

Extractive Industries Transparency Initiative (EITI)

Validation of Norway

Report on initial data collection and stakeholder consultation by the EITI International Secretariat

12 January 2017

Abbreviations

APA	Awards in predefined areas
FN	<i>Frivillighet Norge</i>
IA	Independent Administrator
IOC	International Oil Company
MPE	Ministry of Petroleum and Energy
MSG	Multi-stakeholder group
NCS	Norwegian Continental Shelf
NPD	Norwegian Petroleum Directorate
OGP	Open Government Partnership
NOROG	Norwegian Oil and Gas Association
PWYP	Publish What You Pay
SDFI	State Direct Financial Investment
SOE	State-owned enterprise
TOR	Terms of reference

Contents

Abbreviations	2
Executive Summary	4
Overall conclusions	4
Recommendations	5
Introduction	10
Part I – MSG Oversight	14
Part II – EITI Disclosures	31
2. Award of contracts and licenses	31
3. Monitoring and production.....	41
4. Revenue collection	44
5. Revenue management and distribution.....	57
6. Social and economic spending	60
Part III – Outcomes and Impact	63
7. Outcomes and impact	63
8. Impact analysis (not to be considered in assessing compliance with the EITI provisions).....	Error! Bookmark not defined.
Annexes	72
Annex A - List of MSG members	72
Annex B - List of stakeholders consulted	72
Annex C - List of reference documents	73

Executive Summary

As the first OECD country to implement the EITI, Norway was a pioneer in demonstrating that the EITI Principles are equally relevant for all resource rich countries. Norway's decision to implement the EITI in 2007 was primarily intended to demonstrate solidarity with other implementing countries and to "test" the extent to which stakeholder's trust in the good governance of the sector was well founded. The initial findings of this Validation is that Norway has achieved both of these goals. The next opportunity for Norway is to continue to demonstrate its leadership in this arena by fully mainstreaming the EITI. The recommendations and suggested corrective actions in this report are oriented toward this objective.

Norway commenced its Validation under the EITI Standard on 1 July 2016. This report represents the findings and initial assessment of the International Secretariat's data gathering and stakeholder consultations. The International Secretariat has followed the Validation Procedures¹ and applied the Validation Guide² in assessing Norway's progress with the EITI Standard.

As the first OECD country to undergo Validation under the EITI Standard, Norway provides a challenging case for the EITI Board. All stakeholders consulted believe that Norway already practices the open, consultative and democratic natural resource governance model that the EITI Standard aims to foster. The challenge for this Validation exercise is to strike a balance between the need to treat all implementing countries in an equitable manner, while at the same time recognising that Norway may have moved beyond the EITI's requirements on multi-stakeholder oversight. While the assessment has not yet been reviewed by the multi-stakeholder group (MSG) or been quality assured, the Secretariat's preliminary assessment is that requirements 1.4, 1.5, 4.1, 4.2, 4.9, 7.1 and 7.4 have not been fully addressed in Norway. The recommendations and suggested corrective actions identified through this process relate in particular to MSG oversight, comprehensiveness of reporting, disclosures of in-kind revenues, ensuring data quality and documenting impact.

What emerges from this initial assessment exercise is the need for Norway to make urgent progress in seeking EITI Board approval to use the EITI's agreed-upon procedure for mainstreamed disclosures. This procedure does not alter the EITI's disclosure requirements, while offering opportunities to reduce the cost of implementation.

Norway was designated compliant under the EITI Rules in March 2011³ and has been implementing the EITI since February 2009. Implementation of the EITI in Norway is undertaken by a multi-stakeholder group led by the Ministry of Petroleum and Energy (MPE). Norway first announced its commitment to the EITI in 2007 when the government announced its intention to become an EITI implementing country after having supported the EITI since 2003.

Overall conclusions

Since the beginning, implementation of the EITI has been seen by Norwegian stakeholders from all constituencies as a way of demonstrating solidarity with other implementing countries [and to lead by example](#). This had a direct impact on the EITI's development into a truly global standard for the good governance of the extractive sector. A secondary aim for the government was to demonstrate that the Norwegian extractive sector was transparently managed, and also in this area stakeholders seem satisfied

¹ <https://beta.eiti.org/document/validation-procedures>.

² <https://beta.eiti.org/document/validation-guide>.

³ <https://eiti.org/news/press-release-six-more-countries-compliant-with-transparency-accountability-standard>

Commented [A1]: Scope and materiality have been discussed and agreed in the MSG. Please note that the outcome of the discussion was:

- All companies should report(not only a sample, which has also been considered)
- All deviations should be clarified to the extent possible.
- The MSG thus did not want to set any materiality amount.
- In addition, the cash flows have been reconciled to the state's accounts
- Some clarifications have been made in the MSG about some fees etc, The fees reported from government have been included.

So it is somewhat difficult to understand that this is not comprehensive reporting, which should be the purpose of EITI (and not the TOR itself)?

Commented [A2]: Data quality and assurance is addressed in the report in a separate section (5.4 in the 2014 report). The audit system is also described in detail (2.11 in the 2014 report). The Norway report is referred to as an example by EITI in guidance note 24 on data reliability, listed on EITI web site <https://eiti.org/document/guidance-note-on-data-quality-assurance>.

The Norwegian EITI report appears to include information on the same format as the examples in guidance note 24. The assurance to be provided (Agreed upon procedures) has been discussed with MSG and the procedures to be performed agreed with the MSG. The agreed procedures are described in the report.

Further, the TOR advises that an audit standard such as ISRS 4400 should be used for the report. "The Independent Administrator should exercise judgement and apply appropriate international professional standards³ in developing a procedure that provide a sufficient basis for a comprehensive and reliable EITI Report. In footnote 3

- ¹ For example, ISA 505 relative to external confirmations; ISA 530 relative to audit sampling; ISA 500 relative to audit evidence; ISRS 4400 relative to the engagement to perform agreed-upon procedures regarding financial information and ISRS 4410 relative to compilation engagements. "

The TOR also outlines examples of possible procedures to assure reliability, such as sign off by a senior officer in the company. This has been implemented in Norway, and assessed in the report.

As per ISRS 4400 we are required to include some specific text in the report in order to comply with the standard:

18.

The report of factual findings [should contain:](#)

- (a) Title;
- (b) Addressee (ordinarily the client who engaged the auditor to perform the agreed-upon procedures);
- (c) Identification of specific financial or non-financial information to which the agreed-upon procedures have been applied;
- (d) A statement that the procedures performed were those agreed upon with the recipient;
- (e) A statement that the engagement was performed in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements, or with relevant national standards or practices;
- (f) Identification of the purpose for which the agreed-upon procedures were performed;
- (h) A listing of the specific procedures performed;

Commented [A3]: As far as we understand the recommendation, it is not corrective action related to the actual comprehensiveness or data quality; but it relates to the formalisation through the TOR? Might consider to include in the summary the observation from validator below: "Norway does not use the Standard TORs, and as the rest of this assessment shows this has not generally hampered Norway in providing the information required by the Standard. "

with the results of implementation. Norway EITI Reports have consistently demonstrated only immaterial discrepancies, while government websites like www.norskpetroleum generally make good on their promise to deliver “everything you need to know about Norwegian petroleum activities”. Recognising that the information required by the EITI Standard is already routinely available through government and corporate reporting systems and therefore does not have any added value, the MSG has repeatedly discussed the possibility of seeking the EITI Board’s approval to stop reporting or to use its agreed-upon procedure for mainstreamed disclosures.

Commented [A4]: There have been no unresolved/unexplained discrepancies

An important challenge identified through this exercise has been the limited scope of implementation. In accordance with the regulations that set the legal framework for implementation, the EITI process in Norway has been exclusively focused on the reconciliation of revenues from the oil and gas sector. The reason for this seems to be that some stakeholders have repeatedly questioned the legitimacy of the EITI’s multi-stakeholder structure as a platform for addressing or contributing to national priorities for the sector in the Norwegian context. They note that a high level of openness and regular consultation with stakeholders are basic pillars of the Norwegian natural resource governance model, and questions concerning the development of the sector are routinely and extensively debated in public across a large and varied number of platforms. As a result, trust in the government’s ability to make informed decisions and to consult with relevant stakeholders is generally high. Under these conditions, they argue, there is little need for the kind of platform that the EITI provides when more open, inclusive and representative alternatives already exist for stakeholders to contribute to the public debate. Although civil society representatives on the MSG have repeatedly challenged the notion that the scope of implementation could not be expanded to address additional issues such as beneficial ownership and project-by-project disclosures, they accept that the current structure has not made it possible to increase the scope of implementation beyond the reconciliation of revenues. As a consequence of this, civil society is currently struggling to find volunteers to represent the constituency in the MSG. Civil society’s activities in this area have therefore focused their efforts on other concerns of international relevance, such as addressing the challenge of tax havens and encouraging universal project-by-project disclosure.

Commented [A5]: This does not give a correct description. The EITI principles are already implemented in the Norwegian society and that’s why the scope for the MSG is limited.

Commented [A6]: The scope includes all licensees on the NCS. The mining sector has been continuously assessed by the MSG but deemed not material, ref also comment from validator below: “The MSG has decided that the mining sector should not be included in EITI reporting due to the lack of material payments from the sector”

This presents an important conundrum for the EITI. On the one hand, the role of the MSG is limited to overseeing the reconciliation of revenues from the oil and gas sector and the scope of implementation has not changed with the adoption of the EITI Standard in 2013. On the other hand, the information required by the EITI Standard is routinely available through existing reporting systems, civil society is actively engaged with, and consulted in, the management of the sector and there is a vibrant public debate.

Commented [A7]: The MSG has not dismissed the relevance of beneficial ownership or been unwilling to expand the scope to cover relevant items.

Commented [A8]: Has been discussed by MSG. Beneficial owner is already on the agenda and this has been referred to in the report. Project by project reporting is not relevant for the companies as the taxes which constitute the material portion of the payments from the companies are levied on company basis (as described in the report) It is also important to understand that in Norway, the tax system is normally the same for every license. Any deviations are public. It is not like a PSA which is negotiated separately each time a license is granted.

Commented [A9]: This part of the sentence should be nuanced to reflect comments above.

Commented [A10]: But the scope has been subject for debate and consideration in MSG meetings?

Commented [A11]: By listing all these details there might be the impression for a reader that there is much information that is lacking in Norway; however from reading the full report this seems not to be the case; rather it is noted that Norway has gone beyond the requirements in many instances.

To avoid misunderstanding recommendations could be split into
1) what is the main recommendation to be included in the summary (mainstreaming- since Norway is already transparent?) and
2) what is more “housekeeping” items (like using tables rather than text, having one or more additional links etc.) to be moved further back in the report.

Commented [A12]: In fact representatives have expressed that they will not be interested in continuing as part of the MSG if mainstreaming is the only focus. However, to enter into a mainstreaming approach the MSG would like to be ensured that EITI can provide a framework that ensures an efficient mainstreaming process with focus on materiality and keeping cost down.

Commented [A13]: Not quite sure how the mainstreaming maintains shareholders engagement; might be worth expanding on?

Rapid progress on seeking approval from the EITI Board to use the agreed-upon procedures for mainstreamed disclosure should help address this challenge. In the meantime, a number of recommendations and suggested corrective actions, listed below, should help Norway through this process.

Recommendations

1. As a matter of urgency, the MSG is encouraged to make progress on implementing the necessary steps to seek EITI Board approval to use the EITI’s agreed upon procedure for mainstreamed disclosures as a way of maintaining stakeholder engagement in the future.
2. The role of the MSG and EITI work plans in a Norwegian context should be raised by the MSG to the attention of the EITI Board when it seeks its approval to use the EITI’s agreed-upon procedure for mainstreamed disclosures, as it will continue to have an impact on Norway’s ability to comply with requirements 1.4 and 1.5.

3. In the meantime, the MSG should agree a process to ensure greater accountability of MSG representatives to the constituencies. In particular, the civil society constituency should be encouraged to develop and agree on constituency guidelines that effectively set out the process by which representatives in the MSG will be selected and held accountable. The MSG will need to make progress on a new work plan and link its objectives to national priorities under the wider mandate of the EITI Standard. In developing the work plan, the MSG will wish to consult a wide range of stakeholders.
4. The MSG should ensure that the Terms of Reference for the MSG are consistently followed so that information that should be available online is regularly uploaded and the Norway EITI website is regularly updated.
5. The MSG may wish to ensure that EITI reporting includes an overview or reference to the latest information regarding license bidding rounds on the NPD website, and reference to information on transferred licenses in the Petroleum Register.
6. The MSG may wish to ensure that any relevant reforms underway related to the legal and fiscal frameworks governing the sector are described in future reports.
7. In preparation for enforcement of Requirement 2.5 of the 2016 EITI Standard, the MSG may wish to consider clarifying government policy on beneficial ownership disclosure, actual disclosure practices and any planned or ongoing reforms. The MSG may wish to use the beneficial ownership roadmap to make further reference to available ownership information, communicate the government's ongoing work to establish a public ownership register as well as implications of this for oil and gas companies operating in the country, and track progress made by the government.
8. Regarding information on the participation of the state in the extractive sector, the MSG may wish to provide more direct links and clear references to the available information on such websites in the EITI Report.
9. The MSG may wish to ensure that information on production values are provided by commodity in EITI reporting and on the Norwegian Petroleum website.
10. The MSG should decide on a definition of materiality, consider reviewing the revenue streams to be included in the reconciliation and discuss whether some of the smaller revenue streams could be unilaterally disclosed by the government to avoid minor discrepancies such as those related to interest on delayed payments. This could involve revising the EITI regulation or the EITI reporting guidelines. The MSG may wish to do a review the contribution of the mining sector and whether to include revenue or non-revenue information on the sector in EITI reporting.
11. The MSG may consider working with Statoil and other relevant government agencies on disclosing aggregate figures of the sales from the state's share of petroleum and to levels commensurate with the reporting of other payments and revenue streams (in accordance with provisions 4.2 and 4.7). Reporting could also break down disclosures by the type of product, price, market and sale volume. The MSG is further encouraged to considering task the Independent Administrator with reconciling the volumes sold and revenues received by including the buying companies in the reporting process.
12. In preparing its next EITI Report, the MSG should ensure that reconciled data is presented disaggregated not only by individual company and revenue stream but also by receiving government entity either in the EITI Report or on the Norway EITI website.
13. The MSG and the IA are required to agree a TOR for the EITI Report based on the Standard TOR for the IA and the agreed upon procedure for EITI Reports endorsed by the EITI Board, in accordance with Requirement 4.9b(iii). Alternatively, the MSG may seek Board approval to mainstream EITI implementation in accordance with the "Agreed upon procedures for mainstreamed disclosure", available from the International Secretariat.

Commented [A14]: This has been explained in meetings and under the more general comments. The national priorities in an EITI context are transparency in the extracting industry – oil and gas. Other national priorities are dealt with through other channels and other arenas.

Commented [A15]: The Petroleum Register is referenced many places in the report.

Commented [A16]: Would assume this is only relevant if reforms are known? The report describes changes in tax rates and uplift rates (even if this is not "reforms" (even not regarded as reforms)

Commented [A17]: The MSG follows the work of the Government. The Government's work includes process of hearing with different interest groups. Difficult to understand how MSG should have a separate road map or parallel road map

Commented [A18]: This is ongoing work in Norway; reference to this work is included in the report.

Commented [A19]: There is a description of participation in 2.9 and also references to Petoro, Gassled and Statoil websites and also to their annual reports. The participation is also described in detail on Norsk Petroleum website which is referred to. The rating is beyond satisfactory, but when this comment about links is on the top/summary section of the validation report is gives the impression that information is missing.

Commented [A20]: Volumes and average prices are provided and linked to source.

Commented [A21]: The MSG has decided that all discrepancies should be clarified to the extent possible. The MSG has also discussed and decided that interest should not be excluded. The MSG has done a review of the contribution from the mining sector in two or more meetings and decided not to include the mining sector at this point in time-

Commented [A22]: This has been considered. See general comments and explanation under #4.2

Commented [A23]: It is described in the report in text and in figure 10 who is the receiving government per revenue stream (this figure is also referenced to by EITI in the past as an example on how to present this).

All revenue streams are reported separately per company- and thus also by receiving government. So it should be clear (even if in Norway we are not sure that the public is very concerned about which part of the authorities is receiving the payments)

Commented [A24]: Ref general comments under #4.9. It's difficult to see where we differ from the standard ToR

Commented [A25]: We understand that the validator is of the opinion that this has not had any significant impact on the Norwegian EITI (ref further below in the report); therefore this fact could be worth mentioning as well in this summary?

14. The MSG may wish to consider exploring whether to include an overview of voluntary social payments or to include such payments in the payments to be disclosed in the report.
15. In seeking the EITI Board's approval to use the EITI's agreed upon procedure for mainstreamed disclosures, the MSG should raise the issue of applicability of requirement 7.4 in the Norwegian context. In the meantime, future annual progress reports should list each recommendation and the corresponding activities that have been undertaken to address the recommendations and the level of progress in implementing each recommendation in accordance with Requirement 7.4a(iii). Where the government or the MSG have decided not to implement a recommendation, the MSG should document the rationale in the annual progress report. The MSG may wish to set up a matrix showing which recommendations have been successfully addressed and which remain pending so that it is easier to follow these up in the future (Requirement 7.3). In accordance with Requirement 7.4a(v), a narrative account of efforts to strengthen the impact of EITI implementation on natural resource governance should be included in annual progress reports, including any actions to extend the detail and scope of EITI reporting or to increase engagement with stakeholders. Finally, the MSG will wish to ensure that the 2015 annual progress report is available online.








Commented [A26]: Discussed and dismissed from a materiality/relevance point of view

Commented [A27]: We have addressed all requirement where IA has pointed out we might not be in compliance. Further, we have addressed recommendations by previous validator. In the meeting where EITI-report is discussed we address any recommendation the IA might have. See further comments under General Comments under #7.4

Figure 1 – initial assessment card

EITI Requirements		LEVEL OF PROGRESS				
		No progress	Inadequate	Meaningful	Satisfactory	Beyond
Categories	Requirements					
MSG oversight	Government engagement (#1.1)				■	
	Industry engagement (#1.2)				■	
	Civil society engagement (#1.3)					■
	MSG governance (#1.4)			■		
	Workplan (#1.5)		■			
Licenses and contracts	Legal framework (#2.1)				■	
	License allocations (#2.2)					■
	License register (#2.3)					■
	Policy on contract disclosure (#2.4)				■	
	Beneficial ownership (#2.5)	■				
	State participation (#2.6)					■
Monitoring production	Exploration data (#3.1)					■
	Production data (#3.2)					■
	Export data (#3.3)				■	
Revenue collection	Comprehensiveness (#4.1)			■		
	In-kind revenues (#4.2)			■		
	Barter agreements (#4.3)	■				
	Transportation revenues (#4.4)				■	
	SOE transactions (#4.5)					■
	Direct subnational payments (#4.6)				■	
	Disaggregation (#4.7)				■	
	Data timeliness (#4.8)					■
	Data quality (#4.9)			■		
Revenue allocation	Distribution of revenues (#5.1) (#5.1)	■				
	Subnational transfers (#5.2)	■				
	Revenue management and expenditures (#5.3)	■				
Socio-economic contribution	Mandatory social expenditures (#6.1.a)	■				
	Discretionary social expenditures (#6.1.b)	■				
	SOE quasi-fiscal expenditures (#6.2)	■				
	Economic contribution (#6.3)					■
Outcomes and impact	Public debate (#7.1)			■		
	Data accessibility (#7.2)	■				
	Follow up on recommendations (#7.3)				■	
	Outcomes and impact of implementation (#7.4)			■		

Legend to the assessment card

-  The country has made no progress in addressing the requirement. The broader objective of the requirement is in no way fulfilled.
-  The country has made inadequate progress in meeting the requirement. Significant elements of the requirement are outstanding and the broader objective of the requirement is far from being fulfilled.
-  The country has made progress in meeting the requirement. Significant elements of the requirement are being implemented and the broader objective of the requirement is being fulfilled.
-  The country is compliant with the EITI requirement.
-  The country has gone beyond the requirement.
-  This requirement is only encouraged or recommended and should not be taken into account in assessing compliance.
-  The MSG has demonstrated that this requirement is not applicable in the country.

Introduction

Sign-up phase

Norway became the first OECD country to commit to implement the EITI in 2007 when the government announced its intention to become an implementing country after having supported the EITI since 2003. Norway was accepted as an EITI candidate on 11 February 2009, and the Norway EITI multi-stakeholder group (MSG) was formally established by Royal Decree on 22 June 2009.⁴

Objectives for implementation and overall progress in implementing the work plan

Norway' objectives for implementing the EITI have been primarily to reinforce the country's commitment to transparency internationally and to confirm the good management of natural resources. Norway EITI's website emphasises the importance internationally of implementing the EITI, stating that *"transparency in payment flows and good governance are universal principles with which Norway already complies. Still, Norway has chosen to implement the EITI, hoping that other countries, where the need to introduce transparency criteria is bigger, will be motivated and influenced to do the same."*⁵

Norway EITI work plans do not include high-level objectives for EITI implementation that are linked to

⁴ An interim group of 10 stakeholders was established on 22 October 2008 to prepare the candidature. This group was superseded by the 12-person strong multi-stakeholder group constituted by Royal Decree on 22 June 2009.

⁵ <http://nettsteder.regjeringen.no/eiti2-en/norway-and-the-eiti/>

national priorities. Instead, work plans outline the reporting process itself as the key objective of implementation. The 2015 and 2015 work plans list monitoring and evaluating “the implementation of regulation regarding reporting and reconciliation of cash flow from petroleum activities” as the key objective alongside “consider how to exit the reporting and reconciliation (adapted implementation)”.

