groningen natural gas field up to and including 2017[13]



Source: TNO Annual Reports 2014 – 2017 entitled "Natural resources and geothermal energy in the Netherlands"

The Minister established the maximum volumes to be produced in Groningen (which GasTerra could rely on in relation to sales) on the basis of Section 55 of the Natural gas Act (de Gaswet) (which ceased to apply in October 2018). Gasunie (now GasTerra) produced its sales plans on the basis of the production plan for the Groningen natural gas field. The starting point for these sales plans was the natural gas demand expected in the Netherlands, which was to be met completely by Gasunie. Added to this, long-term contracts were entered into with other countries, particularly Germany, Belgium and Northern France, insofar as permitted by production.

Both domestic and foreign Gasunie contracts gave customers flexibility. For example, the amount of natural gas actually bought under the contracts depended very much on weather conditions; demand was higher in harsh winters than in mild ones. The role of the Groningen natural gas field was to absorb peaks and troughs in demand, in its capacity as a "swing supplier".

Development of the market

In the early 1960s, a huge network of natural gas pipelines was established in the Netherlands in a short space of time and households and companies were connected to it. The Netherlands switched from coal to natural gas. Soon after, the first export contracts were entered into with Germany and Belgium. Given the absence of a market price for natural gas at this time, its price was linked to the price of oil, the best alternative to natural gas.

13 The TNO Annual Reports 2014-2017 entitled "Natural resources and geothermal energy in the Netherlands" show the volumes of natural gas in Normal cubic metres (Nm^3). "Normal" relates to the reference conditions 0°C and 101.325 kPa: 1 Nm^3 = 1.0554 Sm^3. In several cases, natural gas volumes are displayed in Groningen natural gas equivalents (m^3 Geq): 35.17 Megajoules upper value per m^3 at 0°C and 101.325 kPa. This is specified explicitly in the text where applicable.

A natural gas market developed gradually, in Europe and beyond.[14] Customer numbers grew, as did the number of providers; the natural gas pipeline network grew proportionately, making it possible to introduce more competition and separate pricing from the oil price.

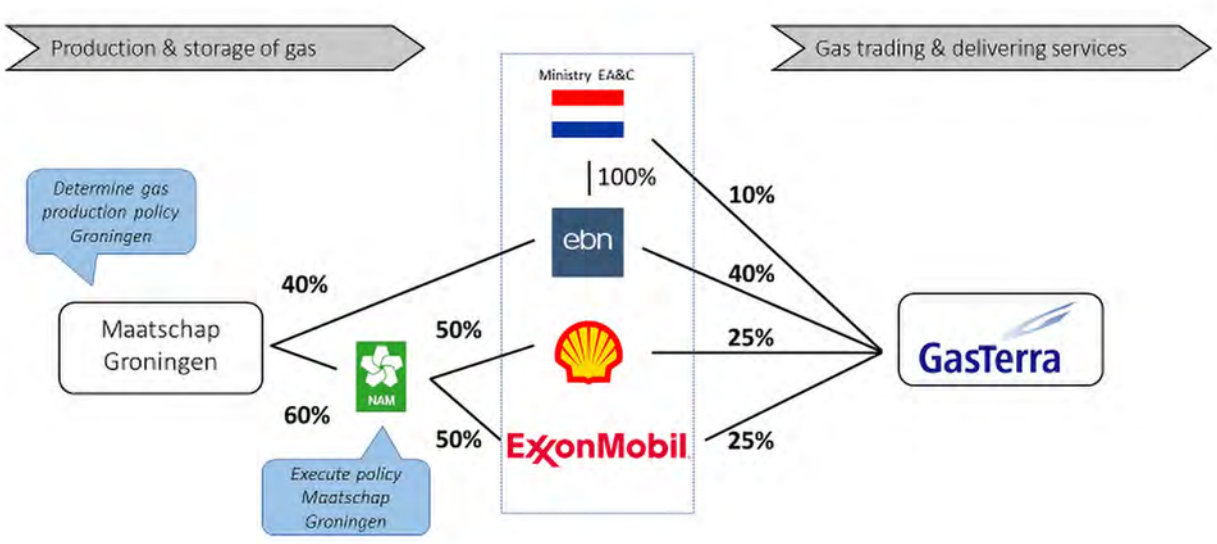
With the above in mind, the European Union decided to liberalise the European natural gas market in the 1990s. The first Natural gas Directive[15] was adopted in 1998 and was implemented in the Netherlands in 2000. The European Union introduced this directive with a view to bringing about an independent natural gas transmission network, so that all providers could bring natural gas to the market subject to the same conditions. This promoted competition in the natural gas market.

In addition to the existing sales contracts, which were often long-term contracts, a spot market for short-term trading (sometimes even on the day of delivery) was developed. The spot market price (the spot price) reflected demand/supply dynamics and gradually became the dominant price in the market.

Restructuring the Gasgebouw

After the liberalisation of the natural gas market, it was decided to restructure the Gasgebouw. This was prompted by the need to split Gasunie into a trading company and a transmission company, as set out in the Natural gas Act. On 1 July 2005, the Gasunie transmission company and trading company became completely separate legal entities. The trading company continued under the name GasTerra and retained its share ownership structure: 40% owned by EBN, 10% owned by the State (represented by the Ministry of Economic Affairs and Climate Policy), 25% owned by Shell and 25% owned by ExxonMobil. Gasunie retained the network and became a wholly State-owned company, represented by the Ministry of Finance. As a transmission company, Gasunie has not played a role in the Gasgebouw since 2005.

Image 1 – Structure and division of ownership in the current Gasgebouw



Source: EBN

14 For a detailed description of the history of natural gas in the Netherlands and the development of the natural gas market, see the following, for example: "Natural gas in the Netherlands; from Cooperation to Competition?" by Aad Correljé, Coby van der Linde and Theo Westerwoudt (2003).

15 Directive 98/30/EC of the European Parliament and the Council of 22 June 1998 concerning common rules for the internal market in natural gas.

GasTerra B.V.
GasTerra was established on 1 July 2005, when N.V. Gasunie was legally divided into a transmission company and a trading company. Gasunie retained its infrastructure (the natural gas pipelines) and transmission-related activities, while the newly-formed GasTerra became responsible for trading activities, as part of the Gasgebouw, the public-private partnership in which the NAM, Shell, ExxonMobil, the State and EBN are represented too.

GasTerra is an international natural gas trading company that enjoys a good market position. It buys natural gas from the Groningen natural gas field and deals in both low-calorific Groningen natural gas and high-calorific natural gas. The latter primarily comes from small Dutch natural gas fields in the North Sea and onshore and from imports from Russia and Norway. GasTerra fulfils a public service task by implementing the small fields policy pursued by the Dutch government and is legally required to buy natural gas from small fields on market terms, when asked to do so. The natural gas bought is sold on the domestic market and to energy companies in neighbouring countries.

Legal status and ownership
GasTerra is a private limited company. Its shareholder structure is as follows:

- the Dutch State (represented by the Ministry of Economic Affairs and Climate Policy): 10%;
- EBN: 40%;
- Shell Nederland: 25%;
- Esso Nederland: 25%.

For more information, see the GasTerra website: https://www.GasTerra.nl.
The annual report is available via the following link: https://jaarverslag2017.GasTerra.nl.

Small fields policy

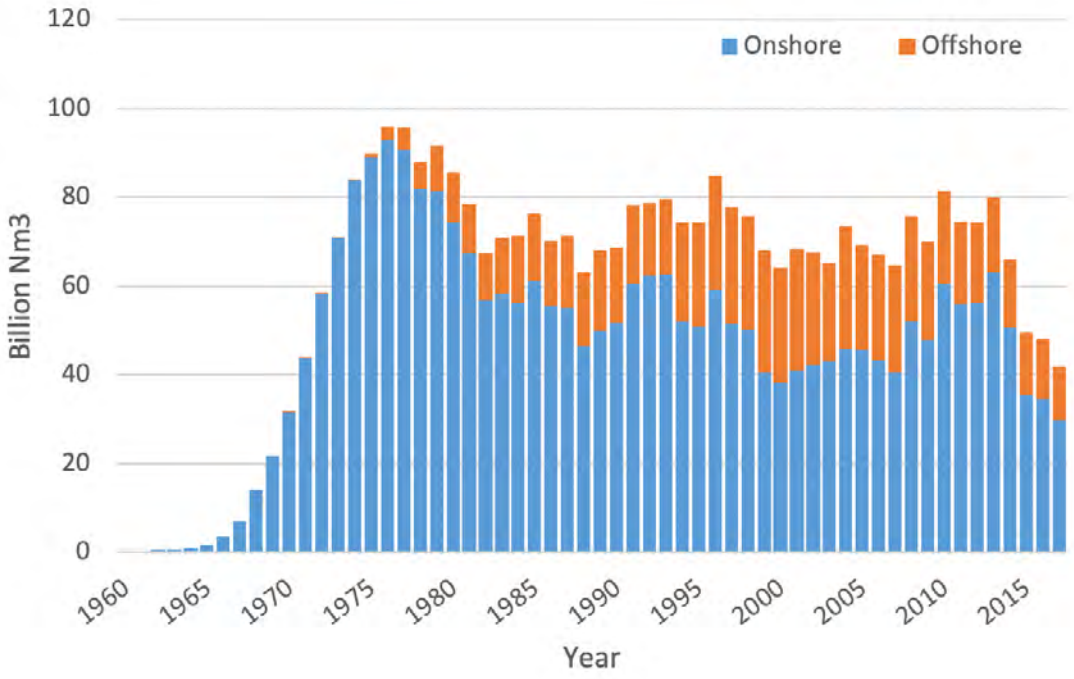
Besides the huge Groningen natural gas field, the Netherlands has a large number of smaller onshore and offshore natural gas fields too. Following the energy crisis in the early 1970s, the Dutch government developed its so-called "small fields policy" in 1974, to promote natural gas production at the natural gas fields that were smaller than the Groningen natural gas field, to ensure that the best possible use was made of Dutch mineral resources. The aim was for Dutch society to derive maximum benefit from its own natural gas reserves, by giving small fields priority to produce and drawing on the Groningen natural gas field to ensure the necessary flexibility. This made it attractive for producers to develop the small natural gas fields, partly because they were always able to sell the natural gas produced to GasTerra for a reasonable price and on market terms.

With the same goal in mind, State participation via EBN was required, in principle. This was to ensure that some of the revenue generated went directly to the State. Initially, EBN was only involved in the production of natural gas (and was paid a contribution reimbursement for exploration activities that resulted in an economically producible volume). However, since 2000, EBN has also taken part in exploration activities – the exploration phase. This has reduced the risk level for natural gas companies and has made the climate for natural gas production, the so-called mining climate, more attractive.

Since this time, the government has regularly reassessed the mining climate in the Netherlands, always with the underlying idea that it is beneficial to society to develop the reserves present as much as possible. Changes have been made to tax and other conditions on a regular basis, to ensure that the mining climate continues to be sufficiently attractive. Example of this include arbitrary amortisation and the investment tax credit for marginal offshore natural gas fields.

Figures 2 and 3 show the success of this policy: natural gas production, both onshore and offshore, increased; production at the Groningen natural gas field was soon halved.

Figure 3 – Natural gas production from 1960-2017



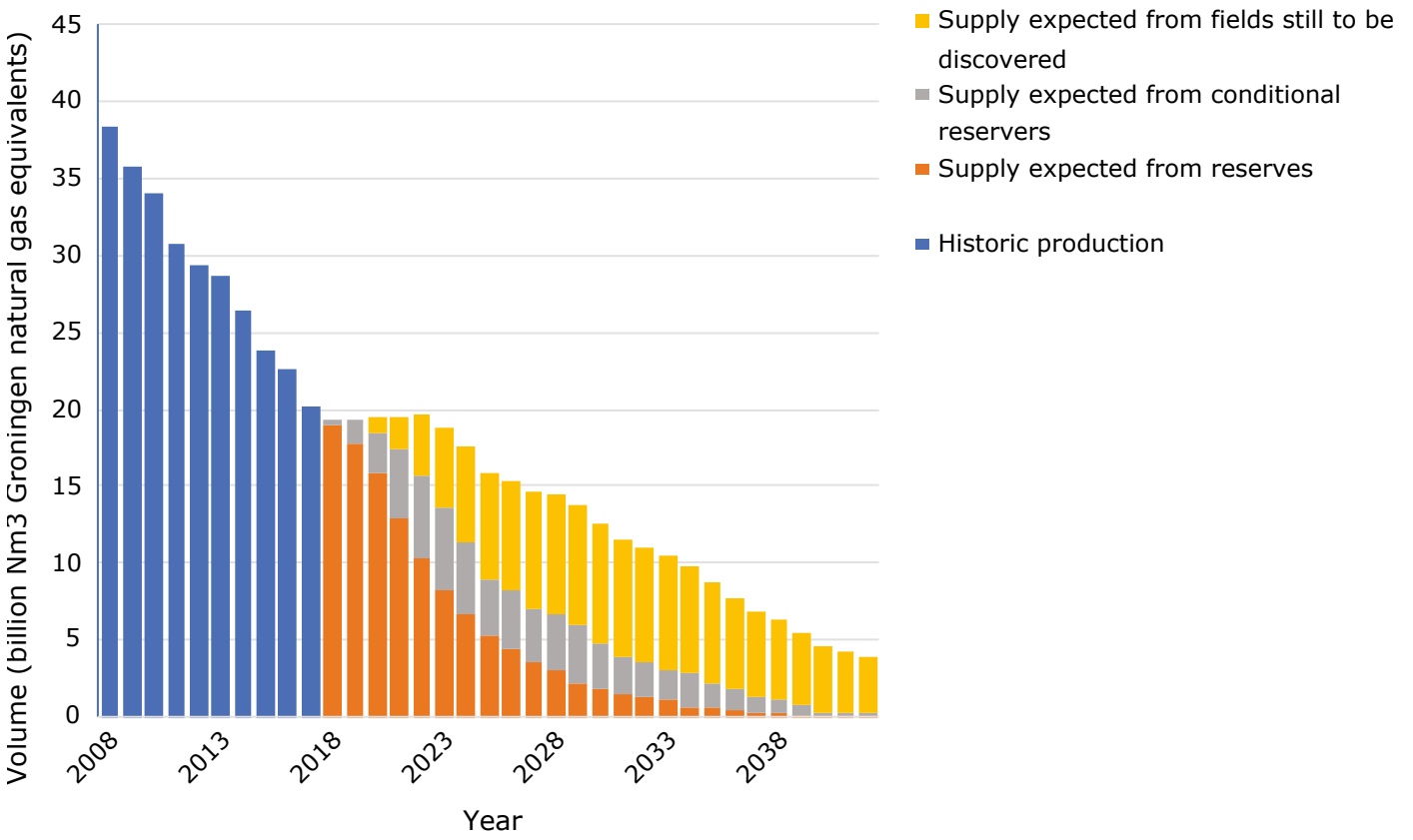
Source: TNO Annual Report 2017 entitled "Natural resources and geothermal energy in the Netherlands"

Future production by small natural gas fields, including natural gas fields still to be discovered (exploration potential), was estimated to be 311 billion Nm³ on 1 January 2018. Over the next 25 years, annual production will gradually fall from approximately 19 billion Nm³ per year to approximately 4 billion Nm³ (see Figure 4).

Natural gas from the Groningen natural gas field is low-calorific, whereas imported natural gas and natural gas from almost all of the small natural gas fields is high-calorific. Households and part of the industry use low-calorific natural gas; a different part of the industry uses high-calorific natural gas.

A considerable portion of the high-calorific natural gas from small natural gas fields is converted into low-calorific natural gas by adding nitrogen. This is referred to as "quality conversion". Due to the large volume of natural gas sourced from the Groningen natural gas field, most household appliances for heating and cooking, etc. in the Netherlands, Germany, Belgium and Northern France have been built to use natural gas with a low-calorific value since the 1960s.

Figure 4 – Natural gas production realised and expected at the small natural gas fields from 2008 to 2042 inclusive. The Groningen natural gas field is not included in these figures.



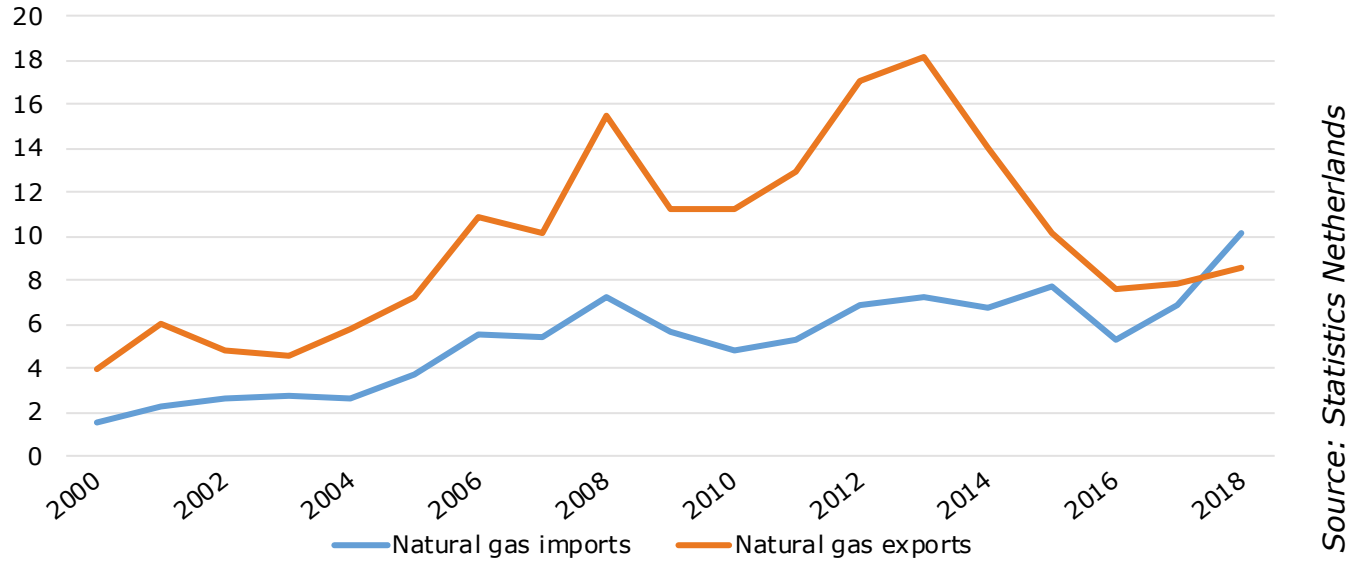
Source: TNO Annual Report 2017 entitled "Natural resources and geothermal energy in the Netherlands"

For more information about the production forecast for the small natural gas fields, see Section 1.6. of the TNO Annual Report 2017 entitled "Natural resources and geothermal energy in the Netherlands".[16]

Imports and exports

The Netherlands has been exporting natural gas since the late 1960s. In the 1990s, Gasunie decided to start to import natural gas too, with a view to achieving security of supply in the long term.

Figure 5 – Imports and exports of natural gas (in billion euros)



16 https://www.nlog.nl/sites/default/files/jaarverslag%20delfstoffen%20en%20aardwarmt%20in%20nederland%20-%202017.pdf.

Natural gas imports, primarily from Norway and Russia, have increased in recent years. A total of €10.1 billion worth of natural gas was imported in 2018, more than double the amount imported in 2011. Also in 2018, €8.5 billion worth of natural gas was exported. This made the Netherlands a net importer of natural gas for the first time in 2018.

Transmission

The pipeline network developed in the 1960s is used to transmit natural gas from the small onshore natural gas fields. The national natural gas transmission network is maintained by Gasunie Transport Services (GTS), which is a wholly-owned subsidiary of Nederlandse Gasunie. Added to this, a number of regional network operators each have part of the natural gas transmission network at their disposal.

Over time, three natural gas transmission pipeline systems have been developed for the small offshore natural gas fields, to bring the natural gas produced to land:

- Westgastransport (WGT);
- Noordgastransport B.V. (NGT);
- NOGAT B.V. (Northern Offshore Gas Transport).

Before the natural gas produced can enter the Gasunie pipeline network, it must be treated, to ensure it is of the quality desired. This is where the involvement of oil and natural gas companies ends, which also marks the scope of the EITI Standard. Once treated, Gasunie ensures that natural gas is transmitted to the companies and the network of the regional network operators.

N.V. Nederlandse Gasunie

Gasunie was established in 1963, originally as part of the Gasgebouw, to transmit and sell natural gas produced in the Netherlands. Since the restructuring of the Gasgebouw (see Page 18), Gasunie has been a natural gas infrastructure company, the core activity of which is the operation and management of natural gas infrastructure in the Netherlands. Gasunie furthermore stores natural gas and LNG and certifies green natural gas. It also has a natural gas network in Northern Germany and has interests in a number of international pipelines, such as the BBL (a pipeline between the Netherlands and the United Kingdom) and Nord Stream (a pipeline under the Baltic Sea, from Russia to Western Europe) pipelines.
The Gasunie network is one of the biggest high-pressure natural gas transmission networks in Europe and consists of approximately 15,500 kilometres of pipeline in the Netherlands and Northern Germany, dozens of installations and approximately 1,300 natural gas receiving stations, where the natural gas for the regional networks and companies becomes available.
The energy transition has made the transmission of green natural gas and hydrogen relevant for Gasunie as well. In addition, it is involved in the creation and management of networks for heat and CO_2.

Legal status and ownership
Gasunie is a public limited company in which the State, represented by the Ministry of Finance, holds 100% of all voting shares. Statutory tasks in respect of the independent management of the Dutch natural gas transmission network are carried out by GTS, a wholly-owned subsidiary of Gasunie. Gasunie Deutschland GmbH is responsible for the Northern German network. Gasunie was employing 1,761 FTE at the end of 2017.

Public interest
Gasunie's public-interest tasks require it to safeguard the security of transmission and supply in the Netherlands, with efficiency, the safety of the natural gas infrastructure and sustainability being the most important preconditions. With this public interest in mind, Gasunie subsidiary GTS, as the manager of the national natural gas transmission network, must meet the following statutory requirements:

- safeguarding the continuity and quality of the natural gas transmission network;
- effectively investing in sufficient transmission capacity to meet total market demand, including the promotion of intake from small natural gas fields;
- offering non-discriminatory access to the transmission network;
- effectively managing the natural gas transmission network; and
- guaranteeing the safety of the natural gas transmission network and installations that use natural gas, while sparing the environment as much as possible.

Besides public shareholdership, public interest is safeguarded by the supervision of the Netherlands Authority for Consumers & Markets (ACM). In addition to the Natural gas Act, Gasunie is subject to the decree on the environmental responsibilities of natural gas companies under the Natural gas Act (*Besluit milieutaak natural gasbedrijven Natural gaswet*), the Sustainable Energy Production (Stimulation) Decree (*Besluit stimulering duurzame energieproductie*) and the Security of Supply (Natural gas Act) Decree (*Besluit leveringszekerheid Natural gaswet*).

Please see the Gasunie website for more information: https://www.Gasunie.nl. The Gasunie annual report can be found here: https://www.Gasunie.nl/over-Gasunie/investor-relations/financiele-informatie.

Storage

Initially, the small fields policy ensured that any variation in natural gas demand (winter/summer) was absorbed by drawing on reserves at the Groningen natural gas field. However, the lower these reserves became, the greater the pressure, resulting in a gradual decrease in the flexibility of the Groningen natural gas field. Underground natural gas storage facilities have been constructed to ensure that there continues to be sufficient flexibility to absorb fluctuations in natural gas demand. Five natural gas storage facilities are operational in the Netherlands. Four of these utilise former natural gas fields, namely the NAM storage facilities in Norg and Grijpskerk, the peak natural gas installation (PGI) in Alkmaar and the Bergermeer natural gas storage facility (the latter two are owned by TAQA). The last natural gas storage facility, the Zuidwending natural gas buffer, which is operated by Gasunie, uses salt caverns. Norg and Grijpskerk form part of the Groningen system. Since 1997, the peak natural gas installation in Alkmaar has been supplying extra natural gas to the natural gas network at short notice in the event of significantly increased demand for natural gas, during frost periods, for example. The Bergermeer natural gas storage facility is a commercial storage facility and Zuidwending is used to meet peak demand from GTS.

Besides the storage facilities for natural gas, a terminal on the Maasvlakte is used for the storage of liquid natural gas (LNG). This terminal, which is owned by Gasunie and Vopak, is also used to absorb peaks in natural gas demand, on very cold winter days, for example.

In the Netherlands, other substances are stored in underground repositories at various locations as well. This includes the temporary storage of formation water in oil and natural gas fields, for example. Besides this, salt caverns are used to store nitrogen (Winschoten) and natural gas oil (Marssteden). In the years ahead, empty natural gas fields, particularly those offshore, could also provide significant capacity for the permanent carbon storage.
For more information about storage in the Netherlands, see the Dutch Oil & Natural gas Portal: www.nlog.nl/opslag.

Earthquakes in Groningen

Figure 3 shows that total natural gas production volumes fell significantly after 2013. This was because of earthquakes in Groningen. The earthquake that struck the Huizinge area on 16 August 2012 prompted a change in policy regarding production at the Groningen natural gas field. Research has shown that increased seismicity in the area is due to natural gas production. Since 2014, maximum production levels at the Groningen natural gas field have been determined by decision of the Minister of Economic Affairs and Climate Policy. See Table 2 for an overview of the production realised and permitted natural gas per year[17] from 2014-2018.

Table 2 – Actual and permitted production at the Groningen natural gas field from 2014-2018

Natural gas year	Actual production (billion Nm³)	Permitted production (billion Nm³)
2014-2015	35	
2015-2016	27	27
2016-2017	24	24
2017-2018	20.1	21.6

Source: https://www.nam.nl/feiten-en-cijfers.html

17 The natural gas year runs from 1 October to 30 September inclusive.

In 2018, the Dutch government decided to reduce natural gas production in Groningen as quickly as possible and to stop it altogether in 2030.[18] In September 2018,[19] the Minister of Economic Affairs and Climate policy announced that the level of production expected had been adjusted downwards and that new opportunities had been discovered to end natural gas production faster. GTS figures show that natural gas production in Groningen could be zero in an average year from mid-2022. Also, based on advice from GTS, it will probably be feasible to close the Groningen natural gas field entirely by 2026 at the latest.

In a letter about natural gas production at the small natural gas fields, which the Minister of Economic Affairs and Climate Policy submitted to the House of Representatives on 30 May 2018, he states that ending natural gas production in Groningen will not cause production at the small natural gas fields to increase.[20] After all, these small natural gas fields have always been able to produce at full capacity, drawing on the flexibility of the Groningen natural gas field and the natural gas storage facilities.