History of EITI Reporting

The reporting requirements for companies and government agencies were passed into law under the “Regulation on reporting and reconciliation of revenue flows from petroleum activity” that went into effect on 1 July 2009.⁶ According to the regulation, licensees operating on the Norwegian Continental Shelf are required to report all payments made to the state, while key government agencies must report the revenues received.

The first Norway EITI Report, covering the fiscal year 2008, was published by the end of 2009. Six more Norway EITI Reports have been published since with no unresolved discrepancies and no substantive delays in reporting. The government maintains a site called Norwegian Petroleum⁷ which is purported to include “Everything you need to know about Norwegian petroleum activities”. The portal provides up-to-date aggregate data as well as contextual information on the sector, and includes the results of the latest EITI reporting.⁸

Norway has decided not to cover the mining sector in reporting due to its immaterial contribution in relation to the oil and gas sector.

Summary of engagement by government, civil society and industry

Norway decided to implement the EITI as a way of showing solidarity with other resource-rich countries, and stakeholder engagement reflects this. There is a generalised acceptance among stakeholders that Norway already has a transparent and consultative system in place to address natural resource governance. As a result, attempts at expanding the scope of implementation beyond the EITI’s original goal of reconciling revenues from the extractive industry have foundered. This in turn has led civil society representatives to question the added value of their participation in a process where there is limited scope for addressing potential areas of interest to their constituency. For their part, representatives from the industry and the government are generally satisfied with the current level of engagement insofar as implementation supports the international EITI process and demonstrates that the Norwegian system of natural resource governance is transparent. Companies participate actively in reporting exercises and in meetings of the multi-stakeholder group.

The Norwegian Government issued a public statement on 27 September 2007 announcing its decision to implement the EITI after having participated as a Supporting Country since 2003.⁹ The Director General of the Ministry of Petroleum and Energy was appointed in 2009 to lead on EITI implementation. Government engagement in the EITI was institutionalised through the so-called EITI regulation of 26 June 2009, regulation number 856 “regarding reporting and reconciliation of cash flow from the petroleum industry”. In addition, certain bodies of government (customs toll, the Central Bank of Norway, the Norwegian Petroleum Directorate, Petoro, and the Norwegian Tax Administration) are required to report revenues

⁶ <http://lovdata.no/cgi-wift/wiftldies?doc=/usr/www/lovdata/ltavd1/filer/sf-20090626-0856.html>

⁷ <http://www.norskpetroleum.no/en/>

⁸ <http://www.norskpetroleum.no/en/economy/transparency-eiti/>

⁹ “Norway at the forefront of extractive industries transparency efforts” (27 September 2007), Norwegian Ministry of Foreign Affairs, <https://www.regjeringen.no/en/aktuelt/Norway-at-the-forefront-of-extractive-in/id481866/>.

Commented [A28]: Ref section above, summary section:- “MSG may wish to do a review of the contribution of the mining sector and whether to include revenue or non-revenue information on the sector in EITI reporting.”

The text above should be aligned with the text in this section; from reading the summary section the reader might get the impression the mining sector has not been considered?

received. The government provides funding for the execution of the work plan.

Companies are actively and effectively engaged in the EITI process as providers of information and in the national dialogue on the management of the extractive industries, while civil society organisations represented with an interest in extractive sector transparency have been involved in the process since the beginning and key in pushing for EITI implementation in Norway. Stakeholders agree that rather than addressing national, sector-specific challenges, the main motivation for stakeholder engagement in the EITI process has always been to encourage and assist implementation of the EITI around the world.

Key features of the extractive industry

Petroleum activities have been crucial for Norway's economy for more than 40 years. In 2015, the petroleum sector represented 15% of the country's GDP. Since production started on the Norwegian continental shelf in the early 1970s, petroleum activities have contributed more than NOK 11 000 billion NOK to Norway's GDP (in real terms). Norway is ranked as the tenth largest oil exporter and the third largest gas producer in the world. In 2015, Norway produced 227.8 Sm³ oil equivalent of marketable petroleum, equalling 2% of the world total production. At the end of 2014, proved oil reserves of 786 million Sm³ or 0.5% of the world's reserves. Proven hydrocarbon reserves have been in decline over the past decade, although some important discoveries have been made in the past two years. To date, 45% of the estimated recoverable resources on the Norwegian shelf have been extracted and sold.

The Norwegian state secures a large share of the value creation through taxation of the companies holding licenses on the Norwegian Continental Shelf (NCS) and what is known as the State's Direct Financial Interest (SDFI) in the petroleum industry. In addition, the state holds a 67% majority stake in the largest petroleum company, Statoil.

The petroleum taxation system is based on the rules for ordinary company taxation and are set out in the Petroleum Taxation Act (Act of 13 June 1975 No. 35 relating to the taxation of subsea petroleum deposits, etc.). Because of the extraordinary returns on production of petroleum resources, the oil companies are subject to an additional special tax. The current ordinary company tax rate is 25%, and the special tax rate is 53%.

Commented [A29]: Correct for 2016. From 1.1.2017 company tax rate 24% and special tax 54%

Production licenses are awarded by the Ministry of Petroleum and Energy in numbered licensing rounds for the least explored parts of the shelf (frontier areas), or awards in predefined areas (APA) for mature fields. The production license gives a company or a group of companies a monopoly to perform investigations, exploration drilling and recovery of petroleum deposits within the geographical area stated in the license. The licensees become owners of the petroleum that is produced minus the State's Direct Financial Interest (SDFI). A production license may cover one or more blocks or parts of blocks and regulates the rights and obligations of the participant companies with respect to the authorities.

Explanation of the validation process (objectives, timeline, ToR, etc.)

The EITI International Board agreed at its 33rd Board meeting in Oslo, Norway that fifteen countries, including Norway would undergo validations starting 1 July 2016.

1. Validation is an essential feature of the EITI process. It is intended to provide all stakeholders with an impartial assessment of whether EITI implementation in a country is consistent with the provisions of the EITI Standard. The Validation report will, in addition, address the impact of the EITI in the country being validated, the implementation of activities encouraged by the EITI Standard, lessons learnt in EITI implementation, as well as any concerns stakeholders have expressed and recommendations for future

implementation of the EITI.

2. Validation procedure. In February 2016 the EITI Board approved a revised Validation system. The new system has three phases:

1. Data collection undertaken by the International Secretariat
2. Independent quality assurance by an independent Validator who reports directly the EITI Board
3. Board review.

In May 2016, the Board agreed the Validation Guide,¹⁰ which provides detailed guidance on assessing EITI Requirements, and more detailed Validation procedures,¹¹ including a standardised procedure for data collection and stakeholder consultation by the EITI International Secretariat and standardised terms of reference for the Validator. As previously, there are extensive opportunities for stakeholder participation, as set out below.

The Validation Guide includes a provision that: "Where the MSG wishes that validation pays particular attention to assessing certain objectives or activities in accordance with the MSG work plan, these should be outlined upon the request of the MSG". The Norway EITI MSG did not request any issues for particular consideration.

3. Data collection by the International Secretariat. The International Secretariat's work will be conducted in three phases:

1. Desk Review. Prior to visiting the country, the Secretariat will conduct a detailed desk review of the available documentation relating to the country's compliance with the EITI Standard, including but not limited to:
 - The EITI work plan and other planning documents such as budgets and communication plans;
 - The multi-stakeholder group's Terms of Reference, and minutes from multi-stakeholder group meetings;
 - EITI Reports, and supplementary information such as summary reports and scoping studies;
 - Communication materials;
 - Annual progress reports; and
 - Any other information of relevance to Validation.

This work will include initial consultations with stakeholders, who are invited to submit any other documentation they consider relevant. Without prejudice to the ability of the Board to exercise their discretion to consider all available evidence, the Secretariat will not take into account actions undertaken after the commencement of Validation. The desk review was conducted in the period July-October 2016 and included documents provided by Norway EITI.

2. Country visit. The country visit took place on 21-26 August 2016, with additional meetings in October and November 2016. All meetings took place in Oslo. The Secretariat met with the multi-stakeholder group and its members, the Independent Administrator and other key stakeholders, including stakeholder groups that are represented on, but not directly participating in, the multi-

¹⁰ <https://eiti.org/document/validation-guide>

¹¹ <https://eiti.org/document/validation-procedures>

stakeholder group.

In addition to meeting with the MSG as a group, the Secretariat met with its constituent parts (government, companies and civil society) either individually or in constituency groups, with appropriate protocols to ensure that stakeholders are able to freely express their views and that requests for confidentiality are respected.

3. Reporting on progress against requirements. Based on these consultations, the International Secretariat will prepare a report making an initial evaluation of progress against requirements in accordance with the Validation Guide. The report will not include an overall assessment of compliance.

The International Secretariat's team comprised: Pablo Valverde, Ines Schjolberg Marques and Sam Bartlett.

4. Independent Validation. The EITI Board will appoint a Validator, who will report to the Board via the Validation Committee. The Validator will assess whether the Secretariat's initial validation has been carried out in accordance with the Validation Guide. This will include: a detailed desk review of the relevant documentation for each requirement and the Secretariat's initial evaluation for each requirement, and a risk-based approach for spot checks, and further consultations with stakeholders. The Board may request that the Validator undertake spot checks on specific requirements. The Validator will amend or comment on the Secretariat's report as needed. The Validator then prepares a short summary (the Validation Report) for submission to the Board. This will include the Validator's assessment of compliance with each provision, but not an overall assessment of compliance. The multi-stakeholder group will be invited to comment on the Validation Report.

5. Board Review. The final stage in the process is the review by the EITI Board. The Validation Committee will review the Validator's assessment and any feedback from the multi-stakeholder group. The Validation Committee will then make a recommendation to the EITI Board on the country's compliance with the EITI Requirements. The EITI Board will make the final determination of whether the requirements are met or unmet, and on the country's overall compliance in accordance with provision 8.3.a.ii of the EITI Standard. There is an appeal process, as per requirement 8.8.

Part I – MSG Oversight

1.1 Overview

This section relates to government oversight of the EITI process, stakeholder engagement and the environment for implementation of EITI in country, the governance and functioning of the multi-stakeholder group (MSG), and the EITI work plan.

1.2 Assessment

Government oversight of the EITI process (#1.1)

Documentation of progress

Public statement: Having participated in the EITI as a Supporting Country since 2003, the Norwegian Government issued a public statement on 27 September 2007 announcing its decision to implement the

EITI in Norway.¹² The Minister of International Development, Erik Solheim was quoted as saying that “Norway wants to be at the forefront of the international effort to combat corruption. Our role as a driving force in the EITI is an example of this. Until now, Norway has given the initiative financial and political support. We will now implement the EITI Principles fully. We will ourselves do what we ask other countries to do. This will enhance our credibility in the international fight against corruption in the raw materials industries.” The report corresponding to the first Validation made note of this public statement and concluded that it was satisfactory. Support for the EITI is regularly mentioned in government speeches and articles, not least in 2016 in connection with the so-called “Panama Papers”.¹³

Senior lead: The Government of Norway has appointed Director General of the Ministry of Petroleum and Energy Lars Erik Aamot to lead on EITI implementation. Director General Aamot replaced former Director General Gunnar Gjerde in 2009 as head of the Norwegian EITI MSG. The report corresponding to the first Validation made note of this appointment and concluded that Norway had met this requirement.

Full active and effective engagement: Government engagement in the EITI was institutionalised through the so-called “EITI regulation” of 26 June 2009, regulation number 856 “regarding reporting and reconciliation of cash flow from the petroleum industry”. The regulation came into effect on 1 July 2009 and instructs licensees on the Norwegian continental shelf to report all payments made to the state. In addition, certain bodies of government (customs toll, the Central Bank of Norway, the Norwegian Petroleum Directorate, Petoro, and the Norwegian Tax Administration) are required to report revenues received.

The government has sought ways to address and overcome bottlenecks to reporting. The report of the first Validation notes that the EITI regulation helped to “remove obstacles and promote reporting by providing EITI with legally enshrined status”. The report of the first Validation also notes that questions had been raised about “whether the confidentiality rules in the Custom Act and the Tax Assessment Act precluded Norwegian Tax Administration and customs toll from reporting in accordance with EITI regulation §4” but that the Ministry of Finance had concluded that “the confidentiality rules should not prevent the entities from reporting”.

Government agencies listed in the EITI Regulation participated actively in EITI reporting (see initial assessment of requirement 4.1 below). The government provides funding for the execution of the work plan (see 1.5 below).

Senior government officials are represented on the MSG. Besides the aforementioned Director General, who leads the MSG, the government is represented by a Deputy Director General at the Ministry of Petroleum and Energy and Senior Advisors at the Ministry of Finance. MSG minutes show that meetings are generally attended by the Director General.

Stakeholder views

Government representatives on and off the MSG said that the government was engaged with the EITI process as a way of demonstrating solidarity with implementing countries around the world and as a demonstration that the Norwegian extractive sector is managed in a transparent manner. When asked

¹² “Norway at the forefront of extractive industries transparency efforts” (27 September 2007), Norwegian Ministry of Foreign Affairs, <https://www.regjeringen.no/en/aktuelt/Norway-at-the-forefront-of-extractive-in/id481866/>.

¹³ See for example <http://www.aftenposten.no/meninger/kronikk/Kronikk-Regjeringen-stiller-krav-til-apenhet-rundt-skatt-og-kapitalflyt-53711b.html> and <https://www.regjeringen.no/globalassets/upload/kiide/ud/bro/2006/0038/ddd/pdfv/293033-tnps.pdf>.

whether the EITI could be used to identify and address any challenges to how the sector is governed, representatives from the government and the industry said that this would be outside the scope of the EITI Regulation. Furthermore, they considered any extension of the scope to address how the sector is governed “undesirable in a Norwegian context” insofar as there are already established, open and democratic channels in place for society to take part in policy discussions. One academic researcher studying social developments in Hammerfest, where Statoil’s Melkøya LNG processing plant is located, explained that in Norway’s “extremely regulated industry” there were nevertheless sufficient channels through the state, regional and municipal systems for society to influence and participate in the political debate on the development of the sector. As addressed in further detail below, civil society representatives generally acquiesced to this view, although a number of representatives expressed strong regret that the government’s narrow view of the scope of EITI implementation in Norway did not allow the MSG to be proactive in identifying and addressing remaining possibilities for improvement. For this reason, they also questioned whether the Ministry of Petroleum and Energy was the best suited to lead the process in Norway.

Commented [A30]: Not in line with my impression. Could you give some examples?

Government representatives on the MSG said that although the government had been supportive of implementation, the value of implementing the EITI in Norway had been increasingly called into question insofar as EITI reports consistently demonstrated immaterial discrepancies. They added that as the process had demonstrated that the extractive sector was well governed, the government was considering alternatives to regular EITI reporting for example [stop reporting or](#) through the EITI’s agreed-upon procedure for mainstreamed disclosures.¹⁴

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Initial assessment

The International Secretariat’s initial assessment is that Norway has made satisfactory progress in meeting this requirement. There are public statements of support from the government, a senior individual has been appointed to lead on the implementation of the EITI, senior government officials are represented on the MSG and the government provides funding for the execution of the work plan. The EITI Regulation has helped resolve bottlenecks and provides a legal framework for the reporting process. Stakeholders note that the government’s engagement is limited to a strict interpretation of the scope in the EITI Regulation.

As a matter of urgency, the MSG is encouraged to make progress on implementing the necessary steps to seek EITI Board approval to use the EITI’s agreed upon procedure for mainstreamed disclosures as a way of maintaining government engagement in the future.

Industry engagement in the EITI process (# 1.2)

Documentation of progress

Active engagement: Industry representatives participate in MSG discussions and companies report regularly. Companies engage with the EITI in Norway through their representatives in the MSG. The EITI Regulation stipulates that a proportionate number of MSG members should represent the sector and opens for industry experts to participate as individuals in their own capacity. Since the first MSG was appointed in 2009, industry has been represented in the MSG by a representative from the association **Norwegian Oil and Gas Association (NOROG)**, a representative from Statoil and a rotational representative of the international oil companies (IOC), plus their respective alternates.

¹⁴ <https://eiti.org/mainstreaming>.

Industry representatives participated regularly in meetings of the MSG and company representatives were regularly cited in MSG minutes. Companies participated actively in the EITI reporting process (see initial assessment of Requirement 4.1 below).

Enabling environment: The EITI Regulation provides an enabling legal environment for EITI reporting in Norway. Paragraph 3 in the regulation states that license holders need to report annually before 1 August all payments made the previous year in connection with their activities in the petroleum sector. Special requirements are listed for Petoro, the state-owned company that manages the state's participatory interest in the industry, and Statoil, the (partially) state-owned oil company.¹⁵ There do not appear to be legal barriers to reporting. Although the Custom Act and the Tax Assessment Act include confidentiality rules that could have precluded the Norwegian Tax Administration and the customs toll from reporting, the Ministry of Finance has concluded that the confidentiality rules do not prevent the entities from reporting.¹⁶

Stakeholder views

Company representatives on the MSG stated that they saw the EITI process as a way to confirm the transparency and accountability of the Norwegian extractive sector. They noted that in particular international companies operating in the country follow the EITI process as it is important for them to demonstrate that they are transparent.

One of the company representatives noted that the EITI had not had a direct effect on ensuring additional transparency in Norway, but that having put transparency on the agenda had nevertheless had a global impact. Several company representatives echoed that the main motivation for engagement with EITI in Norway was to support extractive transparency globally. Company representatives also commented that the EITI process had given them insights to civil society discussions about the sector and anti-corruption advocacy.

Stakeholders from other constituencies generally agreed that the industry constituency participated actively in the process, albeit within the limited scope of the EITI in Norway. Companies reported the information that was required of them and took part in MSG discussions. When asked whether it was not a problem that companies outside the MSG were not actively engaged in the EITI process except as providers of information, stakeholders from all constituencies said that this was not a problem since the open and democratic nature of Norwegian society meant that the whole of industry was already actively engaged in the national dialogue on how the extractive industry was managed. This is discussed in further detail below.

Industry representatives on the MSG said that although their constituency had been supportive of implementation, the value of implementing the EITI in Norway had been increasingly called into question since EITI reports consistently demonstrated immaterial discrepancies. They added that as the process had demonstrated that the extractive sector was well governed, the sector supported alternatives to regular EITI reporting, for example [to stop reporting or](#) through the EITI's agreed-upon procedure for mainstreamed disclosures, as long as these did not require any additional efforts from the constituency.¹⁷

¹⁵ <https://lovdata.no/dokument/SF/forskrift/2009-06-26-856>.

¹⁶ See the report of the first Validation, https://eiti.org/sites/default/files/documents/2010-11-21_Final_Validation_Report_Norway_0.pdf.

¹⁷ <https://eiti.org/mainstreaming>.

Initial assessment

The International Secretariat's initial assessment is that Norway has made satisfactory progress in meeting this requirement.

The EITI Regulation provides an enabling legal environment for EITI reporting and there do not appear to be legal barriers to company disclosure. Companies are actively and effectively engaged in the EITI process as providers of information and in the national dialogue on the management of the extractive industries. Industry representatives on the MSG confirmed that except through the reporting process, the wider constituency was otherwise not engaged in deciding questions of scope, work plans or other decisions. This was not, however, seen as a problem by any of the stakeholders consulted, including civil society, because the open and participatory nature of Norwegian natural resource governance ensured that they were *de facto* engaged in the broader national dialogue.

As a matter of urgency, the MSG is encouraged to make progress on implementing the necessary steps to seek EITI Board approval to use the EITI's agreed upon procedure for mainstreamed disclosures as a way of maintaining company engagement in the future.

Civil society engagement in the EITI process (# 1.3)

Documentation of progress

Freedoms of expression, media freedom, and the right to access government information are guaranteed under Article 100 of Norway's constitution, while Article 101 guarantees the right of assembly.¹⁸ Freedom House ranked Norway as Free in its 2016 Freedom in the World ranking with a perfect rating (100) and noted that Norway has "one of the world's most open media environments" in its 2016 Freedom of the Press ranking.¹⁹

Expression, engagement and access to public decision-making: Civil society representatives are able to engage actively in public debate on the EITI and on issues concerning the sector. Civil society representatives are able to speak freely on transparency and natural resource governance issues. Civil society is encouraged to be involved in the design, implementation, monitoring and evaluation of the EITI.

Norway's public sector is characterised by a high level of stakeholder engagement through parliamentary procedure, public consultations and a free and active press. Examples abound of civil society representatives speaking in public about natural resource governance, including at times harsh criticism, through op-eds, campaigns and other interactions in public fora. Lobbying by civil society organisations is a well-established element in this model, and civil society organisations participate actively in public consultations organised by the government and parliament.²⁰

Publish What You Pay (PWYP) Norway has played an important role in organising civil society in Norway's EITI process. The report of the first Validation shows that PWYP Norway conducted an initial open meeting to inform civil society about the EITI process and invite organisations to participate in the process. There

¹⁸ <https://www.stortinget.no/globalassets/pdf/english/constitutionenglish.pdf>.

¹⁹ See <https://freedomhouse.org/report/freedom-world/freedom-world-2016> and <https://freedomhouse.org/report/freedom-press/2016/norway>.

²⁰ Consultations, including the answers received, are publicly available online. See for example the consultations surrounding the changes to the petroleum law in 2009, <https://www.regjeringen.no/no/dokumenter/horing---endringer-i-petroleumsloven/id537385/>.

are also examples of PWYP Norway organising public events to discuss the EITI and its role in Norway specifically.²¹

There are examples of civil society organisations lobbying the government through national media to encourage implementation of the EITI in Norway,²² and to extend the scope of implementation.²³ MSG meeting minutes also show that civil society is encouraged to suggest topics for discussion by the MSG for possible inclusion in MSG work plans. Where civil society has suggested topics that could be of interest for the EITI in Norway, the MSG has had a detailed, point-by-point discussion of each element raised by civil society.²⁴

Operation and Association: There were no indications of legal, regulatory, administrative or actual barriers to civil society, preventing participation in EITI nor any obvious restrictions of fundamental rights. Civil society groups engaged in the EITI process are able to communicate and cooperate with each other regarding the EITI process.

It is well recognised that Norway's estimated 115,000 non-governmental and non-profit organisations play an active and important role in the political and social development of the country. Norwegian society is characterised by a well-established and accepted "Nordic model", where most organisations receive public funding from the government but also cooperate with – and frequently criticise – the government.²⁵ An overview of state subsidy programmes for civil society organisations, by ministry, is available online (in Norwegian).²⁶ Support for organisations is also provided through for example tax cuts, and the government encourages civil society organisations to find alternative sources of funding.²⁷

Frivillighet Norge (FN) is the umbrella organisation for civil society organisations in Norway. According to FN, civil society "plays a defining role in the Nordic societal model as the cornerstone of democracy and the welfare state." The organisation lists "being "schools of democracy", channels for lobbying and "watchdogs" for the government" as some of the defining characteristics of its members.²⁸ FN has a portal for establishing and registering civil society organisations in Norway, including instructions, check-lists and other tools.²⁹ Registration of civil society organisations happens through the Brunnøysund Register Centre, the government's centralised registration portal. Registration of an organisation in the register of volunteer

²¹ See for example "An Open Meeting, June 2: What is the way forward for EITI in Norway?", an open meeting organised in 2016 by Publish What You Pay Norway. <http://www.publishwhatyoupay.no/en/node/16892>.

²² See for example <http://www.dagbladet.no/kultur/2006/10/16/479837.html>.

²³ See for example <http://www.publishwhatyoupay.no/en/node/16874>.

²⁴ See for example meeting minutes of 19 August 2015, available with the Secretariat.

²⁵ The Government of Norway's whitepaper on volunteerism (St.meld. nr. 39 (2006-2007), *Frivillighet for alle*) states that "there is a tradition for cooperation between the volunteer sector and the public sector. Venues for interaction between the volunteering sector and the government are important in order to promote dialogue and participation. The State supports *Frivillighet Norge*, the organisations' lobbying entity".

<https://www.regjeringen.no/no/dokumenter/Stmeld-nr-39-2007-/id477331/>. For an overview of the role of civil society in Norwegian society, see <http://www.ngonorway.org/bilateral-partnerships/norwegian-ngos>.

²⁶ <https://www.regjeringen.no/no/dep/kud/tilskudd/tilskudd-til-frivillig-virksomhet/Tilskuddsordninger-for-frivillige-organisasjoner/id2342820/>.

²⁷ "The Ministry of Culture and Churches highlights that it is important that civil society has a significant level of self-financing. Civil society organisations also stress that it is essential that civil society organisations can develop as they see fit... In this regard, it is important that a substantial level of self-financing is maintained."

<https://www.regjeringen.no/no/dokumenter/Stmeld-nr-39-2007-/id477331/sec1>.

²⁸ http://www.frivillighetnorge.no/no/frivillighetspolitikk/frivillighetspolitisk_plattform/.

²⁹ http://www.frivillighetnorge.no/no/faq/a_starte_en_frivillig_organisasjon/.

organisations (*Frivillighetsregisteret*) requires that one fills in a registration form and submits the organisation's statutes and constituent documents.

Unions and employers' associations play a special role in Norwegian society and are generally considered one of the pillars of the so-called "Nordic model" of governance.³⁰ Unions and employer's associations engage regularly on questions of policy, also in the extractive sector. This includes lobbying for and against issues concerning taxation levels in the sector,³¹ decisions on whether or not to open up new areas for development,³² environmental issues and traditional health and safety issues. Unions and employers' associations participate regularly in consultations by government and the Norwegian Parliament.

Stakeholder views

Stakeholders agree that civil society does not face any constraints in carrying out its role in the EITI and in their dissemination and advocacy activities. On the contrary, all stakeholders consulted stressed that an engaged civil society in an open, democratic and consultative national dialogue is a defining element of the Norwegian model of extractive sector governance. Stakeholders from all constituencies argued that under these conditions, it was difficult to see what added value the EITI's MSG structure could provide for civil society as a platform for multi-stakeholder engagement, when a much more efficient and universal platform was already available for stakeholders and civil society in particular. As one government representative said, "in a way, the whole of Norwegian society is an MSG. If a person or organisation want to actively engage in how the sector is governed, they have a real opportunity to engage with political parties in the development of their political platforms, influence public opinion through the press, lobby politicians through the unions or other interest groups, and provide input to the government through public consultations". Stakeholders from all constituencies noted that the high level of transparency already available on how the sector was governed was an integral part of this arrangement.

As with government and industry, civil society representatives in the MSG said that the main reason why their constituency had pushed for implementation of the EITI in Norway had been to encourage and assist implementation of the EITI around the world. None of the civil society representatives consulted considered that addressing national, sector-specific challenges was a reason for implementing the EITI in Norway. When pushed on whether the EITI could be used to push for some of the issues that PWYP Norway and others have identified as priorities, for example beneficial ownership disclosure, civil society representatives said that the MSG had discussed these possibilities but agreed that they were outside the scope of the EITI in Norway. One civil society representative argued that in trying to increase the scope of EITI implementation, for example to the mining sector,³³ civil society was faced with a circular argument from the rest of the MSG: in a highly regulated society like the Norwegian one, the MSG could not exceed the scope of work set by the EITI Regulations without changing the regulation. Because the EITI had not flagged any real problems there was a wish to scale down implementation rather than trying to find new

³⁰ For a brief introduction to the Nordic model as explained by the largest workers' union in Norway, see <http://www.lo.no/Documents/Engelsk/Nordic%20Models%20for%20Dummies.pdf>.

³¹ <http://www.aftenbladet.no/aenergi/Statoil-fagforeninger---Flere-oljefelt-ifare-474447b.html>.

³² <http://www.dagbladet.no/kultur/vi-kan-ikke-fase-ut-oljegass-industrien-var-over-natta/64169393>.

³³ Civil society has pushed for extending the EITI in Norway to the mining sector since before the development of the EITI Regulation, and this continued to be something that some civil society representatives pointed to as a possible area of interest. See Transparency International's letter of 2009 in connection with the government's consultation process for the development of the EITI Regulation, available on <https://www.regjeringen.no/contentassets/30be8ccd757c4194869d5e48438ba39a/eiti/transparency-international.pdf>.

ways of making the EITI relevant to a Norwegian context. Consequently, there was no need to change the EITI Regulation or increase the scope of implementation. Civil society representatives expressed frustration with this argument but agreed with their counterparts in the other constituencies in that Norway's political structure had no shortage of effective venues for addressing extractive sector issues within the established democratic framework.

Civil society representatives on the MSG said that although their constituency had been supportive of implementation, the value of implementing the EITI in Norway had been increasingly called into question by the constituency. Civil society was particularly interested in supporting the process abroad and would continue to consider implementation worthwhile if it was clear that Norway's implementation of the EITI was having a positive effect in resource-rich countries. Given limited resources among civil society organisations, MSG members said that the constituency was struggling to create enough interest among its members to secure representation in a new MSG. They added that since the process had demonstrated that the extractive sector was well governed, civil society supported alternatives to regular EITI reporting, for example through the EITI's agreed-upon procedure for mainstreamed disclosures.³⁴

Initial assessment

The International Secretariat's initial assessment is that Norway has gone beyond satisfactory progress in meeting this requirement.

Norwegian civil society is able to engage actively in public debate, its representatives are able to speak freely on transparency and natural resource governance issues, and civil society is encouraged to be involved in the design, implementation, monitoring and evaluation of the EITI. There were no indications of legal, regulatory, administrative or actual barriers to civil society, preventing participation in EITI nor any obvious restrictions of fundamental rights; civil society groups engaged in the EITI process are able to communicate and cooperate with each other regarding the EITI process. Norway is consistently ranked as one of the world's most open and free societies.

The Secretariat has assessed the extent to which the limited scope and decreasing interest of civil society's participation in the Norwegian EITI process is a challenge to Norway's progress on meeting Requirement 1.3.³⁵

The EITI's Civil Society Protocol "sets out the questions the EITI Board ... and Validators should consider in assessing whether the provisions pertaining to civil society participation (1.3) have been met". It is meant to ensure that civil society is able to participate actively in the EITI "to ensure that the transparency created by the EITI leads to greater accountability." The existence of the Protocol is predicated on the understanding that "the participation of civil society is fundamental to achieving the objectives of EITI, including Principle 4 which states that 'public understanding of government revenues and expenditure over time could help public debate and inform choice of appropriate and realistic options for sustainable development'".³⁵ The question is whether said participation *must also* be present in the MSG *when there is no question of its existence* in the broader society. The Secretariat's understanding is that this is not the case; rather, the aim of Requirement 1.3 is to ensure that a minimum of space is available for civil society to participate in the public debate where it is otherwise lacking in society and to expand that space over time. To the extent that Norway serves as an example of how the public and its representatives can contribute actively and effectively to the good governance of the sector through a democratic process,

Commented [A31]: Some representatives from the civil society have expressed that they will have no interest of being part of MSG if mainstreaming become the only focus.

Commented [A32]: Difficult to understand this conclusion as we in Norway have an active civil society with no limited scope.

³⁴ <https://eiti.org/mainstreaming>.

³⁵ <https://eiti.org/node/4865>.

regular consultations and an active public debate, it is clear that Norway has gone beyond the EITI's requirement.

As a matter of urgency, the MSG is encouraged to make progress on implementing the necessary steps to seek EITI Board approval to use the EITI's agreed upon procedure for mainstreamed disclosures as a way of maintaining civil society engagement in the future.

MSG governance and functioning (#1.4)

Documentation of progress

Norway EITI is governed by the so-called "EITI Regulation", the "Regulation regarding reporting and reconciliation of cash flow from the petroleum industry" (FOR 2009-26-06-856).³⁶ The EITI Regulation came into effect on 1 July 2009 following a public hearing in which civil society and industry were invited to give their views on the proposed regulation. As is common with regulations in Norway, documentation on the public hearing, including the responses received, is available online.³⁷

MSG composition and membership: Constituencies are able to participate in the selection of their representatives, but lack of interest from civil society puts the continuity of the process at risk.

Paragraph 5 of the EITI Regulation establishes the following procedure and composition of the MSG: "The King shall appoint a group whose task will be to oversee and evaluate the execution of these regulations. The group shall be composed of at least 5 representatives from companies, organisations and government agencies, as well as individuals with specialised knowledge, who have an interest in transparency of payments to the state linked to the oil industry. An alternate can be appointed for each representative. Representatives and alternates are named for a two-year period. The group is led by the representative of the Ministry [of [Petroleum and Energy](#)]. The Ministry is the secretary for the group". The Terms of Reference for the MSG add that "each group recommends who should represent them."³⁸

The current MSG was appointed by the King on 20 June 2014 for a two-year period. It includes two government representatives and their alternates (Ministry of Petroleum and Energy and Ministry of Finance), three representatives from the companies and their alternates (the industry organisation Norwegian Oil Industry Association (OLF), Statoil and representatives of the International Oil Companies, ExxonMobil and Chevron), and four representatives from civil society (Transparency International, PWYP Norway and WWF Norway, KFUK-KFUM and the unions, IndustriEnergi and Fagforbundet).³⁹ Minutes of the meeting held in December 2015 show that MSG members were reminded to start the process to recommend any changes to the existing composition of the MSG as the two-year term would finalise in June. Following the deadline, a letter was issued from the Ministry of Petroleum and Energy to MSG members informing them that in the absence of new nominations by the constituencies, the tenure of the MSG would be extended through 2016. The letter urged constituencies to use this time to recommend who should represent them in a new MSG.

Civil society representation: There do not appear to be any written procedures for how civil society should go about nominating their representatives or of the process followed in the past. Whereas representation in the current MSG is broadly the same as in the period preceding it, previous MSGs have also included

³⁶ <https://lovdata.no/dokument/SF/forskrift/2009-06-26-856>.

³⁷ <https://www.regjeringen.no/no/dokumenter/horing---utkast-til-forskrift-for-gjenno/id545357/>.

³⁸ <https://www.regjeringen.no/no/sub/eiti/les-mer/interessentgruppen---terms-of-reference/id651298/>.

³⁹ <https://www.regjeringen.no/no/aktuelt/Offisielt-fra-statsradet-20-juni-2014/id764152/>.

representation from the universities.

The report of Norway's first Validation states that an open meeting was organised in 2008 by Publish What You Pay Norway "where they invited representatives from civil society for further discussion of the composition of the MSG. PWYP–Norway reported back to the interim group at the meeting on 24 November [2008], and put forward a proposal on who should represent civil society in the MSG."⁴⁰ There is no evidence that similar open meetings were held ahead of subsequent appointments of the MSG in 2014 or 2012. There is evidence that members on the MSG have reached out to the broader constituency to request their views about the future of the initiative.⁴¹

Industry representation: There do not appear to be any written procedures for how industry should go about nominating their representatives or of the process followed in the past. Representation in the current MSG has been broadly the same since the establishment of the first MSG, although individual representatives have changed.

The report of Norway's first Validation states that the company representatives agreed their representation "through the Norwegian Oil Industry Association (OLF), whose members constitute all significant companies within the Norwegian oil industry. Upon the request of several members of the interim group, it was decided that a representative from Statoil and one international oil company ... would also be individual members of the MSG". This remains the current set-up for the industry today and the representation by the international oil company has rotated in subsequent appointments of the MSG.

Government representation: There is no requirement that senior government officials be appointed to the MSG. The MSG is led by Director General Lars Erik Aamot of the Ministry of Petroleum and Energy and Assistant Director General Gro Anundskaas serves as the secretary to the MSG.

Terms of Reference: The Terms of Reference (TORs) for Norway EITI's MSG were agreed by the MSG in 2011 and are available online.⁴²

According to the TORs, the task of the MSG is to monitor and evaluate the implementation of Regulation nr. 856 of 26 June 2009 on the reporting and reconciliation of revenues from the petroleum sector (the so-called EITI Regulations). The TORs say that the MSG should "play an active role in the implementation of the EITI". The TORs state that they "reflect the MSG's consensus about the role of the MSG within the framework of the EITI Regulations".

Representation: According to the TORs, MSG members and alternates are appointed by the King for two years upon recommendation by the constituencies. The Ministry of Oil can appoint temporary MSG members and alternates if positions are vacated before the two-year period and if this is the wish of the MSG. The MSG is to have at least 5 representatives divided between the three constituencies, industry, civil society and government. Independent experts can also be appointed to the MSG. Alternates can step in for absent members but are also able to participate in meetings when the members are present. The MSG is led by the Ministry of Oil and Energy, which is also the national EITI Coordinator.

The tasks of the MSG according to the TORs are to consider the work plan proposed by the secretariat; consider the draft reconciliation report provided by the Independent Administrator (IA); consider the secretariat's proposals for the choice of IA and Validators; recommend any changes to the reporting

⁴⁰ https://eiti.org/sites/default/files/documents/2010-11-21_Final_Validation_Report_Norway_0.pdf.

⁴¹ <http://www.publishwhatyoupay.no/en/node/16874>.

⁴² <https://www.regjeringen.no/no/sub/eiti/les-mer/interessentgruppen---terms-of-reference/id651298/>.

requirements; consider changes to the reporting templates proposed by the secretariat or the IA; propose candidates to be appointed to the MSG; make proposals to – and actively participate in – the national communications strategy; and consider the secretariat’s draft annual progress report.

Internal governance and procedures, including decision-making and record-keeping: Meetings of the MSG should take place at least two times a year, according to the TORs, and MSG members should receive the agenda at least two weeks in advance. Meetings normally take place in the Ministry of Petroleum and Energy and are led by the head of the MSG or his/her alternate. The TORs state that the MSG makes decisions on the basis of consensus and that the minutes of the meetings should be publicly available on the MSG’s website. Norway EITI’s website has a page dedicated to MSG minutes, but it does not seem to have been updated since February 2014.⁴³

Commented [A33]: Why mention if nobody is aware?

National secretariat: The TORs also address the role of the secretariat, including the preparation of meetings, circulation of information to MSG members, implementation of the MSG’s recommendations, drafting of minutes and preparation of annual progress reports for the International Secretariat. The secretariat is also responsible for external communications, including the administration of the website and contacts with the EITI International Secretariat.

Per diems: There are no per diems in the Norwegian process.

Stakeholder views

Most stakeholders did not express any views on the governance and functioning of the MSG other than to question its general relevance as a structure in a Norwegian context. No concerns were raised about the fact that the MSG was appointed by the King since appointment happened following nomination by the constituencies. Stakeholders did not seem to be aware that the Norway EITI Website did not seem to have been updated since 2014 or raise this as a problem.

There were no concerns raised about whether stakeholders were adequately represented both within the MSG and within the individual constituencies. Stakeholders confirmed that all decisions are made by consensus. Some representatives from civil society said that this had led the process to remain at a standstill, insofar as the two other constituencies were able to “veto” any attempt at extending the scope of implementation. This is discussed in further detail under Requirement 1.5.

Commented [A34]: I cannot remember any issues which have been vetoed

Industry representatives said they were content with the way the MSG functioned and with the way in which their constituency nominated its representatives for appointment. Government representatives questioned whether the amount of work needed to update the EITI website and organise the two meetings annually was worthwhile, given the lack of interest among stakeholders on the Norway EITI process. They expressed concern that the term of the current MSG had run out in June 2016 but a new MSG had not been appointed because civil society had been unable to identify new candidates. Civil society representatives confirmed this and added that the lack of interest for the EITI among Norwegian civil society organisations had made it difficult to nominate new representatives, while current representatives did not see value in remaining on the MSG for another two years. MSG members confirmed that the MSG had discussed the possibility of paying *per diems* to civil society representatives to ensure that participation in the MSG did not come at the expense of other work, but this had been rejected by civil society as missing the point.

When asked about the process followed to nominate new civil society representatives, representatives on

⁴³ <http://www.eiti.no/2014/02/03/referat-fra-motet-i-interessentgruppen/>.

the MSG made reference to an initial open meeting organised by PWYP in 2008 to raise awareness about the EITI and invite organisations to take part in the MSG. No such meetings had been held since, and civil society representatives confirmed that the MSG did not currently have a process for nominating representatives. Instead, existing members reached out to others who they thought could be interested in participating in the MSG to gauge their interest and invite them to represent the constituency. This was explained as being largely due to the fact that very little interest had been explained by the broader constituency whenever they had been invited to participate in EITI-related activities or consultations. Informal conversations with a limited number of civil society members outside the MSG confirmed that although they were generally aware that Norway implemented the EITI, there did not appear to be any formalised interaction between the broader constituency and its representatives on the MSG. These external stakeholders did not perceive this as a problem, however, as it was understood that the main goal of implementing the EITI in Norway was to support international implementation.

Civil society representatives on the MSG said that they had held an open meeting in June 2016 to discuss the role that civil society should play in the MSG in the future. They said that the constituency had acknowledged that there was little interest to continue participating under the current scope of implementation, while at the same time it was agreed that Norway's participation in the EITI was important to continue demonstrating solidarity with other natural resource-rich countries. The constituency decided to use Norway's participation in the Open Government Partnership (OGP) to channel civil society's participation in the governance of the sector and to request the EITI Board for permission to mainstream disclosures and, to the extent that it was possible, eliminate or otherwise reduce the role of civil society in the process.

Initial assessment

The International Secretariat's initial assessment is that Norway has made meaningful progress in meeting this requirement.

There is evidence that the invitation to participate in the MSG was open and transparent, and no concerns were raised about the procedures followed to change constituencies' representation in the MSG in 2014 and 2012, about the operational independence of civil society members or about MSG members' capacity to carry out their duties. The MSG has Terms of Reference and decisions are made by consensus.

There is a lack of clarity in the way in which representatives interact with their constituencies and in how the constituencies nominate their representatives to the MSG. This is less of a problem for industry, where the interests of the individual stakeholders are to an extent represented and guaranteed through their membership in the Norwegian Oil Industry Association. For civil society it could be argued that the absence of clear mechanisms for sharing information within the constituency is a bigger challenge, and there is a real risk that the constituency will not be able to identify new representatives to sit on the MSG due to lack of interest. At the same time, there is little to suggest that improved constituency governance would lead to a "better" result for the governance of the sector in a Norwegian context, given the open and democratic nature of Norway's public dialogue on natural resource governance (see the discussion on Requirement 1.3 above).

Given the central role that is already played by stakeholders in Norway's model of natural resource governance, it is perhaps not surprising that the MSG structure is not understood by stakeholders as conducive to meaningful multi-stakeholder engagement for the management of the sector in a Norwegian context. They argue that the oversight function of the multi-stakeholder group has already been

effectively mainstreamed in the Norwegian context. This is something that the MSG should raise with the EITI Board when seeking its approval to use the EITI's agreed upon procedure for mainstreamed disclosures, as it will continue to have an impact on Norway's ability to comply with Requirement 1.4. In the meantime, the MSG should agree a process to ensure greater accountability of MSG representatives to the constituencies. In particular, the civil society constituency should be encouraged to develop and agree on constituency guidelines that effectively set out the process by which representatives in the MSG will be selected and held accountable.