All natural gas production, even at small natural gas fields, is subject to certain risks. However, the extent and impact of the risks ensuing from natural gas production at smaller natural gas fields cannot be compared with the same risks when producing natural gas in Groningen.[21] The Groningen natural gas field is one of the biggest natural gas fields in the world. Also, the stone layer in Groningen from which natural gas is extracted is far bigger and thicker, making the risk of earthquakes far greater than at the biggest small natural gas field. Whereas the Groningen natural gas field had an initial natural gas volume of approximately 2,900 billion Nm³, the volume of the biggest small natural gas field is 73 billion Nm³ (approximately 40 times less).[22] The initial natural gas volume of the smaller natural gas fields still being discovered often varies between less than 1 billion Nm³ and 5 billion Nm³.[23] The impact of natural gas production at the Groningen natural gas field (soil subsidence and ground vibrations) is fundamentally different and many times more serious than the impact of natural gas production at the small natural gas fields, partly due to the huge size of the natural gas field and its long production history.[24]

The decommissioning and removal of mining works

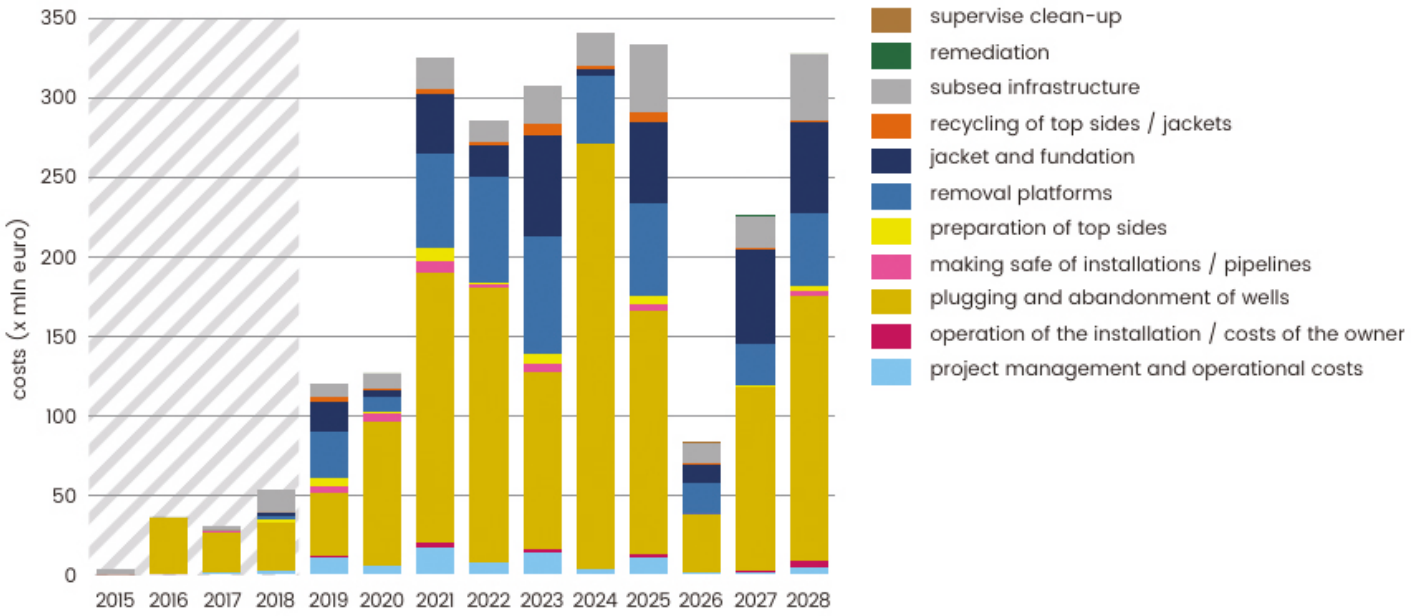
The Dutch oil and natural gas industries have developed an extensive production and transmission infrastructure since the 1960s. It consists of offshore wells, platforms and pipelines and onshore wells, processing installations and pipelines. Most of the above are currently being used for the production of oil and natural gas and the transmission of oil and natural gas. The decommissioning and removal of Dutch oil and natural gas infrastructure (platforms, wells and pipelines) will require significant attention in the next 10 to 20 years. During this time, a substantial number of the oil and natural gas fields currently still producing and the corresponding infrastructure, particularly offshore, will reach the end of their economic life. Due to the decrease in natural gas exploration and production activities and investments in the Dutch part of the North Sea, the time to start decommissioning is approaching fast.[25] If it is not possible to re-use this infrastructure, the operator and co-licence holders will be responsible for its safe and environmentally-friendly decommissioning. This is provided for in the Mining Act (Sections 44 and 45 for offshore mining works) and the Mining Decree (Mijnbouwbesluit) (Section 39 for onshore mining works).[26]

18 https://www.rijksoverheid.nl/documenten/kamerstukken/2018/03/29/kamerbrief-over-natural gaswinning-groningen.
19 https://www.rijksoverheid.nl/documenten/kamerstukken/2019/09/10/kamerbrief---natural gaswinningsniveaugroningen-in-2019-2020.
20 https://www.rijksoverheid.nl/documenten/kamerstukken/2018/05/30/kamerbrief-over-natural gaswinning-uit-kleinevelden.
21 Ibid.
22 Ibid.
23 Ibid.
24 Ibid.
25 Ibid.
26 Proposal to amend the Mining Act as regards the removal and re-use of mining works in the context of financial securities to be provided by mining companies (*Voorstel tot wijziging van de Mijnbouwwet inzake het verwijderen*

Decommissioning costs

For the time being, EBN estimates that the total costs involved in the decommissioning of the Dutch oil and natural gas infrastructure (onshore and offshore) will be €7 billion to €8 billion. Given the fact that the State has a share of approximately 70% in the revenue, due in part to the EBN share in oil and natural gas production and the deductibility of costs for tax and payments, the State will ultimately bear a significant amount of these costs.[27]

Figure 6 – Overview of offshore decommissioning costs



Source: Nexstep

Total offshore decommissioning costs will be €2.5 billion for the next 10 years.[28]

Nexstep[29]

In October 2017, the Dutch oil and natural gas industries, united in the Netherlands Oil and Natural gas Exploration and Production Association (NOGEPA) and EBN created the National Platform for Re-use & Decommissioning (Nexstep) with support from the Ministry of Economics Affairs and Climate Policy. Nexstep coordinates, facilitates and accelerates the agenda for the re-use and decommissioning of the oil and natural gas infrastructure in the Netherlands. It seeks to reduce the cost of closing wells and decommissioning infrastructure by 30% via mutual collaboration between the parties involved, knowledge sharing and the use of innovative technology. Carrying out the decommissioning safely and safeguarding environmental interests remain important preconditions.

Nexstep was created further to recommendations in the Masterplan for Decommissioning & Re-use in November 2016.[30] This masterplan was established by EBN, NOGEPA and IRO, representatives of the State, the oil and natural gas companies and the service industry respectively. The masterplan focuses on offshore infrastructure in the first instance, because decommissioning there is most imminent.

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en hergebruiken van mijnbouwwerken in het kader van door mijnbouwondernemingen te stellen financiële zekerheden). The internet consultation took place in May 2019. The proposal was submitted to the Council of State on 12 July 2019.

27 https://www.rijksoverheid.nl/documenten/kamerstukken/2018/05/30/kamerbrief-over-natural gaswinning-uit-kleinevelden.

28 Re-use & decommissioning report 2019, www.nexstep.nl

29 https://nexstep.nl/?lang=nl.

30 https://www.ebn.nl/masterplan-decommissioning-and-re-use-gepresenteerd-2/.

Different circumstances apply for the onshore installations. The landowners have made agreements with the operators about the decommissioning of the infrastructure at the end of its economic life. Policy on the decommissioning of the mining works is still to be worked out in greater detail.

Connection with the energy transition

In a number of cases, it would be possible to re-use the current infrastructure and, by doing so, contribute to the success of the energy transition process. In some cases, a new use can be found for production infrastructure, in conjunction with the advent of offshore wind farms, for example. A limited number of platforms and some of the pipelines could be of value to the production and transmission of hydrogen produced via wind energy. Furthermore, existing infrastructure could be used for CCS (Carbon Capture and Storage; the storage of CO_2). Onshore mining locations and pipelines could be used for the cost-effective generation and transmission of sustainable energy (geothermal energy, renewable natural gases, solar energy and wind energy).

2.5. Energy transition

The transition to a carbon-neutral energy system in 2050 is a key issue for the oil and gas industry. Government policy aims to phase out the use of fossil energy sources like oil and natural gas as quickly as possible. However, it is clear that natural gas will continue to play an important role during the transition to a sustainable energy supply. The government believes that, while natural gas is still available in the Netherlands and it can be produced safely and responsibly, it is the preferred option to imported natural gas. This is important for the economy and employment and for the geopolitical position of the Netherlands. It also aids the retention of knowledge about the deep subsurface. Last but not least, it is better for the climate, because production in the Netherlands is cleaner than in most countries from which natural gas is imported (policy letter on the reassessment of natural gas production at small fields (*Beleidsbrief Herijking Natural gaswinning Kleine Velden*), May 2018).[31]

Under the North Sea, considerable reserves remain that can be produced safely and responsibly and can be used in the decades ahead to supply the Netherlands with energy, amongst other things. Offshore, it will be possible to produce between 100 and 200 billion Nm³ of natural gas in 2020-2050, depending on the investment climate. This will generate natural gas revenues of between €3 billion and €20 billion for the Dutch society. Between 10 and 15 billion Nm³ of natural gas is currently being produced offshore each year. Domestic demand for natural gas is 35 billion Nm³. As the Netherlands has been a net natural gas importer since 2018, the importance of domestic production has become even clearer.

The situation outlined above furthermore makes the further reduction of the impact of natural gas production on the climate in the Netherlands more urgent. NOGEPA[32] is working towards this with its members too, for example by investing in a significant reduction of 50% in methane emissions for 2021 (120,000 tonnes CO_2-equivalent).

Subsidies for sustainable energy in 2017

Introduction

Promising sustainable alternatives must be developed and applied if demand for natural gas in the Netherlands is to be phased out. As part of the current Coalition Agreement, ambitious plans have been announced in the field of climate and energy. Two important pillars of this national ambition are a Climate Act and a Climate and Energy Agreement (*Klimaat- en Energieakkoord*).[33]

31 https://www.rijksoverheid.nl/documenten/kamerstukken/2018/05/30/kamerbrief-over-natural gaswinning-uit-kleinevelden.

32 NOGEPA is the Netherlands Oil and Natural gas Exploration and Production Association. It represents the interests of companies that have licences to explore for or produce natural gas in the Netherlands.

33 https://zoek.officielebekendmakingen.nl/kst-32813-157.html.

On 6 September 2013, more than 40 organisations, including the government, employers, trade unions, nature conservation and environmental protection organisations, civil-society organisations and financial institutions became parties to the Energy Agreement for Sustainable Growth (*Energieakkoord voor duurzame groei*[34]). On 28 June 2019, the government presented the Climate Agreement (*Klimaatakkoord*[35]) and embarked on its implementation.

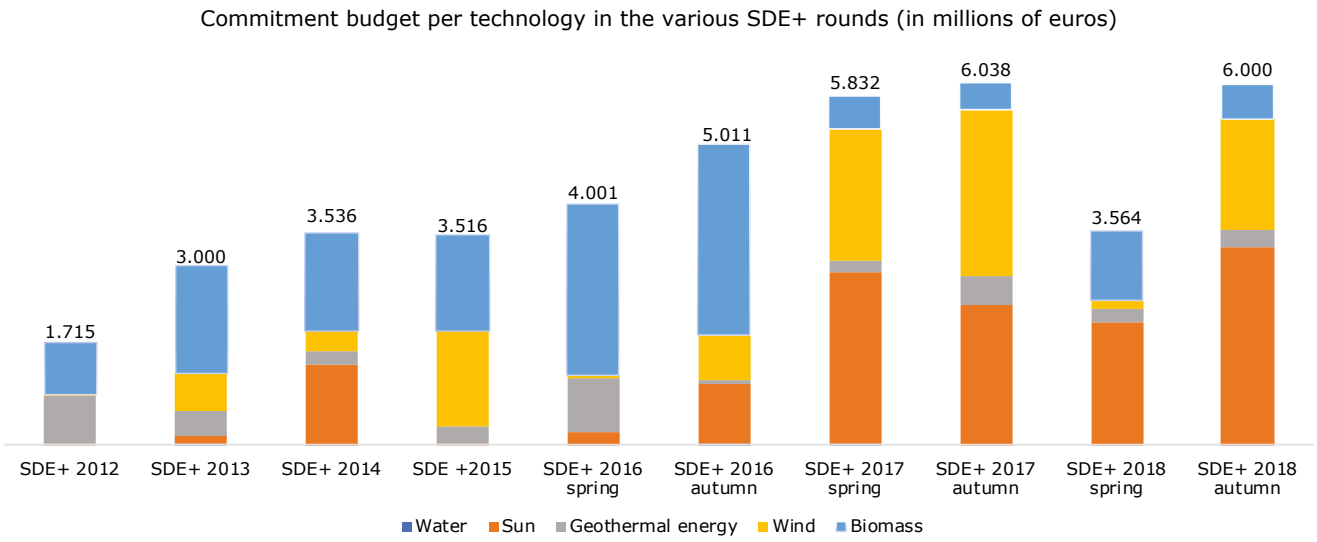
In this subsection, brief consideration will be given to public spending on energy research and innovation and the roll-out of technologies in the market ("the generation of sustainable energy"), with special attention for wind energy and geothermal energy.

Subsidies for the generation of energy

The Ministry of Economic Affairs and Climate Policy is stimulating the development of a sustainable energy supply in the Netherlands through the Stimulation of Sustainable Energy Production (SDE+) subsidy. The SDE+ is aimed at companies and (non-profit) organisations that would like to produce renewable energy.[36] A budget of approximately €12 billion was available for 2017 (see Figure 7). Of this amount, €4.9 billion was made available for onshore wind energy[37] and €0.7 billion for geothermal energy.

Figure 7 shows the budget allocated to various technologies for the generation of sustainable energy. At the time of allocation (this being the time at which the obligation is entered into following a decision to this end), the energy to be generated by the project has not been produced yet. Payment is made on the basis of actual production.

Figure 7 – Commitment budget per technology in various SDE+ rounds (in millions of euros)



Source: RVO[38]

34 https://www.energieakkoordser.nl/energieakkoord.aspx.
35 https://www.klimaatakkoord.nl/.
36 The cost price of sustainable energy is higher than the cost price of "grey energy". The SDE+ compensates the difference between the cost price of grey energy and that of sustainable energy over a period of 5, 8, 12 or 15 years, depending on the technology.
37 The last large-scale offshore wind energy tender to establish wind farms with an SDE+ subsidy was issued in 2016. The offshore wind tenders issued in 2017 and 2018 did not include an SDE+ subsidy, as these wind farms could be built without a subsidy.
38 For more information, see: https://www.RVO/subsidies-regelingen/stimulering-duurzame-energieproductie/feiten-en-cijfers/feiten-en-cijfers-sde-algemeen.

For more information about onshore wind energy, see the 2017 onshore wind monitor (*Monitor Wind op Land 2017*).[39] For more information about offshore wind, see: https://windopzee.nl/.[40]

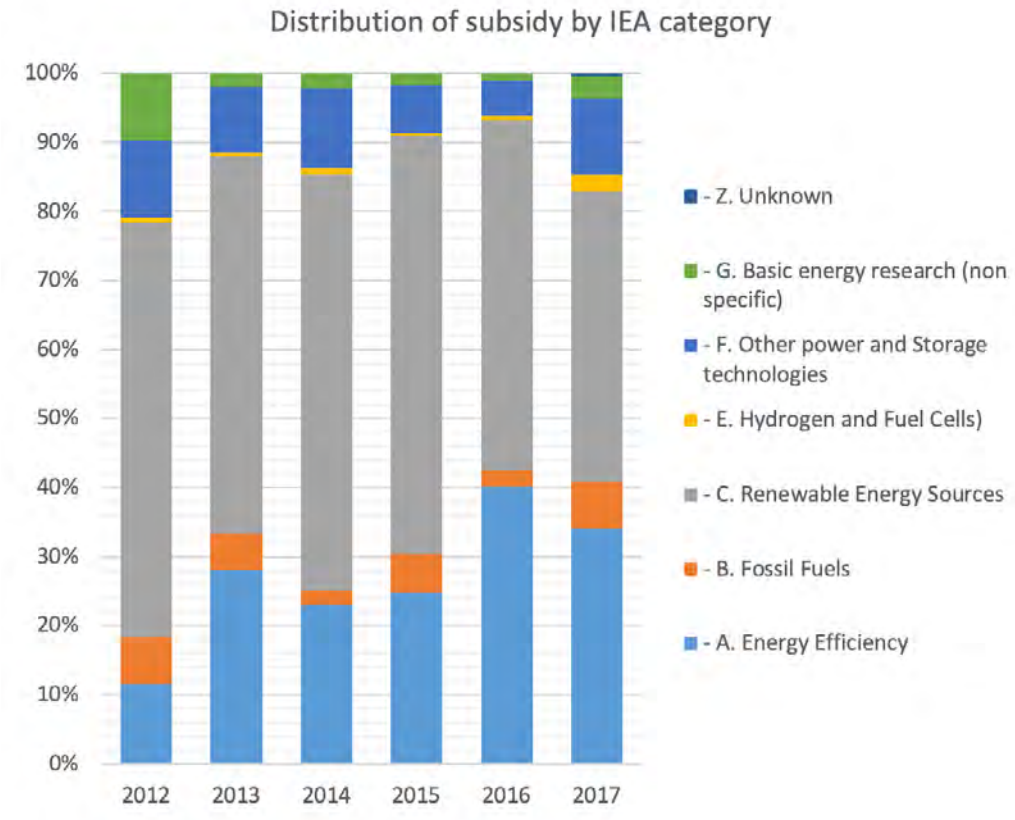
For more information about geothermal energy, see: https://www.geothermie.nl, https://www.nlog.nl/geothermie and https://www.dago.nu/nl/geothermie.

Subsidy for energy research and innovation

Besides the subsidy for generating sustainable energy, funds have also been made available for energy research and innovation. In 2017, central government invested €151 million in energy research and innovation (see Figure 8). More than 41% (€61 million) of these investments have been spent on improved production methods for sustainable energy sources (IEA category C). In this respect, the total costs for wind energy projects were €30 million, with a subsidy of €16 million divided over 40 projects. The costs for geothermal energy projects were €22 million, with a subsidy of approximately €11 divided over 10 projects. Compared with wind energy, a limited number of geothermal energy projects are carried out each year. This is due to the absence of a specific subsidy programme for geothermal energy until 2018.

Approximately 33% (€50 million) of investments has been spent on energy savings (IEA category A), a comparable amount to previous years, with the exception of a peak in 2016. One salient point is the increase in investments for research into fossil fuels. Over 95% of investments in fossil fuels went into research on energy storage and carbon capture and storage (IEA categories B and E).[41]

Figure 8 – Distribution of public spending on energy research based on theme-related subsidy decisions (RVO 2017a)[42]



Source: RVO, Terugblik in Cijfers 2012-2017[43]

39 https://www.rijksoverheid.nl/documenten/rapporten/2018/03/31/monitor-wind-op-land-2017.
40 https://windopzee.nl/.
41 2017 publicly financed energy survey (*Monitor publiek gefinancierd energieonderzoek 2017*)
42 The abbreviation IEA stands for International Energy Agency.
43 https://www.topsectorenergie.nl/sites/default/files/uploads/Topsector%20Energie%20-%20Terugblik%20in%20cijfers%202012-2017_0.pdf

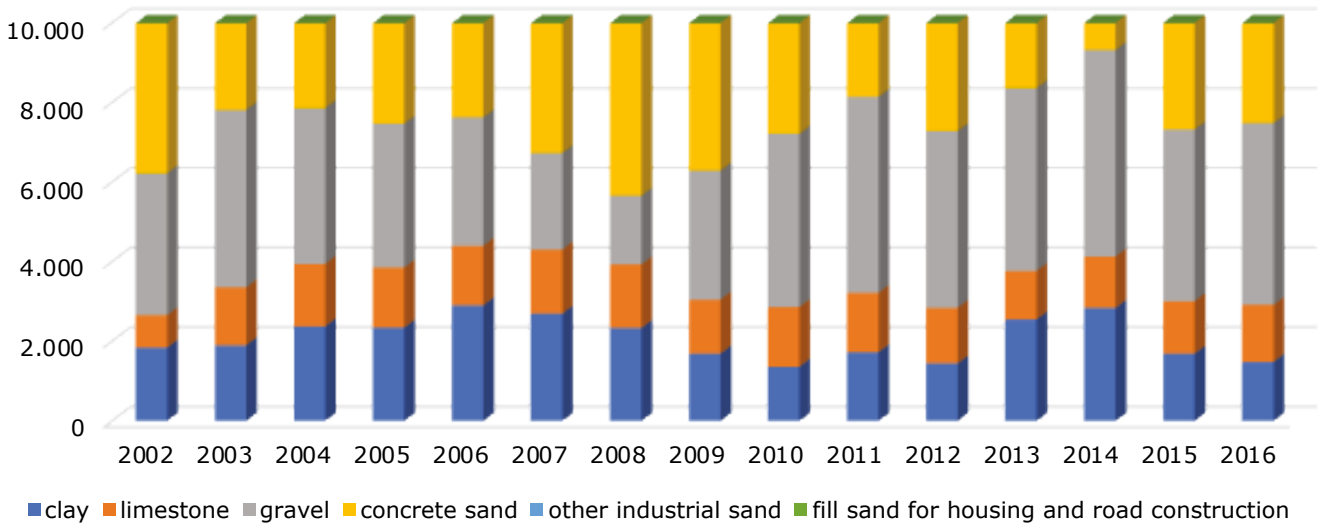
2.6. Surface minerals

The production of surface minerals has been designated as being of national interest. There is a continuing need for the onshore and offshore production of surface minerals in the Netherlands. For the most part, provinces are responsible for supervising the onshore production of surface minerals. The market plays an important role in this respect too. The State, represented in this matter by the Ministry of Infrastructure and Water Management, in consultation with the provinces and market parties, determines whether and how State intervention is necessary. The initiative for this lies with the provinces.

The term "surface minerals" is understood to mean the following raw materials: coarse granulates (gravel, crushed gravel/crushed stone), fine granulates (concrete and masonry sand), fill sand and other construction materials (sand for sand-lime bricks, silver sand, clay and marl). Production opportunities are unevenly distributed across the Netherlands. Because volumes have been reasonably stable over the years – with the exception of an intensification in the production of fill sand for land reclamation in 2009-2012 – the State decided to end the periodic monitoring of surface minerals after 2016, which it decided to do in consultation with the provinces.

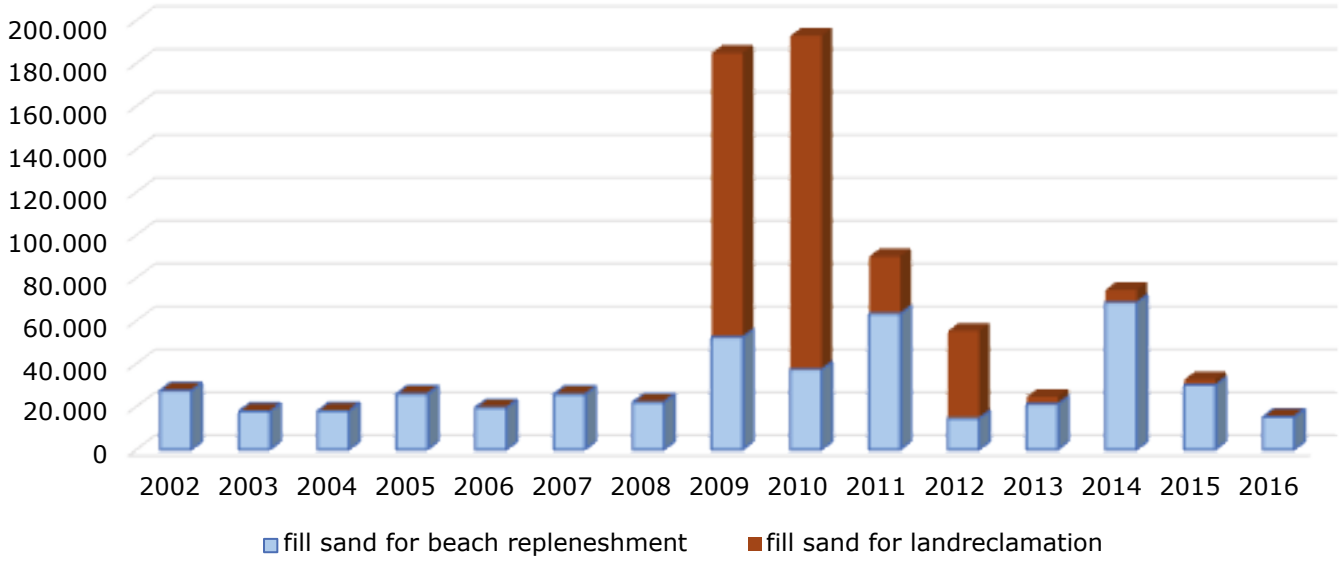
The trend in the production of surface minerals in 2000-2016 where consumption is concerned is summarised in the figures below:

Figure 9 – Standard production of surface minerals in the Netherlands x 1,000 tonnes



Source: 2015-2016 monitoring report on construction materials (Rapportage Monitoring bouwgrondstoffen 2015-2016)

Figure 10 – Non-standard production of surface minerals in the Netherlands x 1,000 tonnes



Source: 2015-2016 monitoring report on construction materials

The result in relation to the production of construction materials in 2015-2016, where consumption, imports and exports are concerned, is summarised in the table below:

Table 3 – Result of construction material monitoring for 2015-2016 (x million tonnes)

	2015				2016			
	consumption	imports	exports	extraction/ production	consumption	imports	exports	extraction/ production
construction materials **standard**								
coarse granulate								
gravel	9.5	5.2		4.3	10.0	5.4		4.6
crushed gravel/ crushed stone	6.7	6.1		0.6	7.0	6.0		1.0
fine granulate								
concrete and masonry sand	12.9	4.5	5.0	13.4	13.6	4.7	2.3	11.3
fill sand								
fill sand, standard	31.1		5.4	36.5	32.1		5.0	37.1
other construction materials								
lime sandstone	1.6			1.6	1.9			1.9
silver sand	1.2	0.8		0.4	1.3	0.8		0.5
clay	2.5	0.8		1.7	2.2	0.8		1.5
marl	1.3			1.3	1.4			1.4
Total standard	**66.8**	**17.3**	**10.4**	**59.8**	**69.5**	**17.6**	**7.3**	**59.2**
construction materials **non-standard**								
North Sea coastal defence	30.2			30.2	15.3			15.3
North Sea land reclamation	2.5			2.5				
Total non-standard	**32.7**			**32.7**	**15.3**			**15.3**
Total primary construction materials	**99.5**	**17.3**	**10.4**	**92.5**	**84.8**	**17.6**	**7.3**	**74.5**

Source: 2015-2016 monitoring report on construction materials

In 2015-2016, the standard consumption of primary construction materials in the Netherlands was 66.8-69.5 million tonnes per year. Approximately 74% of these materials were produced in the Netherlands, while the other 26% were imported from neighbouring countries (Germany, Belgium and the United Kingdom). These construction materials are not found in the Netherlands, or at least not in sufficient volumes. Examples include gravel, broken rock, concrete sands and coarse concrete sands. Some of the silver sand and clay needed was imported too.

The standard production of primary construction materials in the Netherlands was 59.2-59.8 million tonnes per year in the same period. This can be broken down as follows: 9% coarse granulates (gravel and crushed gravel), 21% fine granulates (concrete and masonry sand), 62% fill sand and 8% other construction materials (lime sandstone, silver sand, clay and marl).

On 31 December 2016, the licensed inventory position for all construction materials, with the exception of marl, for production at onshore locations was more than 10 years on average. This means the production of construction materials in the Netherlands has been secured sufficiently for the years ahead.

The production of marl will largely be phased out, partly due to the expiry of the licence for the ENCI quarry near Mount Saint Peter (Maastricht) in mid-2018. Although the cement factory will remain in place, the semi-finished clinker product will be imported from Belgium (Lixhe) from now on. Possibilities to produce fill sand in national waters are unlimited, in principle.

Approximately 85% of standard production in 2015-2016 was sold in the Netherlands. The remaining 15% was exported to Belgium. The products exported were finer concrete and masonry sands and fill sand, of which there is a surplus in the Netherlands.

A further 33 million and 15 million tonnes of fill sand were produced for non-standard purposes in 2015 and 2016, respectively. This represented approximately 40% of standard production in the Netherlands in this period. The majority of the fill-sand production in question involved the production of sea sand for coastal defence purposes. The extent of this non-standard production can vary greatly from one year to another.

2.7. The economic value of the extractive industry in the Netherlands

Introduction

Mineral production in general and natural gas production in particular are and have been of great significance to the Dutch economy, particularly because of their contribution to our energy supply, economic growth and employment. Firstly, natural gas has covered more than 50% of energy consumption in the Netherlands since the 1970s. It is less polluting as an energy source than other fossil fuels and reduces our country's reliance on other countries.[44] Secondly, mineral production has made a major contribution to economic growth in the Netherlands, largely due to the natural gas revenues and the added value of natural gas production itself.

Statistics Netherlands (CBS) breaks mineral production down as follows in the charts below:

1. oil and natural gas production (SBI code 06);
2. other mineral resources, including salt and surface minerals (SBI code 08); and
3. the supply and service industries (SBI code 09).

The service companies in question are those that are involved in the exploration of new oil and natural gas reserves for the industry.

The Netherlands is not involved in any activities in the informal sector, such as artisanal and small-scale mining.