Commented [A35]: Re General comments #1.4

The MSG should also ensure that the Terms of Reference are consistently followed so that information that should be available online is regularly uploaded and the Norway EITI website is regularly updated.

Work plan (#1.5)

Documentation of progress

Norway EITI work plans are limited to setting out the steps that will need to be taken to ensure the annual publication of reports.

Commented [A36]: and adapted implementation

Publicly accessible work plan: Norway EITI work plans are usually updated once a year and are available in the government's portal⁴⁴ and, in theory, in the Norway EITI website.⁴⁵ According to the government portal, the work plans are published "in relation to the preparations of the different EITI reports" and they "explain the work carried out when preparing the reports". There are currently six work plans available on the government portal, corresponding to the period 2009-2014, and three on the Norway EITI website (spanning 2009-2013). The work plans for the period 2015 and 2016 have been shared with the International Secretariat but do not appear to be online. It is not clear when the work plans were approved by the MSG.

Objective for implementation: Work plans do not have implementation objectives that are linked to the EITI Principles and reflect national priorities for the extractive industries. The work plans corresponding to the years 2015 and 2016 include the following "priority objectives" for the whole of the work plan: "Monitor and evaluate the implementation of regulation regarding reporting and reconciliation of cash flow from petroleum activities. Consider how to exit the reporting and reconciliation (adapted implementation)". None of the work plans available online list concrete objectives beyond those which will lead to the annual publication of data.

Commented [A37]: See General comments

Measurable and time-bound activities: Work plans have very limited activities, but these are measurable and time-bound. Activities are oriented towards ensuring the timely publication of reports. These are not presented in any detail, but the following information is presented on each activity: expected output, activity, time frame, task bearer (responsible), projected cost. The number of activities and the amount of information presented on each activity has progressively diminished over the course of the last seven years.

Activities aimed at addressing any capacity constraints: There are no activities aimed at addressing capacity constraints. There are, however, very loosely described activities aimed at requesting adapted implementation from the EITI Board to allow the MSG to proceed with mainstreaming the EITI reporting requirements in the 2015 and 2016 work plans.

⁴⁴ <https://www.regjeringen.no/en/sub/eiti---extractive-industries-tranparency/les-mer/working-plans/id696928/>

⁴⁵ <http://www.eiti.no/arbeidsplaner/>

Activities related to the scope of EITI reporting: The Validation report from the first Validation recommended that “to ensure that the EITI process remains sustainable in Norway, where corruption is not a major concern in the extractive industry, the MSG should look closer at the national (internal) benefits of implementing the EITI and communicate these benefits to the different stakeholder groups, as well as to the public.” A proposed list of priorities for Norway EITI was presented to the MSG by civil society at its meeting of December 2014 as input for the 2015 work plan. This list included a number of options for widening the scope of EITI reporting and activities, including beneficial ownership disclosure, addressing the mining sector and in particular mining licenses, social expenditures and contract/license transparency. The MSG discussed this proposal at its meeting of 19 August 2015 and concluded that it “did not wish to ‘find something new to do’ as an alternative to the current process of reporting and publishing EITI reports. Unless it is not possible to go for an abbreviated form of EITI-reporting, the MSG will continue with the current set-up”.⁴⁶ The 2015 annual progress report confirms that the aim of the MSG is not how to expand the scope of EITI reporting. Instead, “the ambition has been from the beginning to deliver simple and efficient, but sufficient reporting” and further, “the Norwegian EITI Norwegian EITI report has found its format. It is difficult to see how it can be further simplified and at kept at the same disaggregated level”.⁴⁷

Activities aimed at addressing any legal or regulatory obstacles identified: There do not appear to be any activities aimed at addressing any legal or regulatory obstacles.

Plans for implementing the recommendations from Validation and EITI reporting: There are no activities or plans aimed at implementing the recommendations from Validation or EITI reporting in the works plans.

Costing and funding sources, including domestic and external sources of funding: The 2016 and 2015 work plans include a single cost of NOK 600,000 for the “printing and distribution” of the EITI Report. The 2015 work plan includes an additional budget line of NOK 50,000 for an “update to the EITI website”. It is understood that the sources of funding are domestic.

Stakeholder views

Stakeholders from the government and from industry did not have any particular comments to the work plan, which they first and foremost understood as a way to map out the steps that would need to be taken to publish the EITI Report. When asked whether the constituencies had been involved in its development and whether they believed it was linked to national priorities, they expressed “strong discomfort” at the thought that the EITI in Norway would be expected to do anything more than adhere strictly to the scope of the EITI Regulation. They argued that in a heavily regulated society like Norway’s, the mandate of the MSG was limited to providing oversight over the reconciliation of petroleum revenues, and any changes to this mandate would require a change to the EITI Regulation. Representatives from both constituencies said that the MSG had considered extending the scope of implementation following the adoption of the EITI Standard in 2013 but had decided not to make significant changes to the way in which the EITI was implemented. According to representatives from the government, this decision was made because the MSG agreed that a) the additional reporting requirements were already largely being implemented by Norway through other platforms and b) the Norwegian model already incorporated a multi-stakeholder approach to natural resource governance that was premised on extensive social dialogue and consultation.

Industry representatives confirmed that they were content with the existing scope of the EITI process in

⁴⁶ Specific reasons given for not following through on each of the proposals are discussed in the relevant sections of this report.

⁴⁷ 2015 annual progress report, available with the International Secretariat.

Norway and that they did not wish to extend it to address other areas or activities. They said that industry had gotten used to the level of reporting that was required of them and did not see a need, or in fact a mandate, to go beyond it. To the extent that mainstreaming would make reporting easier they considered it a good idea and had supported its inclusion in the work plan. When asked whether they would not like to see the EITI address issues that they could consider to be of relevance for the sector, industry representatives answered that they could not see how a “rather marginal group of people who had no real claim to represent society as a whole” should be expected to provide policy recommendations where there were more representative, society-wide structures in place for stakeholders to make use of, should they be so inclined. Government representatives echoed this and argued that holding these discussions in the MSG would be a step backwards in the Norwegian case insofar as they would bring policy discussions away from the public and “into a little room where a group of unrepresentative “representatives” decide how the industry “should” be run.” Representatives from all constituencies said that they understood why the MSG structure and the work plan were necessary for countries where an open, democratic and consultative process to address natural resource governance were not in place, but that the model did not “fit” where this was already the case. When asked whether the MSG could not be used as a platform to agree basic facts that would inform ongoing policy discussions, industry representatives said that it would be a mistake for “a little, unrepresentative group” to “cook up a common perspective” in an MSG meeting and present this to the broader society, when there was already a vibrant, more democratic public debate taking place in the open. This view was not challenged by the other constituencies.

Civil society representatives said that they had provided a list of possible issues for inclusion in the work plan in 2014. Although these had been discussed in detail, the MSG had decided not to move forward on these at its meeting of 19 August 2015. Civil society representatives said that they understood the position being taken by the other constituencies and agreed that in a Norwegian context there were other avenues where these issues could be more satisfactorily discussed. The problem that they saw was that, given the inability to extend the scope of implementation to anything beyond the reconciliation of payments, there were no incentives for civil society organisations to take part in the EITI in Norway. One civil society representative said that as a result of the other constituencies’ unwillingness to extend the scope of implementation, they had in effect killed it off by rendering it irrelevant. In this person’s view, even within the limited scope of the EITI Regulation, the EITI could have been used by the MSG to better explain the data and make it easier to understand. More than one civil society representative expressed frustration about the fact that the government benefitted publicly from being able to say that they implemented the EITI while at the same time drastically limiting the scope of implementation. One representative added that the government was able to publicly disengage on issues of relevance to civil society by saying they were being addressed by the EITI process, while at the same time refusing to address them within the EITI because they fell outside the scope of the EITI Regulations.

Initial assessment

The International Secretariat’s initial assessment is that Norway has made inadequate progress in meeting this requirement.

Norway’s EITI work plans set out a limited number of measurable and time-bound activities and timetables for implementation, as well as limited information on costings. They do not, however set out objectives for implementation that are linked to the EITI principles and reflect national priorities for the extractive industries, nor is there evidence of any efforts to consult key stakeholders on the objectives for implementation. There are no activities aimed at addressing any capacity constraints, nor are there

Commented [A38]: This is not balanced and should be updated to reflect that the MSG “did not wish to find something new to do” just for the sake of finding something new, given that

- relevant issues such as project by-project reporting is not applicable in Norway
- the mining sector is very small
- beneficial ownership register is being addressed satisfactorily by the government
- Contractual social investments is not applicable in Norway
- the public interest in EITI is low

Commented [A39]: Some examples should be given!

Commented [A40]: See general comments

activities related to increasing the scope of EITI reporting or for implementing the recommendations from EITI reporting. The number of tasks and level of detail has progressively deteriorated over the years.

Commented [A41]: Not correct.

To varying degrees, stakeholders argue or accept that the scope of implementation in Norway should a) remain within the limits of the EITI Regulation and b) refrain from attempting to influence policy outside of the established democratic system. As a result, EITI work plans are limited to the necessary steps to produce an annual EITI Report that reconciles payments from the industry to the government.

It could be argued that the work plans show that Norway has not yet transitioned to the EITI Standard. As with Requirement 1.3 above, however, the question becomes whether it is a problem that Norway has not ticked all the boxes concerning MSG oversight when natural resource governance in Norway builds on the open and democratic public dialogue to which the EITI Standard aspires.

As with Requirement 1.3 above, the Secretariat understands that this is not the case. Unlike Requirement 1.3 however, Requirement 1.5 assesses a process rather than outcomes. Unless the EITI Board decides otherwise through a decision to grant Norway adapted implementation, the Secretariat has to assess whether the process spelled out in the Standard is being followed – albeit within the limited scope of implementation in Norway. As at least one stakeholder has pointed out, there are some things that the EITI could be used for, even in Norway. It is possible that other stakeholders outside the MSG would also have other ideas, if adequately engaged through their representatives.

Therefore, as a matter of urgency and in recognition of the findings of Requirement 1.2-1.4 above, the MSG should raise the role of work plans in a Norwegian context to the EITI Board's attention when seeking approval to use the agreed-upon procedures for mainstreamed disclosure, since this will continue to have an impact on Norway's ability to comply with Requirement 1.5. Until this happens, the MSG will need to make progress on a new work plan and link its objectives to national priorities under the wider mandate of the EITI Standard. In developing the work plan, the MSG will wish to consult a wide range of stakeholders.

Table 1 - Summary assessment table: MSG oversight

EITI provisions	Summary of main findings	International Secretariat's initial assessment of progress with the EITI provisions (to be completed for 'required' provisions)
Government oversight of the EITI process (#1.1)	There are public statements of support from the government, a senior individual has been appointed to lead on the implementation of the EITI, senior government officials are represented on the MSG and the government provides funding for the execution of the work plan. The EITI Regulation has helped resolve bottlenecks and provides a legal framework for the reporting process. Stakeholders note that the government's engagement is limited to a strict interpretation of the scope in the EITI Regulation.	Satisfactory progress
Company engagement (#1.2)	Companies are actively engaged in the design and implementation of	Satisfactory progress

	Norway EITI, and there are no barriers to disclosure and participation.	
Civil society engagement (#1.3)	Norwegian civil society is able to engage actively in public debate, its representatives are able to speak freely on transparency and natural resource governance issues, and civil society is encouraged to be involved in the design, implementation, monitoring and evaluation of the EITI. There were no indications of legal, regulatory, administrative or actual barriers to civil society, preventing participation in EITI. The limited scope and decreasing interest of civil society's participation in the Norwegian EITI process is a challenge. To the extent that Norway serves as an example of how the public and its representatives can contribute actively and effectively to the good governance of the sector through a democratic process, regular consultations and an active public debate, Norway has gone beyond the EITI's requirement.	Beyond satisfactory progress
MSG governance and functioning (#1.4)	There is evidence that the invitation to participate in the MSG was open and transparent, and no concerns were raised about the procedures followed to change constituencies' representation in the MSG in 2014 and 2012, about the operational independence of civil society members or about MSG members' capacity to carry out their duties. The MSG has Terms of Reference and decisions are made by consensus. There is a lack of clarity in the way in which representatives interact with their constituencies and in how the constituencies nominate their representatives to the MSG.	Meaningful progress
Work plan (#1.5)	Norway's EITI work plans set out a	Inadequate progress

	<p>limited number of measurable and time-bound activities and timetables for implementation, as well as limited information on costings. They do not, however set out objectives for implementation that are linked to the EITI principles and reflect national priorities for the extractive industries. The number of tasks and level of detail has progressively deteriorated over the years.</p>	
<p>International Secretariat's recommendations:</p> <ol style="list-style-type: none"> 1. As a matter of urgency, the MSG is encouraged to make progress on implementing the necessary steps to seek EITI Board approval to use the EITI's agreed upon procedure for mainstreamed disclosures as a way of maintaining stakeholder engagement in the future. 2. The role of the MSG and EITI work plans in a Norwegian context should be raised by the MSG to the attention of the EITI Board when it seeks its approval to use the EITI's agreed-upon procedure for mainstreamed disclosures, as it will continue to have an impact on Norway's ability to comply with requirements 1.4 and 1.5. 3. In the meantime, the MSG should agree a process to ensure greater accountability of MSG representatives to the constituencies. In particular, the civil society constituency should be encouraged to develop and agree on constituency guidelines that effectively set out the process by which representatives in the MSG will be selected and held accountable. The MSG will need to make progress on a new work plan and link its objectives to national priorities under the wider mandate of the EITI Standard. In developing the work plan, the MSG will wish to consult a wide range of stakeholders. 4. The MSG should also ensure that the Terms of Reference are consistently followed so that information that should be available online is regularly uploaded and the Norway EITI website is regularly updated. 		

Part II – EITI Disclosures⁴⁸

2. Award of contracts and licenses

2.1 Overview

This section provides details on the implementation of the EITI requirements related to the legal framework for the extractive sector, licensing activities, contracts, beneficial ownership and state-participation.

2.2 Assessment

Legal framework (#2.1)

Documentation of progress

An overview of the legal and fiscal frameworks is provided in the 2014 EITI Report under section 2.3 "State

⁴⁸ All page numbers refer to the English-language version of the 2014 EITI Report available on the EITI Norway website (http://nettsteder.regjeringen.no/eiti2-en/files/2016/02/2015-EITI-rapport-for-2014_engelsk-004-L729584.pdf).

organisation” and 2.8 “Petroleum taxation”, and further at the Norwegian Petroleum website, which includes comprehensive and accessible information on the *Fundamental regulatory principles*⁴⁹, the *Petroleum Act and the licensing system*⁵⁰, *State organisation*⁵¹ and *Norway’s petroleum history*⁵². Section 2.2 lists the relevant government agencies and their roles and responsibilities (p. 13).

The 2014 EITI Report explains the fiscal framework terms based on the Petroleum Taxation Act and its provisions in sections 2.8. The petroleum taxation system is based on the rules for ordinary company taxation and are set out in the Petroleum Taxation Act (Act of 13 June 1975 No. 35 relating to the taxation of subsea petroleum deposits, etc.). The report also outlines the special tax arrangements for oil companies (the current ordinary company tax rate is 25%, while the special tax rate is 53 %). The petroleum tax system is further described on the Norwegian petroleum website.⁵³

The government agencies and their roles in the management of the petroleum resources in Norway are listed (p. 13), and a link to further information about their roles and responsibilities on the Norwegian Petroleum website.⁵⁴

The 2013 and 2014 reports noted minor changes to the tax regime. In 2014, the ordinary tax on the result that falls within the scope and extent of the Petroleum Taxation Act was reduced from 28% to 27%, and the special petroleum tax rate was increased from 50% to 51%. To shield normal returns from special tax, companies are allowed an extra deduction from the basis for the special petroleum tax. With effect from 5 May 2013, this deduction amounted to 22% (reduced from 30%) of the investments (5.5% per year for four years, from and including the investment year).

Stakeholder views

Stakeholders did not express any particular views of concerns with the information provided in the report related to the legal and fiscal framework.

Initial assessment

The International Secretariat’s initial assessment is that satisfactory progress has been made by Norway in meeting this provision. Both the EITI Reports and the Norwegian Petroleum website disclose a comprehensive overview of the relevant legal frameworks and fiscal regime.

License allocations (#2.2)

Documentation of progress

Production licences are awarded by the Ministry of Petroleum and Energy with two different systems; awards in predefined areas (APA) for mature parts of the NCS and numbered licensing rounds for the least explored parts. The awards in predefined areas (APAs) are used for mature areas where petroleum activities have been in progress for many years, and are announced annually. Numbered licensing rounds are used for frontier areas where there is limited knowledge of the geology, greater technological challenge and less infrastructure available.

⁴⁹ <http://www.norskpetroleum.no/en/framework/fundamental-regulatory-principles/>

⁵⁰ <http://www.norskpetroleum.no/en/framework/the-petroleum-act-and-the-licensing-system/>

⁵¹ <http://www.norskpetroleum.no/en/framework/state-organisation-of-petroleum-activities/>

⁵² <http://www.norskpetroleum.no/en/framework/norways-petroleum-history/>

⁵³ <http://www.norskpetroleum.no/en/economy/petroleum-tax/>

⁵⁴ <http://www.norskpetroleum.no/en/framework/state-organisation-of-petroleum-activities/>

Process for awarding and transferring licenses and technical and financial criteria: The process of allocating licenses is described in section 2.4 of the 2014 EITI Report (p. 13-14) and further at the Norwegian Petroleum website.⁵⁵ Details on the technical and financial criteria generally used for assessing license applications are included (with a link to the 2015 announcement of the 23rd bidding round outlining the criteria).⁵⁶ The conditions for prequalification for companies to operate or hold a license in the Norwegian oil sector are also included.⁵⁷ Concerning the award of licenses, the 2015 Annual Progress Report notes that “The MSG has previously concluded that already available information was extensive and satisfying”, adding that “the application deadline is published in the announcement of a licensing round. List of applicants and final awards are also published by NPD and MPE” and concluding that “the MSG decided to include this information in the [next] EITI-report”.

Licensing rounds: The report itself does not describe licensing rounds in the reporting year, although past and ongoing rounds are described on the Norwegian Petroleum website.⁵⁸ The Norwegian Petroleum Directorate (NPD) also maintains a comprehensive overview of the licensing rounds on the Norwegian Continental Shelf on their website,⁵⁹ which includes the announcements for each licensing round and the APAs, the bid criteria, the number of applicants for each round, further links to the list of applicants and the recipients of licenses. The announcement for the APA 2014, the number of applicants and the list awarded licenses are published,⁶⁰ with a further link to the announcement by the Ministry of Petroleum listing the applicants.⁶¹ The process for the 23rd licensing round began in August 2013, when the Ministry of Petroleum and Energy launched a call for companies to nominate for inclusion in the round⁶². The NPD published details on the nominated blocks⁶³ and initiated a public consultation process⁶⁴ in January and February 2014. The 23rd licensing round was announced 20 January 2015, and the NPD has since published a list of applicants and details on the companies awarded production licenses.⁶⁵ The report does not describe this licensing round, which was technically launched after the reporting year although the nomination process started in 2013. Information on this round is nevertheless available online.

Transfer of licenses: The report includes a description of the process for transferring licenses (p. 14). In accordance with the Petroleum Act, transfer of interests in a license requires approval from the Ministry of Petroleum and Energy (MPE). The same applies for other direct or indirect transfers of owner interests or

⁵⁵ <http://www.norskpetroleum.no/en/framework/the-petroleum-act-and-the-licensing-system/>

⁵⁶ <http://www.npd.no/Tema/Utvinningstillatelser/Temaartikler/Konsesjonstildelinger/TFO-2015/TFO-2015---Utllysning/>

⁵⁷ <http://www.npd.no/no/tema/utvinningstillatelser/temaartikler/prekvalifisering/dokumentasjon-og-kostnader-knyttet-til-prekvalifiseringsprosessen-/>

⁵⁸ <http://www.norskpetroleum.no/en/framework/the-petroleum-act-and-the-licensing-system/>

⁵⁹ <http://www.npd.no/en/Topics/Production-licences/Theme-articles/Licensing-rounds/>

⁶⁰ <http://www.npd.no/en/Topics/Production-licences/Theme-articles/Licensing-rounds/APA-2014/>

⁶¹ <https://www.regjeringen.no/no/aktuelt/Fortsatt-stor-interesse-for-norsk-sokkel---TFO2014/id2000290/>

⁶² <http://www.npd.no/en/Topics/Production-licences/Theme-articles/Licensing-rounds/23rd-Licensing-round/Nomination-of-blocks-for-the-23rd-licensing-round/>

⁶³ <http://www.npd.no/en/Topics/Production-licences/Theme-articles/Licensing-rounds/23rd-Licensing-round/Nominations-for-the-23rd-licensing-round/>

⁶⁴ <http://www.npd.no/en/Topics/Production-licences/Theme-articles/Licensing-rounds/23rd-Licensing-round/Nominated-blocks-for-announcement-on-public-consultation/>

⁶⁵ <http://www.npd.no/en/Topics/Production-licences/Theme-articles/Licensing-rounds/23rd-Licensing-round/>

other participation in the license, such as transfer of shares and other interests in a company holding a license that might result in controlling influence of the licensee. Licenses transferred during the reporting year are not described in the report, although a comprehensive overview of license transfers dating back to 1967 is available from NPD's license registry.⁶⁶ The database includes details on the license, date of effect, direction of transfer, type of change, company name, transferred interest, date the information was updated and other relevant details such as company ID.

Deviations and commentary on the licensing system: The report does not mention any significant deviations from legal and regulatory framework governing license awards and transfers and does not provide a commentary on the efficiency and effectiveness of license allocation systems.

The report also refers to requirements for relinquishing of licensed areas (p. 14), which are further described at the NPD website.⁶⁷

Stakeholder views

Stakeholders did not express any views about the disclosure of information on license allocations, other than to point out that the information requested by the Standard was already publicly available on the NPD website. They confirmed that no new licenses had been granted during the year covered by the EITI Report.

In a position paper on EITI implementation in Norway published in 2014,⁶⁸ Publish What You Pay Norway calls for publishing of information on licenses related to the mining sector.

In a position paper on EITI implementation in Norway published in 2014,⁶⁹ Publish What You Pay Norway calls for the government to include more information on the Norwegian EITI website regarding what information is already publically available related to licensing, how licences are awarded or transferred, details of applicants, and licence award criteria. The paper also proposes that this include the rationale for why such information has been made accessible and why some data has been kept confidential (p. 3). Industry and government representatives said that as a result the MSG had discussed whether to include licenses within the scope of EITI reporting but had concluded that it fell outside the scope of their work (see Requirement 1.5 above).

Initial assessment

The International Secretariat's initial assessment is that Norway has gone beyond satisfactory progress with regards to disclosing information on license allocations in accordance with EITI provision 2.2. Comprehensive information related to license allocations and bidding rounds is provided on the NPD website, which is linked to in the EITI Report. The MSG may wish to ensure that EITI reporting also includes an overview or reference to the latest information regarding bidding rounds on the NPD website, and reference to information on transferred licenses in the Petroleum Register.

⁶⁶ <http://factpages.npd.no/factpages/default.aspx?culture=en&nav1=licence&nav2=PageView%7cPetReg>

⁶⁷ <http://www.npd.no/en/Topics/Production-licences/Theme-articles/Relinquishment/>

⁶⁸ Position Paper from PWYP Norway: Requirements for EITI implementation in Norway", May 2014, http://www.publishwhatyoupay.no/sites/all/files/Position_Paper_re.EITI_PWYPNorway26MAR14_ENG_0.pdf

⁶⁹ Position Paper from PWYP Norway: Requirements for EITI implementation in Norway", May 2014, http://www.publishwhatyoupay.no/sites/all/files/Position_Paper_re.EITI_PWYPNorway26MAR14_ENG_0.pdf

License registers (#2.3)

Documentation of progress

The NPD manages a Petroleum Register⁷⁰ comprising all production licenses and licenses to install and operate facilities for transportation and utilisation of petroleum (p. 15). Section 2.6 of the report, concerning the Petroleum Register, notes that the register contains information on the number of the license, the date of granting, the duration of the license, what physical persons or corporate bodies that are licensees, the size of the participating interests of the licensees in the license and the name of the operator, in accordance with requirement 2.3. Information on the license participants and operators, work programs and progress against these is also published in the Petroleum Register when licenses are awarded (p. 14). The register includes information on licensees does not only cover the reporting year but dates back to licenses allocated as far back as 1965 and can be filtered by activity, phase, licensee and operator. The data updated in real time and is downloadable in Excel, XML and CSV format.

Stakeholder views

A company representative noted the comprehensiveness and timeliness of the information available from the government's online Petroleum Register.

Publish What You Pay Norway encouraged the Norwegian authorities to also publish information on the mining licenses held in their position paper on EITI implementation in Norway published in 2014.⁷¹ The position paper included a reflection on the extent to which the Petroleum Register could be expanded to also include data on mining licenses.

Initial assessment

The International Secretariat's initial assessment is that Norway has made beyond satisfactory progress in meeting this provision. The EITI Report provides an overview of the information available from the Petroleum Register. The data from the register is updated in real time and exceeds what is required under provision 2.3.

Contract disclosures (#2.4)

Documentation of progress

The Petroleum Act⁷² provides the general legal basis for the licensing system, while the production license agreements regulate the rights and obligations of the licensees. As explained in the 2014 report (p. 13-149), the license agreement supplements the requirements in the Petroleum Act and stipulates detailed terms and conditions. The license agreement has two attachments - Attachment A "Participants Agreement", and attachment B "Accounting agreement". The licence agreement with attachments governs the activity, proceedings, financial matters, governance, development and operation.

The report notes that the license agreements themselves are not published, while the standard license agreements are made publicly available on the government's website⁷³ or at the Norwegian Petroleum

⁷⁰ <http://factpages.npd.no/factpages/default.aspx?culture=en&nav1=licence&nav2=PageView|PetReg>

⁷¹ Position Paper from PWYP Norway: Requirements for EITI implementation in Norway", May 2014, http://www.publishwhatyoupay.no/sites/all/files/Position_Paper_re.EITI_PWYPNorway26MAR14_ENG_0.pdf

⁷² <https://lovdata.no/dokument/NL/lov/1996-11-29-72>

⁷³ https://www.regjeringen.no/no/dokument/dep/oed/lover_regler/reglement/konsesjonsverk/id748087/

website⁷⁴ (p. 14-15). The work program, progress against work programmes, license group, operator, shares and other relevant information are all published through the Petroleum Register when licenses are awarded.

The report does not mention if there are legal restrictions affecting publication of the license agreements. It confirms that information related to the licenses is publicly available from the Petroleum Register, although it does not explain whether there are any details in the license agreements and the attachments that are not publically available. The report does not mention whether there are any reforms underway relating to contract disclosure, but refers to further details on relevant laws, regulations and guidelines at the website of the NPD.⁷⁵

Stakeholder views

While the license agreements were not publically available, industry and government representatives said that as a rule licenses generally were the same as the standard license agreements that are publicly available. According to a government representative, only in very special circumstances were any changes made to the model licenses, for example if special environmental conditions were in place. In any case, this person explained, any changes to the licenses would be announced in the press-release that accompanies the publication of a granted license. According to industry and government representatives, all other information on the license, including cooperation agreements and work programmes, were readily available in the Petroleum Register.

Civil society organisations involved in the EITI process have in the past advocated for disclosure of the actual license agreements, and Publish What You Pay Norway wrote about the need for improved transparency in license agreements in Norway in a position paper on EITI implementation in Norway published in 2014.⁷⁶ They note that while there are details disclosed related to the license agreements, ownership structure, company size and experience, financial situation, experience and technical expertise of the company remains confidential. The paper calls for the Norwegian authorities to “review all contracts governing oil and mineral production, and ensure that these either have been published or are being published” (p. 4).

Initial assessment

The International Secretariat’s initial assessment is that satisfactory progress has been made in meeting this provision. The government’s policy and practice is documented in the EITI Report and references are made to the relevant laws and regulations. The MSG may wish to ensure that any relevant reforms underway are described in future reports.

Beneficial ownership disclosure (#2.5)

Documentation of progress

The 2014 report addresses the current sources of information on licensee ownership, noting that “the registers of shareholders for private and public companies are public and shall be accessible to anyone” in accordance with the Limited Liability Company Act and the Corporation Law (p. 16). Section 2.6.1 outlines the relevant reporting requirements related to licensee ownership for the Norwegian petroleum sector.

⁷⁴ www.norskpetroleum.no/en/framework/petroleum-act/

⁷⁵ www.npd.no/en/Regulations/

⁷⁶ Position Paper from PWYP Norway: Requirements for EITI implementation in Norway”, May 2014, http://www.publishwhatyoupay.no/sites/all/files/Position_Paper_re.EITI_PWYPNorway26MAR14_ENG_0.pdf

Private limited liability companies are required to establish a register of their shareholders (in accordance with the Limited Liability Company Act), while public limited companies are required to register their shareholders in a securities registry (in accordance with the Public Limited Liability Act). Subsidiaries are required to disclose the business name and registered office of parent companies. The report outlines the different thresholds for shareholders of private and public limited companies. According to the legal framework the shareholder information is publically available, although it is not clear from the report who is responsible for disclosing this. The report also explains that information about shareholders is also available in the shareholders' register kept by the tax authorities, although there is not information on how to access such a register.

Direct or indirect transfers of ownership in a company holding a license that might result in controlling influence of the licensee are subject to approval by MPE (p. 14). Such ownership changes are recorded and available from the NPD's Petroleum Registry,⁷⁷ although it only covers legal ownership.

There is no requirement in Norway to publish beneficial or indirect ownership. There is no public shareholder registry, although the report mentions ongoing discussions related to establishing a public ownership register. The government signalled that this would be developed in June 2014⁷⁸, and the Parliament has asked the government to advance a bill regarding a new public ownership register to ensure openness among ownership in Norwegian companies. The report notes that the Ministry of Trade, Industry and Fisheries and the Ministry of Finance have prepared a report with proposals for ensuring openness which was distributed for consultation on 22 December 2015. A parliamentary committee established to work on the new money laundering legislation in Norway ("Hvitvaskingslovutvalget") is also working on a proposal on how to incorporate disclosure of "beneficial ownership" into Norwegian legislation (p. 16). The responses from the consultation so far are compiled on the government's website.⁷⁹

Stakeholder views

Civil society organisations such as Publish What You Pay Norway and Tax Justice Network Norway have campaigned for increased transparency regarding company ownership both generally and in the extractive sector specifically.⁸⁰ Company representatives on the MSG explained that most the companies they represent are publically listed and already disclose information on their beneficial owners.

Several MSG members expressed that they did not see the EITI as the appropriate place to engage on the government's policy on beneficial ownership disclosure, as there are already processes and mechanisms in place for consulting with the necessary government and sector representatives as well as wider stakeholders. Civil society organisations, including Tax Justice Network Norway and Transparency International Norge, as well as industry representatives such as Finans Norge (the financial industry organisation) have responded to and provided comments on the government's proposal as part of an open consultation. The government's proposal and all the responses received have been published on the

⁷⁷ <http://factpages.npd.no/factpages/default.aspx?culture=en&nav1=licence&nav2=PageView%7cPetReg>

⁷⁸ <https://www.stortinget.no/n/Saker-og-publikasjoner/Publikasjoner/Innstillingar/Stortinget/2014-2015/inns-201415-128/2/#a8.6>

⁷⁹ <https://www.regjeringen.no/no/dokumenter/horing---okt-apenhet-om-informasjon-om-eiere-i-aksjeselskaper/id2468940/#>

⁸⁰ Publish What you Pay Norway, 11 June 2015, Full åpenhet om eiere" (*In English: "Full transparency about owners"*), <http://www.publishwhatyoupay.no/nb/node/16769>. Tax Justice Network Norway, 30 June 2016, "Aksjeeierregisteret må være åpent" (*In English: "Shareholder registry must be open"*), <http://taxjustice.no/ressurser/viktige-prinsipper-ma-pa-plass-for-aksjeeierregister>

government's website.⁸¹ Some MSG members noted that bringing discussions of this kind into the work of the MSG would work in parallel with the work of the Parliamentary Committee and the public consultations. In their view, such a process would be inefficient and, to a certain extent, undemocratic. A government representative on the MSG noted that the MSG was not the most efficient platform to discuss these issues as and that the representatives on the MSG are also not necessarily those with the most up-to-date information on the topic or expertise to be able to comprehensively discuss the issue within the MSG.

Initial assessment

Implementing countries are not yet required to address beneficial ownership. In preparation for enforcement of Requirement 2.5 of the 2016 EITI Standard, the MSG may wish to consider clarifying government policy on beneficial ownership disclosure, actual disclosure practices and any planned or ongoing reforms. The MSG will also need to agree Norway's three-year beneficial ownership roadmap by 1 January 2017.

The MSG may wish to use the roadmap to track progress made by the government. The roadmap could also be used to make further reference to available ownership information, communicate the government's ongoing work to establish a public ownership register as well as implications of this for oil and gas companies operating in the country.

State participation (#2.6)

Documentation of progress

The 2014 report and its references to other government websites provide a comprehensive overview of the state participation in the petroleum sector, including on the relationship between government and state enterprises. State involvement in the sector is outlined in section 2.9 (p. 18-19) as well as explained on the Norwegian Petroleum website.⁸² This includes a description of the prevailing rules and practices regarding the financial relationship between the government and state-owned enterprises (SOEs).

State-owned enterprises engaged in the extractive sector: Petoro and Statoil are companies operating in the oil and gas sector through which the state organises its petroleum activities. Petoro is an SOE under the Ministry of Petroleum and Energy that manages the commercial aspects of the State's Direct Financial Interest (SDFI) on behalf of the state. It's three main duties are to manage the State's participatory interest interests in the joint ventures where the state has such interests at any given time, monitoring Statoil's marketing and sale of the petroleum produced from the state's direct participatory interests, pursuant to the marketing and sale instruction issued to Statoil, and financial management, including preparation of budgets and keeping of accounts, of the state's direct participatory interests.⁸³ The Norwegian state has a direct financial investment in 34 of the producing fields on the Norwegian Continental Shelf (NCS). Petoro acts as the licensee for the state's participatory interests in these production licences and fields, as well as pipelines and land-based facilities. The state's share in these licences varies, but is on average around 20%. The state shares both costs and production, as any other shareholder of the licence. The 2014 report links to Petoro's website for further information on Petoro's roles, an overview of SDFI's owner shares, the

⁸¹ <https://www.regjeringen.no/no/dokumenter/horing---okt-apenhet-om-informasjon-om-eiere-i-aksjeselskaper/id2468940/>

⁸² <http://www.norsketroleum.no/en/framework/state-organisation-of-petroleum-activities/>

⁸³ <https://www.petoro.no/about-petoro/main-duties>

annual report and annual accounts of Petoro and SDFI (p. 18).⁸⁴

Statoil was formerly a fully state-owned enterprise, but has since 2011 been a public company listed in the Oslo Stock Exchange and New York Stock Exchanges. The Norwegian State is the largest shareholder in Statoil, with a direct ownership interest of 67% managed by the Norwegian Ministry of Petroleum and Energy. Statoil markets and sells the state share of oil and gas production and is responsible for the delivery of the state's petroleum to the buyer, including transportation, processing and storage. The company operates as a commercial developer but performs these services for free on behalf of Petoro, who monitors the sales and marketing. An overview of licenses where Statoil has ownership and is the operator is provided on the Norwegian Petroleum website.⁸⁵

Gassco is a wholly-owned state company established in 2001 and managed by the Ministry of Petroleum and Energy to act as an independent operator of the gas transportation system. The EITI 2014 Report briefly explains that Gassco operates (but does not hold shares in) Gassled, a partnership that owns the majority of the gas infrastructure on the NCS (p. 17-18). The Norwegian Petroleum website provides some more detail on Gassco's mandate⁸⁶, while the EITI 2014 Report refers to Gassco's website⁸⁷ for more information on the organising of Gassco and Gassled and to SDFI's annual report for details on SDFI's owner shares in licenses, transportation systems and land-based activity. This is further described in a section on Norwegian Petroleum about the oil and gas pipeline system.⁸⁸ Reporting on revenues from transportation and more details on the relationship between Gassco and Gassled are outlined in section 4.4 on Transport revenues below).

Level of ownership: The government's degree of ownership in oil and gas companies operating in the country is described in sections 2.3 (p. 13), 2.6 (p. 15), 2.7 (p. 17), and most explicitly in section 2.9, "State involvement" (p. 18-19). According to the 2014 report, the state held direct shares through the SDFI in 34 producing fields, 182 production licenses and 15 pipelines and land based installations per 1 January 2015. A link is provided to the SDFI and Petoro's 2014 Annual Report. The EITI 2014 Report notes on p. 19 that SDFI in licenses, transportation systems and land-based activity are disclosed in SDFI's annual reports.⁸⁹ A list of SDFI's interests in the licenses is disclosed in SDFI's annual report (p. 62-67), ownership and shareholding arrangements for subsidiaries and other assets (including Norse Gas AS, Norpipe Oil AS and Gassled in which the state holds a minority interest) are described on p. 50-52.⁹⁰ Petoro's wholly owned subsidiary, Petoro Iceland AS does not operate in the country, but is listed in Petoro's annual report (p. 76). With regards to Statoil's subsidiaries, the EITI 2014 Report refers to the report "Payments to Governments" available from Statoil's website for an overview of subsidiaries in the Statoil group and their country of incorporation. A direct link is not provided, although the report is easily accessible from Statoil's website.⁹¹ The 2015 Annual Progress Report notes the MSGs discussion related to the provision on state participation and SOEs. According to the report, the MSG decided to include a link to the overview of Statoil's

⁸⁴ <https://www.petoro.no/about-petoro>.

⁸⁵ <http://www.norskipetroleum.no/en/facts/companies-production-licence/statoil-petroleum-as/>.

⁸⁶ <http://www.norskipetroleum.no/en/framework/state-organisation-of-petroleum-activities/>.

⁸⁷ www.gassco.no/en.

⁸⁸ <http://www.norskipetroleum.no/en/production-and-exports/the-oil-and-gas-pipeline-system/>.

⁸⁹ <https://www.petoro.no/petoro-annual-report/2014-/front-page>

⁹⁰ <https://www.petoro.no/petoro-annual-report/2014-/front-page>

⁹¹

http://www.statoil.com/no/InvestorCentre/AnnualReport/AnnualReport2014/Documents/DownloadCentreFiles/01_KeyDownloads/2014%20Payments%20to%20governments.pdf

subsidiaries in the “*Payments to Governments*” report.⁹² The Petroleum Register⁹³ also includes details on all blocks in which the state holds a stake, and covers work-plans and investment obligations.

Ownership changes: Changes in ownership for Petoro and SDFI are noted in the SDFI and Petoro Annual Report 2014, under “Asset transfers and changes” (p. 53). Fourteen production licenses were awarded with SDFI participation in 2014, while two licenses were carved out of existing licenses with SDFI participation. Eleven production licenses were relinquished. A new license area (Flyndre) was established in 2014, and the redetermination of another license area (Vega) resulted in an increased participatory interest from 1 January 2015. The EITI 2014 Report notes that there were no changes in Statoil’s ownership during the year covered by the report (p. 19). Changes in ownership of all licenses, including those in which the state holds a stake, are also updated regularly in the register.

Loan or loan guarantees: There are no loans or loan guarantees from the government/SOEs to companies operating in the country. The Petroleum Registry on NPD’s FactPages discloses information about companies that have mortgaged their licence, including the mortgagee and the main terms related to the mortgage.⁹⁴

Stakeholder views

Stakeholders did not have any specific views on state participation, other than to express satisfaction that the information required by the Standard was already publicly available. Stakeholders confirmed that there were no loans or loan guarantees from the government or SOEs to companies operating in the country.

Initial assessment

The International Secretariat’s initial assessment is that Norway has gone beyond satisfactory progress in meeting this requirement. The information required by the EITI Standard related to state participation is summarised in the EITI Report and more comprehensively disclosed on the NPD, Norwegian Petroleum and the respective SOE websites. The MSG may wish to provide more direct links and clear references to the available information on such websites in the EITI Report.

Commented [A42]: These websites are referenced multiple places in the report and also in a separate list showing useful links. Regarding “available information”, the websites are comprehensive and thus “direct links” will be dependent on what exactly the reader is looking for.

Table 2 - Summary assessment table: Award of contracts and licenses

EITI provisions	Summary of main findings	International Secretariat’s initial assessment of progress with the EITI provisions (to be completed for ‘required’ provisions)
Legal framework (#2.1)	A comprehensive overview of the relevant legal frameworks and fiscal regime is provided both in the EITI Reports and online on Norwegian Petroleum website.	Satisfactory progress
License allocations (#2.2)	Comprehensive information related to license allocations and bidding rounds is provided on the NPD website, which is linked to in the EITI Report.	Beyond satisfactory progress

⁹² <http://www.statoil.com/no/InvestorCentre/AnnualReport/annualreport2014/Pages/DownloadCentre.aspx>

⁹³ <http://factpages.npd.no/factpages/default.aspx?culture=en&nav1=licence&nav2=PageView%7cPetReg>

⁹⁴ <http://factpages.npd.no>. Example of available details under “Mortgages from the Petroleum register” <http://factpages.npd.no/factpages/Default.aspx?culture=en&nav1=licence&nav2=PageView%7cAll&nav3=4918410>

License registers (#2.3)	The EITI Report provides an overview of the information available from the Petroleum Register. The data from the register is updated in real time and exceeds what is required by the EITI Standard.	Beyond satisfactory progress
Contract disclosures (#2.4)	The government's policy and practice is documented in the EITI Report and references are made to the relevant laws and regulations.	Satisfactory progress
Beneficial ownership disclosure (#2.5)	Implementing countries are not yet required to address beneficial ownership.	Not applicable
State-participation (#2.6)	The information required by the EITI Standard related to state participation is summarised in the EITI Report and more comprehensively disclosed on the NPD, Norwegian Petroleum and the respective SOE websites.	Beyond satisfactory progress
<p>International Secretariat's recommendations:</p> <p>16. The MSG may wish to ensure that EITI reporting also includes an overview or reference to the latest information regarding license bidding rounds on the NPD website, and reference to information on transferred licenses in the Petroleum Register.</p> <p>17. The MSG may wish to ensure that any relevant reforms underway are described in future reports.</p> <p>18. In preparation for enforcement of Requirement 2.5 of the 2016 EITI Standard, the MSG may wish to consider clarifying government policy on beneficial ownership disclosure, actual disclosure practices and any planned or ongoing reforms. The MSG may wish to use the beneficial ownership roadmap to make further reference to available ownership information, communicate the government's ongoing work to establish a public ownership register as well as implications of this for oil and gas companies operating in the country, and track progress made by the government.</p> <p>19. Regarding information on the participation of the state in the extractive sector, the MSG may wish to provide more direct links and clear references to the available information on such websites in the EITI Report.</p>		

3. Monitoring and production

3.1 Overview

This section provides details on the implementation of the EITI requirements related to exploration, production and exports.