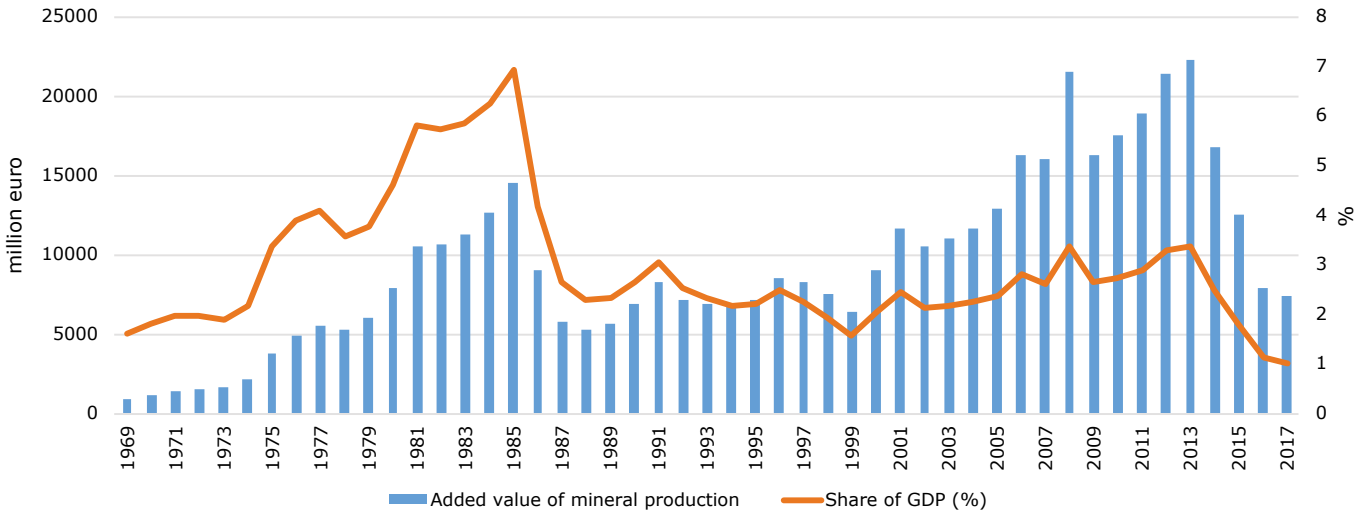
Added value[45]

Since the mid-1970s, the added value of mineral production has fluctuated between €5 billion and more than €12 billion per year, largely generated by natural gas production. Following a peak of 7% in 1985, mineral production represented between 2% and 4% of the gross domestic product (see Figure 6).

44 The 1973 oil crisis was the direct reason for the introduction of the small fields policy, the intention of which was to allow the Netherlands to meet its energy demand on its own as much as possible in the longer term.

45 Statistics Netherlands calculates economic growth on the basis of the gross domestic product (GDP). The GDP is the total added value of all final goods and services that a country produces. The added value is the total value of the goods and services produced, minus the value of what is consumed during production (also known as intermediate consumption).

Figure 11 – The importance of mineral production for the Dutch economy



Source: Statistics Netherlands, with its own calculation

The total added value of mineral production in 2017 was €7.4 billion, or 1% of the gross domestic product (GDP). After 2013, the level of natural gas production fell due to the earthquakes in Groningen. Since then, maximum production levels at the Groningen natural gas field have been determined by decision of the Minister of Economic Affairs and Climate Policy on an annual basis (see § 2.4.)

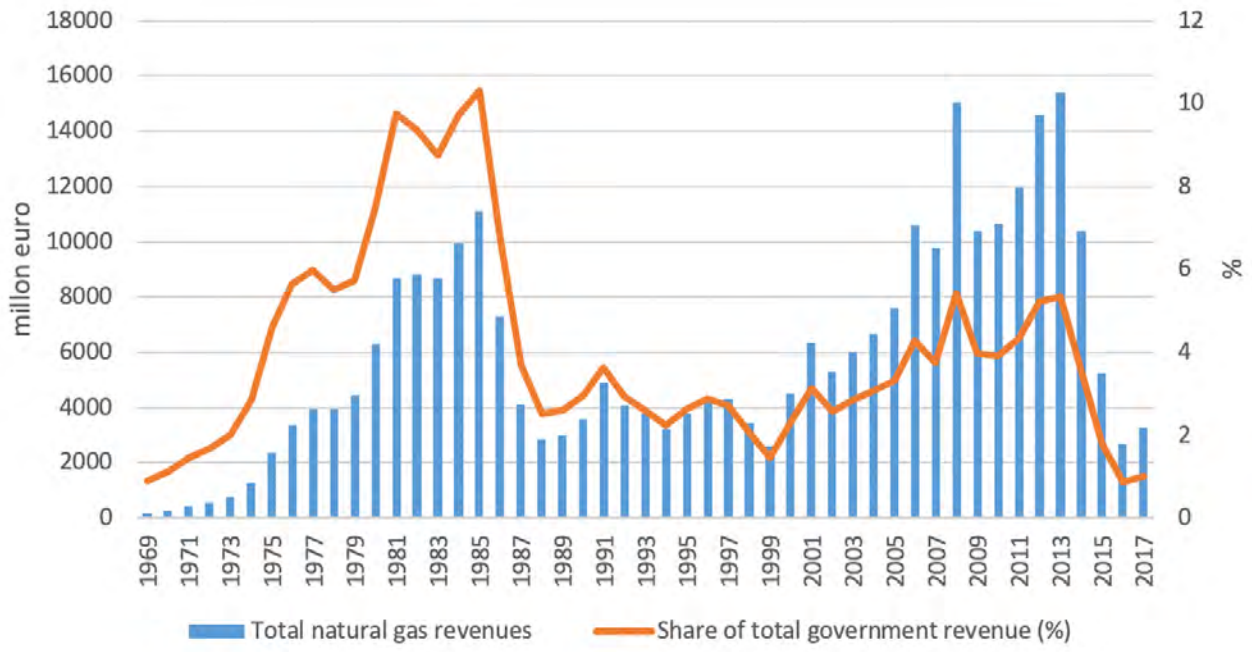
Natural gas revenues

Besides contributing to economic growth, natural gas production has made another positive contribution to the Dutch economy. The State is profiting from natural gas production via mining levies, corporate income tax and dividends[46] (referred to jointly as natural gas revenues) in particular. In the early 1980s and at the start of the current century, these natural gas revenues were approximately €10 billion per year. However, revenues were significant outside these peaks as well, generally representing between 5% and 10% of total government revenue. Since 1965, the government has received a total of €416.8 billion in natural gas revenues (expressed in 2018 prices). For comparative purposes: government revenue was €337 billion in 2018. Fluctuations in natural gas revenues were primarily due to variations in the price of natural gas.[47]

Before 1994, natural gas revenues went directly to the public funds. The government chose to use these extra revenues to develop social services, which caused public spending to increase. It gradually became clear that the budget was too reliant on natural gas revenues (referred to as the "Dutch disease") and that it would be better, for the long term, to use some of the natural gas revenues for investments in the future, in infrastructure, sustainability and knowledge. This prompted the establishment of the Economic Structure Enhancement Fund (FES) in 1994, which received a minimum of €1.7 billion each year (but usually far more). However, this fund was wound up in 2010. Since then, natural gas revenues have gone directly to the public funds again (also see § 5.3.).

46 EBN pays dividends to the State.
47 https://www.cbs.nl/nl-nl/nieuws/2019/22/aardnatural gasbaten-uit-gaswinning-bijna-417-miljard-euro.

Figure 12 – Natural gas revenues paid to central government



Source: Statistics Netherlands, with its own calculation

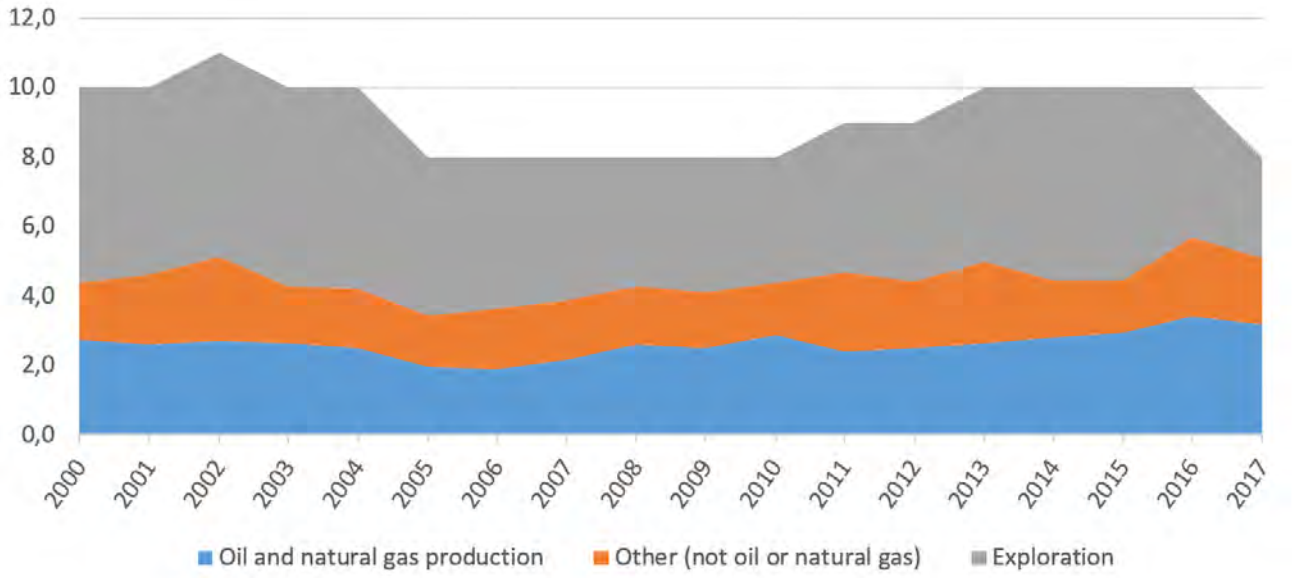
Since starting to phase out the production at Groningen, natural gas revenues have[48] fallen dramatically. In 2017, these revenues were €3.2 billion, or 1% of total government revenue.

Employment

Thirdly, mineral production has created employment. In 2017, the production of mineral resources provided for approximately 8,000 jobs (full-time equivalents). At the time, this represented 0.11% of total employment (see figures 13 and 14). Unlike its added value, this is a very modest percentage of the total labour market.

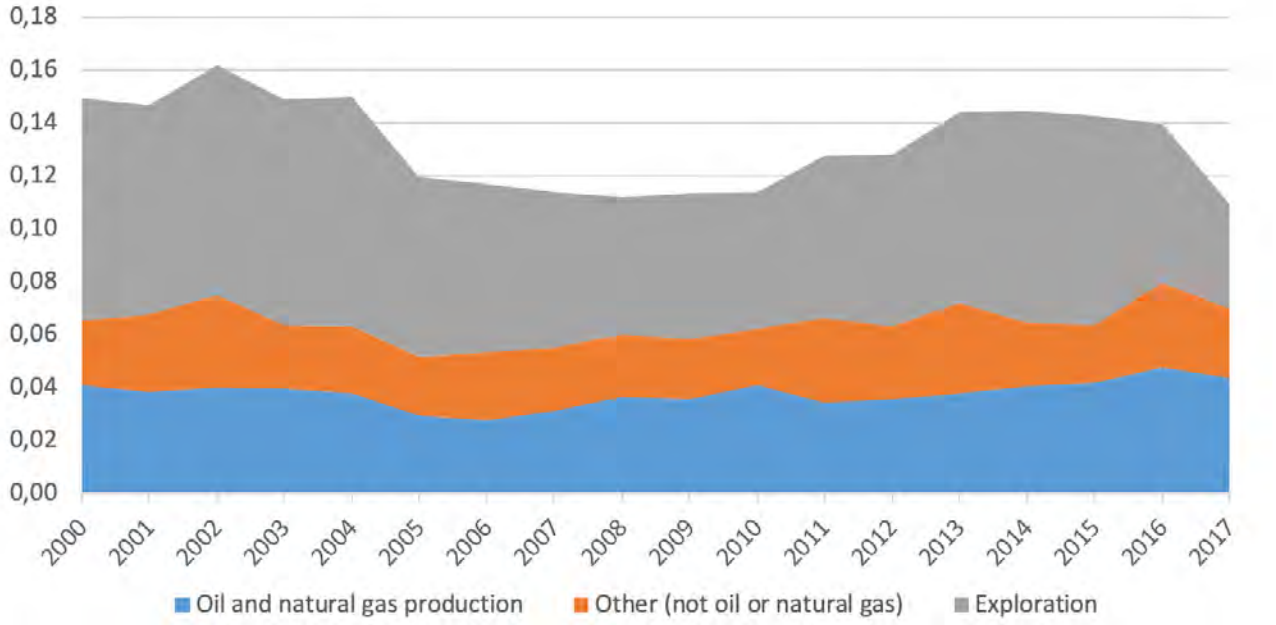
48 Natural gas revenues can be defined as the central government revenue derived from the exploration for and production of natural gas in the Netherlands. Natural gas revenues are primarily made up of concession rights for the operation of natural gas and oil fields and the profits from the sale of mineral resources. Central government also receives corporate income tax from the companies that operate the natural gas and oil fields.

Figure 13 – Total employment (volume of labour) from mineral production



Source: Statistics Netherlands

Figure 14 – Total employment from mineral production, as a share of total employment



Source: Statistics Netherlands

3. Legal and institutional framework

3.1. Legal framework

The legal framework for the Dutch mining industry is set out in:

- the Mining Act;
- the Mining Decree; and
- the Mining Regulations (*Mijnbouwregeling*).

The Mining Act came into force on 1 January 2003, when it replaced the 1810 Mining Act, the 1903 Mining Act, the Mineral Resources Exploration Act (*Wet opsporing delfstoffen*) and the Continental Shelf Mining Act (*Mijnwet continentaal plat*). The Mining Act has integrated all of the above-mentioned Acts into just one Act, which applies to both Dutch territory (onshore) and the Dutch part of the continental shelf (offshore). The Mining Act sets out the rules for surveys on, exploration for and production of mineral resources and geothermal energy, storage of mineral resources and mining-related activities. The Act focuses on mineral resources, being natural gas, oil and salt, provided activities in relation to them take place at a depth of more than 100 metres below the surface of the earth, and geothermal energy, provided activities in relation to it take place at a depth of more than 500 metres below the surface of the earth.[1]

Besides the legal framework of the Mining Act, the industry is also subject to other legislation and general administrative orders, including implementing regulations on the subject of the local community, spatial planning, the environment, nature, water and external safety. See Table 4 for an overview. See the Dutch Oil & Natural gas Portal – www.nlog.nl – under "legislation and procedures" for up-to-date links to this legislation.

Table 4 – Overview of mining industry legislation

NATIONAL	
Mining	Mining Act
	Mining Decree
	Mining Regulations
Local community	Environmental Permitting (General Provisions) Act (WABO) (Bulletin of Acts and Decrees 2010, 142)
	Living Environment Law Decree (Bor)
	Ministerial Environmental and Planning Regulation (Mor) (Bulletin of Acts and Decrees 2010, 231)
	Environment and Planning Act (*Omgevingswet*) (2019)
Spatial planning	Spatial Planning Act (*Wet ruimtelijke ordening*)
Environment	Environmental Management Act (*Wet milieubeheer*)
	General Mining Industry (Environmental Rules) Decree (Barmm)
Nature	Nature Conservation Act (*Natuurbeschermingswet*)
	Flora and Fauna Act (*Flora- en faunawet*)
Water	Water Act (*Waterwet*)[2]
External safety	Public Safety (Establishments) Regulation (Revi)
	Public Safety (Establishments) Decree (Bevi)
	Public Safety (Pipelines) Decree (Bevb)

1 See Section 2 of the Mining Act.

2 The following documents, amongst others, are relevant for the mining industry: the North Sea Policy Document (*Beleidsnota Noordzee*) (§ 3.5 and § 3.7) and Appendix 2 of the 2016-2021 National Water Plan (*Nationaal Waterplan* 2016-2021 (NWP2)). The "2030 North Sea Strategy" development process prepares new policy, which gives direction to significant developments on the North Sea, both now and in the decades ahead. For more information, see: https://www.noordzeeloket.nl.

Miscellaneous regulations	Investment tax credit for marginal offshore natural gas fields on the Dutch continental shelf facility (*Regeling investeringsaftrek marginale natural gasvoorkomens Nederlands continentaal plat*)(Government Gazette 13093, 25 August 2010)
INTERNATIONAL	
Policy rules	EUR-Lex – the Portal to European Law
	OSPAR – policy rules on working conditions legislation

Source: the Dutch Oil & Natural gas Portal – www.nlog.nl

3.1.1. The licensing process

Introduction[3]

Any party wanting to explore for and/or produce mineral resources and geothermal energy or store substances will need various licences. The first step towards the actual performance of these activities is to apply for an exploration licence, production licence or storage licence under the Mining Act.[4]

The Minister of Economic Affairs and Climate Policy is the competent authority in respect of the above. The licences in question are similar in nature to a concession, as they give the licence holder the exclusive right to carry out a certain activity in a certain area. For example, the holder of an exploration licence has the exclusive right to carry out exploration activities in a certain area, while the holder of a production licence will have the exclusive right to carry out production activities in a certain area (see Table 5 for more information).

The licence holder will still need to determine whether and how it will carry out the mining activity envisaged. It will prepare a production plan or storage plan respectively in relation to the production or storage method to be used, which plan will require the approval of the Minister of Economic Affairs and Climate Policy. A production plan will set out the production method and duration, the volumes of mineral resources or geothermal energy expected or produced and expectations about soil movement and how the damage ensuing from soil movement will be avoided. A storage plan will describe which substance will be stored, how it will be stored and for how long, which possible impact this could have and how this can be avoided.

Added to the above, the Environmental Permitting (General Provisions) Act[5] requires that an environmental licence be obtained for mining activities at a proposed location. The Minister of Economic Affairs and Climate Policy is the competent authority in respect of the above. An environmental licence may be subject to certain conditions in relation to spatial integration, the environment and structures. When an application is received for a licence of this nature, steps will also be taken to ascertain whether an Environmental Impact Assessment (EIA) needs to be prepared.

Where new onshore natural gas fields are concerned, or in the event of essential changes to production at existing onshore natural gas fields, the ensuing impact and risks will be identified in detail prior to production or the change to production. A fixed method will be used, known as the Seismic Risk Analysis (SRA). If this analysis shows that natural gas production at a particular field could result in earthquakes, specific requirements will be attached to the production decision, in order to minimise the level of risk. The requirements imposed will apply to monitoring, surveys and management measures.[6]

3 Structural Vision for the Subsurface (*Structuurvisie Ondergrond*) – Appendix 2: The legal framework for mining activities: https://www.rijksoverheid.nl/documenten/rapporten/2018/06/11/structuurvisie-ondergrond.

4 The general and specific provisions to be observed when applying for exploration and production licences for mineral resources and geothermal energy are set out in Chapter 2 of the Mining Act (Sections 6-24a). The general provisions pertaining to licence applications for exploration for substance storage and carbon storage complexes can be found in Chapter 3 of the Mining Act (Sections 25-31).

5 https://wetten.overheid.nl/BWBR0024779/2018-07-28.

6 https://www.rijksoverheid.nl/documenten/kamerstukken/2018/05/30/kamerbrief-over-natural gaswinning-uit-kleine-velden.

Administrative procedures

Mining companies are required to observe various procedures in the Netherlands when applying for, submitting or obtaining the licences, reports and/or data stipulated by the Mining Act. See Table 5 for an overview of these administrative procedures.

Table 5 – Overview of licence-related administrative procedures

Registering a reconnaissance survey (seismic survey)
Reconnaissance survey: a borehole-free survey to establish the presence of mineral resources or geothermal energy or to obtain further data about mineral resources or geothermal energy.
Data to be provided when applying for a licence
Geophysical data
Borehole measurements
Rock samples
Licence procedures
Application for a reconnaissance-survey licence
Application for a substance exploration licence
Application for a substance production licence
Application for a substance storage licence
Application for a licence under the Environmental Permitting (General Provisions)
Act/environmental licence for building
Application for a licence under the Environmental Permitting (General Provisions)
Act/environmental licence in relation to spatial planning
Application for a licence under the Environmental Permitting (General Provisions) Act / environmental licence in relation to the environment
Making changes to licences
Splitting a licence
Combining licences
Transferring licences
Plans and reports
Working plan (for an exploration licence)
Production plan (after obtaining a production licence)
Storage plan
Closure plan (onshore)/removal plan (offshore)
Annual report in line with Section 113 of the Mining Decree
Disclosure of data from the annual report
Other procedures
Agreement to the placing of mining installations
Participation by EBN: Agreement to the CA
Technical requirements to be met by operators

Source: the Ministry of Economic Affairs and Climate Policy

See the Dutch Oil & Natural gas Portal – www.nlog.nl[7] under "legislation and procedures" – for more information about the administrative procedures above.

For more background information about the licensing process, local and regional authorities' right to prior consultation, safety, earthquakes and soil movement, see Appendix 3 (Structural Vision for the Subsurface – Appendix 2: The legal framework for mining activities).

7 https://www.nlog.nl/administratieve-procedures

The Netherlands operates what is referred to as an "open-round" system for applications, which means that they may be submitted at any given time.[8] Technical and financial criteria are set out in the Mining Act (Sections 9 and 9a). When assessing an application, the Minister will consult the State Supervision of Mines (SodM), EBN and the TNO advisory group on economic affairs (TNO-AGE) for their advice (see § 3.2.3.).

Exploration and production licences

The following procedure generally applies for applications for exploration and production licences[9]:

- a company will submit a licence application to the Ministry of Economic Affairs and Climate Policy.
- the Minister of Economic Affairs and Climate Policy will publish an invitation in the Government Gazette for other companies to submit applications too. If an application for an exploration or production licence for natural gas or oil is submitted, the invitation will be published in the Official Journal of the European Union as well. Other companies will be given the opportunity to respond up to 13 weeks after the publication date above.
- the Provincial Executive of the province to which a licence application relates will be given the opportunity to advise on the application within a reasonable period of time to be determined by the Minister.
- the Provincial Executive will consult the following parties:
  a. the mayor and aldermen of the municipalities in the area to which an application relates; and
  b. the executive board of the Dutch Water Authorities in the area to which an application relates, with water quality, water quantity and infrastructural works in mind.
- the State Supervision of Mines, EBN, TNO-AGE and the Mining Council (*Mijnraad*) will advise the Minister (see § 3.2.3).
- the Minister of Economic Affairs and Climate Policy will decide on a licence application within six months of the date on which it is received.

An exploration or production licence will give the holder the exclusive right to carry out the activities in question in a defined area (see Table 6).[10]

8 www.nlog.nl/vergunningen.
9 See Part 2.3 of the Mining Act. Procedure
10 In the current Coalition Agreement, the government has decided not to grant any further exploration licences for onshore natural gas production.

Table 6 – Exploration and production licences summarised

Type of licence	Exclusive right	Assessment	Which other licences are required?
Exploration licence	Gives the licence holder the exclusive right to carry out certain exploration activities in a certain area.	1. Capabilities of the applicant (technical, financial and sense of responsibility); 2. The area in which exploration will take place (safety, connection with other activities in the subsurface, nature and the environment). Assessment of the aspects under 2) is done broadly, in a manner reflecting the level of detail in the exploration licence.	An environmental licence will also be required to carry out exploration activities (drilling/seismic) in the area.
Production licence	Gives the licence holder the exclusive right to carry out certain production activities in a certain area.	1. Capabilities of the applicant (technical, financial and sense of responsibility); 2. The area in which exploration will take place (safety, connection with other activities in the subsurface, nature and the environment). These aspects will be assessed in more depth than they would be in the case of an exploration licence. An application for a production licence must provide more insight into the technical and financial aspects of production and the exact location of the natural gas discovered must be known.	• Construction of the production location, including the installation: environmental licence necessary • EIA if production is expected to exceed 500,000 m³ per day; • Agreement to the production plan.

Source: the Ministry of Economic Affairs and Climate Policy

Licence register

See www.nlog.nl/vergunningen for information about the licences that the Ministry of Economic Affairs and Climate Policy grants to mining companies in the Netherlands. The Ministry of Economic Affairs and Climate Policy publishes new licences in the Government Gazette.[11] An overview of the licences issued in 2017 can be found in the TNO Annual Report 2017 entitled "Natural resources and geothermal energy in the Netherlands", Overviews 2, 3, 4, 9 and 10. These overviews identify licence holders, dates, licence duration and names, the companies that form part of the licence consortium and the relevant publication number in the Government Gazette. Sections 3, 4, 5 (oil and natural gas) and 12 (salt) of the TNO Annual Report 2017 entitled "Natural resources and geothermal energy in the Netherlands" also set out any changes made to licences in 2017.

For an overview of natural gas and oil fields, by status, as at 1 January 2018, see Overview 1 of the TNO Annual Report 2017 entitled "Natural resources and geothermal energy in the Netherlands". The information provided here includes the name of the licence and the product (natural gas/oil) being produced. See Overview 11 of the TNO Annual Report 2017 entitled "Natural resources and geothermal energy in the Netherlands" for the block division of the Dutch continental shelf.

11 https://www.officielebekendmakingen.nl/.

TNO compiles the report entitled "Natural resources and geothermal energy in the Netherlands" on an annual basis, as instructed by the Ministry of Economic Affairs and Climate Policy. The digital version of this report is available from the Dutch Oil & Natural gas Portal – www.nlog.nl, under "annual reports".[12]

3.1.2. Fiscal regime

Just like other legal entities that carry out activities in the Netherlands, companies that are active in oil and/or natural gas exploration and production activities (hereinafter referred to as 'E&P companies') are required to pay corporate income tax on the profits derived from their activities. Besides corporate income tax, E&P companies are required to pay three other levies too, the so-called mining levies. These levies are designed to ensure that E&P companies pay what the Dutch government considers to be a fair share of the revenue derived from the production of the natural resources present in the subsurface of the Netherlands; these are the property of the State after all. With this in mind, the government wants to collect so-called 'mineral rent'. This is the difference between oil or natural gas revenue and production costs.
The first mining levy is the profit share, which, just like corporate income tax, is based on the profit realised by companies. The other two mining levies are royalty (*cijns*), with turnover as a basis, and surface rental, which is based on the surface of the area for which a production licence has been granted, or an exploration licence for seaside activities.

The three mining levies were initially included in the exploration or production licences granted to companies (for licences granted between 1965 and 2003), as part of the licence conditions. The rules governing the levies were laid down in a Royal Decree, which was enacted under the 1810 Mining Act and later also under the Continental Shelf Mining Act. Since 2003, the three levies have been laid down in Chapter 5 of the 2003 Mining Act, the chapter that sets out the financial provisions for the exploration for and production of natural gas and oil. This chapter also stipulates a one-off payment that E&P companies are required to make to the province in which they carry out activities.

Before 1965, the levy regime was laid down in a civil-law agreement between the Dutch State and the licence holder. These are the so-called pre-1965 levies. These also apply to the Groningen natural gas field, the concession for which was granted in 1963. The pre-1965 levies consist of:

1. State Share, the rate for which is 10% of the profit;
2. Additional Payment, a levy that was introduced in 1984 and made the total tax revenue on profit approximately 50%; and
3. Extra Income Scheme (*Meeropbrengstregeling* (MOR)), introduced in 1972, which increased government revenues from the Groningen concession to 85% of the profit. This was prompted by a strong increase in revenues from the Groningen concession as a result of high oil prices. This agreement was modified in 1975 to increase State revenue to 95% for part of the Extra Income Scheme.

Besides the levies outlined above, the Mining Act grants the State, represented by the Ministry of Economic Affairs and Climate Policy, the right to participate in E&P licences via EBN (see § 3.2.2.). This participation provides the State with an additional source of revenue. EBN pays corporate income tax and dividends to the State.

Finally, E&P companies are subject to the same taxes imposed on other companies in the Netherlands, including VAT, wage tax, dividend withholding tax and, where applicable, environmental levies.[13]

12 https://www.nlog.nl/sites/default/files/jaarverslag%20delfstoffen%20en%20aardwarmt%20in%20nederland%20-%202017.pdf.

13 This enumeration is not exhaustive. Where applicable, E&P companies will also be required to pay insurance premium tax, property tax and certain fees to the State Supervision of Mines. Appendix 5 only focuses on the most important taxes.

A total of approximately 40 E&P companies have their registered offices in the Netherlands, or have their registered offices elsewhere but have an interest in a Dutch exploration or production licence.

Policy responsibility for the implementation of tax regulations in the Netherlands lies with the Ministry of Finance. Implementation of the above has been mandated to the Netherlands Tax and Customs Administration, which forms part of the Ministry of Finance. However, the Mining Act falls under the policy responsibility of the Ministry of Economic Affairs and Climate Policy. It is a wide-ranging Act that also includes a financial chapter. The Ministry of Economic Affairs and Climate Policy has delegated the levying and collection of the mining levies provided for in the Mining Act to the Netherlands Tax and Customs Administration (Section 71 of the 2003 Mining Act). To this end, the general provisions on the levying and collection of taxes in the State Taxes Act (*Algemene wet inzake rijksbelastingen*) and the 1990 Collection of State Taxes Act (*Invorderingswet 1990*) have been declared applicable mutatis mutandis as well (Sections 72 and 73 of the 2003 Mining Act). Pursuant to the Mining Act, the Provincial Executive of each province will ensure on the province's behalf that payments are made to the province (Section 79 of the 2003 Mining Act).

The tax regime to which E&P companies are subject is discussed in more detail in Appendix 5. The overview specifically includes the regulations for corporate income tax, mining levies, pre-1965 levies and the regional payments due to provinces, municipalities and Dutch Water Authorities. The regime applicable for the other taxes referred to above is described briefly as well.

3.2. Institutional framework

3.2.1. The role and responsibility of the government

The Minister of Economic Affairs and Climate Policy (hereinafter referred to as the Minister) represents the State in all activities concerning the exploration for and production of mineral resources and geothermal energy and the storage of substances and minerals. In other words, the Minister is the competent authority. Parties must apply for exploration, production and storage licences from the Minister. The Minister will grant a licence if the relevant legal conditions have been met. The Minister can refuse to grant a licence, or change or revoke an existing licence, but only on the basis of the grounds set out in the Mining Act.

Where environmental and planning law is concerned, the Minister is the competent authority for environmental licences required in relation to the construction of a mining location, drilling activities or the construction of the installations necessary for geothermal energy, natural gas, oil or salt production. Under the Environmental Permitting (General Provisions) Act, the Minister is also the competent authority for notifications and/or other activities required under an environmental licence (such as felling notifications or construction activities), where necessary for the construction of the mining location. Finally, the Minister is also the competent authority for notifications under the General Mining Industry (Environmental Rules) Decree[14] and for the mining environmental licence (*Mijnbouwmilieuvergunning*). Sometimes, multiple administrative authorities may have been designated as competent authorities. In such situations, the various administrative authorities usually agree that coordination of the environmental licence (and, where applicable, the EIA) will be placed with just one competent authority. By virtue of the National Coordination Scheme (*Rijkscoördinatieregeling*), this is often the Minister.

14 https://wetten.overheid.nl/BWBR0023771/2017-05-01.

3.2.2. EBN

The Mining Act lays down how the State will participate in oil and natural gas production. The Act confers a number of public-interest tasks on the designated company: EBN. The Dutch State is the sole (100%) shareholder in this private limited company. The Ministry of Economic Affairs and Climate Policy represents the State in EBN, as EBN is what is known as a policy participation. In other words, it plays a role in the implementation of government policy. The State does not have any other interests in oil or natural gas E&P companies.

The EBN public-interest tasks are set out in Section 82(1) of the Mining Act. They are as follows:

1. to participate in oil and natural gas exploration and production;
2. to carry out its Gasgebouw duties, which includes having a 40% interest in GasTerra and participation in the Partnership between the NAM and EBN; and
3. to advise the Minister of Economic Affairs and Climate Policy.

Part 5.2.3, Sections 93 to 97b inclusive, of the Mining Act states that EBN will participate in production activities, unless the Minister believes this would create a financial disadvantage for the State. Just as with exploration, the interest of the licence holder and EBN in production activities has been fixed at 60% and 40% respectively. The ratio is 50%/50% for several older licences. Both forms of participation are set out in a Cooperation Agreement (CA) between EBN and the licence holder. These agreements must be approved by the Minister of Economic Affairs and Climate Policy. Amongst other things, they require EBN to pay 40% of mining-activity costs. After entering into a CA, EBN becomes the owner of 40% of all infrastructure constructed and 40% of the natural gas, oil and condensate (a by-product of oil and natural gas production) produced. This being the case, EBN participates on the basis of a contractual collaboration with the licence holder, but does not become a licence holder or operator itself. EBN had 197 participations in 2017 (see Appendix 4 for an overview of these participations).

In practice, this means that the licence holder (and operator) for an individual participation will estimate the budget necessary to carry out the activities in question. Once approved by EBN and any co-licence holders, the operator will be able to proceed to carry out the activities proposed. Exploration and production costs are covered by the co-licence holders and EBN in proportion to their participation; EBN usually has a participation of 40%. EBN finances its participation itself, borrowing money from lenders to this end. EBN does not receive a subsidy or other contributions from the government for its participation in oil and natural gas production.

In 2017, EBN had a turnover[15] of more than €3 billion, primarily from the sale of natural gas. In that same year, the operational costs of EBN participations were almost €1 billion and depreciation amounted to more than €400 million. In 2017, EBN paid an amount of almost €1.5 billion[16] to the State.

EBN also contributes to the decommissioning costs of the infrastructure concerned. To promote the re-use of infrastructure and collaboration in the decommissioning of oil and natural gas infrastructure in the Netherlands, EBN has joined forces with the Dutch oil and natural gas industries (represented by NOGEPA) to set up Nexstep (www.nexstep.nl). Nexstep is the National Platform for Re-use & Decommissioning, via which knowledge and experience are shared about the decommissioning of infrastructure on the one hand, and collaboration, innovation and effective legislation and regulations can be stimulated on the other (also see § 2.4.).

15 For more information, see the EBN annual report: www.jaarverslag.ebn.nl/ebn-jaarverslag-2017-verbinding-inde-energietransitie.

16 The key figures in the EBN annual report show an amount of €1,497 for payments to the State. This amount is made up of obligations for the calendar year in question, and does not by definition involve cashing out in 2017. The €796 million referred to in Section 5 relates solely to profit distributions (dividends and corporate income tax); it excludes the additional revenue scheme and SS of €630 million and €17 million respectively. This results in a total EITI balance of €1,433 billion (€796+ €630+ €17). The difference is due to the time difference in cash flow.

Another task for EBN under the Mining Act is to provide the Minister of Economic Affairs and Climate Policy with the information necessary to assess the feasibility of planned energy policy – when asked to do so – particularly information in relation to exploration for and production, management and sale of oil and natural gas. Where applications for exploration and production licences are concerned, EBN advises primarily on the economics aspects of these applications. When doing so, it also advises on the effect of State participation (by EBN) and the effect on State revenue, amongst other things. If companies are new, EBN advises on the question of financial capabilities as well. When asked to do so by the Ministry, EBN also advises on licence transfers, extensions and changes.

In recent years, EBN has also been actively involved in the energy transition process and the implementation of climate policy. For example, EBN is active in the field of geothermal energy, carbon storage and the re-use of the existing infrastructure for oil and natural gas production.

Payments to the State
Just like any other company, EBN is required to pay corporate income tax to the State. It also pays out dividends to its shareholder, represented by the Ministry of Economic Affairs and Climate Policy. Since financial year 2016, 60% of the annual net result remaining after payment of the special profit distributions has been added to equity, while 40% has been paid out as dividends to the shareholder. The EBN annual report describes its results and financial position in detail.

Other participations
EBN has a 40% participation in GasTerra BV, a company in which the State, Shell and ExxonMobil are shareholders too. EBN sells its natural gas via this natural gas wholesale enterprise, but sells its oil and condensate itself.

EBN also has a participation of 45% in NOGAT B.V., the owner and operator of an offshore natural gas transmission pipeline system, via EBN Capital B.V., the sole subsidiary of EBN in 2017. NOGAT B.V. has its registered office in Zoetermeer. Via EBN Capital B.V., EBN also participates in a number of other offshore pipeline systems: WGT (40%), WGT Extension (40%), NOGAT Extensie (40%) and NGT Extensie (12%). Unlike NOGAT B.V., it does so as part of contractual collaborative arrangements. These pipelines are used to transmit natural gas from the North Sea to land.

Finally, EBN has a participation in the PGI Alkmaar (40%), UGS Norg (40%) and UGS Grijpskerk (38.8%) natural gas storage facilities and a 38% participation in the UGS Bergermeer natural gas storage facility via EBN Capital B.V.

Given the role played by EBN described above, it does not incur any social expenditure or quasi-fiscal expenditure (see Section 4).

3.2.3. Advisers and supervisory body

Under the Mining Act, the Minister of Economic Affairs and Climate Policy is assisted in matters pertaining to mineral production in the Netherlands by various advisers. These advisers are:

- EBN;
- the Mining Council;
- the Technical Committee on Ground Movement Tcbb);
- the TNO construction and subsoil core area TNO Bouw en Ondergrond, advisory group on economic affairs (TNO-AGE);
- the State Supervision of Mines.

The State Supervision of Mines advises the Minister but is also the independent supervisory body for the industry, under the responsibility of the Minister.
The following organisations have been established specifically for the Groningen natural gas field and the Wadden Sea: The Groningen soil subsidence committee (*Commissie Bodemdaling Groningen*); and the audit committee on the production of natural gas in the Wadden Sea (*Auditcommissie natural gaswinning onder de Waddenzee*).
All of the organisations above, with the exception of EBN (for EBN, see § 3.2.2.), have the following roles and responsibilities:

The Mining Council

The Mining Council is an independent advisory body and is provided for in Part 6.1, Sections 105-112, of the Mining Act. The remit of the Mining Council is as follows in connection with the exploration for and production of mineral resources and geothermal energy and the storage of substances:
to advise the Minister, when asked to do so, about the decisions to be taken by him (see Chapter 6, Section 105(3), of the Mining Act);
when asked to do so, to provide the Minister with the information necessary to assess the feasibility of proposed statutory provisions and general policy plans.

When arriving at its advice, the Mining Council considers the advice of TNO-AGE (geological aspects), the State Supervision of Mines (technical aspects), EBN (financial aspects) and the Technical Committee on Ground Movement (soil movement). The Mining Council also considers the advice of the relevant provinces, municipalities and/or Dutch Water Authorities, if regional/ local aspects apply.
See the Mining Council website for the advice issued by it: https://demijnraad.nl.

The Technical Committee on Ground Movement (Tcbb)

The tasks conferred on the Technical Committee on Ground Movement are provided for in Part 6.2, Sections 113-122, of the Mining Act. Given the consequences of mining activities for ground movement and the possible damage ensuing as a result, the remit of the Technical Committee on Ground Movement is to:

a. advise the Minister, when asked to do so, about the decisions to be taken by him;
b. provide the Minister with the information necessary to assess the feasibility of proposed statutory provisions, when asked to do so;
c. provide information, when asked to do so, to any party that might expect to sustain damage as the result of ground movement that could reasonably have resulted from mining activities, about the connection between the ground movement and the mining activities in question;
d. provide information, when asked to do so, about the connection between mining activities and property damage that a person has sustained from ground movement that could reasonably have resulted from mining activities, as well as the amount of the claim, to the person who incurred the damage.

The Minister will always seek the advice of the Committee before determining or amending the sum for which security is to be provided under Section 46 of the Mining Act. The Committee will advise the Minister on ground movement as referred to in Section 31b(m) of the Mining Act.

TNO Bouw en Ondergrond, advisory group on economic affairs (TNO-AGE)

The key remit of TNO-AGE (Section 123 of the Mining Act) can be summarised as advising the Minister of Economic Affairs and Climate Policy on issues pertaining to the use of the deep subsurface. Until 1997, this fell under the remit of the Dutch State Geology Service (*Rijks Geologische Dienst*)

at the Ministry of Economic Affairs and Climate Policy. In 1997, it was decided to place this service with a new, separate organisational unit to be set up at TNO for this purpose.
TNO-AGE advises on whether or not exploration and production licences should be granted, based on mining legislation and underlying regulations. The process is as follows:

- the feasibility of an application is assessed: is it likely that the subsurface contains the mineral or geothermal energy sought in economically producible volumes?
- if production is economically feasible, a production plan will be required once the licence has been granted. TNO-AGE advises on the above together with the State Supervision of Mines.
- TNO-AGE manages all data about the subsurface and advises the Minister on the basis of these data, when asked to do so. For example, it might advise on a production plan or an SRA.
- TNO-AGE also carries out research projects and publishes information, at the request of both the Ministry of Economic Affairs and Climate Policy and the State Supervision of Mines. This research might pertain to the following, amongst other things: estimating reserve levels, exploration and production potential for natural gas, oil and geothermal energy, analyses of the potential of the Dutch deep subsurface for production and storage, the publication of information about mining legislation and regulations, mining activities and other information about the utilisation of the deep subsurface.

The State Supervision of Mines (SodM)

The Mining Act confers an advisory role on the State Supervision of Mines in the licensing process for exploration and production licences and an enforcement role as a supervisory body.
The State Supervision of Mines is headed by the Inspector General of Mines.
When deciding whether to grant exploration and production licences to mining companies, the State Supervision of Mines primarily considers safety and environmental aspects of exploration, production and storage activities.
The State Supervision of Mines has the following tasks in this respect[17]:

- to advise the Minister of Economic Affairs and Climate Policy on all licence applications from mining companies under the Mining Act with production safety in mind;
- to check whether mining companies are actually complying with the conditions of consent decisions; non-compliance can result in enforcement action by the State Supervision of Mines;
- to advise the Minister on environmental licences for mining locations with the environment in mind;
- to investigate incidents. For example, in 2017, the State Supervision of Mines ensured that the NAM improved its use of mining additives and its explanation of this, and supervised a seismic survey by Vermilion.

The object of supervision and enforcement is to safeguard health and safety and protect the environment. The duties of the Inspector General of Mines are described in Chapter 8, Sections 126-130, of the Mining Act. They include risk assessments, investigations and notifications, amongst other things. The State Supervision of Mines has also been tasked with establishing a mechanism for confidential reporting on the safety and environmental issues ensuing from natural gas and oil exploration and production activities and investigating these reports. The State Supervision of Mines regularly exchanges knowledge, data and experiences with supervisory bodies from other Member States and publishes information too. The State Supervision of Mines advises the Minister on production at the Groningen natural gas field, for example regarding the proposed operational strategy necessary to supply end users with low-calorific natural gas and to limit the ground movement expected and its consequences for local residents, buildings or infrastructural works as much as possible.

17 https://magazines.sodm.nl/jaarverslag-sodm/2018/01/kleine-olie--en-natural gasvelden-op-land.

The Groningen soil subsidence committee

The Groningen soil subsidence committee was created specifically for the Groningen natural gas field, pursuant to the soil subsidence agreements entered into between the NAM and the province of Groningen and between the NAM and the State. The remit of this committee is to determine which measures are to be put in place to avoid or compensate for damage ensuing from soil subsidence as a result of natural gas production.

The audit committee on the production of natural gas in the Wadden Sea

The central government's project decision on natural gas production in the Wadden Sea (*Rijksprojectbesluit Natural gaswinning onder de Waddenzee*) of June 2006[18] states that the Committee for the Environmental Impact Reports (*Commissie m.e.r.*) will advise the Minister on the report prepared annually by the NAM, which it will do as an independent auditor under the following name: the audit committee on the production of natural gas in the Wadden Sea. The audit committee also advises the Minister of Economic Affairs and Climate Policy on the organisation, requirements and results of monitoring and assesses whether the reports and the conclusions drawn from them are of a sufficiently scientific level. The committee also monitors soil subsidence. The committee is also tasked with carrying out process audits at crucial points in the process and advising the competent authority when formulating monitoring requirements and about monitoring results.[19]

3.2.4. Contract transparency

In some countries, the conditions under which mining companies are able to operate are negotiated directly between the company in question and the government, after which the conditions agreed are set out in contracts. This is arranged differently in the Netherlands: the licences granted give licence holders the exclusive right to carry out activities in a certain area (with EBN) (also see § 3.1.1. and § 3.2.2.).

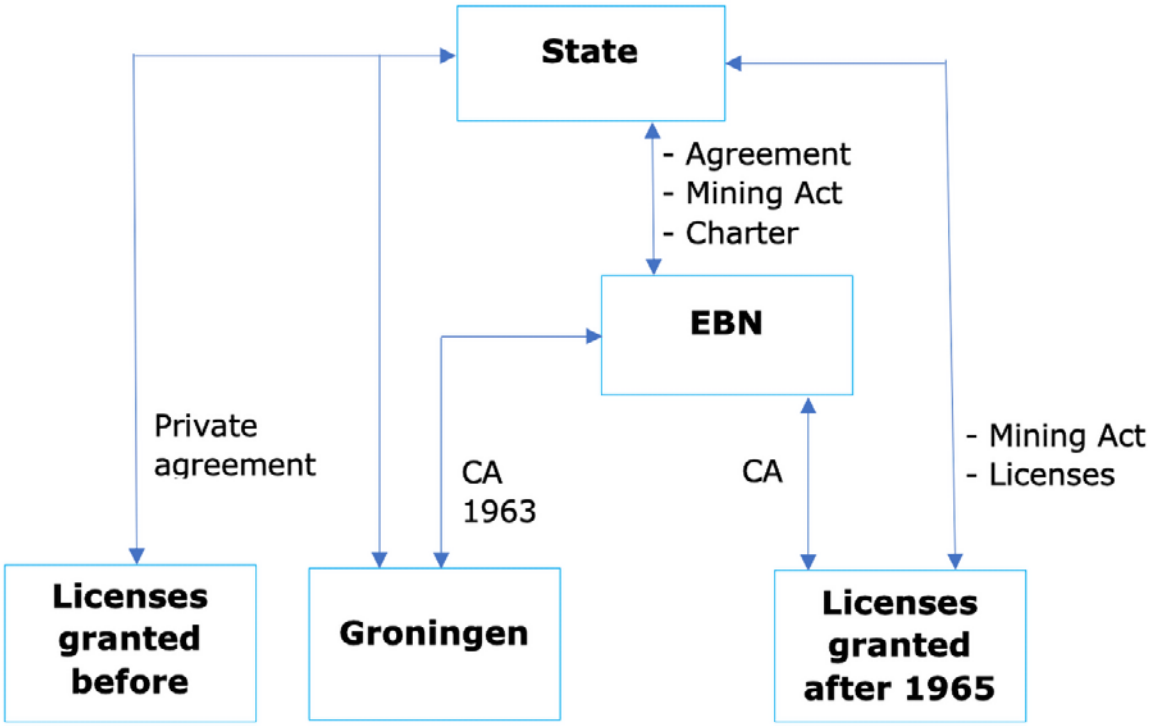
Government policy aims to realise the greatest transparency possible. Licences are published in the Government Gazette and are also listed in the licence register on www.nlog.nl. The register is open to the public and accessible to everyone. The relevant licence details and Government Gazette publication numbers can all be found in the TNO Annual Report 2017 entitled "Natural resources and geothermal energy in the Netherlands" (for more information, see § 3.1.1.).

The Dutch Tax and Customs Administration receives the licences from the Ministry of Economic Affairs and Climate Policy, on the basis of which it levies mining payments. It applies the financial payment provisions that have been set out in the Mining Act[20] since 1 January 2003. Chapter 5 of the Mining Act describes which payments mining companies are required to make to the State in connection with hydrocarbon exploration and collection.[21] The above applies for all licences granted after 1965. Five licences[22] were granted before 1965; government payments due in relation to these licences have been set out in agreements. The licences for these concessions were published in the Government Gazette at the time.[23]

18 https://www.nam.nl/natural gas-en-oliewinning/wadden/onderzoeksrapportages-wadden.html#iframe=L3JlcG9ydHMvc3ViamVjdC93YWRkZW4v.
19 https://zoek.officielebekendmakingen.nl/blg-881550.pdf.
20 https://wetten.overheid.nl/BWBR0014168/2019-04-10.
21 The Mining Act provides for the payment of surface rental (Section 53), a turnover-based levy (Section 60) and a profit share (Section 65).
22 Schoonebeek, Rijswijk, Tubbergen, Rossum de Lutte and Groningen.
23 With the exception of Groningen, these licences do not involve any State participation.

Image 2 shows the above in diagram form, including the position of EBN.

Image 2 – Overview of documents setting out the conditions for the production of oil and natural gas



Source: NL-EITI

Where the Groningen natural gas field is concerned, a number of agreements were entered into between various parties at the time. Together, these agreements form the basis for the current Gasgebouw (also see § 2.4.). These agreements are set out below:[24]

- Cooperation Agreement of 1963 (CA 1963) between EBN (then still the State Mines Department), the NAM, Shell (then still Bataafse Oil Maatschappij) and ExxonMobil (then still Standard Oil Company); this CA pertained to the establishment of the Groningen Partnership and Gasunie;
- agreement on additional revenue scheme for Groningen natural gas (85/15-95/5) (MOR) for the specific Groningen payment, entered into between the State and the NAM in 1975;[25]
- agreement between the State and EBN;[26]
- agreement between the State and Gasunie;
- technical supply contract between the NAM and Gasunie.

A number of these agreements – or parts of them – have been published over time:

- the CA 1963 has been included as Appendix 2 to the letter to the House of Representatives: "general agreement with Shell and ExxonMobil" (25 June 2018).[27]
- parts of the 1975 additional revenue scheme agreement have been amended over the course of time. This agreement is governed by private law and is not in the public domain.

The content of the payment to be made to the government under the additional revenue scheme has been brought into the public domain. The Minister of Economic Affairs and Climate Policy comments as follows in Parliamentary Paper 33529, No. 499: "The agreement on the additional

24 See Appendix 1: description of the structure of the current Gasgebouw (https://zoek.officielebekendmakingen.nl/kst-28109-4-b1.pdf).
25 Parliamentary Papers II, 1974-1975, 13109.
26 Parts of this agreement have been amended over time.
27 https://www.rijksoverheid.nl/documenten/rapporten/2018/06/25/bijlage-2-overeenkomst-samenwerking.

revenue payment was entered into in 1975 and stipulates that the State will receive 85% or 95% of revenue from Groningen natural gas and bears 64% of the costs. As a result, the State received approximately 85% to 90% of the profit achieved from Groningen natural gas every year. The remaining 10% to 15% was retained by the NAM as net profit."[28]

The content and purport of both agreements (the CA 1963 and the agreement about the additional revenue scheme) are explained in various Parliamentary Papers, including in a letter about a previous restructuring of the Gasgebouw (Parliamentary Papers II, 2001-2002, No. 1[29]) and a report by ABD TOP Consult about governance of the Gasgebouw.

Due in part to the phasing out of natural gas production in Groningen, the government developed new policy on financial payments for the Groningen natural gas field and the other pre-1965 licences in 2018. Following the General Agreement, the State and the NAM agreed that the statutory payments set out in the Mining Act would start to apply to the revenue and costs of the Groningen natural gas field with effect from 1 January 2018.[30] Therefore, 2017 is the last year in which the pre-1965 levies (the State share, the supplementary payment and the additional revenue scheme) applied to the Groningen natural gas field. An amended payment regime has been agreed in relation to the other pre-1965 licences, in accordance with the draft agreement appended to the amended licences published.[31]

On the subject of transparency, the Minister of Economic Affairs and Climate Policy has said, in various letters sent to the House of Representatives in 2018 about the CA 1963 and the General Agreement with Shell and ExxonMobil,[32] that he is striving to achieve maximum transparency about new agreements. With this in mind, the General Agreement can be found as an appendix to the following letter to the House of Representatives: "General Agreement with Shell and ExxonMobil".[33] This is elaborated on in a letter to the House of Representatives of 1 October 2018.[34] In this letter, the Minister of Economic Affairs and Climate Policy says: "Given my wish to achieve maximum transparency, I am attaching the agreements entered into to this letter. However, certain passages are company confidential, which means I am unable to bring them into the public domain. For example, the redacted passages[35] in the guarantee agreements pertain to the nature and scope of the guarantees, while the passages from the financial agreement that may not be brought into the public domain are those that relate to the ending of the old payments system."

The government has developed policy on EBN too. EBN is a partner to both the government and mining companies in the exploration and production process for oil and natural gas (also see § 3.2.2.). The agreements that the State has made with EBN about payments for and participation in hydrocarbon exploration and production are provided for in the following three documents: Firstly, EBN's tasks have been described in the Mining Act (Part 5.2., Section 82). Secondly,

28 https://zoek.officielebekendmakingen.nl/kst-33529-499.html.
29 https://zoek.officielebekendmakingen.nl/kst-28109-1.pdf.
30 https://www.rijksoverheid.nl/documenten/kamerstukken/2018/06/25/kamerbrief-akkoord-op-hoofdlijnen-metshell-en-exxonmobil.
31 For example: https://zoek.officielebekendmakingen.nl/stcrt-2018-54377.html.
32 https://www.rijksoverheid.nl/documenten/kamerstukken/2018/02/06/kamerbrief-over-overeenkomst-vansamenwerking.
https://www.rijksoverheid.nl/documenten/kamerstukken/2018/05/14/kamerbrief-over-openbaar-maken-vanovereenkomst-van-samenwerking-en-nieuwe-nadere-afspraken.
https://www.rijksoverheid.nl/documenten/kamerstukken/2018/06/25/kamerbrief-akkoord-op-hoofdlijnen-metshell-en-exxonmobil.
https://www.rijksoverheid.nl/documenten/kamerstukken/2018/10/01/kamerbrief-uitwerking-akkoord-ophoofdlijnen-met-shell-en-exxonmobil.
33 https://www.rijksoverheid.nl/documenten/kamerstukken/2018/06/25/kamerbrief-akkoord-op-hoofdlijnen-metshell-en-exxonmobil.
34 https://www.rijksoverheid.nl/documenten/kamerstukken/2018/10/01/kamerbrief-uitwerking-akkoord-ophoofdlijnen-met-shell-en-exxonmobil.
35 The redacted passages are based on the rules formulated in the framework of the Government Information (Public Access) Act (*Wet Openbaarheid van bestuur*) procedures; see: https://wob.nl/alles-over-de-wob/.

theEBN articles of association have been approved by the State; these are in the public domain.[36] Thirdly, Subsections 5.2.2. and 5.2.3. of the Mining Act set out the provisions to be included in the exploration and production agreements entered into between EBN and licence holders (Sections 87-92 relate to the exploration agreement and Sections 93-97b to the production agreement). These CAs between EBN and licence holders are not in the public domain. They provide for operational cooperation between EBN and the licence holders.

3.2.5. The Ultimate Beneficial Owner (UBO)

The UBO register for companies and other legal entities in the Netherlands is expected to come into force in January 2020. The abbreviation "UBO" stands for "ultimate beneficial owner". This is the natural person who is the ultimate owner, or has ultimate control, of a company or legal entity that has been incorporated in the Netherlands.

The UBO register is being launched in implementation of the (amended) fourth European Anti-Money Laundering Directive.[37] The object of this Directive is to prevent use of the financial system for the laundering of money or terrorist financing.

The register in which UBO information is listed will become part of the commercial register and will therefore be managed by the Chamber of Commerce. Some UBO information, such as the name and state of residence, will be publicly accessible via the register.[38] Safeguards have been designed to protect the privacy of UBOs.

For more information, see: https://www.rijksoverheid.nl/onderwerpen/financiele-sector/ubo-register.

36 https://www.ebn.nl/wp-content/uploads/2019/09/Statuten-EBN-2017.pdf.
37 Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing.
38 In October 2019, The Minister of Finance, also acting on behalf of the Minister of Justice and Security, formally requested the Dutch Data Protection Authority (*Autoriteit Persoonsgegevens*) to advise whether access to the UBO information contained in the private part of the register, currently only open to competent authorities and FIU-Netherlands, should be extended to the institutions specified in the Money Laundering and Terrorist Financing (Prevention) Act (Wwft).

4. Oil and natural gas exploration and production in 2017

Oil and natural gas fields

As of 1 January 2018, the Netherlands has 482 natural gas fields and 53 oil fields.