3.2 Assessment

The overview of the extractive sector, including exploration activities (#3.1)

Documentation of progress

Section 2 in the 2014 EITI Report summarises the main activities in the extractive sector. This overview cites and refers to the NPD's website⁹⁵, the Norwegian Petroleum website and the NPD's FactPages.⁹⁶ The Norwegian Petroleum website has a section on "Exploration" which describes ongoing exploration

⁹⁵ <http://www.npd.no/en/>

⁹⁶ <http://factpages.npd.no/factpages/Default.aspx?culture=en>

activities and the government's exploration policy.⁹⁷ The front page of the NPD website displays and links to the lists and maps of the ongoing seismic studies and exploration areas⁹⁸. The NPD FactPages contain a detailed overview of all active licenses, including the exploration licenses, and maps of the different areas where the extractive industry operates. According to the website, the information on the FactPages is synchronised with the NPD's databases on a daily basis. The FactMap⁹⁹, which is integrated in the FactPages, provides a detailed overview of ongoing activities including the location of seismic surveys and exploration. The NPD also provide regular updates on exploration drilling results, including through an email subscription service.¹⁰⁰

Stakeholder views

Stakeholders did not express any particular concerns related to the overview of the extractive sector in EITI reporting. Stakeholders from all constituencies stressed that the Norwegian model for natural resource management was open and consultative by design, so quality and up-to-date information on the extractive sector – including exploration activities – was readily available to the public.

Initial assessment

The International Secretariat's initial assessment is that Norway has gone beyond satisfactory progress in meeting this requirement. The EITI Report and the Norwegian Petroleum website give a comprehensive and timely overview of the sector with references to various sources of information.

Production data (#3.2)

Documentation of progress

The total volume of marketable petroleum produced in the reporting year is published on p. 12, and Figure 5 (p. 13) shows production volumes by year between 1972-2014, by hydrocarbon commodity. The figures are referenced to the Norwegian Statistical office and the Norwegian Petroleum website, where total production, production per field, company and operator and monthly production for 2015 are disclosed.¹⁰¹ The figures are regularly updated. Yearly and monthly production figures by field are also available from the Petroleum Register (under 'Field' and 'Production').¹⁰²

The total production values by commodity are not disclosed in the report, although an estimate can be calculated from the average prices for Brent Blend (the reference price for North Sea Oil), the realised European gas price for the reporting year (p. 12) or oil and gas prices reported in Petoro's annual reporting.¹⁰³

Stakeholder views

Stakeholders did not express any particular views or concerns regarding this provision, other than to note that total production values were relatively easy to calculate if needed.

Initial assessment

⁹⁷ <http://www.norskpetroleum.no/en/exploration/>

⁹⁸ <http://www.npd.no/en/>

⁹⁹ http://gis.npd.no/factmaps/html_20/

¹⁰⁰ <http://www.npd.no/en/news/Exploration-drilling-results/>

¹⁰¹ <http://www.norskpetroleum.no/en/facts-norwegian-oil-gas/production/>

¹⁰² <http://factpages.npd.no/factpages/default.aspx?culture=en&nav1=licence&nav2=PageView%7cPetReg>

¹⁰³ <https://www.petoro.no/petoro-annual-report/2014-/front-page>

The International Secretariat's initial assessment is that satisfactory progress has been made in meeting this requirement. The EITI Report and the Norwegian Petroleum website provides detailed and comprehensive information on production volumes by commodity, by field and by company. Production values are not provided, although some are possible to calculate based on the information on prices and additional information is available from other government sources.

Export data (#3.3)

Documentation of progress

The report does not provide details on export volumes, although the section "Exports of Oil and Gas" on the Norwegian Petroleum website¹⁰⁴ provides details on oil and gas export volumes for 2015 by first delivery point/country.

The total export values for oil and natural gas are disclosed (p. 12), with a reference to the Norwegian Statistical office. The average price for Brent Blend (the reference price for North Sea Oil) is also disclosed, along with the average realised gas price for Europe.

Stakeholder views

Stakeholders consulted did not appear to have any particular views or concerns regarding this provision.

Initial assessment

The International Secretariat's initial assessment is that the satisfactory progress has been made in meeting this requirement.

Table 3 - Summary assessment table: Monitoring and production

EITI provisions	Summary of main findings	Recommendation on compliance with the EITI provisions (to be completed for 'required' provisions)
Overview of the extractive sector, including exploration activities (#3.1)	The EITI Report and the Norwegian Petroleum website gives a comprehensive and timely overview of the sector with references to various sources of information.	Beyond satisfactory progress
Production data (#3.2)	The EITI Report and the Norwegian Petroleum website provides detailed and information on production volumes by commodity, by field and by company. Production values are not provided.	Satisfactory progress
Export data (#3.3)	The EITI Report and the Norwegian Petroleum website together provide information on export volumes and values.	Satisfactory progress
Conclusions and recommendations: 1. The MSG may wish to ensure that information on production values are provided by commodity in EITI reporting and on the Norwegian Petroleum website.		

¹⁰⁴ <http://www.norskpetroleum.no/en/exploration/>

4. Revenue collection

4.1 Overview

This section provides details on the implementation of the EITI requirements related to revenue transparency, including the comprehensiveness, quality and level of detail disclosed. It also considers compliance with the EITI Requirements related to procedures for producing EITI Reports.

4.2 Assessment

Comprehensiveness (#4.1)

Documentation of progress

Materiality and revenue streams: A summary of the reconciliation is provided in the executive summary and in section 7 (p. 42). The Norwegian EITI regulation specifies which revenue streams to be included in the reconciliation, based on an assessment of the relevant significant revenue flows.

In principle, according to the regulation all payments directly related to upstream petroleum activity should be included in the reconciliation. Licensees should report all payments made in relation to the petroleum industry and resulting from petroleum activity, which effectively means that there is no materiality threshold and no definition of materiality. Nevertheless, minutes of MSG meetings show that the MSG has in fact agreed that some revenue streams are immaterial for reconciliation (see below). The revenue streams covered (refund of fiscal value of loss from exploration, petroleum tax, CO2 Tax, area fees, NOx tax) are listed in the executive summary (p. 6), section 3, "Which payments are included by the NEITI regulation" (p. 21-22) and outlined in Figure 10, "Reporting entities and specified revenue streams". The state-owned enterprises (Petoro and Statoil) are also required to report cash flows from SDFI and from the sale of the state's petroleum. Each of the revenue streams is described in section 5 (p. 30-33).

In the past reports, all payments listed in requirement 4.1.b have been included except for the dividend from the government's 67% shareholder interest in Statoil. Minutes of MSG meetings show that this is because the dividend is not specifically mentioned in the EITI regulation and because these payments were already being made public by Statoil. The 2014 EITI Report includes for the first time a reconciliation of these figures as reported by the government and by Statoil (section 5.2.1). According to the report, the MSG decided that the dividend from Statoil should not be treated differently from other payments and should therefore be reconciled. No discrepancies were reported related to this dividend.

As mentioned above, certain revenue streams were not included by the MSG for reconciliation due to their immaterial size. These revenue streams (administration fees paid to the NPD and PSA (Petroleum Safety Authority) for the processing of applications, licensee's refund of expenses for supervision of security, work environment, and resource administration) are listed and aggregate figures per revenue stream are disclosed on p. 22 along with the rationale for excluding these from the reconciliation. This includes other payments not directly related to upstream petroleum activity or that are not made to the state such as property tax (see Requirement 4.6 below).

The MSG has decided that the mining sector should not be included in EITI reporting due to the lack of material payments from the sector. This decision was most lately referred to in the Annual Progress Report 2015, and was also discussed at the MSG meeting of 19 August 2015. In December 2014, a representative from the association for Norwegian Mining Industry (Norsk Bergverkindustri) was invited to hold a presentation for the MSG. The discussion within the MSG following the presentation concluded again that

Commented [A43]: Ref comment in the summary section which should be aligned with the comment in this section

the mining sector should not be covered in the scope due to the immateriality of the financial contribution to the government.

Reporting entities: In total, 65 licensees and five government entities provided reports for the reconciliation exercise (p. 6).

The report states that all licensees subject to the Petroleum Act should report cash flows in accordance with the EITI legislation. The Independent Administrator cross-checked the list of licensees received from NPD against the register of all production licenses. The reporting companies are listed in Appendix 7 (p. 57-58). All companies reported with the exception of one company, Nexen Exploration Norge AS. The government reported a tax payment (NOK 272,000) from Nexen, but this company no longer held a licence on the NCS and had ceased to exist. As a result, the Independent Administrator was not able to get in touch with the company during the data collection phase. The payment from this company has been identified as a unilateral disclosure by the government.

The reporting government agencies are not listed, although the comprehensive descriptions of the revenue streams and the reconciliation process (p. 27-36) indicates which government agency is responsible for managing the revenue flows and reporting the information. The reporting on revenue flows by Petoro, Statoil and the Central Bank are described in detail (p. 25, 32-33). All government agencies reported the revenue collected (p. 6 and p. 23).

Full government disclosure: The report does not provide a table containing all revenue streams and summarise total government revenues from extractives outside the scope of reconciliation, but lists the excluded revenue streams and aggregate approximations of these in section 3 (p. 21-22). All other company payments that are directly related to upstream petroleum activity are included in the reconciliation.

Assessment of comprehensiveness: All the initial discrepancies were solved by the Independent Administrator (p. 7). Most of the discrepancies were caused by reporting errors, in particular related to companies reporting on interests on certain fees and taxes as "other payments" as well as reporting on tax and fee refunds. The Independent Administrator recorded these payments in the report even if they were not covered by the EITI regulation. Government agencies were however not requested to follow up on the resulting discrepancies since the MSG considered that these payments fell outside the scope of the reconciliation (p. 32).

The tax payment reported as received by the MPE from Nexen Exploration Norge AS (NOK 272 000) was classified as "without reporting from counterparty" in agreement with the MSG and the MPE. Other discrepancies against the Petroleum Register were examined and explained. The Independent Administrator verified that all government reporting entities, including Statoil, reported the required information (p. 35). The Independent Administrator notes that the discrepancies indicate that there is a potential for improving some of the entities' quality assurance process with respect to completeness and accuracy of reports (p. 6).

Stakeholder views

On the comprehensiveness of the report, a government representative suggested that there was maybe "too much" information included in the reconciliation, as most people would probably be interested in the key figures. In relation to revenue flows and discrepancies, stakeholders noted that the scope of reporting, including revenue streams and reporting entities, was given by the EITI Regulations and *a priori* the MSG

Commented [A44]: This text is not from our report? The company is no longer a licensee, and was thus not requested to report.

Commented [A45]: They are listed see Section 3, p21 in the 2014 report also illustrated in figure 10. Figure 10 from the Norwegian report has been referred to by EITI on their web sites in the past as an example for illustrating the parties involved?

could only go beyond the requirements in the regulations as these constituted a legal obligation.

Company representatives on the MSG noted that most of the initial discrepancies were related to administrative fees and interests on late payments, which were relatively minor. One company representative on the MSG noted that it would perhaps not be necessary to include these minor payments in the reconciliation itself as the efforts to correct the company reports are disproportionate compared to the relative size of the payments. The representative explained that the MSG had discussed whether to exclude such payments from the reconciliation but had decided not to as this would require changing the EITI regulation. Another company representative commented that these payments should in fact be included in the reconciliation as these were all part of the payments from the sector.

With regards the scope of reporting and coverage of the mining sector, Publish What You Pay Norway requested in their position paper from 2014¹⁰⁵ that the Ministry of Petroleum and Energy collect information related to the mining sector to be able to have an informed discussion on whether to cover mining in EITI reporting. Representatives from the other constituencies said that this had been considered on a number of occasions but the MSG had decided that it did not consider it necessary to address new sectors outside the scope of the EITI Regulations, which currently only address oil and gas, arguing that the same reason they were considered immaterial in the beginning of the EITI process in Norway continued to be valid.

Initial assessment

The International Secretariat's initial assessment is that Norway has made meaningful progress in meeting this requirement. All revenues under 4.1.b have been considered and those deemed material are listed and described. All identified entities reported their payments. Norway's EITI regulation notes that all payments should be included in the reconciliation, however the MSG has agreed to exclude some revenues based on their immateriality. Based on the International Secretariat's understanding of these payments, it is probable that these payments were not material and it is unlikely that this decision has led to any material payments being excluded. Nevertheless, the EITI Standard requires the International Secretariat to assess whether there has been a discussion around the materiality of all revenue streams and whether materiality definitions and thresholds have been agreed. The Standard Terms of Reference for the Independent Administrator outlines the process that the multi-stakeholder group and the Independent Administrator should follow for defining material payments. As the discussion on Requirement 4.9 below shows, Norway has not used the Standard Terms of Reference. As a result, Norway has not developed a materiality definition or established thresholds for which revenues to include or not.

In line with requirement 4.1 and the Standard TORs for the Independent Administrator, the MSG should decide on a definition of materiality, consider reviewing the revenue streams to be included in the reconciliation and discuss whether some of the smaller revenue streams could be unilaterally disclosed by the government to avoid minor discrepancies such as those related to interest on delayed payments. This could involve revising the EITI regulation so that the Standard TORs for the Independent Administrator can be used as per Requirement 4.9.

In-kind revenues (#4.2)

Documentation of progress

¹⁰⁵ "Position Paper from PWYP Norway: Requirements for EITI implementation in Norway", May 2014, http://www.publishwhatyoupay.no/sites/all/files/Position_Paper_re.EITI_PWYPNorway26MAR14_ENG_0.pdf.

Commented [A46]: Difficult to understand the basis for not saying comprehensiveness is satisfactory as long as it is also said that all revenues have been considered and those deemed material are listed, described and reconciled (or unilaterally disclosed)?

It should be noted that in Norway it has been decided that all relevant oil companies should report (not only a sample), all the revenues in 4.1.b have been considered and those deemed material have been included. Other cash flows have been assessed separately by the MSG for materiality ref below.

Commented [A47]: This has been discussed for each revenue stream excluded? Also decided that all deviations should be explained to the extent possible.

Commented [A48]: When EITI was established in Norway all petroleum taxes and the fees were decided to be included, in addition to Petro cash flows. It seems based on the text below that there is a preference from the validator to exclude some cash flows; but the view in Norway has been that it is better to include even these minor cash flows to also be able to see the link to the state accounts. The interest has been discussed in the MSG, but the decision was to continue to include it because it could create confusion to take out a detailed element now after 8 years of reporting.

Other identified payments excluded have been discussed in the MSG based on both a qualitative and quantitative evaluation of each cash flow- and those numbers are then also unilaterally disclosed in the report.

Commented [A49]: The MSG has discussed this and concluded that the interest should be reported. If interest is reported by only one of the parties it might become even more difficult to reconcile the cash flows.

It has also been discussed whether there should be set a materiality for reconciliation; however the MSG wanted to have all deviations clarified if possible.

There are no Production Sharing Agreements in Norway and the Norwegian state does not collect in-kind revenues. However, requirement 4.2 refers to “the sale of the state’s share of production” and Norwegian state has a direct financial interest in several fields. The arrangement is described in section 4.5, “The reporting of cash flows to the state from Petoro and Statoil” (p. 25-26), and further in sections 5.3.6 to 5.3.9 (p. 32-34).

The state’s share of total oil and gas production is marketed and sold by Statoil on the government’s behalf. Revenues are then remitted to the Government Pension Fund Global’s account at the Central Bank (Norges Bank). These payments between Statoil and the Central Bank are explained and reconciled in section 5.2 and 5.3 of the report (p. 28-35). When adding the revenues reported in the EITI Report the sales were at NOK 188.9 billion in 2014.

Statoil’s website¹⁰⁶ and Petoro’s 2014 Annual Report (Note 9) also clarify the role of Statoil in marketing and selling the oil and gas on behalf of the state at the state’s expense and risk, but in Statoil’s name and together with its own production and at market price.¹⁰⁷ Statoil’s reimbursement by the government for its relative share of costs associated with the transport, storage and onward sale amounted to NOK 15.4 billion in 2014.

The EITI Report includes information on aggregate figures on the proceeds from the sale of the government’s share of crude oil and LNG (NOK 85.642 million) and gas (NOK 81.477) are listed in Table 2 “Key Figures SDFI” (p. 18), with link to Petoro’s annual accounts for further information. According to the SDFI income statement in its 2014 Annual Report,¹⁰⁸ Petoro, which monitors Statoil’s oil sales, reported operating revenue at NOK 179.797 billion. Note 4 in the statement¹⁰⁹ also specifies how much of these come from the sale of crude oil, LNG and condensate and gas (in accordance with the EITI Report). Figures on volumes of oil, LNG and gas produced and realised priced for oil (USD and NOK) and gas (NOK) are also provided in Petoro’s 2014 Annual Report.¹¹⁰ The figures provided do not include data disaggregated by buyer. [There is no reconciliation of volumes and revenues for state oil sold with figures from buyers. The report includes a reconciliation of sales proceeds with the state accounts (section 5.3.6, p. 33) disclosure of payments by currency, and a reconciliation of payments in foreign currency and NOK (section 5.3.8 and 5.3.9, p. 33-34).

Commented [A50]: Not sure this is a requirement, the MSG is “encouraged” when practically feasible according to EITI 4.2.?

Statoil’s reporting on the marketing and the state’s share of petroleum is also included under payments by Petoro/SDFI in the overview of aggregate cash flows per revenue stream (Table 6, p. 29) and in the reconciliation of revenue flows between Petoro and the Central Bank (Section 5.3.6, p. 32), as Petoro reports on the revenues from these sales on behalf of SDFI. (These aggregate figures also include tariff revenues and cash inflows from net profit interest).

Section 6.3 under “lessons learned” in the report notes that “to the extent a full reconciliation of both inflows and outflows relating to the sales and marketing would be desirable this must be clarified in terms of regulations and as well be prepared for by the State, Petoro and the Central Bank” (p. 38).

¹⁰⁶

<http://www.statoil.com/annualreport2012/en/ouoperations/applicablelawsandregulations/pages/sdfioilandgasmar/кетингандsale.aspx>

¹⁰⁷ <https://www.petoro.no/petoro-annual-report/2014-/accounts/accounts-sdfi/income-statement>

¹⁰⁸ <https://www.petoro.no/petoro-annual-report/2014-/accounts/accounts-sdfi/income-statement>

¹⁰⁹ <https://www.petoro.no/petoro-annual-report/2014-/accounts/accounts-sdfi/notes-1-10>

¹¹⁰ <https://www.petoro.no/petoro-annual-report/2014-/directors-report/key-figures>

Stakeholder views

Stakeholders including government and company representatives on the MSG argued that in-kind revenue as such does not exist in Norway as Statoil is a publically listed company which markets the state's share of oil along their other commercial activities. They explained that Statoil is mandated by law to market the state's share of oil and does so under normal commercial terms, without receiving any additional payment for this service. A company representative stated that reporting on these sales would place an unfair burden on Statoil as a publicly listed company operating under normal commercial conditions as it would force Statoil to publish potentially commercially sensitive information that its peers were not asked to publish. When prodded further about whether it didn't make sense to treat Statoil as an SOE in this context, industry representatives again explained that the transaction took place under commercial terms and added that there was anyway transparency about the sales insofar as Statoil's payments to the Central Bank were published and reconciled.

Initial assessment

The International Secretariat's initial assessment is that Norway has made meaningful progress in meeting this provision. Aggregate figures of the revenues from the state's share of oil production transferred by the SOE to the state account appear to have been comprehensively disclosed and reconciled. However, since 2013 the EITI Standard has required that the published data on the sale of the state's share of production be disaggregated "to levels commensurate with the reporting of other payments and revenue streams".

The MSG should consider working with Petoro and other relevant government agencies on disclosing information on the sales from the state's share of petroleum and to levels commensurate with the reporting of other payments and revenue streams (in accordance with provisions 4.2 and 4.7). Reporting could also break down disclosures by the type of product, price, market and sale volume. Alternatively, the MSG could consider **seeking adapted implementation**, noting the practical difficulties of separating Statoil's SDFI sales without requiring Statoil to publish potentially commercially sensitive information that its peers would not be required to publish.

Commented [A51]: Table 2 includes key figures from Petoro and it is also referred to Petoro's web site and directly to the annual report (footnote 9) for further information. In addition, reconciliations are made between Statoil, Petoro and Norges Bank.

Could it maybe be clarified what is the suggestion regarding "to level commensurate with the reporting of other payments "

Barter and infrastructure transactions (#4.3)

Documentation of progress

The report notes that infrastructure investments and barter agreements are not applicable in Norway's system of awarding licenses (p. 14). The existence and applicability of the requirements to disclose infrastructure provisions and barter agreements have been assessed by the MSG and documented in their meeting of 14 December 2015¹¹¹ and well as in the 2015 Annual Progress Report. The MSG's decision is that these are not applicable, and the Annual Progress Report refers to an announcement letter describing the terms and criteria for being awarded a license, published on the websites of NPD.¹¹²

Stakeholder views

Publish What You Pay Norway highlighted in their position paper published in 2014¹¹³ (prior to MSG discussions on the issue) that it was not clear whether there were any infrastructure investments being

¹¹¹ Minutes of MSG meeting, of 14 December 2015

¹¹² <http://www.npd.no/en/Topics/Production-licences/Theme-articles/Licensing-rounds/APA-2015/APA-2015---announcement/>

¹¹³ "Position Paper from PWYP Norway: Requirements for EITI implementation in Norway", May 2014, http://www.publishwhatyoupay.no/sites/all/files/Position_Paper_re.EITI_PWYPNorway26MAR14_ENG_0.pdf.

made in Norway that are not directly related to field development, such as pipelines for gas export (p. 7). Stakeholders consulted did not express any views or concerns regarding the MSGs discussion on barter and infrastructure transactions other than to confirm that this requirement was not applicable in Norway in 2014.