Platforms and pipelines, the Dutch continental shelf

In 2017, one new platform was built on the continental shelf; none were removed. Overviews 16 and 17 of the TNO Annual Report 2017 entitled "Natural resources and geothermal energy in the Netherlands" provide a complete list of platforms and pipelines. The pipeline data were obtained from the State Supervision of Mines.[1]

Complete overview of oil and natural gas in the Netherlands

For a graphical overview of licences, wells, oil and natural gas fields, platforms, production sites, pipelines and infrastructure in the Netherlands, see Image 3 on the next page.

Oil and natural gas reserves in 2017

Natural gas reserve levels on 1 January 2018 have been estimated at 757 billion Nm^3. Of this total, 563 billion Nm^3 is located in the Groningen natural gas field, while 96 billion Nm^3 is present in the small onshore fields and 99 billion Nm^3 on the Dutch part of the continental shelf.

More than 90% of the above are proven reserves. The vast majority of the reserves is located in the Groningen natural gas field. Because production at the Groningen natural gas field is being phased out, the value of the reserve will be adjusted downwards in the future.[2]

Oil reserves on 1 January 2018 amounted to 28.6 million Sm^3, 17.2 million Sm^3 of which is located in onshore oil fields and 11.5 million Sm^3 offshore.[3]

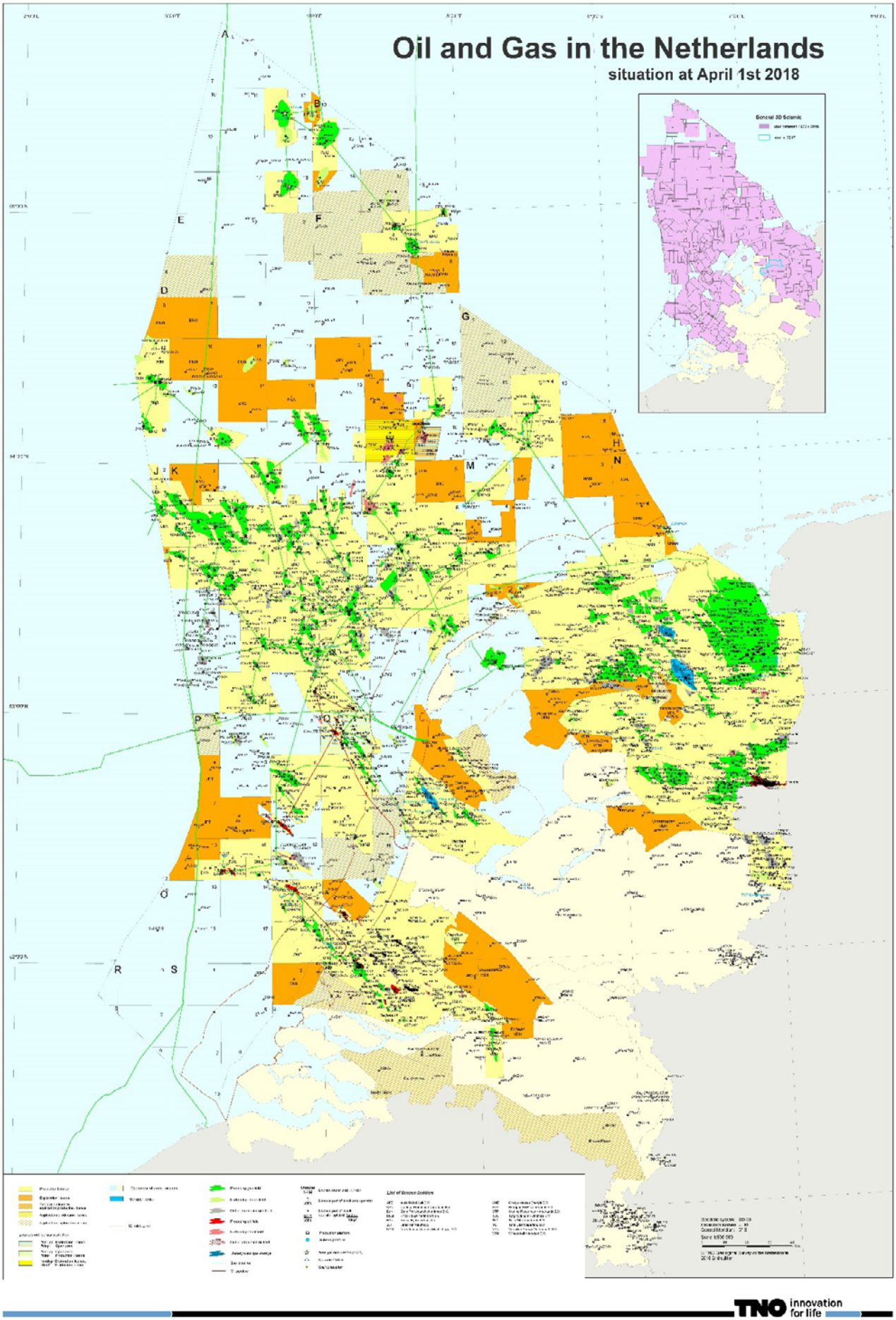
See Sections 1 and 2 of the TNO Annual Report 2017 entitled "Natural resources and geothermal energy in the Netherlands" for more information.[4]

Drilling activities in 2017

In 2017, there were 14 drilling operations for oil and natural gas, both onshore and offshore. This is 13 less than in 2016. Natural gas was discovered in five of the six exploratory drillings[5]; this is a technical success percentage of 83%. An evaluation drilling and seven production drillings were carried out[6] as well.[7] For more information, see Section 7 and Appendix 2 of the TNO Annual Report 2017 entitled "Natural resources and geothermal energy in the Netherlands".

1 TNO Annual Report 2017 entitled "Natural resources and geothermal energy in the Netherlands".
2 Ibid.
3 Ibid.
4 Ibid.
5 If oil or natural gas is thought to be present in a field, an exploratory drilling will be done to establish whether this is actually the case.
6 If it is certain that oil or natural gas is present in a field, a production drilling will be carried out to produce the oil or natural gas.
7 TNO Annual Report 2017 entitled "Natural resources and geothermal energy in the Netherlands".

Image 3 – Oil and natural gas in the Netherlands, situation on 1 April 2018



Source: TNO

Exploration and production licences for natural gas and oil in 2017

Table 7 – Overview of exploration and production licences for natural gas and oil in 2017

Type of licence	Onshore		Offshore	
Exploration licence	Being processed	5	Being processed	19
	Granted		Granted	
	Extension	3	Extension	11
	Reduced		Reduced	5
	Expired	1	Expired	
Production licence	Being processed	2	Being processed	4
	Granted		Granted	3
	Extension		Extension	4
	Reduced	1	Reduced	8
	Expired		Expired	1

Source: TNO Annual Report 2017 entitled "Natural resources and geothermal energy in the Netherlands"

See Sections 3, 4 and 5 and Overviews 2, 3, 9 and 10 of the TNO Annual Report 2017 entitled "Natural resources and geothermal energy in the Netherlands".[8]

Storage licences for natural gas and oil in 2017

There were no new storage licence applications in 2017. One licence from previous years is still pending. This pertains to the storage of a filler to stabilise a salt cavern and the storage of brackish water. See Section 10 and Overview 4 of the TNO Annual Report 2017 entitled "Natural resources and geothermal energy in the Netherlands" for more information.

Natural gas production in 2017

In 2017, the Dutch natural gas fields produced 41.8 billion Nm³ of natural gas. The onshore natural gas fields produced 29.5 billion Nm³.[9] Of this total volume, 6 billion Nm³ was produced by small fields and 23.6 billion Nm³ by the Groningen natural gas field. The offshore natural gas fields produced 12.3 billion Nm³. Therefore, total production in 2017 was 12.7% lower than in 2016.[10]

For more information about the production figures per production licence and detailed overviews, see Section 9 of the TNO Annual Report 2017 entitled "Natural resources and geothermal energy in the Netherlands". Overview 1 of this annual report shows – per field – whether production has started or stopped as well as the product in question.

Oil production in 2017

In 2017, a total of 1.124 million Sm³ of oil was produced, 1.1% less than in 2016. The onshore fields produced 0.42 million Sm³, an increase of 134% in comparison with 2016. This was achieved as a result of increased production at the Schoonebeek oil field. Production at this field restarted in 2011, after oil production there had stopped in 1996. Offshore production was 0.71 million Sm³, a decrease of 26.3%. Oil production in 2017 was an average of 3,080 Sm³ per day.[11] See Section 9 of the TNO Annual Report 2017 entitled "Natural resources and geothermal energy in the Netherlands" for more information.

8 TNO Annual Report 2017 entitled "Natural resources and geothermal energy in the Netherlands".
9 The rounding off of the individual components has resulted in a difference between the sum of the components and the total volume of natural gas produced in the figure following the decimal point.
10 TNO Annual Report 2017 entitled "Natural resources and geothermal energy in the Netherlands".
11 TNO Annual Report 2017 entitled "Natural resources and geothermal energy in the Netherlands".

Natural gas exports and imports

In 2017, €6.9 billion was spent on natural gas imports, which was 1.3% of total imports in the same year. In 2017, €7.9 billion was spent on natural gas exports, which was 1.3% of total exports in the same year. The import and export volume of natural gas in 2017 was 50.968 million m^3 and 52.692 million m^3 respectively.

Social expenditure in 2017

Voluntary expenditure

Social expenditure (in cash and/or in kind) is not a legal or contractual requirement for mining companies in the Netherlands. Mining companies in the Netherlands incur expenditure of this kind voluntarily, by using their knowledge and resources to benefit local initiatives by citizens and villages, amongst other things. Themes include employment, education, quality of life and sustainability, amongst others.

The Dutch natural gas industry signed the Code of Conduct – natural gas production small fields (*Gedragscode – natural gaswinning kleine velden*) on 7 September 2017. It was drafted in close consultation with parties involved in projects and provides general guidelines for the careful involvement of communities in oil and natural gas projects at small onshore fields. By introducing this code of conduct, the industry wants to work towards improving support for and acceptance of oil and natural gas projects in communities. § 7.2. of this code of conduct states that "the initiator will make knowledge and resources available that will benefit the community". The nature of all such contributions will be agreed with the community. The aim will be for contributions to result in the best possible balance between benefits and burdens for the community. This could be a social contribution, such as via synergies with local projects, activities and objectives and/or an economic contribution, and/or a contribution to the energy transition at a local level.[12]

Quasi-fiscal expenditure

In the Netherlands, no quasi-fiscal expenditure, such as social services or public infrastructure, is incurred by State-owned companies outside the national budget.

Other expenditure

Under Rutte III (Coalition Agreement, October 2017), the prospect of an investment fund to promote sustainability and realise a better quality of life from strengthening and repair work was held out to Groningen. An amount of €50 million is paid into this regional fund every year.

12 https://www.nogepa.nl/gedragscode/.

5. Revenues and reconciliation of E&P companies in 2017

5.1. Approach and methodology of the NL-EITI reconciliation exercise in 2017

5.1.1. Materiality analysis and scope

The EITI Standard defines materiality as follows: "Payments and revenues are considered material if their omission or misstatement could significantly affect the comprehensiveness of the EITI Report". The NL-EITI MSG decided to implement a threshold by application of the "Decree on Disclosing Payments to Government Entities ('Besluit rapportage van betalingen aan overheden') of 10 November 2015" and the 2013 EU Accounting Directive[1]. The materiality threshold for the reconciliation scope is set at €100,000 and should be applied to each payment type at a company or a fiscal unity[2] level.

This means that if the company or the fiscal unity pays more than €100,000 or receives more than €100,000 by way of repayment, in relation to any of the individual payment streams that will be included in the published EITI report, it should include all of the payments or repayments of that type made in the year notwithstanding any individual payment may fall below that threshold.

Due to the data protection regulation (confidentiality obligation of the Netherlands Tax and Customs Administration (NTCA)) and the lack of detailed financial information by company, it was not possible to determine the reconciliation scope for companies based on their payments to the government during the scoping phase. Consequently, knowing the major operators in the Oil & Gas sector in The Netherlands, the NL-EITI MSG decided to include all NOGEPA member companies and EBN in the reconciliation exercise.

Following the reconciliation exercise, the Independent Administrator (IA)[3] selected the profit share as most relevant payment stream to calculate the coverage rate for the companies included in the reconciliation scope as compared to the total payments received from the entire sector. Although the total of receipts and payments of profit share in 2017 was negative, this tax is the most appropriate to represent the contribution of the in-scope companies to the total revenues of the sector. The profit share reported by the in-scope companies represents 95,34% of the total profit share payments of the entire sector. Therefore, the IA concludes that the reconciliation is sufficiently representative.

As defined further below, the profit share is a mining levy which is charged annually to the holder of a production license. The levy is calculated and paid on the basis of profit made by E&P companies performing activities in the area of the license. Table 8 below sets out the calculation of the coverage rate. As a result of table 8, the EITI report covered all important operators and all revenues identified and generated by the oil & gas sector in The Netherlands.

1 Directive 2013/34/EU of the European Parliament and the European Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain business forms

2 Fiscal unity regime: A group of Dutch resident companies, and in certain cases also Dutch permanent establishments of foreign companies, can file a single tax return and calculate the Dutch corporate income tax on a consolidated basis by forming a fiscal unity.

3 The independent administrator who reviews on behalf of the NL-EITI MSG the payment flows between exploration & production companies and the Dutch government, and compared the payments reported by the companies and those reported by the government.

Table 8 – Reported profit share in 2017

Description	Amount (EUR)
Total reported profit share collected by NTCA from all companies	- 98,862,245
Total reported profit share from NOGEPA members	-94,251,120
Coverage of the reconciliation exercise	95.34%

Source: BDO

Exploration and Production companies

There is specific legislation which prevents the tax authority from disclosing taxpayer confidential information[4]. Due to the NL-EITI adopting a voluntary approach, the government will not provide data relating to tax payments received from the extractive companies without the consent of the parties. Consequently, and in order to prepare the EITI report, the NL-EITI MSG decided to request specific authorisation from Exploration & Production companies (hereafter: E&P companies) to have access to their payments made to the Tax and Customs Administration. The latter is the main Government agency receiving taxes from the extractive companies. The authorisation was sent to all NOGEPA members as they represent the major companies operating in The Netherlands.
As mentioned above, the NL-EITI MSG decided to include all NOGEPA members in the 2017 reconciliation scope.

NOGEPA members

NOGEPA is an association representing the interests of currently 12 companies holding licenses to explore for and produce gas. NOGEPA is part of the NL-EITI MSG and is involved in the EITI process on behalf of its members. The NOGEPA members are the following companies (groups):

Table 9 – List of NOGEPA members

No.	Operator (*)	In scope
1	Dana Petroleum Netherlands B.V.	✔
2	Hansa Hydrocarbons Ltd	✔
3	Nederlandse Aardolie Maatschappij B.V. (NAM)	✔
4	Neptune Energy Netherlands B.V.	✔
5	ONE-Dyas B.V.	✔
6	Petrogas E&P Netherlands B.V.	✔
7	Spirit Energy Nederland B.V.	✔
8	TAQA Energy B.V.	✔
9	Total E&P Nederland B.V.	✔
10	Tulip Oil Netherlands B.V.	✔
11	Vermilion Energy Netherlands B.V.	✔
12	Wintershall Noordzee B.V. (BASF)	✔

(*) The list above excludes companies from the same group. Only one company is listed from the group.

Source: BDO

Moreover, the NL-EITI MSG decided to include Energie Beheer Nederland (EBN) and the two (2) gas transport companies NGT (Noordgastransport B.V.) and NOGAT B.V. (Northern Offshore Gas Transport) in the reconciliation scope (please refer to Appendix 6 for an overview).

4 Publication from the government side of tax payments that are traceable to individuals or individual companies is prohibited by law (General Law on State Tax Article 67 - AWR).

5.1.2. Payment flows

In preparation for The Netherlands's first EITI report, the Multi-Stakeholder Group (the NL-EITI MSG) considered which revenue streams should be included within the scope of the reconciliation. The Independent Administrator (IA) has carried out a preliminary analysis for the purpose of reviewing the scope of the reconciliation exercise for the year ended 31 December 2017. This preliminary analysis covers the oil & gas extraction in The Netherlands.
Following the review of the taxation system for mining activities in The Netherlands, the table below presents a summary of the taxes and payments made to the Dutch government by E&P companies.

Table 10 – Payments by E&P companies to the Dutch government

Revenue stream	Paid to	Definition	In scope
Corporate Income Tax (CIT) *or Corporation Tax*	NTCA	Pursuant to the 1969 Corporate Income Tax Act, all joint stock companies (NVs), limited liability companies (BVs) and comparable legal entities established in The Netherlands are subject to Corporate Income Tax for their entire profits. The CIT rate is 20% on the first € 200,000 on profit, and 25% on profits exceeding €200,000.	✔
State Participation	EBN & EZK	The Dutch government is usually involved in all Oil & Gas projects in The Netherlands. Its interest in these activities is 40 or 50 percent. EBN, 100% State Owned Enterprise, acts on behalf of the Dutch Government as a participant in a license or as a financial beneficiary.	✔
Profit Share	NTCA	Profit Share is a mining levy foreseen in section 5.1.1 of the Mining Act and charged to the holder of a production license. The rate of the Profit Share is 50% calculated on the basis of the result of the profit and loss account of the licensee.	✔
Surface Rental	NTCA	Surface Rental is a mining levy foreseen in section 5.1.1 of the Mining Act. It is charged annually to the holder of an offshore exploration license or a production license. The levy is calculated and paid on the basis of the surface area of the license.	✔
Cijns (Royalty)	NTCA	Cijns is a mining levy foreseen in section 5.1.1 of the Mining Act. It is charged to the holder of a production license. Theoretically, Cijns applies to both offshore and onshore production licenses, but for offshore licenses a zero percent rate is applied. Cijns is calculated and paid on the basis of the annual turnover of the year for which the tax is levied.	✔
State Share *NAM specific*	EZK	State Share is based on a civil law agreement between the Dutch government, Shell, ExxonMobil and the NAM. It is charged at a rate of 10% on the profits made by certain pre-1965 concessions.	✔
Additional Payment *NAM specific*	EZK	Additional Payment was agreed with the Dutch government on the basis of a civil law agreement, as a result of which the tax revenues (including private law taxes) in total would be based on a composite rate of around 50%.	✔
Extra Income Scheme (MOR) *NAM specific*	EZK	Extra Income Scheme ('MOR') is a levy pursuant to 1972 agreement between the Dutch government, Shell, Esso, DSM and the NAM. It was designed to increase government share to 85% of revenues from Slochteren gas from the Groningen concession. This agreement was amended in 1975 and the share was increased to 95%.	✔
Dividends *EBN specific*	EZK	As a State-Owned Enterprise, EBN pays dividends out of the profits realised after taxation and following decision of the board of directors.	✔

Source: BDO

Social payments

There are no mandatory social payments foreseen in the Mining Act. This was confirmed by the different stakeholders during the preliminary analysis carried out by the IA.

However, several companies undertake voluntary social activities in The Netherlands. As a result, companies were requested to report their social projects.

5.1.3. Government agencies

The Government Agencies required to report for the NL-EITI report 2017 were:

NTCA	Netherlands Tax and Customs Administration ('Belastingdienst')
EZK	Ministry of Economic Affairs and Climate Policy

Also, EBN has been required to report for the NL-EITI report 2017 as part of the Dutch government. In the end, the results of EBN are an – indirect – income of the Dutch government as it is the sole shareholder of EBN.

5.1.4. Data reliability and credibility

The E&P companies were asked to have their reporting templates signed by a senior official. All reporting templates received were duly signed.

Reconciliation methodology

The Independent Administrator (IA) has performed his work in accordance with the International Auditing Standards applicable to related services (ISRS 4400 Engagements to perform agreed upon procedures regarding Financial Information). The procedures performed were those set out in the Terms of Reference and approved by the NL-EITI MSG on 12 June 2018.

The reconciliation procedures carried out were not designed to constitute an audit or review in accordance with International Standards on Auditing or International Standards on Review Engagements and as a result the IA does not express any assurance on the transactions beyond the explicit statements set out in this report. Had the IA performed additional procedures other matters might have come to the IA's attention that would have been reported.

The reconciliation process consisted of the following steps:

- 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 were discrepancies between the two sources of information; and
- contact with Government agencies and extractive companies to resolve the discrepancies.

The acceptable margin of error for the reconciliation differences (after adjustments), between payments from extractive companies and revenues from government, is set at 1% of total extractive revenues as reported by the Government agencies.

The materiality deviation is the threshold of immaterial differences per revenue stream for which the IA did not investigate the discrepancies. As this is the first reconciliation exercise, the NL-EITI MSG agreed to set the final reconciliation difference at €100,000 as a maximum.

5.2. Reconciliation of reported payments to the government by E&P companies in 2017

Payments by company

Reporting templates were received from all 15 companies (or group of companies) and 3 Government agencies. The table below presents aggregated cash flows as reported. A company by-company overview is presented in Appendix 7.

- the companies initially reported payments of EUR 1,914,143,406 to the Government. The payments reported by the companies were EUR 886,094,183 lower than the payments reported by the Government.
- out of these discrepancies, EUR 914,178,171 is explained discrepancies from companies, while EUR 28,083,426 is explained discrepancies from the Government.

The remaining unsolved discrepancies amounting to EUR 562 are not material. It is not possible for the government neither for the E&P companies involved to track down these discrepancies. It is most likely that these discrepancies are the result of rounding differences and/or minor typing errors.

Table 11 – Results of the reconciliation exercise

Aggregated payments	Initial reporting (EUR)	Resolved discrepancies (EUR)		Adjusted reporting (EUR)
		Companies	Government	
Companies	1,914,143,406	914,178,171		2,828,321,577
Government	2,800,237,589		28,083,426	2,828,321,015
Discrepancy	**(886,094,183)**	**914,178,171**	**28,083,426**	**562**

Source: BDO

All resolved discrepancies have been discussed and approved by the concerned reporting entities.

The detailed results of the reconciliation exercise per company are presented in the following table with post-reconciliation differences noted between amounts reported as paid by in-scope extractive companies and amounts reported as received by Government agencies.

Table 12 – Results of the reconciliation exercise per company

No.	Company	Extractive companies (EUR)	Government (EUR)	Difference (EUR)
1	Energie Beheer Nederland (EBN)	795,999,416	795,999,416	-
2	Dana Petroleum	3,067,779	3,067,779	-
3	Hansa Hydrocarbons Ltd	456,946	456,946	-
4	Nederlandse Aardolie Maatschappij B.V. (NAM)	2,003,459,970	2,003,459,210	760
5	Neptune Energy	27,918,099	27,918,522	(423)
6	NGT (Noordgastransport B.V.)	24,787,103	24,787,103	-
7	NOGAT BV (Northen Offshore Gas Transport)	10,594,105	10,594,105	-
8	Petrogas E&P Netherlands B.V.	1,414,785	1,414,785	-
9	Spirit Energy Nederland B.V.	(4,946,516)	(4,946,516)	-
10	TAQA Energy B.V.	5,529,129	5,529,129	-
11	Total	(21,698,171)	(21,698,171)	-
12	Tulip Oil	362,370	362,370	-
13	Vermilion Energy	5,268,495	5,268,250	245
14	Wintershall Noordzee B.V. (BASF)	(23,805,865)	(23,805,865)	-

No.	Company	Extractive companies (EUR)	Government (EUR)	Difference (EUR)
15	ONE-Dyas	(86,068)	(86,048)	(20)
	Total payments	**2,828,321,577**	**2,828,321,015**	**562**

Source: BDO

The table including consolidated figures per company based on the reporting templates prepared by each extractive company and Government agency, adjustments made by the IA following the reconciliation work and residual and unreconciled differences is presented in Appendix 7.

Payments per revenue stream

The detailed results of the reconciliation exercise per revenue stream are presented in the following table with post-reconciliation differences noted between amounts reported as paid by in-scope E&P companies and amounts reported as received by Government agencies.

Table 13 – Results of the reconciliation exercise per revenue stream

No.	Revenue stream	Extractive companies (EUR)	Government (EUR)	Differences (EUR)
	NTCA	**416,237,771**	**416,237,209**	**562**
1	Corporate Income Tax (CIT)	451,429,195	451,429,080	115
2	Profit Share	(67,211,683)	(67,212,120)	437
3	Surface Rental	24,319,092	24,319,082	10
4	Cijns (Royalty)	7,701,167	7,701,167	-
	EZK[5]	**2,412,083,806**	**2,412,083,806**	**-**
5	State Share	39,716,584	39,716,584	-
6	Additional Payment	(19,015,931)	(19,015,931)	-
7	Extra Income Scheme (MOR)	1,908,226,003	1,908,226,003	-
8	Dividends	483,157,150	483,157,150	-
	Total payments	**2,828,321,577**	**2,828,321,015**	**562**

Source: BDO

Noticeable in the table above is that the cash flow from profit share in 2017 has been negative. The main cause - in addition to disappointing results due in particular to the decreasing gas price - is a tax-technical change. The E&P companies maintain a provision on their balance sheet for future expenses for decommissioning platforms and installations. Because this provision is for future expenses, it is discounted. This was always done with a discount factor of 4.5%, which was based on a 1985 decision of the Dutch Supreme Court. Taking into account the very low market interest rate in recent years, companies have been allowed to use the market rate as a discount factor for their decommissioning provision effective 2017. That has already led to reductions in the profit share assessments as early as 2017, and to repayment of previously levied profit share.

The table including consolidated figures per revenue stream based on the reporting templates prepared by each extractive company and Government agency, adjustments made following the reconciliation work and residual and unreconciled differences is presented in Appendix 8.

Payments to Energie Beheer Nederland ('EBN')

As a non-operating partner, EBN is involved in nearly all oil and gas projects in The Netherlands. Its interest in these activities is 40 or 50 percent.

5 The proceeds of EZK from the extraction of minerals benefit the public funds of the government. The benefits are accounted for in article 5 of the budget of EZK and flow to the State Treasury.

EBN is playing a double role in the Oil & Gas sector:

- as a State-Owned Enterprise (SOE), EBN is managing the interests of the Dutch State in the Oil & Gas projects; and
- as a company, undertaking its business and paying taxes to the government. It also pays dividends out of the profits realised after taxation.

Although EBN is a SOE, it is run like a private company with an independent management and a financial autonomy. All revenues collected, including the sales of the government share in the production, are incorporated in its financial statements. The Dutch government receives dividends out of the profits realised after taxation.

In order to not double count the revenue generated by the Dutch State in the Oil & Gas projects, only transfers made by EBN to NTCA and EZK were considered as direct revenues from the sector as presented in Section 5.2.1. Revenues received by EBN from extractive companies for its participation in the different Oil & Gas projects are detailed separately in this section for information purposes and not considered as additional revenues for the Government.

According to data obtained from EBN, the revenues received from the State participation in the different Oil & Gas projects in 2017, broken down by operator, are as follows. Please see table 14.

Table 14 – Revenues received from the State participation in the different Oil & Gas projects in 2017

Operator	State Participation (EUR)	Reconciled
Nederlandse Aardolie Maatschappij B.V. (NAM)	1,364,909,827	✔
Neptune Energy	261,126,664	✘
Total	**185,984,728**	✘
Petrogas E&P Netherlands B.V.	97,748,480	✘
Wintershall Noordzee B.V. (BASF)	94,297,778	✘
ONE-Dyas	65,683,071	✘
TAQA Energy B.V.	39,085,997	✔
Vermilion Energy	37,659,486	✔
Dana Petroleum	18,862,698	✘
Tulip Oil	601,906	✘
Spirit Energy Nederland B.V.	(8,757,054)	✔
Total	**2,157,203,580**	

Source: BDO

These payments are relating to the State Participation (40 or 50 percent) in the Oil & Gas projects. EBN receives these payments directly from the gas trading company GasTerra. As this is not a direct payment from the E&P companies to EBN, only four reporting companies, as shown in the table above, have included this payment flow in their reporting templates.

Other significant payments

To avoid omissions that may be considered significant, the NL-EITI MSG has decided to include a separate line entitled "Other significant payments flows" in the reporting template for extractive companies to report any significant payment made to Government agencies exceeding EUR 100,000 including any payment flows which are not shown in the reporting template. Only two companies reported "Other significant payments" as follows:

Table 15 – Other significant payments

Legal entity name	Description of payment	Paid to	Payment (EUR)
TAQA Energy B.V.	WOZ 2017 (Property Tax)	Municipality of Alkmaar	15,941
TAQA Energy B.V.	WOZ 2017 (Property Tax)	Municipality of Bergen	243,654

Legal entity name	Description of payment	Paid to	Payment (EUR)
TAQA Onshore B.V.	WOZ 2017 (Property Tax)	Municipality of Alkmaar	688,643
TAQA Onshore B.V.	WOZ 2017 (Property Tax)	Hollands Noorderkwartier Water Authority	74,902
TAQA Onshore B.V.	WOZ 2017 (Property Tax)	Municipality of Bergen	261,438
TAQA Piekgas B.V.	WOZ 2017 (Property Tax)	Municipality of Alkmaar	337,492
TAQA Energy B.V.	Insurance tax 2016	NTCA	191,431
		Subtotal	**1,813,501**
Vermilion Energy	Damages	Province of Fryslan	436,166
Vermilion Energy	Rental	Municipality of Waalwijk	320,266
		Sub-total	**756,432**
Total			**2,569,933**

Source: BDO

Social payments

Only Wintershall Noordzee B.V. (BASF) reported voluntary social payments in 2017 for an amount of EUR 8,341. Please see table 16 for the detail of this amount.

Table 16 – Social payments of Wintershall Noordzee B.V. (BASF) in 2017

Beneficiary	Location	Date	Description of the action/project	Payment (EUR)
Utrecht Earth Sciences Association	Utrecht	02.02.2017	Sponsoring	500
TNO / PGK	Delft	20.02.2017	Sponsoring	1,000
Delft Student Association	Delft	01.06.2017	Sponsoring	200
SPE	Utrecht	11.09.2017	Sponsoring	2,191
University of Utrecht	Utrecht	28.09.2017	Sponsoring	3,000
SPE WIE	Utrecht	04.10.2017	Sponsoring	1,000
Geovisie	Arkel	14.11.2017	Sponsoring	450
Total				**8,341**

Source: BDO

Completeness and accuracy of the data

To ensure the completeness and accuracy of the data, the NL-EITI MSG has decided that all reporting templates submitted by extractive companies should be signed off by an authorised officer. All reporting templates received from the extractive companies were signed off by an authorised officer.

The IA concluded that the final assessment of the overall comprehensiveness and reliability of reconciled financial data from companies and Government agencies to be satisfactory.

5.3. National budget

In the Netherlands, all revenues from the mining activities are recorded in the national budget. The revenues are recorded according to Article 5 of the budget of the Ministry of Economic Affairs and Climate Policy. Afterwards, the revenues flow into the State treasury. For more information, please see: https://www.rijksbegroting.nl/2017/voorbereiding/begroting.
In the Netherlands, there is no transfer of funds to other governmental authorities than the State.

6. IA recommendations to the NL-EITI MSG

1. Lack of EITI Database

It appears that NL-EITI Secretariat still does not have a comprehensive database of all extractive companies operating in the extractive sector. This is due to the fact that there is no formal communication with Government agencies with regard to the extractive companies operating in the sector.In some cases, making contact with extractive companies was difficult as no contact details were available.

It is recommended that, in the first instance, the Secretariat should create its database following the current reconciliation exercise. The Secretariat should then liaise with the Government agencies to ensure it obtains adequate information regularly and updates its database accordingly. To this end, it is vital that any new entrants to the extractive sector are registered with the EITI Secretariat as part of the process before or at the same time as they obtain their operating licence. A regular review with the Government agencies of the list of extractive companies licenced to operate in the sector is also recommended.

Each extractive company and Government agency previously included in the reconciliation work must appoint a single point of contact to take responsibility for comprehensive EITI reporting and the company and government entity should notify the Secretariat of the name and contact details of that focal person.

2. Limited authorisation from extractive companies for data disclosure

The NL-EITI MSG decided to send confidentiality waivers to Oil & Gas companies that will be included in the reconciliation scope. These companies will be asked to return signed confidentiality waivers to the IA so that Government agencies could release details of payments to the IA.

However, the text of the waiver authorises only NTCA to provide financial information to the IA for the following taxes and levies:

- the corporation tax;
- the profit share;
- de Cijns (Royalty); and
- the surface rental.

Following the scoping study, EZK and EBN were included as governmental institutions to be involved in the reconciliation process. They were also asked to provide data on revenues collected from individual companies. Furthermore, other types of revenue streams were added to the reporting process such as profit share, additional payment, Extra Income Scheme and dividends.

It is recommended that the confidentiality waiver should be extended to all Government agencies involved in the collection of revenues from extractive companies. The extension should also cover all types of payment streams covered by the EITI process.

3. Lack of Reporting Templates and assurance procedures for the Government agencies for EITI reporting

The EITI Standard 2016 and the Terms of Reference for the Independent Administrator require the NL-EITI MSG and the IA to develop reporting templates and agree on the assurances to be provided by the reporting entities.

Following the scoping study, NTCA, EZK and EBN were included as governmental institutions to be involved in the reconciliation process. However, publication from the government side of tax payments that are traceable to individuals or individual companies is prohibited by law (General Law on State Tax Article 67 (AWR). Therefore, the NL-EITI MSG was obliged to send confidentiality waivers to Oil & Gas companies that were included in the reconciliation scope. These companies were asked to return signed confidentiality waivers to the IA so that Government agencies could release details of payments to the IA.

Therefore, NTCA, EZK and NTCA did not use EITI reporting templates to disclose the required EITI data. The payments were reported using Excel tables and without the breakdown by receipt/ assessment number. This breakdown was submitted to the IA only when reconciliation discrepancies were raised. Furthermore, the State Participation was first collected from the operators and then sent to EBN for confirmation.

The lack of an agreed reporting template for Government agencies caused several challenges to the reconciliation process. For example, the data received from NTCA was not structured in the same way as the companies reporting templates.

It is recommended that future government reporting process is discussed and that separate templates are developed for the 2018 EITI Report. In particular, it should be clarified whether EBN should report both incoming and outgoing payments. The level of details in the reporting should also be specified. Additionally, further clarification is needed on whether GasTerra are required to report payments relating to the sale of the state's gas (C.f. recommendation 6.4 below).

The NL-EITI MSG should also agree the assurances to be provided to the IA by government entities. For instance, these reporting templates could me signed off by a official from the government entity.

4. Sale of the state's share of production

In accordance with Requirement 4.2 of the EITI Standard 2016, "where the sale of the state's share of production or other revenues collected in-kind is material, the government, including state-owned enterprises, are required to disclose the volumes sold and revenues received. The published data must be disaggregated by individual buying company and to levels commensurate with the reporting of other payments and revenue streams".

GasTerra is a company that is active in the worldwide trade and supply of natural gas. GasTerra is mandated to sell the state's share of the gas production. Therefore, according to requirement 4.2 of the EITI Standard 2016, the company should be contacted in order to report on volume sold and revenues received. The published data must be disaggregated by individual buying company.

It is recommended that in future NL-EITI reports, the NL-EITI MSG includes the required data relating the sale of the state's share of production. GasTerra should be approached to report the volume sold and revenues received disaggregated by individual buying company.

It is also worth noting that EITI Standard 2019 introduced new requirements on commodity trading transparency. The implementing countries should report on revenues from the sale of the state's share of production of oil, gas, and/or mineral resources disaggregated by sales contract (rather than by buyer). Implementing countries are also encouraged to disclose the process of selecting buyers. Consequently, involving GasTerra in the EITI process is highly recommended.

5. Reporting at project level

In accordance with Requirement 4.7 of the EITI Standard 2016, "the NL-EITI MSG is required to

agree the level of disaggregation for the publication of data… Reporting at project level is required, provided that it is consistent with the United States Securities and Exchange Commission rules and the forthcoming European Union requirements".

The EITI reporting templates sent to the extractive companies required the disaggregation of the reported payments by license number and field name. However, most of the companies that submitted EITI reports did not include the license number and field name for each reported payment.

To further strengthen EITI implementation, the NL-EITI MSG is encouraged to work with the Government agencies and start early discussions on availability of government data for project-level reporting.

As per the EITI Board decision of 8 March 2018, the NL-EITI MSG should agree on a definition of the term 'Project' that is consistent with relevant national laws and systems as well as international norm. The NL-EITI MSG should be able to disaggregate data by project in the 2018 NL-EITI report.

6. Overall coverage of the EITI Report

There is specific legislation which prevents the tax authority from disclosing taxpayer confidential information[1]. Due to the NL-EITI adopting a voluntary approach, the government will not provide data relating to tax payments received from the extractive companies without the consent of the parties. Consequently, the NL-EITI MSG decided to request specific authorisation from Oil & Gas companies to have access to their payments made to the Tax and Customs Administration. The latter is the main Government agency receiving taxes from the extractive companies.

The authorisation was sent to all NOGEPA members as they represent the major companies operating in The Netherlands. However, the remaining extractive companies which are not members of NOGEPA were not contacted on time to disclose their payments, thus 20 extractive companies were not involved in the reconciliation scope 2017. This was due mainly to the lack of available contact details for these companies or the lack of physical presence of the entity in The Netherlands.

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

7. Reconciliation issues: Interests paid/repaid

According to the reporting template dispatched to the companies, interest and penalty payments should be included in the payment with which they are associated. For example, interest payable or repayable that relates to CIT should be added to, or deducted from, the associated CIT payment or repayment and a single figure reported showing the total.

The reporting companies did not systematically include interest paid or repaid within the payment data that they initially provided to the IA. Additionally, as NTCA reported interest when submitting their reporting templates, the information submitted by the reporting companies was incongruous with that submitted by NTCA. This situation led to additional resources required and unnecessary difficulties in the reconciliation process.

1 Publication from the government side of tax payments that are traceable to individuals or individual companies is prohibited by law (General Law on State Tax Article 67 - AWR).

It is highly recommended that before dispatching the reporting template, a workshop should be planned in order for the IA to present the reporting template and provide guidance to the different reporting entities in order to avoid any misunderstanding of the reporting requirements. The workshop will also be beneficial to both the IA and companies to exchange on practical aspects of the reporting process and agree on adequate approach for a successful and smooth reporting.

8. Late submission of reporting templates

Few companies submitted their reporting template on or before the agreed deadline of 30 August 2019. For other companies frequent follow up by telephone calls and emails were required to obtain their completed reporting templates. This was due mainly to the fact that the reporting period coincided with the holiday season and several key staff from companies were out of the office.

It is recommended that the NL-EITI MSG considers the options available in order to try to achieve 100% on time submission by the reporting entities. The following options are to be considered:

- *raising the awareness of the EITI programme and its importance;*
- *extend the reporting deadline in order to provide the companies enough time to prepare the reporting template;*
- *schedule the reporting template preparation in periods were companies have availabilities of staff (avoid holiday seasons and accounting closure periods).*

Appendices

Appendix 1: Government Gazette publication of 3 July 2019, concerning the names of NL-EITI MSG members

Appendix 2: Overview of EITI Requirements applicable to the NL-EITI Report 2017

Appendix 3: Structural Vision for the Subsurface (*Structuurvisie Ondergrond*) – Appendix 2: The legal framework for mining activities

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Appendix 5: The fiscal regime in the Netherlands

Appendix 6: The reconciliation scope: list of companies

Appendix 7: Reconciliation of cash flows per company

Appendix 8: Reconciliation of cash flows per revenue stream

List of abbreviations

ACM	Netherlands Authority for Consumers & Markets (*Autoriteit Consumer & Markt*)
Barmm	General Mining Industry (Environmental Rules) Decree (*Besluit algemene regels milieu mijnbouw*)
BBL	Bacton Balgzand Line
GDP	Gross Domestic Product
Bevb	Public Safety (Pipelines) Decree (*Besluit externe veiligheid buisleidingen*)
Bevi	Public Safety (Establishments) Decree (*Besluit externe veiligheid inrichtingen)*
CBS	Statistics Netherlands (*Centraal Bureau voor de Statistiek*)
CCS	Carbon Capture and Storage; the storage of CO2
EBN	Energie Beheer Nederland
EITI	Extractive Industries Transparency Initiative
ENCI	Eerste Nederlandse Cement Industrie
E&P	Exploration and production
EU	European Union
FES	Economic Structure Enhancing Fund (*Fonds Economische Structuurversterking*)
GTS	Gasunie Transport Services
IEA	International Energy Agency
IRO	Association of Dutch Suppliers in the Offshore Energy Industry (*Vereniging Industriële Raad voor de Olie en Natural gas*)
LNG	Liquid Natural gas
EIR	Environmental Impact Report (Milieueffectrapportage - m.e.r.)
MOR	Extra Income Scheme (*Meeropbrengstregeling*)
MSG	Multi-stakeholder group
NAM	Nederlandse Aardolie Maatschappij B.V.
NGT	Noordgastransport
NL-EITI	EITI in the Netherlands
NWP	National Water Plan
NOGAT	Northern Offshore Gas Transport
NOGEPA	Netherlands Oil and Natural gas Exploration and Production Association (*Nederlandse Olie en Gas Exploratie en Productie Associatie*)
CA	Cooperation Agreement
PGI	Peak natural gas installation in Alkmaar
REVI	Public Safety (Establishments) Regulation (*Regeling externe veiligheid inrichtingen*)
RVO	Netherlands Enterprise Agency
SIC	Standard Industrial Classification
SDE+	Stimulation of Sustainable Energy Production (*Stimulering Duurzame Energieproductie*)
SRA	Seismic Risk Analysis
SodM	State Supervision of Mines
TAQA	Abu Dhabi National Energy Company
Tcbb	Technical Committee on Ground Movement (*Technische Commissie bodembeweging*)
TNO	Netherlands Organisation for Applied Scientific Research (*Nederlandse Organisatie voor toegepast-natuurwetenschappelijk onderzoek*)
TNO-AGE	TNO advisory group on economic affairs (*Adviesgroep Economische Zaken*)
UBO	Ultimate Beneficial Owner
Wabo	Environmental Permitting (General Provisions) Act (*Wet algemene bepalingen omgevingsrecht*)
WGT	Westgastransport
Wwft	Money Laundering and Terrorist Financing (Prevention) Act (*Wet ter voorkoming van witwissen en financieren van terrorisme*)

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APPENDIX 1

GOVERNMENT GAZETTE No. 38379
9 July 2019
Official publication of the Kingdom of the Netherlands since 1814.

Order of the Minister for Foreign Trade and Development Cooperation and the Minister of Economic Affairs and Climate Policy of 1 July 2019, no. MinBuZa-2019.3683-38, to appoint a chair and to amend the order to establish an EITI MSG

The Minister for Foreign Trade and Development Cooperation and the Minister of Economic Affairs and Climate Policy,

Given Requirement 1.4 of The Extractive Industries Transparency Initiative Standard 2016[1];

Have ordered:

ARTICLE I

The replacement of Article 2 of the Order of the Minister for Foreign Trade and Development Cooperation and the Minister of Economic Affairs of 16 October 2017, no. Min-BuZa.2017.695-29, being to establish an EITI MSG with:

Article 2

1. With effect from 1 June 2019, J. Haenen, from The Hague, will be appointed chair of the NL-EITI multi-stakeholder group for a period of two years.
2. The duties of the chair will include the facilitation of the multi-stakeholder group and the implementation and further development of the working plan. Amongst other things, the object of the above will be to realise a successful first national Dutch report under the Extractive Industries Transparency Initiative before the end of 2019.
3. The following individuals will be members of the multi-stakeholder group for a period of three years:
   a. with effect from 1 October 2018, Mr R. Cino, residing in Leidschendam-Voorburg, as a representative of the Ministry of Economics Affairs and Climate Policy. His named alternate is Mr J.H.C.M. van Gemert;
   b. with effect from 11 October 2017, Ms C.B. Hagenaars, residing in The Hague, as a representative of the Ministry of Foreign Affairs. Her named alternate is Mr M.H.L. Reubzaet;
   c. with effect from 11 October 2017, Ms T.W.A.M. Raijmann, residing in Rotterdam, as a representative of the Dutch Tax and Customs Administration. Her named alternate is Mr M.C. van Driel;
   d. with effect from 11 October 2017, Mr W.M. van der Deijl, residing in Rotterdam, as a representative of NAM B.V. His named alternate is Mr J.M. Kutsch Lojenga, as a representative of Shell International B.V.;
   e. with effect from 1 January 2019, Mr T. Zaal, residing in Rijnsburg, as a representative of TAQA Energy B.V. His named alternate is Mr J. Hengeveld, as the representative of Vermilion Energy Netherlands B.V.;
   f. with effect from 11 October 2017, Mr J. Peters, residing in Bilthoven, as a representative of NOGEPA. His named alternate is Ms M. van den Akker;
   g. with effect from 11 October 2017, Mr G. Kwaks, residing in Utrecht, as a representative of the Open State Foundation. His named alternate is Mr T.M.J. Kunzler;
   h. with effect from 1 April 2019, Ms L.A.P. Rooijendijk, residing in Amsterdam, as the representative of Transparency International. Her named alternate is Mr P. Vlaanderen;
   i. with effect from 11 October 2017, Ms J. de Langs, residing in Groningen, as a representative of FNV. Her named alternate is Mr H. Korthof.

1 https://eiti.org/document/standard.

Article 3

The multi-stakeholder group organises its own activities.

ARTICLE II

The Order of the Minister for Foreign Trade and Development Cooperation and the Minister of Economic Affairs of 25 April 2017, no. IGG-2017.550751, appointing Prof. D.J. Koch as the temporary chair of the implementation process for the EITI framework, is withdrawn.

ARTICLE III

This Order will take effect on the day after the publication date of the Government Gazette in which it is included.

This Order will be published in the Government Gazette and copies will be sent to everyone concerned.

The Minister for Foreign Trade and Development Cooperation,
S.A.M. Kaag

The Minister of Economic Affairs and Climate Policy,
E.D. Wiebes

APPENDIX 2

Overview of EITI Requirements applicable to the NL-EITI report 2017

Part	Subject	EITI Requirement
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2.	**The extractive industry in the Netherlands**	
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2.2	Salt	
2.3	Oil	
2.4	Natural gas	
2.5	Energy transition	
2.6	Surface minerals	
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3.	**Legal and institutional framework**	
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3.1.2	Fiscal regime	2.1a Description of the legal framework and fiscal regime
3.2	Institutional framework	2.1 Legal framework and fiscal regime
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3.2.2	EBN	2.6 State participation 4.5 Transactions relating to state-owned enterprises (SOEs) 6.2 Quasi-fiscal expenditures
3.2.3	Advisers and supervisory body	2.1a Description of the legal framework and fiscal regime, including information about the role and responsibility of the relevant governmental bodies
3.2.4	Contracts	2.4b/c Government policy on the disclosure of contracts
3.2.5	Ultimate Beneficial Owner (UBO)	2.5 UBO: as of 2020, information about the ultimate beneficial owner

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5	**Revenue and reconciliation of E&P companies in 2017**	
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5.2	Reconciled payments to the government in 2017	4.1c Reconciliation of government revenues and company payments 4.1d Aggregated information about the amount of total revenues received 4.2 Sale of the state's share of production or other revenues collected in-kind 4.3 Infrastructure provisions and barter arrangements 4.4. Transportation revenues 4.5 Transactions related to EBN 4.6 Sub-national payments 4.7. Level of disaggregation 4.9 Data quality and assurance
5.3	National budget	5.1a Indicate which extractive industry revenues are recorded in the national budget 5.2 Subnational transfers
6	**Recommendations further to the 2017 NL-EITI reconciliation**	
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APPENDIX 3

Appendix 3 The legal framework for mining activities

1. Introduction

Various amendments have been made to the Mining Act, due in part to recommendations about the risk of earthquakes in Groningen[39] in the report of the Dutch Safety Board (OVV). Amongst other things, the object of these amendments is to strengthen safety interests and to give the Minister of Economic Affairs and Climate Policy more control over important mining-related decisions.

The safety of mining activities is key to the government and careful decision-making about mining processes is essential to this end. The amended Mining Act provides the tools necessary in this respect. The importance of safety for citizens is explicitly and structurally included in the decision-making process and local and regional authorities play an active role in decision-making – not just in relation to natural gas production at the Groningen natural gas field, but also in respect of all forms of mineral exploration and production, geothermal energy and the storage of substances.

Besides the Mining Act, the following legislation has been amended too: the Living Environment Law Decree (*Besluit omgevingsrecht*), the General Mining Industry (Environmental Rules) Decree and the Environmental Impact Reporting Decree (*Besluit milieueffectrapportage*). This appendix describes the possibilities ensuing from the new legislation and regulations to carry over the spatial management set out in the Structural Vision for the Subsurface into the licensing process for mining activities. This appendix also describes which possibilities the right to prior consultation offers local and regional authorities to play an active role in decision-making about mining activities.

2. The Structural Vision for the Subsurface and licences for mining activities

Licences

Any party that wants to explore for and produce mineral resources and geothermal energy or store substances will need various licences. The first step towards the actual performance of these activities is to apply for an exploration licence, production licence or storage licence under the Mining Act. The Minister of Economic Affairs and Climate Policy is the competent authority in this respect. The licences in question are similar in nature to a concession, as they give the licence holder the exclusive right to carry out a certain activity in a certain area.

Once a licence has been obtained, the licence holder will still need to determine whether and how it will carry out the mining activity. As regards the production or storage method to be used, it will prepare a production plan or a storage plan respectively, which will require the approval of the Minister of Economic Affairs and Climate Policy. A production plan will set out the production method and duration, the volumes of mineral resources or geothermal energy expected or produced, expectations about ground movement and how the damage ensuing from soil movement will be avoided. A storage plan will describe which substance will be stored, how it will be stored and for how long, which possible impact this could have and how this can be avoided.

Added to the above, the Environmental Permitting (General Provisions) Act requires that an environmental licence be obtained for mining activities at a proposed location. The Minister of Economic Affairs and Climate Policy is the competent authority in respect of the above. Certain requirements with regard to spatial integration, the environment and structures may be imposed on an environmental licence.

The effect of the Structural Vision for the Subsurface on licences

The Minister of Economic Affairs and Climate Policy is the competent authority for all of the licences above. When assessing licence applications, he will take the spatial policy set out in the Structural Vision for the Subsurface into consideration. There are various assessment criteria on which the structural vision may make pronouncements. Some of these can be applied directly to the licensing process, to explain legal assessment criteria and to weigh up interests. Other pronouncements must first be legally anchored in a general administrative order.

[39] Earthquake risks in Groningen. Parliamentary Papers II 2014-2015, 33 529, No. 123.

The Physical Planning (General Rules) Decree (Barro) may specify areas in which mining activities are not permitted. It will not be possible to obtain an environmental licence to set up and operate an exploration, production or storage installation in these areas. In principle, no mining will be possible in the area specified. In this situation, there would seem to be no reason to grant an exploration, production or storage licence for the areas in question. With this in mind, the Mining Act contains a ground for refusal of licence applications for areas that the Physical Planning (General Rules) Decree has identified as areas in which the exploration for or production of mineral resources or geothermal energy via an exploration or production installation may be refused.

However, this does not mean that production under the areas in question will not be possible. By drilling at an angle, or horizontally to a certain extent, it may be possible to extract mineral resources under these areas. For this reason, the area to which a licence application relates should not necessarily be ruled out for exploration or production of mineral resources. An exploration or production licence may be granted for areas of this nature, but restrictions and/or conditions may be imposed on the production method used. Parts of the area to which a licence application relates may also be excluded from certain forms of exploration or the use of certain techniques, for example.

Pursuant to the Mining Act, the Mining Decree may stipulate rules for certain activities, minerals or the depth at which an activity is to take place – which rules will apply over and above the spatial restrictions set out in the Physical Planning (General Rules) Decree. For this reason, licences may be refused in part or in full, or be granted subject to certain restrictions.

One important assessment criterion stipulated in the Mining Act is the systematic use or management of mineral or geothermal-heat fields, other natural resources, including ground water, with a view to the production of drinking water, or storage potential. Based on the assessment criterion above, all or part of a licence application may be refused, or be subjected to certain restrictions or conditions. This makes it possible to weigh up the different "deep subsurface functions" mentioned, if they are difficult to apply in combination with each other. Pronouncements about the systematic use or management of the subsurface may be made in the Structural Vision for the Subsurface. This can lead to the reservation of all or parts of an area for a specific function in the Structural Vision for the Subsurface, if this area is the preferred choice. The reservation of an area for a certain mining activity or of groundwater for drinking water supply purposes will apply to a specific layer in the subsurface. The use of other layers will still be possible in many cases. Certain preconditions for other use may be linked to a reservation (conditions relating to the production or storage method permitted). Sometimes, the use of other layers will not be possible or desired; this may also be set out in the Structural Vision for the Subsurface. It is not necessary to anchor rules on the systematic use or management of the subsurface in a general administrative order. This may be taken into consideration when assessing applications for exploration, production and storage licences.

Finally, the licences required under the Mining Act may be refused or granted subject to certain restrictions or conditions regarding the way in which activities are to be carried out, including the techniques, technologies, tools or substances to be used, the safety of local residents or the prevention of serious damage to buildings or infrastructural works.

3. Right to prior consultation for local and regional authorities

This section describes the right to prior consultation set out in the amended Mining Act and in the amended Living Environment Decree, pursuant to the Environmental Permitting (General Provisions) Act.

Exploration, production and storage licences

The Minister of Economic Affairs and Climate Policy assesses applications for exploration, production and storage licences on the basis of current mining legislation and regulations. When doing so, he may also – if laid down in general rules in the Physical Planning (General Rules) Decree and the Mining Decree – consider the spatial assessment framework provided for in the Structural Vision for the Subsurface. Provinces will have a right to prior consultation on the assessment of licence applications for activities that fall within their particular territories. They will consult the relevant municipalities and Dutch Water Authorities when arriving at their advice.

Production plans and storage plans

The Mining Act provides for the applicability of the extensive preparation procedure (Part 3.4 of the General Administrative Law Act (*Algemene wet bestuursrecht*)) in the preparation for the decision to consent to a production plan or storage plan. Everyone concerned will be given the opportunity to submit an opinion on the production or storage method proposed. In this way, citizens are involved directly in decisions on whether to consent to production plans. Municipalities, provinces and Dutch Water Authorities in the area to which a production plan relates will have a right to prior consultation about consent decisions of this nature.

Environmental licences

Parties will require environmental licences to carry out drilling or production activities and store substances onshore. In principle, three elements will be relevant to environmental licence applications: structure-related requirements, environmental requirements and the spatial integration of the activity. Every aspect of a proposed mining activity will be assessed against the location proposed: the environment, safety, spatial integration and the impact on the surrounding area, etc. The Minister of Economic Affairs and Climate Policy is the competent authority. Municipalities and provinces are closely involved in this licensing process, which will therefore involve an assessment of the need for an environmental impact report. If an environmental licence is applied for in order to deviate from the zoning plan, the water board will be involved in the licensing process too, via the water assessment process; in this situation, an environmental licence will only be granted once a certificate of no objection has been received from the council of the municipality in question.

The coordination of licences for the production phase

The Mining Act requires the application of the coordination procedure set out in Part 3 of the General Administrative Law Act to decision-making in the production phase. This procedure involves the coordination of consent to the production plan (the way in which production will take place), an environmental licence for the establishment and operation of the production installation, a Water Act licence (where necessary), the licence required under the Nature Conservation Act (*Wet natuurbescherming*) or the exemption under the Flora and Fauna Act and all other decisions applicable in this respect. Although the decisions made under the coordination scheme are separate decisions, licences are applied for and processed simultaneously and in relation with each other. This enables advisers like provinces and municipalities to issue one piece of advice that pertains to every relevant aspect of mineral resource production. Citizens can also raise all their concerns and views at the same time. The Minister is obliged to consider each relevant opinion in relation to all of the various licences taken together, as well as the interconnectedness of decisions, when assessing applications. All appeals are likewise lodged concurrently. This removes the need for citizens to wonder which interest they need to defend in relation to which of the licences mentioned. The result is an efficient procedure and reduced administrative costs and compliance costs for applicants and citizens.