Initial assessment

The International Secretariat's initial assessment is that this requirement was not applicable to Norway in 2014.

Transport revenues (#4.4)

Documentation of progress

Government revenue from transportation stems from the SDFI share in Gassled, the gas transportation system, and is described in section 2.9.1. (p. 18-19). According to the 2014 report, transportation revenues relate mainly to the government's share in Gassled. Gassled is a joint venture that owns the majority of the gas infrastructure on the NSC. Gassco is a 100% state-owned company which operates Gassled without owning any shares. This is further described in a section on Norwegian Petroleum about the oil and gas pipeline system, which includes an overview of the gas pipelines, the system regulating use and access of the pipelines and the ownership structure of Gassled.¹¹⁴

The state's direct and indirect share of Gassled in 2014 was 46.698%, according to the SDFI Annual Report 2014.¹¹⁵ The other owners are listed with their respective shares on Norwegian Petroleum.¹¹⁶ The cost of operating the transport system is met by its users through tariff payments, and the EITI Report refers to the Gassco website for more information on transportation revenue, the management of and relationship between Gassco and Gassled.¹¹⁷ Shareholders in Gassled pay the same in tariffs as any other user.

Table 2 "Key figures, SDFI" (p. 18) includes aggregate figures for 2014 from Petoro's annual report, including on transport- and processing revenue (NOK 11,137 million). This includes Petoro's earnings from the share in Gassled. Gassco's 2014 Annual Report¹¹⁸ discloses total transportation revenues from Gassled before being transferred to the owners (NOK 26,597 million).

Tariff revenues paid by Petoro to the Central Bank of Norway from transportation of gas from the NCS are also included in the reconciliation of cash flows between Statoil, Petoro and the Central Bank of Norway (Table 14, p. 34), although aggregated with other revenue flows such as net profit interest under "Petoro NOK payments other than from sale of state's petroleum".

Stakeholder views

Stakeholders did not appear to have any specific views related to the coverage of transportation revenues in EITI reporting. Company representatives and a government representative on the MSG confirmed the practices described in the report regarding the use of Gassled and related tariff payments. A company representative noted that the transportation revenue was not material to the government compared to other revenue flows from the sector.

¹¹⁴ <http://www.norskpetroleum.no/en/production-and-exports/the-oil-and-gas-pipeline-system/>

¹¹⁵ <https://www.petoro.no/petoro-annual-report/2014-/front-page>

¹¹⁶ <http://www.norskpetroleum.no/en/production-and-exports/the-oil-and-gas-pipeline-system/#gas-pipelines>

¹¹⁷ www.gassco.no/en

¹¹⁸ <http://www.gassco.no/globalassets/media/aarsrapport2014eng.pdf>

A representative from civil society said that there was generally very little understanding in Norwegian society and within the constituency about transport revenues and that the EITI process could have been used to ensure more clarity. At the same time, the representative added, there was sufficient trust in the system that this was not really a priority or something that the EITI should necessarily spend time on.

Initial assessment

The International Secretariat's initial assessment is that Norway has made satisfactory progress in meeting this provision. The EITI Report includes information on the transportation system and discloses transport- and processing revenue collected by Petoro on behalf of the state, and more detailed information about the management of Gassco and Gassled is available from the Norwegian Petroleum website.

Transactions between SOEs and government (#4.5)

Documentation of progress

Section 4.5 (p. 25-26) on "The reporting of cash flows to the state from Petoro and Statoil" describes the role of Petoro, Statoil and the Central Bank in collecting and managing the revenue flows from the SOEs and the SDFI to the government and how these are reported.

The results of the reconciliation and the reporting of the transactions between Petoro, Statoil and the government are described throughout in Section 5 (in particular in particular 5.2 Transfer of payments to the Government Pension Fund Global, p. 28) and an overview of the total reconciliation of these flows is provided in Table 4: Reconciliation between the EITI reporting and the state accounts (p. 28). This includes a reconciliation of the dividend from the state's share in Statoil with the state accounts (section 5.2.1, p. 28-29), including a breakdown by payment. A reconciliation of the payments made by Statoil in foreign currency and in NOK relating to the sale of the state's petroleum is included in Sections 5.3.8 and 5.3.9.

Payments by Petoro related to the SDFI are included in the overview of aggregate cash flows per revenue stream (Table 6, p. 29) and reconciled in Section 5.3.6 (Petoro and the Central Bank of Norway, p. 32). These payments combine Statoil's sales of the state's oil with other payments by Petoro (tariff revenues, dividends and net profit interest) and are then compared to the Central Bank figures. Section 5.3.9 also includes a reconciliation of other payments made by Petoro related to SDFI (tariff revenues, dividends and net profit interest) without the transfers related to Statoil's marketing of the state's petroleum. A reconciliation of revenues from Net Profit Interest (paid by companies holding licenses in which SDFI has no direct ownership but is entitled to receive a share of the profit) is also provided (Table 14, p. 35).

Statoil does not receive any payments from the government for the marketing of the state's petroleum. The company does, however, receive compensation related to the sales, marketing and delivery to the buyer, such as tariff costs and purchase of gas. These figures have been included in the reconciliation between Petoro and the Central Bank (Table 11, p. 32 under "Movement withdrawal account in NOK").

Transfers by companies in which the state holds minority shares, including dividends from interests in Norse Gas AS and Norpipe Oil AS, are recorded as financial items in the 2014 SDFI Annual Report.¹¹⁹ Norse Gas AS and Norpipe Oil AS are also reporting entities in the EITI Report (see their total payments and payments by revenue flow in Appendices 1-5, pp. 46-54).

Stakeholder views

¹¹⁹ <https://www.petoro.no/%C3%85rsrapport-sider/2014/pdf/ENG/Accounts-SDFI.pdf>

Stakeholders did not express any particular views regarding this provision.

Initial assessment

The International Secretariat's initial assessment is that Norway has made satisfactory progress with regards to the provision and gone beyond the EITI Requirements with regards to disclosing and reconciling the transfers. The report describes the role of the SOEs in managing and collecting the revenues from the sector and the transfers to the state account. The transfers are disaggregated by SOE (and in most cases by revenue stream) and reconciled.

Subnational direct payments (#4.6)

Documentation of progress

The MSG has decided that the coverage of subnational direct payments is not applicable because revenues that could be considered direct subnational payments in Norway are immaterial. According to the EITI 2014 Report, the MSG understood the scope of EITI in Norway in terms of payments to the state only. The MSG decided that payments not directly related to petroleum activities and not transferred at the state level, such as municipal taxes, property taxes etc. should consequently be excluded from the report, since such fees and taxes are similar for all industries and are not specifically applied to oil and gas companies (section 3, p. 22). Municipalities' financial statements are publicly available and there is extensive evidence of public debate around these in cases where extractive industries are important contributors.¹²⁰

Stakeholder views

Company representatives confirmed that the MSG had discussed the applicability of sub-national payments and agreed that these would not be included in the scope of EITI reporting as they were relatively minor. Petroleum companies are liable to pay property tax to the region ("kommune") they are based in, and it is up to each region to determine whether to apply this tax. The company representatives noted that the only case in which sub-national direct payments were likely to be material would be in the case of Statoil's payments for the LNG facility on Melkøya related to the Snøhvit project in Hammerfest (property tax payments¹²¹ amount to approximately NOK 200 million each year and generate media attention¹²²). When prodded further as to whether they should not be included on account of their materiality for local the local community, company and government representatives said that as they were not extractives-related they remained outside the scope of the EITI's mandate under the EITI Regulations.

Civil society representatives confirmed that the MSG had understood non-extractives payments such as property tax, including the payments concerning Melkøya, to be outside the scope of the EITI's mandate. When asked whether they could not anyway request that these payments be included in the reconciliation, representatives from all constituencies responded that this would be seen as requiring a change to the mandate of the EITI in Norway.

Stakeholders from all constituencies said that whether the information was provided in EITI reports or not

¹²⁰ See for example newspaper articles about property tax paid by Statoil in Hammerfest commune, *Statoil klager på Melkøya skatt* ("Statoil complains about tax payments at Melkøya"), <http://www.aftenbladet.no/aenergi/Statoil-klager-pa-Melkoya-skatt-68001b.html>.

¹²¹ Explanation of property tax in Hammerfest commune <http://www.hammerfest.kommune.no/eiendomsskatt.303197.12965tf08f6.tct.html>

¹²² See for example *This much has Hammerfest has earned on Snøhvit* («Så mye Hammerfest har tjent på Snøhvit»): Nord24, 30 October 2014, <http://www.nord24.no/statoil/hammerfest/gass/sa-mye-hammerfest-har-tjent-pa-snohvit/s/5-32-3226>.

was a moot point insofar as the information on property tax is anyway publicly available forms part of the public debate and the quality of the data is not questioned.

Initial assessment

The International Secretariat's initial assessment is that Norway has made satisfactory progress with regards to this provision. The MSG has discussed and established whether there are direct payments within the scope of the agreed benefit streams that are material and concluded that this is not the case. As discussed under Requirements 4.1 and 4.9, the process followed to determine the materiality of these payments can be questioned since Norway has not used the Standard TORs for the Independent Administrator or agreed a definition of materiality. At the same time, there is a very high degree of transparency around material direct payments outside the scope of the agreed benefit streams and subnational direct payments are known, there is a high degree of trust in their accuracy, and they regularly form part of the public debate.

Level of disaggregation (#4.7)

Documentation of progress

Section 5, "Reconciliation of reported payments" presents the aggregate results of the reconciliation, while total reported payments disaggregated by individual company are disclosed in Appendix 1 (pp. 46-47). The reported payments disaggregated by each revenue stream and individual company are disclosed in Appendices 2- 5 (pp. 48-52). The financial data is **not listed by government entity**, although this is implicit from the overview of revenues collected by each government entity (Figure 10: Reporting entities and specified revenue streams, p. 21) and the subsequent reporting by each of the revenue streams in Section 5.3, Cash flow per revenue stream (pp. 29-32).

The 2014 EITI Report does not disclose information by project, nor does it **mention project-by-project** reporting. The report notes that in accordance with the reporting guidelines, each operator of a license is "responsible for reporting payments made by the operator to the government on behalf of all the licensees sharing the license permit. In the EITI reporting these payments appear as payment from the operator and not from each of the licensees. Therefore, the EITI reporting should not be seen as a complete picture of the contribution from each licensee with respect to payments" (p. 24).

Stakeholder views

In their EITI position paper from 2015¹²³, Publish What You Pay Norway calls for transparency in "license accounts", stating that this would be equivalent to project-by-project reporting in Norway. This would mean that companies sharing licenses would be required to report disaggregated information on payments to the government related to each company's share in the license. The paper notes that these payments are currently reported by the operator. The MSG discussed the issue of license accounts at their meeting on 10 September 2015, where industry representatives noted that there is no such thing as "license accounts" in the same way as there are company accounts, as these do not account for any company revenues from sale of oil but are an overview of the expenses related to the license. Consequently, they argued, they should not be included in reporting.¹²⁴

Other stakeholders consulted did not express any views or concerns related to the level of disaggregation

Commented [A52]: They are listed in figure 10- there is only one receiving party per revenue stream.

In the past EITI has on their web site also referred to table 10 in the Norwegian report as an example to look at for disclosing this information.

Commented [A53]: From page 17 it is described that taxes are paid on company basis. Taxes is the main stream reported by the companies. The CO2 tax, area fee and NOx is paid by the fields, however reported by operator only because it is the operator and not the companies that pays these taxes, and since EITI is based on cash principle and not accounting principles each company cannot report these on "Project basis per company"

¹²³ http://www.publishwhatyoupay.no/sites/all/files/Posisjonsnotat_EITI_PWYPNorge_2015_0.pdf

¹²⁴ MSG meeting minutes, 10 September 2015

of the information in the EITI Report.

Initial assessment

The International Secretariat's initial assessment is that Norway has made satisfactory progress with regards to this provision. In preparing its next EITI Report, the MSG should ensure that reconciled data is presented disaggregated not only by individual company and revenue stream but also by receiving government entity either in the EITI Report or on the Norway EITI website.

Commented [A54]: See figure 10 which presents the parties. As is seen there is only one receiving government entity for each cash flow.

Data timeliness (#4.8)

Documentation of progress

The EITI Report 2014 was published in December 2015. Data pertaining to revenues is all based on 2014 figures. The data on the Norwegian Petroleum website is however disclosed and updated on a continuous basis, and the government revenue figures disclosed are from 2015.¹²⁵ As of 9 August 2016, the data was last updated 11 May 2016.

Stakeholder views

Stakeholder did not express any particular views related to data timeliness.

Initial assessment

The International Secretariat's initial assessment is that Norway has gone beyond satisfactory progress in meeting this requirement.

Data quality (#4.9)

Documentation of progress

Appointment of the Independent Administrator: Section 6 of the EITI Regulation states that "The King shall appoint an administrator, after consulting the MSG, which shall reconcile payments and revenues, and also prepare a report as mentioned in section 7." The Validation Report from Norway's first Validation notes that Deloitte AS was formally appointed by the MPE "through a public tender overseen by the MSG". The report notes further that "the MSG agreed to the administrator's terms of reference and had an active role in both the tendering process and in the evaluation of the candidate responding to the tender. Before agreeing to recruit an independent consulting firm to undertake the reconciliation, the MSG had, however, discussed whether Statistics Norway (SSB), as a governmental organisation, would be suited to perform the task [given that they were] already collecting similar information on a regular basis from Norwegian companies." The Validator concludes, "in approaching them, SSB concluded that there would be a conflict of interest and that they could not disclose certain numbers received from companies".¹²⁶ All Norway EITI Reports have since been produced by the same consultant from Deloitte AS. The contract for the Independent Administrator for the 2014 Report notes that the contract was awarded for a period of one year, with possibility for renewal for a total period of five years.

Terms of Reference (TOR) for the Independent Administrator: The assignment description, which was part of the tender documents for the procurement process for the Independent Administrator, outlines the

¹²⁵ <http://www.norsketroleum.no/en/economy/governments-revenues/>

¹²⁶ https://eiti.org/sites/default/files/documents/2010-11-21_Final_Validation_Report_Norway_0.pdf.

tasks and deliverables for the Independent Administrator during the reporting process. This mainly refers to the EITI regulations¹²⁷ which establish the scope related to reporting by companies and government entities, reconciliation and deadlines. The EITI regulation requires all licensees on the NSC to report their payments to the Independent Administrator by 1 August each year. Selected government agencies are also required to report revenues received from the same licensees within the period.

The assignment description also makes passing reference to the EITI Standard for the requirements that the report needs to fulfil, as well as to the Standard Terms of Reference for the Independent Administrator (without specifying whether these apply for the assignment). According to the assignment description, the EITI Reports produced prior to the adoption of the EITI Standard to a large extent are in accordance with the EITI Requirements. The assignment description further notes that more contextual information is required under the Standard, without specifying any areas that would be particularly relevant for Norway. The assignment description does not seem to be fully up to date, some of the links do not work and it refers to the TORs for the 2013 EITI Standard.

Reporting templates: The MPE issues instructions/guidelines for reporting companies ahead of each reporting period, requesting the entities to report in accordance with the Norwegian EITI regulation. The instructions for the 2014 report were issued on 29 June 2015.¹²⁸ The reporting templates are made electronically available on the website and are provided in Annex 8 of the EITI Report 2014 (p. 59-62). According to the assignment description of the Independent Administrator, the reporting templates seems to have been determined prior to the appointment of the Independent Administrator and published on the government website.¹²⁹ It is not clear from the MSG meeting minutes made available to the International Secretariat when the MSG agreed on the reporting templates.

Review of audit and assurance procedures: The EITI 2014 Report outlines the “audit requirements in Norway” in section 2.11 (p. 20), while the audit practices regarding cash flows to the state from Petoro and Statoil are briefly described in section 4.5. Every limited liability company is required to prepare and file financial statements and is subject to being audited (with the exception of small companies meeting certain criteria listed in the report). The EITI Report 2014 notes that all reporting companies were subject to external financial audits in accordance with international auditing standards. The financial statements are either published by the companies or made publically available in the central public register (the EITI Report 2014 provides a link).¹³⁰

The Office of the Auditor General audits the state’s accounts and all annual accounts by state agencies and governmental bodies that have to present annual accounts, and the report provides a link to the Auditor General’s website where the annual audit report is made available.¹³¹ The report notes that no special audit requirements were imposed with regards to the EITI reporting.

Data quality and assurance: Referring to the guidelines to the entities that are required to report, Section 6 in the EITI Report 2014 (p. 37-41) describes how companies followed the required assurances related to sign-off and inclusion of the auditor’s report and specified transaction level records as appendices. This is reflected in the reporting template (Annex 9).

¹²⁷ <https://lovdata.no/dokument/SF/forskrift/2009-06-26-856>.

¹²⁸ <http://nettsteder.regjeringen.no/eiti2-en/guidelines-for-reporting/>

¹²⁹ <http://www.regjeringen.no/nb/sub/eiti/rapporter-tall.html?id=633645>

¹³⁰ www.brreg.no

¹³¹ www.riksrevisjonen.no/en

In accordance with the reporting guidelines issued by the MPE, the reporting templates should be signed by the Chief Financial Officer (CFO) or the head of department of each reporting entity. All templates were signed, although some were signed on behalf of the CFO. In the cases a signature was missing, a new reporting template was requested. The Independent Administrator noted that it was not within their scope to assure whether the templates had been signed at the correct organisational level. Following a recommendation by the Independent Administrator in the 2013 report to emphasise the required sign-off at a senior level in the issued guidelines, the report notes that more companies signed off on the templates unsolicited.

Companies were requested to submit their audit report together with their reporting templates. While some companies did not initially provide their audit reports, all companies did so after the Independent Administrator followed up on the missing reports. The Independent Administrator notes that none of the audit reports had reservations or specifications indicating any relevance for EITI reporting, but that two audit reports highlighted some uncertainties in their accounts while three audit reports specified that the financial statements were only completed after the deadline.

Reporting companies were encouraged to attach detailed specifications on each reporting item specifying amounts and payment dates. The report notes that this is to increase the efficiency of the reconciliation process, reduces the need for follow-up with companies and helps improve the quality of the reported data. Thirty-eight of the reporting companies and all government entities attached such specifications.

Independent Administrator's overall assessment: The Independent Administrator does not make an overall assessment of the comprehensiveness or reliability of the EITI Report. In a statement prefacing the 2014 EITI Report, the Independent Administrator says that it has not verified the accuracy and completeness of data provided by third-party sources and that "because the agreed upon procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the reported payments".

Stakeholder views

A company representative on the MSG commented that the reporting guidelines have worked well in instructing companies in how to complete the reporting templates, and that improvements made to the templates have reflected the feedback companies beyond those represented on the MSG have provided. Stakeholders did not have any further comments to this Requirement. Stakeholders did not seem to be aware that Requirement 4.9b(iii) required that TORs for the IA be based on the standard terms of reference endorsed by the EITI Board.

Initial assessment

The International Secretariat's initial assessment is that Norway has made meaningful progress in meeting this provision. In accordance with Requirement 4.9b(iii), the MSG and the IA are required to agree a Terms of Reference for the EITI Report based on the Standard TORs for Independent Administrators and the agreed-upon procedure for EITI Reports endorsed by the EITI Board. As discussed above (Requirement 4.1), the Standard TORs among other things establish the procedure that the MSG and the Independent Administrator should follow to agree the materiality thresholds and the scope of the EITI Reports. The Standard TORs also task the Independent Administrator with making an overall assessment of the comprehensiveness and reliability of the EITI Report. Norway does not use the Standard TORs, and as the rest of this assessment shows this has not generally hampered Norway in providing the information required by the Standard. Furthermore, the International Secretariat is aware that there is also a high

Commented [A55]: This is not correct. The reports commented on going concern uncertainties, not uncertainties in the accounts.

Commented [A56]:

IA has commented on whether all companies and governmental entities have reported, whether all forms were signed, whether all cash flows were reported, whether audit reports were received. Deviations were reported on. IA also commented that the data had been collaborated against other sources available. See section 5.4

The audit system is also described in detail (2.11 in the 2014 report). The Norway report is also referred to as an example by EITI in guidance note 24 on data reliability which is listed on EITI web site <https://eiti.org/document/guidance-note-on-data-quality-assurance>

Further, the TOR advises that an audit standard such as ISRS 4400 should be used for the report. "The Independent Administrator should exercise judgement and apply appropriate international professional standards³ in developing a procedure that provide a sufficient basis for a comprehensive and reliable EITI Report. in footnote 3

¹ For example, ISA 505 relative to external confirmations; ISA 530 relative to audit sampling; ISA 500 relative to audit evidence; ISRS 4400 relative to the engagement to perform agreed-upon procedures regarding financial information and ISRS 4410 relative to compilation engagements. "

The TOR also outlines examples of possible procedures to assure reliability, such as sign off by a senior officer in the company. This has been implemented in Norway.

As per ISRS 4400 we are required to include some specific text in the report in order to comply with the standard:

18.