Licences for mining activities and the right to prior consultation for local and regional authorities

Decision	Pursuant to	Scale	Regulates	Assessment criteria	Involvement
Exploration licence (= concession)	Mining Act	region	who + conditions	1. method used to carry out activities, including the technologies, techniques, tools or substances to be used; 2. spatial restrictions (Barro); 3. subsurface restrictions (Mining Decree), including exclusions, depth, type of mineral and type of activity; 4. whether the area to which the application relates is suitable for mining, bearing in mind: - the safety of local residents or the prevention of serious damage to buildings or infrastructural works or their functionality; - the systematic use or management of the subsurface; - negative consequences for the environment; - negative consequences for nature.	right to prior consultation for provinces. Provinces consult municipalities and Dutch Water Authorities
Drilling licence	Environmental Permitting (General Provisions) Act (Environment and Planning Act)	local	location of test drilling + conditions	1. spatial integration (deviation from the zoning plan); 2. construction; 3. the environment.	right to prior consultation for the province; certificate of no objection from the municipal council; water board via water assessment process
Production licence or storage licence (= concession)	Mining Act	region	who + conditions	See the list under exploration licence	right to prior consultation for provinces. Provinces consult municipalities and Dutch Water Authorities
Production plan or storage plan	Mining Act	depends on the field	how, agreement with production or storage method	1. safety for local residents or the prevention of serious damage to buildings or infrastructural works or their functionality; 2. systematic use or management.	advice from provinces, municipalities and Dutch Water Authorities
Licence to establish and use a production installation	Environmental Permitting (General Provisions) Act (Environment and Planning Act)	local	location of production installation + conditions	1. spatial integration (deviation from the zoning plan); 2. construction; 3. the environment.	right to prior consultation for the province; certificate of no objection from municipalities and Dutch Water Authorities.

coordination procedure

4. Safety, earthquakes and soil subsidence

The object of policy is to do everything possible to limit the impact of production or storage and keep it to a minimum using technical regulations and legislation. Safety is the most important point for consideration for each mining activity. Safety interests are safeguarded in both the Mining Act and the Environmental Permitting (General Provisions) Act.

The Mining Act stipulates that measurements must be carried out to establish the risk of ground movement. These measurements are to be taken before the production of minerals starts, during production and up to 30 years after production ends. The Mining Decree sets out the rules applicable to these measurements and the reports on their outcomes. A measurement plan is to be prepared as standard for new activities. A measurement protocol is to be prepared for each activity, which reflects the nature of any possible impact.

The Mining Act also requires new production plans or changes to production plans to include a seismic risk analysis (SRA). This way, mining companies explicitly analyse the safety risks applicable. The analysis will then be assessed by the State Supervision of Mines.

In the case of natural gas production, water injection or substance storage, a worst-case earthquake risk calculation is made as standard. The area-specific and location-specific risk of damage is then established on the basis of a combination of the impact expected (the size of the earthquake and the depth at which it occurs) and the presence of surface infrastructure.

Where specific techniques like fracking or water injection are concerned, prior consideration is explicitly given to the presence of fault lines and, as such, the risk of earthquakes. By maintaining a sufficient distance from fault lines, the risk of earthquakes is limited as much as possible.

The soil subsidence to be expected is calculated with the production plan in mind. Soil subsidence occurs evenly and in a bowl shape, as a result of which the risk of damage to infrastructure and buildings is very limited. Up to a soil subsidence of approximately 10 cm, any impact on the water regime can usually be absorbed within the current water system. Problems may arise in the water regime if soil subsidence occurs in combination with existing soil subsidence as the result of other causes. This is an important point to consider when assessing production plans.

A number of further opportunities to strengthen safety interests are provided for under the Mining Act. The Minister of Economic Affairs and Climate Policy may refuse to grant all or part of a licence on the grounds of safety interests or to avoid damage to buildings or infrastructural works. The Minister may also attach additional conditions to technology, techniques, tools and substances and the prevention of damage. Finally, the Minister can make changes to or withdraw mining licences. Safety and possible damage to buildings and infrastructural works are explicitly assessed in production plans as well. The results of these assessments are made publicly available and public consultation is possible.

APPENDIX 4

ACTIVE EBN PARTICIPATIONS on 31 December 2017

Name of participation	Type of participation	Start date	Operator Name	EBN% natural gas	EBN% oil	EBN% Other	Active
A12a	CA Production	27 October 2005	Petrogas E&P Netherlands B.V.	50	50	0	Yes
A12b/B10a	CA Exploration	17 January 2008	Petrogas E&P Netherlands B.V.	50	50	0	Yes
A12d	CA Production	27 October 2005	Petrogas E&P Netherlands B.V.	40	40	0	Yes
A15a	CA Production	1 January 2013	Petrogas E&P Netherlands B.V.	40	40	0	Yes
A18a	CA Production	27 October 2005	Petrogas E&P Netherlands B.V.	40	0	0	Yes
A18c	CA Production	27 October 2005	Petrogas E&P Netherlands B.V.	40	40	0	Yes
AKKRUM	CA Exploration	9 August 2013	Vermilion Energy Netherlands B.V.	40	40	0	Yes
AKKRUM 11	CA Production	25 May 2012	Tulip Oil Netherlands B.V.	40	40	0	Yes
ALKMAAR	CA Production	10 March 2009	TAQA Piek Gas B.V.	40	0	0	Yes
ALKMAAR UGS	CA + Sl Storage	8 October 1996	TAQA Piek Gas B.V.	0	0	40	Yes
ANDEL Va	CA Production	5 August 2015	Vermilion Energy Netherlands B.V.	40	40	0	Yes
ANDEL Vb	CA Production	5 August 2015	Vermilion Energy Netherlands B.V.	40	40	0	Yes
B10c/B13a	CA Production	27 October 2005	Petrogas E&P Netherlands B.V.	50	50	0	Yes
B16a	CA Exploration	16 March 2001	Petrogas E&P Netherlands B.V.	50	50	0	Yes
B18a	CA Production	2 December 2008	Spirit Energy Nederland B.V.	50	50	0	Yes
BEIJERLAND	CA Production	30 September 1998	Nederlandse Aardolie Maatschappij B.V.	40	40	0	Yes
BERGEN II	CA Production	5 March 2009	TAQA Onshore B.V.	40	0	0	Yes
BERGERMEER	CA Production	5 March 2009	TAQA Onshore B.V.	40	0	0	Yes
BERGERMEER UGS	CA + Sl Storage	20 August 2009	TAQA Onshore B.V.	0	0	38	Yes
BOTLEK II	CA Production	4 March 2014	Nederlandse Aardolie Maatschappij B.V.	50	50	0	Yes
BOTLEK-MAAS	CA Production	22 April 2014	Oranje-Nassau Energie B.V.	50	50	0	Yes
D09 & E07	CA Exploration	10 December 2015	ENGIE E&P Nederland B.V.	40	40	0	Yes
D12a	CA Production	29 January 1997	Wintershall Noordzee B.V.	50	50	0	Yes
D12b—20170602	CA Exploration	19 September 2011	Wintershall Noordzee B.V.	40	40	0	Yes
D15	CA Production	6 December 1996	ENGIE E&P Nederland B.V.	50	50	0	Yes
D18a	CA Production	4 February 2014	ENGIE E&P Nederland B.V.	50	50	0	Yes
DE MARNE	CA Production	7 June 1996	Nederlandse Aardolie Maatschappij B.V.	50	50	0	Yes
DONKERBROEK	CA Production	25 May 2012	Tulip Oil Netherlands B.V.	40	40	0	Yes
DONKERBROEK-WEST	CA Production	10 November 2011	Tulip Oil Netherlands B.V.	40	40	0	Yes
DRENTHE IIa	CA Production	4 March 2013	Vermilion Energy Netherlands B.V.	40	0	0	Yes
DRENTHE IIb	CA Production	23 November 2012	Nederlandse Aardolie Maatschappij B.V.	40	0	0	Yes
DRENTHE IIIa	CA Production	4 March 2013	Vermilion Energy Netherlands B.V.	50	0	0	Yes
DRENTHE IV	CA Production	2 February 2009	Vermilion Energy Netherlands B.V.	40	0	0	Yes
DRENTHE V	CA Production	20 June 2015	Vermilion Energy Netherlands B.V.	40	0	0	Yes
DRENTHE VI	CA Production	20 June 2015	Vermilion Energy Netherlands B.V.	40	0	0	Yes
E10	CA Exploration	5 August 2008	ENGIE E&P Nederland B.V.	40	40	0	Yes
E11	CA Exploration	13 July 2009	ENGIE E&P Nederland B.V.	40	40	0	Yes

E14	CA Exploration	5 August 2008	ENGIE E&P Nederland B.V.	40	40	0	Yes
E15a	CA Production	21 May 2003	Wintershall Noordzee B.V.	40	40	0	Yes
E15b	CA Production	5 March 2009	Wintershall Noordzee B.V.	40	40	0	Yes
E15c	CA Exploration	5 August 2008	ENGIE E&P Nederland B.V.	40	40	0	Yes
E16a	CA Production	7 October 2008	ENGIE E&P Nederland B.V.	40	40	0	Yes
E17a/E17b	CA Production	27 March 2008	ENGIE E&P Nederland B.V.	50	50	0	Yes
E18a/E18c	CA Production	21 May 2003	Wintershall Noordzee B.V.	50	50	0	Yes
ENGELEN	CA Exploration	22 March 2010	Vermilion Energy Netherlands B.V.	40	40	0	Yes
F02a	CA Production	13 May 2009	Dana Oil Netherlands B.V.	40	0	0	Yes
F03a	CA Production	25 November 2008	Spirit Energy Nederland B.V.	40	0	0	Yes
F03b	CA Production	13 December 2007	ENGIE E&P Nederland B.V.	40	0	0	Yes
F06a	CA Production	17 January 2002	Total E&P Nederland B.V.	40	0	0	Yes
F06b	CA Exploration	8 January 2010	Dana Oil Netherlands B.V.	40	40	0	Yes
F10	CA Exploration	2 November 2015	Wintershall Noordzee B.V.	40	40	0	Yes
F11a	CA Exploration	2 November 2015	Wintershall Noordzee B.V.	40	40	0	Yes
F13a	CA Production	21 May 2003	Wintershall Noordzee B.V.	40	40	0	Yes
F14a	CA Exploration	10 April 2015	Wintershall Noordzee B.V.	40	40	0	Yes
F15a	CA Production	6 May 1991	Total E&P Nederland B.V.	50	50	0	Yes
F15d	CA Production	29 June 1994	Total E&P Nederland B.V.	50	50	0	Yes
F16a/F16b	CA Production	21 May 2003	Wintershall Noordzee B.V.	40	40	0	Yes
F17a-diep	CA Production	31 May 2017	Wintershall Noordzee B.V.	40	40	0	Yes
F17a-ondiep	CA Exploration	30 December 2009	Oranje-Nassau Energie Resources B.V.	40	40	0	Yes
F17c	CA Production	8 June 1998	Nederlandse Aardolie Maatschappij B.V.	40	40	0	Yes
F18a-ondiep	CA Exploration	30 December 2009	Oranje-Nassau Energie Resources B.V.	40	40	0	Yes
F18b-diep	CA Exploration	30 December 2009	Wintershall Noordzee B.V.	40	40	0	Yes
FOLLEGA	CA Exploration	24 April 2013	Vermilion Energy Netherlands B.V.	40	40	0	Yes
G14/G17b	CA Production	26 November 2007	ENGIE E&P Nederland B.V.	40	40	0	Yes
G16a	CA Production	6 January 1992	ENGIE E&P Nederland B.V.	40	0	0	Yes
G16b	CA Production	29 June 2005	ENGIE E&P Nederland B.V.	40	40	0	Yes
G17a	CA Production	20 July 2007	ENGIE E&P Nederland B.V.	40	40	0	Yes
G17c/G17d	CA Production	31 May 2002	ENGIE E&P Nederland B.V.	50	50	0	Yes
G18	CA Exploration	21 January 2013	Hansa Hydrocarbons Limited	40	40	0	Yes
GasTerra	Other	4 April 1963		0	0	40	Yes
GORREDIJK	CA Production	2 November 1993	Vermilion Energy Netherlands B.V.	50	50	0	Yes
GRIJPSKERK	CA + Sl Storage	18 December 1995	Nederlandse Aardolie Maatschappij B.V.	0	0	39	Yes
GRONINGEN	CA Production	4 April 1963	Nederlandse Aardolie Maatschappij B.V.	40	0	0	Yes
H16	CA Exploration	21 January 2013	Hansa Hydrocarbons Limited	40	40	0	Yes

HARDENBERG	CA Production	17 November 1992	Nederlandse Aardolie Maatschappij B.V.	50	50	0	Yes
HEMELUM	CA Exploration	9 July 2013	Vermilion Energy Netherlands B.V.	40	40	0	Yes
IJmuiden Terminal	CA Production	1 January 2012	Wintershall Noordzee B.V.	0	0	40	Yes
IJSSELMUIDEN	CA Exploration	17 July 2014	Vermilion Energy Netherlands B.V.	40	40	0	Yes
J03a	CA Production	12 January 1996	Total E&P Nederland B.V.	50	50	0	Yes
J03b/J06	CA Production	6 November 1992	Spirit Energy Nederland B.V.	50	50	0	Yes
J09	CA Exploration	18 December 2014	Nederlandse Aardolie Maatschappij B.V.	40	40	0	Yes
K01a	CA Production	12 November 1997	Total E&P Nederland B.V.	40	40	0	Yes
K01b/K02a	CA Production	17 July 2010	Total E&P Nederland B.V.	40	40	0	Yes
K01c	CA Exploration	6 April 2012	ENGIE E&P Nederland B.V.	40	40	0	Yes
K02b	CA Production	21 February 2006	ENGIE E&P Nederland B.V.	50	50	0	Yes
K02c	CA Production	19 October 2004	Total E&P Nederland B.V.	40	40	0	Yes
K03a	CA Production	23 December 1999	ENGIE E&P Nederland B.V.	40	0	0	Yes
K03b	CA Production	4 September 2001	Total E&P Nederland B.V.	40	40	0	Yes
K03c	CA Production	18 April 2006	ENGIE E&P Nederland B.V.	40	40	0	Yes
K03d	CA Production	4 September 2001	Total E&P Nederland B.V.	40	40	0	Yes
K04a	CA Production	4 September 1995	Total E&P Nederland B.V.	50	50	0	Yes
K04b/K05a	CA Production	1 June 1993	Total E&P Nederland B.V.	50	50	0	Yes
K05b	CA Production	4 July 1997	Total E&P Nederland B.V.	50	50	0	Yes
K06/L07	CA Production	20 June 1975	Total E&P Nederland B.V.	40	0	0	Yes
K07	CA Production	8 July 1981	Nederlandse Aardolie Maatschappij B.V.	40	0	0	Yes
K08/K11a	CA Production	26 October 1977	Nederlandse Aardolie Maatschappij B.V.	40	0	0	Yes
K09a/K09b	CA Production	11 August 1986	ENGIE E&P Nederland B.V.	40	0	0	Yes
K09c	CA Production	18 December 1987	ENGIE E&P Nederland B.V.	50	50	0	Yes
K12	CA Production	18 February 1983	ENGIE E&P Nederland B.V.	40	0	0	Yes
K14a	CA Production	16 January 1975	Nederlandse Aardolie Maatschappij B.V.	40	0	0	Yes
K15	CA Production	14 October 1977	Nederlandse Aardolie Maatschappij B.V.	40	0	0	Yes
K17	CA Production	19 January 1989	Nederlandse Aardolie Maatschappij B.V.	40	0	0	Yes
K18a	CA Production	15 March 2007	Nederlandse Aardolie Maatschappij B.V.	40	0	0	Yes
K18b	CA Production	15 March 2007	Wintershall Noordzee B.V.	40	0	0	Yes
L01a	CA Production	8 July 1998	Total E&P Nederland B.V.	40	0	0	Yes
L01d	CA Production	15 April 1998	Total E&P Nederland B.V.	40	40	0	Yes
L01e	CA Production	8 January 1998	Total E&P Nederland B.V.	40	40	0	Yes
L01f	CA Production	19 March 2004	Total E&P Nederland B.V.	40	40	0	Yes
L02	CA Production	15 March 1991	Nederlandse Aardolie Maatschappij B.V.	40	0	0	Yes
L03	CA Exploration	19 October 2016	ENGIE E&P Nederland B.V.	40	40	0	Yes
L04a	CA Production	30 December 1981	Total E&P Nederland B.V.	40	0	0	Yes
L04c	CA Production	22 October 1996	ENGIE E&P Nederland B.V.	50	50	0	Yes
L05a	CA Production	15 March 1991	ENGIE E&P Nederland B.V.	40	0	0	Yes

L05a-Olie	CA Production	1 January 2013	ENGIE E&P Nederland B.V.	0	40	0	Yes
L05b	CA Production	23 August 2003	Wintershall Noordzee B.V.	40	40	0	Yes
L05c	CA Production	16 December 1997	Wintershall Noordzee B.V.	40	40	0	Yes
L06a	CA Production	2 September 2011	Wintershall Noordzee B.V.	40	40	0	Yes
L06b	CA Production	29 August 2003	Wintershall Noordzee B.V.	40	40	0	Yes
L08a	CA Production	19 July 1988	Wintershall Noordzee B.V.	40	0	0	Yes
L08b/L08d	CA Production	28 April 1994	Wintershall Noordzee B.V.	50	50	0	Yes
L09	CA Production	18 September 2010	Nederlandse Aardolie Maatschappij B.V.	50	50	0	Yes
L10/L11a	CA Production	1 January 1976	ENGIE E&P Nederland B.V.	40	0	0	Yes
L11b	CA Production	29 May 1984	Oranje-Nassau Energie B.V.	40	0	0	Yes
L11c	CA Production	19 October 2016	Oranje-Nassau Energie B.V.	40	40	0	Yes
L12a	CA Production	22 March 2010	ENGIE E&P Nederland B.V.	40	0	0	Yes
L12b/L15b	CA Production	22 March 2010	ENGIE E&P Nederland B.V.	50	50	0	Yes
L12c	CA Production	6 August 2008	Oranje-Nassau Energie B.V.	50	50	0	Yes
L12d	CA Production	25 September 2008	Oranje-Nassau Energie B.V.	40	0	0	Yes
L13	CA Production	26 October 1977	Nederlandse Aardolie Maatschappij B.V.	40	0	0	Yes
L15c	CA Production	7 September 1990	ENGIE E&P Nederland B.V.	50	50	0	Yes
L15d	CA Production	6 August 2008	Oranje-Nassau Energie B.V.	50	50	0	Yes
L16a	CA Production	17 January 2002	Wintershall Noordzee B.V.	40	0	0	Yes
LEMSTERLAND	CA Exploration	24 April 2013	Vermilion Energy Netherlands B.V.	40	40	0	Yes
M01a	CA Production	25 July 2007	Oranje-Nassau Energie B.V.	50	50	0	Yes
M02a	CA Exploration	23 March 2012	Oranje-Nassau Energie B.V.	40	40	0	Yes
M03	CA Exploration	21 January 2013	Hansa Hydrocarbons Limited	40	40	0	Yes
M04a	CA Exploration	22 April 2011	Oranje-Nassau Energie B.V.	40	40	0	Yes
M07	CA Production	15 July 2002	Oranje-Nassau Energie B.V.	50	50	0	Yes
M09a	CA Production	10 April 1990	Nederlandse Aardolie Maatschappij B.V.	40	0	0	Yes
M10a/M11	CA Exploration	27 February 2008	Tulip Oil Netherlands B.V.	40	40	0	Yes
MARKNESSE	CA Production	20 August 2010	Tulip Oil Netherlands B.V.	40	40	0	Yes
MIDDELIE	CA Production	1 January 2012	Nederlandse Aardolie Maatschappij B.V.	40	40	0	Yes
N01	CA Exploration	21 January 2013	Hansa Hydrocarbons Limited	40	40	0	Yes
N04	CA Exploration	26 May 2015	Hansa Hydrocarbons Limited	40	40	0	Yes
N05	CA Exploration	26 June 2015	Hansa Hydrocarbons Limited	40	40	0	Yes
N07a	CA Production	6 April 2005	Nederlandse Aardolie Maatschappij B.V.	50	50	0	Yes
N07b	CA Production	14 February 2015	ENGIE E&P Nederland B.V.	50	50	0	Yes
N07c	CA Production	26 May 2015	Hansa Hydrocarbons Limited	50	50	0	Yes
N08	CA Exploration	26 May 2015	Hansa Hydrocarbons Limited	40	40	0	Yes

NGT Extensie	Pipeline	17 November 1997	ENGIE Global Natural gas Holding Nederland B.V.	0	0	12	Yes
NOGAT B.V.	Pipeline	27 December 2001	ENGIE Global Natural gas Holding Nederland B.V.	0	0	45	Yes
NOGAT Extensie (A6/ F3 pipeline)	Pipeline	1 October 1998	Wintershall Noordzee B.V.	0	0	40	Yes
NOORD-FRIESLAND	CA Production	30 March 1969	Nederlandse Aardolie Maatschappij B.V.	40	0	0	Yes
NORG	CA + Sl Storage	18 December 1995	Nederlandse Aardolie Maatschappij B.V.	0	0	40	Yes
OOSTEREND	CA Production	14 July 1988	Vermilion Energy Netherlands B.V.	50	50	0	Yes
OOSTERWOLDE	CA Exploration	22 March 2010	Vermilion Energy Netherlands B.V.	40	40	0	Yes
OPMEER	CA Exploration	7 May 2013	Vermilion Energy Netherlands B.V.	40	40	0	Yes
P04, P07 & P08b	CA Exploration	19 November 2016	Jetex Oil Ltd	40	40	0	Yes
P06	CA Production	14 April 1982	Wintershall Noordzee B.V.	40	0	0	Yes
P09a/P09b/P09d	CA Production	29 June 1993	Wintershall Noordzee B.V.	40	0	0	Yes
P09c/P09e/P09f	CA Production	5 August 2008	Wintershall Noordzee B.V.	50	0	0	Yes
P10a	CA Production	28 April 2006	Dana Oil Netherlands B.V.	40	40	0	Yes
P10b	CA Production	16 December 2009	Dana Oil Netherlands B.V.	40	40	0	Yes
P10c	CA Exploration	1 September 2016	Jetex Oil Ltd	40	40	0	Yes
P11a	CA Production	24 December 2015	Oranje-Nassau Energie B.V.	40	40	0	Yes
P11b	CA Production	4 November 2004	Dana Oil Netherlands B.V.	50	50	0	Yes
P12a	CA Production	8 March 1990	Wintershall Noordzee B.V.	50	50	0	Yes
P15a/P15b	CA Production	31 July 2008	TAQA Offshore B.V.	40	0	0	Yes
P15c	CA Production	27 November 1991	TAQA Offshore B.V.	50	50	0	Yes
P18a	CA Production	28 November 1991	TAQA Offshore B.V.	50	50	0	Yes
P18b—20170713	CA Exploration	2 August 2012	Oranje-Nassau Energie B.V.	40	40	0	Yes
P18c	CA Production	27 November 1991	TAQA Offshore B.V.	50	50	0	Yes
P18d	CA Production	5 November 2013	Oranje-Nassau Energie B.V.	40	40	0	Yes
PAPEKOP	CA Production	28 August 2007	Vermilion Energy Netherlands B.V.	40	40	0	Yes
Q01—20171223	CA Production	11 August 1994	Petrogas E&P Netherlands B.V.	40	0	0	Yes
Q02c	CA Production	22 December 1993	Petrogas E&P Netherlands B.V.	50	50	0	Yes
Q04	CA Production	21 December 1999	Wintershall Noordzee B.V.	40	40	0	Yes
Q05d	CA Production	18 June 2002	Wintershall Noordzee B.V.	50	50	0	Yes
Q07/Q10a	CA Production	26 October 2017	Tulip Oil Netherlands B.V.				Yes
Q13a	CA Production	29 September 2008	ENGIE E&P Nederland B.V.	40	40	0	Yes
Q13b	CA Exploration	1 May 2015	ENGIE E&P Nederland B.V.	40	40	0	Yes
Q16a	CA Production	12 June 1995	Oranje-Nassau Energie B.V.	50	50	0	Yes
Q16b/Q16c-deep	CA Production	14 May 2013	Oranje-Nassau Energie B.V.	40	40	0	Yes
S03a	CA Production	8 August 2013	Oranje-Nassau Energie B.V.	40	40	0	Yes

S03b	CA Exploration	21 November 2017	Oranje-Nassau Energie B.V.	40	40	0	Yes
SCHAGEN	CA Exploration	4 May 2010	Tulip Oil Netherlands B.V.	40	40	0	Yes
SCHOONEBEEK	CA Production	18 January 2008	Nederlandse Aardolie Maatschappij B.V.	0	40	0	Yes
STEENWIJK	CA Production	2 September 1997	Vermilion Energy Netherlands B.V.	50	50	0	Yes
T01	CA Production	7 February 2013	Oranje-Nassau Energie B.V.	40	40	0	Yes
TERSCHELLING-NOORD	CA Exploration	16 September 2013	Tulip Oil Netherlands B.V.	40	40	0	Yes
TWENTHE	CA Production	12 May 1981	Nederlandse Aardolie Maatschappij B.V.	50	50	0	Yes
UTRECHT	CA Exploration	22 March 2010	Vermilion Energy Netherlands B.V.	40	40	0	Yes
WAALWIJK	CA Production	17 July 1989	Vermilion Energy Netherlands B.V.	50	50	0	Yes
WGT	Pipeline	4 April 1984	Wintershall Noordzee B.V.	0	0	40	Yes
WGT Extensie	Pipeline	1 January 1991	Wintershall Noordzee B.V.	0	0	40	Yes
ZUID-FRIESLAND III	CA Production	9 July 2013	Vermilion Energy Netherlands B.V.	40	40	0	Yes
ZUIDWAL	CA Production	2 August 1986	Vermilion Energy Netherlands B.V.	50	50	0	Yes

APPENDIX 5

Appendix 5 The fiscal regime in the Netherlands

Introduction

The tax regime to which Exploration & Production (E&P) companies are subject will be discussed in more detail in this appendix. The overview provided specifically relates to the regulations for corporate income tax, mining levies, pre-1965 levies and the regional payment due to provinces, municipalities and Dutch Water Authorities. The regime applicable for the other taxes referred to previously in this report will be discussed briefly as well.

Corporate income tax

Under the 1969 Corporate Income Tax Act (*Wet op de vennootschapsbelasting 1969*), all public limited companies (NVs), private limited companies (BVs) and comparable entities with their registered offices in the Netherlands are required to pay corporate income tax on their total profits. Associations, foundations and comparable legal entities pay corporate income tax too, but only in so far as they carry on an enterprise.

Legal entities that have their registered offices in the Netherlands are those that have been incorporated under Dutch law – often public limited companies and private limited companies – and also those that have been incorporated under foreign law but are effectively managed in the Netherlands. Therefore, E&P companies that have their registered offices in the Netherlands have to pay corporate income tax on their total profits.

Legal entities that do not have their registered offices in the Netherlands will also pay corporate income tax in the Netherlands, if they carry on an enterprise in the Netherlands through a permanent establishment or if they own immovable property in the Netherlands. Under Dutch tax law, possession of an exploration or production licence is deemed to be a permanent establishment or immovable property in the Netherlands. As such, legal entities that do not have their registered offices in the Netherlands but do participate in a Dutch exploration or production licence will be required to pay corporate income tax in the Netherlands, regardless of whether they are acting in the capacity of operator in the licence in question or as a non-operating partner.

Corporate income tax will be charged at 20% on the first €200,000 of profit and 25% on any amount over €200,000. Losses sustained in a certain year may be offset against the profit of the previous year and, subsequently, against profits in the nine years following the loss year. Due to a legislative amendment, the carry-forward period will be limited to six years for losses with effect from financial year 2019.

The profit subject to corporate income tax is calculated based on the concept of "sound business practice", as set out in the 2001 Personal Income Tax Act (*Wet op de inkomstenbelasting 2001*). The rules on determination of profit in this Act, which elaborate on sound business practice, also apply for corporate income purposes. The concept of sound business practice has developed from case law of Dutch tax courts and mainly consists of a number of principles that a prudent business man will be required to adhere to: the reality principle, the realisation principle, the matching principle and the prudence principle. The 2001 Personal Income Tax Act provides for a number of specific rules too. These include rules on the depreciation of buildings and goodwill and the valuation of work in progress and pension provisions.

The 2001 Personal Income Tax Act also imposes a number of restrictions on the deduction of costs of a mixed business/private nature and provides for a number of measures to stimulate investment. These stimulus measures consist of an investment allowance for investments up to a certain amount and also for certain investments in environmentally-friendly business assets or business assets that improve the working conditions of employees. All of these provisions from the 2001 Personal Income Tax Act apply for corporate income tax purposes too.

The 1969 Corporate Income Tax Act also provides for a number of facilities, specifically for legal entities that are subject to corporate income tax. One of these facilities is the participation exemption for income derived from subsidiaries (dividends and changes in value). Other examples are facilities in which the corporate income tax levied on profit from a legal merger, legal split-up or split-off or reinvestment may be passed down, whereby the liability to corporate income tax is linked to the moment at which a company actually realises the profit in respect of a certain transaction (Sections 14 to 14b inclusive of the Corporate Income Tax Act).

Finally, there is the concept of the fiscal entity, under which various companies that form part of the same group are able to file a consolidated corporate income tax return for the consolidated profit of the group. Given the fiscal entity status, intercompany transactions within the group in question will not be visible for tax purposes and it will be possible to offset profits and losses within the group within a particular financial year. Around half of the approximately 40 E&P companies mentioned above form part of a fiscal entity for corporate income tax purposes.

A corporate income tax return must be filed once a year, in principle within five months of the end of the financial year in question. However, it is possible to obtain an extension of the filing period. Corporate income tax is then levied by means of an assessment for the year in question, which may be preceded by one or more provisional assessments.

The mining levies

While corporate income tax is levied on the basis of a tax act and the ensuing revenue is paid into the treasury, mining levies are imposed under the 2003 Mining Act. Besides the provision on mining levies, this Act also contains provisions relating to hydrocarbon exploration and production in the broadest sense: the granting of licences, the requirements imposed when granting licences, State participation in licences and measures pertaining to and supervision of working conditions, the environment and safety. The mining levies are provided for in Part 5.1.1 of the Mining Act (Sections 53 to 74), which forms part of Chapter 5 on the financial provisions.

Revenue from mining levies and taxes is paid into the treasury, but is accounted for in Article 5 of the budget of the Ministry of Economic Affairs and Climate Policy. However, the Netherlands Tax and Customs Administration is responsible for levying and collecting mining levies. It has a national team, based in Rotterdam, that levies, checks and collects both corporate income tax[1] and mining levies from E&P companies. There are three mining levies: 1) profit share, 2) surface rental and 3) royalty.

1. Profit share

Profit share is levied from the holders of production licences. The amount due will be based on the result of a profit and loss account to be prepared by the licence holder. In principle, this result will be determined per production licence. However, the Mining Act offers licence holders the option to submit a consolidated profit and loss account for all its licences, including exploration licences. All E&P companies make use of this option.

The profit share rate is 50%. Losses may be offset against profits of the three previous years and, subsequently, of all years following the loss year. The profit share return – which contains the profit and loss account referred to above – is submitted at the same time as the corporate income tax return. Similar to corporate income tax, the profit share is levied by means of an assessment, which may be preceded by one or more provisional assessments.

1 It does the same for a number of other taxes not discussed in this section: income tax, wage tax, value added tax and excise duties.

The result for profit share purposes is largely determined similarly to the result for corporate income tax purposes. However, the result taxed will be limited to the amount achieved out of or with the production of hydrocarbons; this is referred to as the production company "ring fence". Thus, any result derived from other activities, such as the leasing of mining installations to third parties and the holding of participations, will not be taken into consideration when calculating profit share. The Mining Act contains a mutatis mutandis provision in which a number of sections of the 2001 Personal Income Tax Act and the 1969 Corporate Income Tax Act accordingly apply to profit share.

Furthermore, the Mining Act itself determines whether or not several categories of revenue and expenditure are to be included in the result on which the profit share is calculated. The result will in any case include the following:

- the value of hydrocarbons that have been withdrawn from the production business other than through sale;
- the differences between the valuation of opening and closing stocks in accordance with sound business practice;
- the result obtained by selling a production licence;
- the costs of a reconnaissance or exploration survey carried out under an exploration licence, provided these costs have not already been debited to a different profit and loss account;
- depreciation on costs incurred before a production licence was granted, again provided these costs have not already been debited to a different profit and loss account; and
- results from instruments designed to hedge price or foreign exchange risks in respect of the hydrocarbons produced, provided the licence holder submits a request to this end to the Netherlands Tax and Customs Administration before concluding the instrument in question.

The Mining Act also stipulates that the following will not be included in the result:

- depreciation of the purchase price of an exploration licence, except when this price represents costs not yet charged to a profit and loss account by the seller of the licence; and
- the value of the hydrocarbons produced and used in the production business.

In addition to the above, the Mining Act grants licence holders what is known as a cost uplift of 10%; in addition to the costs incurred, an extra 10% of these costs may be charged to the result. This applies for all costs, with the exception of taxes due to the State, other Dutch public-law charges, depreciation of the purchase price of a production licence and additions to a decommissioning provision for an acquired production licence, as regard the last two exceptions mentioned in sofar they represent costs that the seller has already charged to a profit and loss account.

The Mining Act sets out its own stimulation measure for investments in so-called marginal offshore natural gas fields. A marginal natural gas field in the sense of the investment allowance is a natural gas field that the Minister of Economic Affairs and Climate Policy has designated as such, at the licence holder's request, and that meets criteria based on the volume of natural gas that can be produced, the productivity expected and the distance to existing infrastructure. The criteria above have been drawn from Section 68a of the Mining Act and are elaborated on in the Decree investment allowance marginal natural gas fields (*Regeling investeringsaftrek marginale velden*).[2] If the Ministry of Economic Affairs and Climate Policy has established that a field is a marginal field, the licence holder may apply an investment allowance equal to 25% of the investment amount for installations and wells in the field in question. A legislative proposal[3] is currently in preparation, under which the investment tax credit for offshore production licences will become generic – no longer linked to investments in a marginal field – and is increased to 40%. This legislative proposal aims to promote the production of natural gas from offshore fields.

2 https://wetten.overheid.nl/BWBR0028103/2010-09-16.

3 The legislative proposal was presented to the public at large for consultation via the Internet in mid-May 2019. When the present section of the report was being written, the response period had already expired. In July 2019, the legislative proposal was submitted to the Council of State for its advice.

An amount – known as the creditable amount – that embodies the fixed corporate income tax due on the result - may be set off against the profit share due. This amount is calculated by applying the corporate income tax rate to the result of the profit and loss account for profit share purposes, adding the cost uplift and deducting the profit share due. If the creditable amount is higher than the profit share due, the surplus may be set off against the profit share due in the next year. If the creditable amount is negative – in the event of a loss – the negative creditable amount must be deducted from the creditable amount for the next year.

Given this creditable amount and the deductibility of the profit share for corporate income tax purposes, E&P companies pay a combined corporate income tax and profit share rate of approximately 50% on their profits.

See the next page for a fictitious example of the calculation.

State Profit Share (SPS) calculation			
Licensc holder	**(name licence holder)**		
	SPS return		
Turnover gas	10.000.000		
Turnover oil	0		
Turnover condensate	500.000		
Stock movements	0		
Interest income	20.000		
FX income	0		
Profits out of trasfer of assets	0		
Other income	0		
	0		
Total income	10.520.000		
Depresiation fixed assets	300.000		
Amortisation purchased licences	0		
Decommisioning costs	0		
Exploration costs	30.000		
Interest charges	0		
FX losses	0		
Production costs	0		
General costs	10.000		
Overhead costs	0		
Write down of pre-production costs	0		
Other costs	0		
	0		
Total costs with 10% uplift	340.000		
Royalty	0		
Surface rental	35.000		
Depreciation bonus	0		
Other public law charges	11.000		
Write down of pre-production costs without 10% uplift	0		
Depresiation without 10% uplift	0		
Decommisioning costs without 10% uplift	0		
Total costs without 10% uplift	46.000		
10% uplift	34.000		10% x 340.000
Result SPS	10.100.000		Income - costs - uplift
Investment allowance	0		
Profit	10.100.000		
Offsettable losses	0		
Taxable amount	10.100.000		
Rate	50%		
SPS due	5.050.000		
Result for CIT purposes (before deduction of SPS)	10.134.000		Result SPS + uplift
CIT rate first bracket	20,0%		
Maximum first bracket	200.000		
CIT rate second bracket	25,0%		
Result for CIT purposes (after deduction of SPS)	6.765.333		Result fpr CIT purposes - SPS
			↑
Creditable amount fiscal year	1.681.333		CIT rate on
Exces creditable amount previous fiscal year	0		
Creditable amount	1.681.333		
SPS due	5.050.000		
Creditable amount	1.681.333		
SPS to be paid	3.368.667		

2. Surface rental

Once a year, surface rental is levied from the holders of exploration licences at sea or production licences, both at land and at sea, on 1 January of the year in question. If a licence is held by more than one company, the surface rental will be levied from the operator.

The surface rental is calculated on the basis of the surface of the licence area in square kilometres on 1 January of the year in question. The rate is an amount per square kilometre, which is indexed on an annual basis.
The following rates apply for 2019:
For an exploration licence:

Period	Amount per km^2	(Rate for 2017)
Periods 1 to 6 inclusive	€267	€257
Periods 7 to 9 inclusive	€536	€514
Subsequent periods	€803	€771
For a production licence:	€803	€771

The surface rental is filed per licence in a return that must be submitted by 1 April of the year in question. The surface rental due must be paid together with submitting the tax return.

3. Royalty

Royalty is levied from the holders of production licences. If a licence is held by a number of companies, royalty is levied from each of them. Each company will be required to pay the royalty due on its own turnover.

Royalty is calculated on the basis of the turnover realised in the year for which the royalty is being levied. The turnover is the number of units extracted, multiplied by the price for which they are sold. When determining the number of units produced, certain units must be disregarded. These are the units that are used to:

- explore or produce in the area in which the units have been produced; and
- process the units in question prior to delivery and to transport them to the place where this processing is to be done.

Units to which the State participation (EBN) is entitled are disregarded too.

Royalty is quite complex to calculate. The rate is determined on the basis of the number of units produced (determined at a specific pressure and temperature set out in the Mining Act). The rate is then calculated on the basis of a bracket system (see Table 1), by:

a. determining the quantity that falls within each bracket and then multiplying it by the percentage applicable for each bracket;
b. adding up these products; and
c. dividing this figure by the aggregate number of units produced in the licence area.

Table 1 – Bracket system for royalty

Oil		
Quantities produced by the holder or co-holders jointly, in thousands of m^3	Breakdown of this bracket	
	Landside	Seaside
bracket 1: 0 to 200	0%	0%
bracket 2: 200 to 600	2%	0%
bracket 3: 600 to 1200	3%	0%
bracket 4: 1200 to 2000	4%	0%
bracket 5: 2000 to 4000	5%	0%
bracket 6: 4000 to 8000	6%	0%
bracket 7: 8000 or more	7%	0%

Natural gas		
Quantities produced by the holder or co-holders jointly, in thousands of m^3	Breakdown of this bracket	
	Landside	Seaside
bracket 1: 0 to 200	0%	0%
bracket 2: 200 to 600	2%	0%
bracket 3: 600 to 1200	3%	0%
bracket 4: 1200 to 2000	4%	0%
bracket 5: 2000 to 4000	5%	0%
bracket 6: 4000 to 8000	6%	0%
bracket 7: 8000 and more	7%	0%

The zero percent rate for offshore licences is due to the desire to improve the offshore mining climate (small fields policy).

The rate is increased by 25% of the rate if the weighted average value of the crude oil imported into the Netherlands in any year is more than €25 per barrel. The rate is increased by 100% (meaning it is doubled) in the case of a licence in which the State does not participate.

The royalty per licence is filed by means of a tax return that is to be submitted by 1 April of the year following the year on which the royalty is calculated. The royalty due must be paid together with submitting the tax return.

Pre-1965 levies

Before 1965, the levy regime was laid down in a civil-law agreement between the Dutch State and the licence holder (the NAM). These are the so-called pre-1965 levies. There are three: 1) State Share, 2) Additional Payment, and 3) Extra Income Scheme.

1. State Share

State Share ("SS") is based on a contract governed by private law that was entered into between the State, Shell, ExxonMobil and the NAM and is levied at a rate of 10% on the profits derived from certain pre-1965 concessions. Corporate income tax and Additional Payment are deductible for SS purposes.

2. Additional Payment

The corporate income tax rate was reduced in 1984. To avoid a decrease in tax revenue for pre-1965 concessions, an additional payment ("Additional Payment") was agreed between the State and the NAM on the basis of an agreement governed by private law. As a result, total tax revenue (including levies imposed under private law) is based on a compiled percentage of approximately 50%.

3. Extra Income Scheme

Extra Income Scheme is a levy that is imposed by virtue of an agreement that the State, Shell, Esso, DSM (now EBN) and the NAM entered into in 1972. It was introduced in order to increase government natural gas revenue from the Groningen natural gas field concession to 85%. This was prompted by a strong increase in revenue from the Groningen concession as a result of high oil prices.

This agreement was modified in 1975 to increase State revenue to 95% on part of the additional revenue scheme.

Since 1 January 2018, payments from the NAM to the State in relation to the Groningen natural gas field have been calculated on the basis of the Mining Act.[4] Therefore, 2017 is the last year in which the pre-1965 levies applied to the Groningen natural gas field.

Regional payments

Besides national payments, a number of regional payments apply in the Netherlands too. These payments are collected by regional and local authorities and are provided for in the 2003 Mining Act and other laws. The rates for these payments are often determined at a local level.

1. Payment due to provinces

As soon as the holder of an onshore production licence puts a site into use in one of the 12 provinces in the Netherlands and the installations necessary for production are present on site, it will be required to make a one-off payment to the province (Part 5.1.2, Sections 75 to 80 inclusive of the Mining Act). The criterion for this payment is the surface of the site used, measured in square kilometres. The rate is an amount per square kilometre, which is indexed on an annual basis. The rate for 2019 is €803/km^2.

2. Payment due to Dutch Water Authorities

Dutch Water Authorities collect various levies, including water-system, purification and pollution levies. The levies to be paid by a company will depend on its individual situation. For more information, see: https://wetten.overheid.nl/BWBR0005108/2018-07-01 (Dutch Water Authorities Act (*Waterschapswet*) and https://www.waternet.nl/zakelijk/waterschapsbelasting-voor-bedrijven/kosten-waterschapsbelasting-voor-bedrijven/.

3. Payment due to municipalities

Companies also pay property tax to the municipality in which they own immovable property. The rates applicable are determined by the municipal council of the municipality in question. The property tax charged is based on what is known as the "WOZ value".

The Valuation of Immovable Property Act (*Wet WOZ*) sets out rules on the value of immovable property. Houses, garages, business premises, land and installations like wind turbines and transmission towers are all examples of immovable property. Municipalities value all immovable property in the Netherlands on an annual basis, at which time it is given a WOZ value. The Netherlands Tax and Customs Administration, Dutch Water Authorities and municipalities use the WOZ value to levy tax:

- the Netherlands Tax and Customs Administration for: personal income tax, corporate income tax, inheritance and gift tax and landlord charge;
- Dutch Water Authorities for: water-board system levy built;
- municipalities for: property taxes and sometimes for business improvement zones (BIZ), sewerage charges and commuter tax.

4 For more information, see the Parliamentary Papers: https://www.rijksoverheid.nl/documenten/kamerstukken/2018/06/25/kamerbrief-akkoord-op-hoofdlijnen-met-shell-en-exxonmobil and https://www.rijksoverheid.nl/documenten/kamerstukken/2018/10/01/kamerbrief-uitwerking-akkoord-op-hoofdlijnen-metshell-en-exxonmobil.

For more information, see: https://www.rijksoverheid.nl/onderwerpen/waarderingonroerende-zaken-woz.

Other taxes

Finally, some brief information on the most important other taxes to which E&P companies are subject in the Netherlands. The information below is brief, either because the taxes in question are not levied on the profits of E&P companies or because they do not apply solely to E&P companies but to all companies in the Netherlands.

Value added tax (VAT)

The Dutch VAT system involves taxing added value. In other words, a company charges VAT on what it supplies to others and is able to deduct any VAT it is charged itself. This means it actually only pays VAT on the value it adds to the product supplied. Companies pass on the VAT in the prices they charge customers for their products, so this tax does not actually reduce their revenue.

VAT is due on the supply of goods, the provision of services, imported goods (from outside the European Union) and so-called intra-Community purchases (goods acquired from other Member States of the European Union). The Dutch continental shelf does not form part of the Netherlands for VAT purposes. As a result, the transmission of oil or natural gas onto land will be deemed to be a supply that is taxed or exempted depending on the situation at hand.[5] The sale of oil or natural gas in the Netherlands constitutes the supply of goods and is subject to VAT.

The standard VAT rate is 21%, but rates of 9% and 0% apply to a number of supplies and services; the 0% rate applies particularly for supplies of goods that leave the Netherlands (exports). In the Netherlands, VAT is provided for in the 1968 Value Added Tax Act (*Wet op de omzetbelasting 1968*) but also in European Union directives.

Wage tax

Just like other companies that have their registered offices in the Netherlands, or have a permanent establishment in the Netherlands, and employ staff, E&P companies are required to withhold wage tax on the salaries paid to their staff and pay it to the tax authorities. This is done under the 1964 Wage Tax Act (*Wet op de loonbelasting 1964*).
Wage tax is a withholding tax in respect of personal income tax, which is due from the employees of E&P companies in the Netherlands. They can offset the wage tax withheld against the personal income tax due from them. Consequently, the wage tax rates are the same as the personal income tax rates calculated on employees' wages. Wage tax thus is a tax that is actually levied from a company's employees, and not the company itself. Companies withhold tax from the salaries they pay to their employees and then pay it to the Netherlands Tax and Customs Administration.

Dividend withholding tax

If a company with a capital divided into shares, or a cooperative association, distributes profits to its shareholders (dividends), dividend withholding tax must be withheld on these amounts and paid to the Netherlands Tax and Customs Administration, in accordance with the 1965 Dividend Withholding Tax Act (*Wet op de dividendbelasting 1965*). In the Netherlands, shareholders are able to offset the dividend withholding tax withheld on their dividends against the personal income tax or corporate income tax due from them.

The dividend withholding tax rate is 15%. However, under specific circumstances, this rate is reduced to 0% in situations where the shareholder holds an interest in a subsidiary of 5% or more). The standard rate may also be reduced to 0%, 5% or 10% on the basis of double taxation treaties that the Netherlands has entered into with other countries, or by virtue of the EU Parent-Subsidiary Directive.

5 It would be excessive to describe these situations here.

Environmental taxes

The Netherlands also charges a number of environmental taxes, which are levied under the Environmental Taxes Act (*Wet belastingen op milieugrondslag*). The object of these taxes is to tax the use and consumption of energy and environmentally-harmful goods and services. The tax most relevant for E&P companies is the energy tax, which is levied on the delivery of natural gas or electricity to consumers natural gas. The rate is determined on the basis of a fixed, decreasing amount per cubic metre (natural gas) or kilowatt-hour (electricity).

Excise duties and import duties

In the Netherlands, excise duties are levied under the Excise Duty Act (*Wet op de accijns*). The object of this tax is to tax the consumption of a number of products, including mineral oils. The mineral oils on which excise duties are levied are end products – in other words, products that can be used as engine fuel or heating fuel. Crude oil is not subject to excise duties. As a result, excise duties are not levied on E&P companies themselves. However, E&P companies do use end products subject to excise duties in their E&P activities, such as gasoil that is used on offshore platforms in the 12-mile zone. In principle natural gas will not be subject to excise duties. However, energy tax is levied on the delivery of natural gas (see above).

Import duties are levied on the basis of the Union Custom Code (UCC), Regulation (EU) No 952/2013 of the European Parliament and of the Council of 9 October 2013 laying down the Union Customs Code. Crude oil and natural gas produced outside the customs territory[6] of the European Union is subject to customs formalities and the payment of import duties on arrival in the customs territory.

Import duties are levied on crude oil and natural gas at a rate of 0%.

6 The Netherlands' 12 nautical mile zone is part of the customs territory of the European Union; the other production areas (the continental shelf, for example) are not.

APPENDIX 6

Appendix 6 – The reconciliation scope: list of companies

No.	Operator	Source
1	Centrica Nederland BV	NOGEPA member NTCA registration system
2	Dana Petroleum (Holdings) BV	NOGEPA member NTCA registration system
3	Dana Petroleum Netherlands BV	NOGEPA member EZK active license list NTCA registration system
4	Energie Beheer Nederland (EBN)	SoE
5	Hansa Hydrocarbons Ltd	NOGEPA member NTCA registration system
6	Nederlandse Aardolie Maatschappij BV (NAM)	NOGEPA member EZK active license list NTCA registration system
7	Neptune Energy Holding Netherlands BV	NOGEPA member NTCA registration system
8	Neptune Energy Netherlands BV	NOGEPA member EZK active license list NTCA registration system
9	Neptune Energy Participation Netherlands BV	NOGEPA member NTCA registration system
10	NGT (Noordgastransport B.V.)	NTCA registration system
11	NOGAT BV (Northen Offshore Gas Transport)	NTCA registration system
12	ONH BV	NOGEPA member NTCA registration system
13	ONE-Dyas BV	NOGEPA member EZK active license list NTCA registration system
14	ONE-Dyas Energie BV	NOGEPA member EZK active license list NTCA registration system
15	ONE-Dyas Energie Nederland BV	NOGEPA member EZK active license list NTCA registration system
16	ONE-Dyas Energie Resources BV	NOGEPA member EZK active license list NTCA registration system
17	Petrogas E&P Netherlands BV	NOGEPA member EZK active license list NTCA registration system
18	Petrogas International E&P Coöperatief UA	NOGEPA member NTCA registration system
19	Production North Sea Netherlands Ltd	NOGEPA member NTCA registration system
20	Spirit Energy Nederland BV	NOGEPA member EZK active license list NTCA registration system
21	TAQA Energy BV	NOGEPA member
22	TAQA Gas Storage BV	NOGEPA member
23	TAQA International BV	NOGEPA member NTCA registration system
24	TAQA Offshore BV	NOGEPA member EZK active license list NTCA registration system
25	TAQA Onshore BV	NOGEPA member EZK active license list NTCA registration system

No.	Operator	Source
26	TAQA Piek Gas BV	NOGEPA member EZK active license list NTCA registration system
27	TAQA Transportation BV	NOGEPA member
28	Total E&P Nederland BV	NOGEPA member EZK active license list NTCA registration system
29	Total Holdings Nederland BV	NOGEPA member NTCA registration system
30	Tulip Oil Holding BV	NOGEPA member NTCA registration system
31	Tulip Oil Netherlands BV	NOGEPA member EZK active license list NTCA registration system
32	Tulip Oil Netherlands Offshore BV	NOGEPA member EZK active license list NTCA registration system
33	Vermilion Energy Netherlands BV	NOGEPA member EZK active license list NTCA registration system
34	Vermilion Energy Netherlands Non-Op BV	NTCA registration system
35	Vermilion Netherlands Coöperatieve UA	NOGEPA member NTCA registration system
36	Wintershall Noordzee BV (BASF)	NOGEPA member EZK active license list NTCA registration system

APPENDIX 7

Appendix 7 – Reconciliation of cash flows per company

No.	Company	Templates originally lodged		
		Company (a)	Govt (b)	Difference (a-b)
1	Energie Beheer Nederland (EBN)	497,123,387	795,999,416	(298,876,029)
2	Dana Petroleum	1,458,707	1,791,403	(332,696)
3	Hansa Hydrocarbons Ltd	456,946	456,946	-
4	Nederlandse Aardolie Maatschappij BV (NAM)	1,373,669,224	2,002,753,676	(629,084,452)
5	Neptune Energy	29,095,380	12,025,612	17,069,768
6	NGT (Noordgastransport BV)	24,787,103	24,787,103	-
7	NOGAT BV (Northen Offshore Gas Transport)	10,594,105	10,594,105	-
8	Petrogas E&P Netherlands BV	1,414,785	1,414,785	-
9	Spirit Energy Nederland BV	(4,857,319)	(4,946,516)	89,197
10	TAQA Energy BV	3,846,429	5,529,129	(1,682,700)
11	Total	(10,979,313)	(21,698,171)	10,718,858
12	Tulip Oil	217,422	362,370	(144,948)
13	Vermilion Energy	11,217,145	4,872,250	6,344,895
14	Wintershall Noordzee BV (BASF)	(23,814,527)	(34,257,041)	10,442,514
15	ONE-Dyas	(86,068)	552,522	(638,590)
	Total	**1,914,143,406**	**2,800,237,589**	**(886,094,183)**

EUR

Adjustments			Final amounts		
Company (d)	Govt (e)	Difference (d-e)	Company (f) (a+d)	Govt (g) (b+e)	Difference (f-g)
298,876,029	-	298,876,029	795,999,416	795,999,416	-
1,609,072	1,276,376	332,696	3,067,779	3,067,779	-
-	-	-	456,946	456,946	-
629,790,746	705,534	629,085,212	2,003,459,970	2,003,459,210	760
(1,177,281)	15,892,910	(17,070,191)	27,918,099	27,918,522	(423)
-	-	-	24,787,103	24,787,103	-
-	-	-	10,594,105	10,594,105	-
-	-	-	1,414,785	1,414,785	-
(89,197)	-	(89,197)	(4,946,516)	(4,946,516)	-
1,682,700	-	1,682,700	5,529,129	5,529,129	-
(10,718,858)	-	(10,718,858)	(21,698,171)	(21,698,171)	-
144,948	-	144,948	362,370	362,370	-
(5,948,650)	396,000	(6,344,650)	5,268,495	5,268,250	245
8,662	10,451,176	(10,442,514)	(23,805,865)	(23,805,865)	-
-	(638,570)	638,570	(86,068)	(86,048)	(20)
914,178,171	**28,083,426**	**886,094,745**	**2,828,321,577**	**2,828,321,015**	**562**

APPENDIX 8

Appendix 8 – Reconciliation of cash flows per revenue stream

EUR

N°	Description of payment	Templates originally lodged		
		Company (a)	Govt (b)	Difference (a-b)
	NTCA	**431,645,107**	**388,153,783**	**43,491,324**
1	Corporate Income Tax (CIT)	466,281,865	450,436,334	15,845,531
2	Profit Share	(66,458,574)	(94,251,361)	27,792,787
3	Surface Rental	24,069,802	24,267,643	(197,841)
4	Cijns (Royalty)	7,752,014	7,701,167	50,847
	EZK	**1,482,498,299**	**2,412,083,806**	**(929,585,507)**
5	State Share	39,716,584	(17,508,212)	57,224,796
6	Additional Payment	(19,015,931)	-	(19,015,931)
7	Extra Income Scheme (MOR)	1,278,417,646	1,946,434,868	(668,017,222)
8	Dividends	183,380,000	483,157,150	(299,777,150)
	Total	**1,914,143,406**	**2,800,237,589**	**(886,094,183)**

Adjustments			Final amounts		
Company (d)	Govt (e)	Difference (d-e)	Company (f) (a+d)	Govt (g) (b+e)	Difference (f-g)
(15,407,336)	**28,083,426**	**(43,490,762)**	**416,237,771**	**416,237,209**	**562**
(14,852,670)	992,746	(15,845,416)	451,429,195	451,429,080	115
(753,109)	27,039,241	(27,792,350)	(67,211,683)	(67,212,120)	437
249,290	51,439	197,851	24,319,092	24,319,082	10
(50,847)	-	(50,847)	7,701,167	7,701,167	-
929,585,507	**-**	**929,585,507**	**2,412,083,806**	**2,412,083,806**	**-**
-	57,224,796	(57,224,796)	39,716,584	39,716,584	-
-	(19,015,931)	19,015,931	(19,015,931)	(19,015,931)	-
629,808,357	(38,208,865)	668,017,222	1,908,226,003	1,908,226,003	-
299,777,150	-	299,777,150	483,157,150	483,157,150	-
914,178,171	**28,083,426**	**886,094,745**	**2,828,321,577**	**2,828,321,015**	**562**