The report of factual findings should contain:

- (a) Title;
- (b) Addressee (ordinarily the client who engaged the auditor to perform the agreed-upon procedures);
- (c) Identification of specific financial or non-financial information to which the agreed-upon procedures have been applied;
- (d) A statement that the procedures performed were those agreed upon with the recipient;
- (e) A statement that the engagement was performed in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements, or with relevant national standards or practices;
- (f) Identification of the purpose for which the agreed-upon procedures were performed;
- (g) A listing of the specific procedures performed;
- (h) A description of the auditor's factual findings including sufficient details of errors and exceptions found;
- (i) Statement that the procedures performed do not constitute either an audit or a review and, as such, no assurance is expressed;
- (j) A statement that had the auditor performed additional procedures, other matters might have come to light that would have been reported;

... [2]

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Commented [A57]: This has been discussed in the MSG meetings. Materiality- ref above.

It should also be noted that Norway has not based the reporting on samples or materiality judgements but the basis is full reporting by all companies and all deviations should be clarified to the extent possible.

Commented [A58]: Might be a risk that it could be misleading to the public to state that Norway has not made satisfactory progress? EITI has expressed the view that EITI should build as much as possible on existing procedures? Isn't it then an issue if the validation should not fully appreciate the fact that the information has been provided?

degree of trust in the information that Norway provides. Nevertheless, the International Secretariat is tasked with documenting whether the EITI Standard is followed, and Requirement 4.9 requires that the MSG and the IA agree a TOR based on the Standard TORs. In the future, the MSG may seek Board approval to mainstream EITI implementation in accordance with the “Agreed upon procedures for mainstreamed disclosure”, available from the International Secretariat.

Table 4 - Summary assessment table: Revenue collection

EITI provisions	Summary of main findings	International Secretariat’s initial assessment of progress with the EITI provisions (to be completed for ‘required’ provisions)
Comprehensiveness (#4.1)	The EITI regulation notes that all payments should be included in the reconciliation, while MSG has agreed revenues to exclude based on their immateriality. This was however not based on a definition of materiality. All revenues under 4.1.b have been considered and those deemed material are listed and described. All reported entities reported their payments.	Meaningful progress
In-kind revenues (#4.2)	Aggregate figures of the revenues from the state’s share of oil production transferred by the SOE to the state account are disclosed and reconciled.	Meaningful progress
Barter and infrastructure transactions (#4.3)	The MSG has considered whether there are any infrastructure investments and barter agreements in Norway and decided that these are not applicable.	Not applicable
Transport revenues (#4.4)	The EITI Report includes information on the transportation system and discloses transport- and processing revenue collected by Petoro on behalf of the state, and more detailed information about the management of Gassco and Gassled is available from the Norwegian Petroleum website.	Satisfactory progress
Transactions between SOEs and government (#4.5)	The EITI Report describes the role of the SOEs in managing and collecting the revenues from the sector and the transfers to the state account. The transfers are disaggregated by SOE (and in most cases by revenue stream) and reconciled.	Beyond satisfactory progress
Subnational direct payments (#4.6)	The MSG has discussed and established whether there are direct payments within the scope of the agreed benefit streams that are material and concluded that this is	Satisfactory progress

Commented [A59]: Our view is that this was based on materiality? (all should be included unless clearly immaterial- and then each excluded cash flow have been assessed separately which should be an even more thorough process?).

Commented [A60]: Plus provided or referred to other sources of information about Petoro and Statoil. Petoro FS provide disaggregated information. Cash received by Petoro is reconciled towards cash paid by Statoil.

	not the case. There is also a high degree of transparency around material direct payments outside the scope of the agreed benefit streams.	
Level of disaggregation (#4.7)	The reported payments are disaggregated by each revenue stream and individual company.	Satisfactory progress
Data timeliness (#4.8)	EITI Reports are published well ahead of deadline	Beyond satisfactory progress
Data quality (#4.9)	The TORs for the EITI Report are not in line with the Standard TOR for the Independent Administrator. Assurances of data quality agreed by the MSG and IA are delivered and adequately described.	Meaningful progress
International Secretariat's recommendations:		
<ol style="list-style-type: none"> The MSG should decide on a definition of materiality, consider reviewing the revenue streams to be included in the reconciliation and discuss whether some of the smaller revenue streams could be unilaterally disclosed by the government to avoid minor discrepancies such as those related to interest on delayed payments. This could involve revising the EITI regulation or the EITI reporting guidelines. The MSG may consider working with Statoil and other relevant government agencies on disclosing aggregate figures of the sales from the state's share of petroleum and to levels commensurate with the reporting of other payments and revenue streams (in accordance with provisions 4.2 and 4.7). Reporting could also break down disclosures by the type of product, price, market and sale volume. The MSG is further encouraged to considering task the Independent Administrator with reconciling the volumes sold and revenues received by including the buying companies in the reporting process. In preparing its next EITI Report, the MSG should ensure that reconciled data is presented disaggregated not only by individual company and revenue stream but also by receiving government entity either in the EITI Report or on the Norway EITI website. The MSG and the IA are required to agree a TOR for the EITI Report based on the Standard TOR for the IA and the agreed upon procedure for EITI Reports endorsed by the EITI Board, in accordance with Requirement 4.9b(iii). Alternatively, the MSG may seek Board approval to mainstream EITI implementation in accordance with the "Agreed upon procedures for mainstreamed disclosure", available from the International Secretariat. 		

Commented [A61]: But the assessment is that this has not hampered the report; which should also be included as an observation in the summary?

Commented [A62]: This has been discussed and agreed in the MSG meetings. It has also been discussed whether to exclude the interest but the final conclusion was to leave it in for now since it could create more confusion for the reporting entities to change the guidelines.

Commented [A63]: Statoil is reporting cash flows under EITI ?

Commented [A64]: Uncertain as to what is meant, maybe this could be clarified?

Commented [A65]: They are reported by receiving government as described above

5. Revenue management and distribution

5.1 Overview

This section provides details on the implementation of the EITI requirements related to revenue management and distribution.

5.2 Assessment

Distribution of revenues (#5.1)

Documentation of progress

The 2014 EITI Report indicates which extractive sector revenues are recorded in the national budget in sections 2.9.3 "Distribution of petroleum revenues" and 2.10 "State accounts and the state budget" (p. 19), and section 5.2 "Transfer of payments to the Government Pension Fund Global" (p. 28). According to

the report, the net revenue from the petroleum sector is transferred to the Government Pension Fund Global, which is administered by Norges Bank Investment Management (NBIM) on behalf of The Ministry of Finance. Figure 15, “The relationship between reported cash flows in accordance with NEITI and cash flows transferred to the pension fund” on p. 28 shows how payments related to Petoro/SDFI are transferred through the Central Bank, while sector-specific taxes and fees are transferred through the Tax Administration (Petroleum tax), the Petroleum Directorate (CO2 tax and area fee) and the Toll Customs (NOX tax) before being transferred to the pension fund.

The report links to the Norwegian Petroleum website for an overview of the government’s policy and rules for management of revenues from petroleum¹³² and NBIM’s website, which discloses information on the fund’s investments, returns and market value, among others.¹³³ NBIM has won a number of prizes for its degree of disclosure, and the Government Pension Fund Global is generally recognised as one of the most transparent sovereign wealth funds in the world.¹³⁴ The expected returns from the fund are spent over the fiscal budget. The report links to the government’s website for more information on the guidelines for gradually spending revenue from petroleum (“The Fiscal Rule”).¹³⁵ The government’s website for the national budget includes detailed explanations of how the Fiscal Rule is applied, any changes to the structural deficit covered by the returns from the fund and other statistical information.¹³⁶

Although the report does not explicitly refer to national or international revenue classification systems, the state account,¹³⁷ which is referenced throughout, contains tabulated figures following the national revenue classification. The national revenue classification is harmonised with the OECD scheme and has a bridging table to the GFS.

Stakeholder views

A company representative commented that while the EITI Report provides information on how the revenues are distributed, it is beyond the mandate of companies to get involved in how the government spends the revenue. Stakeholders did not have any further comments, and most expressed confidence in the level of transparency provided by NBIM through their website and annual reports.

Initial assessment

The International Secretariat’s initial assessment is that Norway has gone beyond satisfactory progress in meeting this provision. Extractive revenues that are not recorded in the budget are clearly explained in NBIM’s website and their relation to the national budget is explained through government websites. The Norwegian Government Pension Fund Global is regularly recognised for its high level of transparency.

Sub-national transfers (#5.2)

Documentation of progress

The EITI Report does not mention subnational transfers. The International Secretariat is not aware of any

¹³² <http://www.norskpetroleum.no/en/economy/management-of-revenues/>

¹³³ <https://www.nbim.no/en/>

¹³⁴ See for example <https://www.nbim.no/en/transparency/news-list/2016/the-funds-annual-reporting-wins-gold-award/> and <http://www.swfinstitute.org/statistics-research/linaburg-maduell-transparency-index/> or <http://www.reuters.com/article/investment-swf-transparency-idUSL5N0SN2MK20141028>.

¹³⁵ https://www.regjeringen.no/no/tema/okonomi-og-budsjett/norsk_ekonomi/id1438/

¹³⁶ See <http://www.statsbudsjettet.no/Statsbudsjettet-2017/and> <http://www.statsbudsjettet.no/Statsbudsjettet-2017/Statsbudsjettet-fra-A-til-A/Strukturelt-oljekorrigert-budsjettunderskudd/>.

¹³⁷ <https://www.regjeringen.no/no/tema/okonomi-og-budsjett/statlig-okonomistyring/statsregnskapet/id438868/>

mandatory transfers related to extractives revenues between central and subnational levels of government in Norway. The 2015 annual progress report records the MSG's discussion on subnational transfers, concluding that these do not exist in the Norwegian context.

Stakeholder views

MSG members and stakeholders representing companies and government agencies confirmed that this provision does not apply in Norway.

Initial assessment

The International Secretariat's initial assessment is that this provision is not applicable in Norway.

Additional information on revenue management and expenditures (#5.3)

Documentation of progress

Section 2.10 on "The State Accounts and the State budget" (p. 19) summarises Norway's budgeting process and provides a link to the government's website for more information on the National Budget and how it is set,¹³⁸ as well as a link to the actual budget for 2015¹³⁹ (latest available at the time of reporting). The budget includes details on expected revenues from petroleum activities and the SDFI. The report notes that state accounts are made public by the Ministry of Finance following the budget year, and that these are available from the government's website.¹⁴⁰

The section also refers to the government's "long-term perspectives" white paper¹⁴¹, which includes details on projected production, commodity prices and revenue forecasts. In addition, the Norwegian Petroleum website provides an overview of the government's investments and costs related to the petroleum sector, as well as figures and forecasts on overall costs of the extractive sector (investments, exploration costs, disposal and cessation and other costs).¹⁴²

Stakeholder views

Stakeholders did not appear to have any particular views related to this provision.

Initial assessment

As all provisions under 5.3 are encouraged, the International Secretariat has not assessed compliance with the requirement.

Table 5 - Summary assessment table: Revenue management and distribution

EITI provisions	Summary of main findings	International Secretariat's initial assessment of progress with the EITI provisions (to be completed for 'required' provisions)
Distribution of revenues (#5.1)	The EITI Report indicates which extractive sector revenues are recorded in the national	Beyond satisfactory progress

¹³⁸ <https://www.regjeringen.no/en/topics/the-economy/the-national-budget/id1437/>

¹³⁹ See www.statsbudsjettet.no/Revidert-budsjett-2015/English/

¹⁴⁰ www.regjeringen.no/no/tema/okonomi-og-budsjett/statlig-okonomistyring/statsregnskapet/id438868/

¹⁴¹ <https://www.regjeringen.no/en/dokumenter/meld.-st.-12-2012-2013/id714050/?docId=STM201220130012000ENGEPI&q=&navchap=1&ch=2>

¹⁴² <http://www.norskpetroleum.no/en/economy/investments-operating-costs/>

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	budget, explains the process for managing transfers from the sector to the Government Pension Fund and reports on such transfers. The report refers to further information on the government's policy and rules for management of revenues from petroleum.	
Sub-national transfers (#5.2)	The MSG has considered whether there are any subnational transfers in accordance with provision 5.2, and concluded that these do not exist in the Norwegian context.	Not applicable
Information on revenue management and expenditures (#5.3)	EITI Report includes details on projected production, commodity prices and revenue forecasts, with further references to an overview of the government's investments and costs related to the petroleum sector, as well as figures and forecasts on overall costs of the extractive sector.	
International Secretariat's recommendations: n/a		

6. Social and economic spending

6.1 Overview

This section provides details on the implementation of the EITI requirements related to social and economic spending (SOE quasi-fiscal expenditures, social expenditures and contribution of the extractive sector to the economy).

6.2 Assessment

Social expenditures (#6.1)

Documentation of progress

Mandatory social expenditures do not appear to exist in Norway. Meeting minutes show that the MSG has assessed the existence and applicability of the requirements to disclose "social expenditure", and its decision was that these are not applicable.¹⁴³ The Annual Progress Report 2015 also notes that the MSG decided that the provision related to social expenditures is not relevant to Norway based on the understanding that only payments related to contract and license obligations should be reported. The report does not make any further reference to MSG discussions regarding voluntary social expenditures in the EITI Report.

Stakeholder views

In a position paper published in 2014¹⁴⁴, Publish What You Pay Norway highlighted that they would like to be able to access information on the payments companies make related to Corporate Social Responsibility (CSR). The paper notes that it was not clear whether there were social investments not directly related to

¹⁴³ See for example meeting minutes of 10 September 2015 and 10 December 2014.

¹⁴⁴ "Position Paper from PWYP Norway: Requirements for EITI implementation in Norway", May 2014, http://www.publishwhatyoupay.no/sites/all/files/Position_Paper_re.EITI_PWYPNorway26MAR14_ENG_0.pdf.

field developments.

Company representatives confirmed that there were no mandatory social expenditures related to agreements to explore or produce petroleum in Norway. This was also confirmed by a government representative. With regards to voluntary social payments, company representatives explained that these do exist in some cases for example in the shape of sponsorships. They added that these would be relatively small compared to other payments made by petroleum companies. Additionally, these would be difficult to account for and not straightforward to cover in the report, as these payments would be difficult to differentiate from public relations expenditures.

An academic researcher studying social developments in Hammerfest, where Statoil's Melkøya LNG processing plant is located, explained that in Norway voluntary social payments did not really exist as such. Instead companies channelled their support for local communities through the municipal government as the legitimate representative of society's developmental expectations.

Initial assessment

The International secretariat's initial assessment is that the mandatory part of this requirement is not applicable in Norway. The MSG has discussed and agreed that mandatory social expenditures do not exist, although there is potential to explore whether upcoming EITI Reports should provide an overview of voluntary social payments.

SOE quasi fiscal expenditures (#6.2)

Documentation of progress

At their meeting on 10 December 2014 the MSG discussed the situation in Norway with regards to quasi-fiscal expenditures and concluded that these do not exist in Norway and thus that the provision does not have applicability.

Petoro's financial statements on its own account¹⁴⁵ and the SDFI account¹⁴⁶ are part of the state's financial accounts.¹⁴⁷ Table 12: "Reconciliation of EITI reporting to the state's financial statements 2013" (p. 33) provides a reconciliation of net cash flows according to EITI reporting against net cash flows from SDFI as recorded in the appear in the state accounts of 2014, with no discrepancies in the reporting. There is no deviation between the reporting based on EITI for SDFI and the cash flows as published in the state accounts. Appendix 6 includes more detailed reconciliation of the EITI reporting, the Petoro's financial statements and the state accounts (p. 55).

Stakeholder views

There were no particular views expressed related to this provision by any of the consulted stakeholders. Stakeholders confirmed that SOEs did not undertake public social expenditures such as payments for social services, public infrastructure, fuel subsidies and national debt servicing outside of the national budgetary process.

Initial assessment

¹⁴⁵ <https://www.petoro.no/petoro-annual-report/2014-/accounts/accounts-sdfi/compliance-report-for-the-sdfi-accounts>

¹⁴⁶ <https://www.petoro.no/petoro-annual-report/2014-/accounts/accounts-sdfi/compliance-report-for-the-sdfi-accounts>

¹⁴⁷ <https://www.regjeringen.no/no/dokumenter/meld.-st.-3-2014-2015/id2407713/>

The International Secretariat's initial assessment is that this requirement is not applicable in Norway.

Contribution of the extractive sector to the economy (#6.3)

Documentation of progress

An overview of the contribution of the extractive industry to the economy in accordance with EITI Standard requirement 6.3 (figures on the absolute and percentage share of the sector's contribution to GDP, production, exports and employment) is provided in section 2.2 "Significance to the Norwegian economy" (p. 12)). The EITI Report 2014 provides further links to the Norwegian Petroleum website which also gives an overview of the economic significance of the sector,¹⁴⁸ including macroeconomic indicators, figures on investments in the petroleum sector¹⁴⁹, and more detailed information on sector employment¹⁵⁰. The Norwegian Petroleum website also includes an interactive map which gives an overview of where production is concentrated on the NSC.¹⁵¹ The sector's contribution to the economy is discussed regularly and publicly, including through government whitepapers,¹⁵² in the national budget debates¹⁵³ and in the parliament.¹⁵⁴

Stakeholder views

Stakeholders consulted did not express any particular views related to this provision.

Initial assessment

The International Secretariat's initial assessment is that Norway has gone beyond satisfactory progress in meeting this provision. There is generalised transparency about the sector's contribution to the economy and a vibrant public debate.

Table 6 - Summary assessment table: Social and economic spending

EITI provisions	Summary of main findings	International Secretariat's initial assessment of progress with the EITI provisions (to be completed for 'required' provisions)
Social expenditures (#6.1)	The MSG has discussed and agreed that mandatory social expenditures do not exist, although there is potential to explore whether upcoming EITI Reports should provide an overview of voluntary social payments.	Not applicable
SOE quasi fiscal expenditures (#6.2)	The MSG has considered whether there are quasi-fiscal expenditures by SOEs in Norway and decided that these are not applicable.	Not applicable
Contribution of the extractive	Detailed information on the contribution	Beyond satisfactory progress

¹⁴⁸ <http://www.norskpetroleum.no/en/economy/>

¹⁴⁹ <http://www.norskpetroleum.no/en/economy/investments-operating-costs/#investments>

¹⁵⁰ <http://www.norskpetroleum.no/en/economy/employment/>

¹⁵¹ <http://www.norskpetroleum.no/en/interactive-map-quick-downloads/interactive-map/>

¹⁵² <https://www.regjeringen.no/no/dokumenter/meld-st-28-2010-2011/id649699/>

¹⁵³ <http://www.statsbudsjettet.no/Statsbudsjettet-2017/Dokumenter1/#72054>

¹⁵⁴ <https://www.stortinget.no/no/Stottemeny/Tema-A-A/ENERGI/?stid=74>

sector to the economy (#6.3)	of the sector to the economy available in the EITI Report and online.	
International Secretariat's recommendations:		
1. The MSG may wish to consider exploring whether to include an overview of voluntary social payments or to include such payments in the payments to be disclosed in the report.		

Part III – Outcomes and Impact

7. Outcomes and impact

7.1 Overview

This section provides details on the implementation of the EITI Requirements related to the outcomes and impact of the EITI process.

7.2 Assessment

Public debate (#7.1)

Documentation of progress

The two last annual progress reports note that “The public debate in Norway is not about transparency in revenues and expenditures, but more about the activity level, opening new acreage for exploration, and with high focus on safety and the environment. Implementation of the new EITI Standards has not changed significantly the public's access to information or the public debate”.

Publication and distribution of reports: EITI work plans include a budget line for “outreach” which includes the activity “printing and distribution of the report”. Reports are generally finalised at the end of the year. Paper copies are produced and “made available”, according to the 2015 annual progress report, while reports are also made available online.¹⁵⁵ Norway EITI Reports are published in Norwegian and translated into English.

Open data policy: As of the beginning of Validation, the MSG had not agreed a policy on the access, release and re-use of EITI data. This is not mandatory until 1 January 2017.

Open data format: EITI reports are not available in an open data format (xlsx or csv) on the Norway EITI website, but this is available on the Norway country page of the International Secretariat.

Outreach: There does not appear to be evidence that outreach events are undertaken by government, or companies to spread awareness of and facilitate dialogue about the EITI Report across the country. The Validation Report corresponding to the first Validation noted that an open public meeting hosted by Publish What You Pay Norway and Transparency International had created some attention around the report, but there does not appear to be evidence of similar events since 2010. There are examples of stakeholders and Norway EITI publishing short press-releases on their websites about the publication of new reports.¹⁵⁶ There are also examples of civil society organisations using EITI data in public debates.¹⁵⁷ Work plans do not include specific activities aimed at reaching out to stakeholders except for the

¹⁵⁵ <http://www.eiti.no/category/eiti-rapportene/>.

¹⁵⁶ See for example <http://www.eiti.no/2015/02/25/norges-sjette-eiti-rapport-er-ferdigstilt/>.

¹⁵⁷ See for example «Debattemøte: Korrupsjon og kapitalflukt, eller åpenhet? - Politisk debatt», discussion held on 20 March 2013 at Litteraturhuset (<https://www.youtube.com/watch?v=AGAnRvhhgX0>).

aforementioned “printing and distribution of the report”. The annual progress reports for the last two years note that “the MSG agreed not to organize any specific event in relation to the release of the report.”

Stakeholder views

All stakeholders consulted said that the EITI had not really been useful to encourage public debate in Norway but that this was not so much a challenge as a consequence of the fact that public debate was an integral part of how the sector was governed.

Industry and government representatives expressed alarm and discomfort at the idea that the MSG, “a small group of people with no formal representative power over the whole of society”, could be expected to influence or otherwise promote public debate on issues concerning policy or governance of the sector. They argued that this would cause a problem of accountability in a democratic society, insofar as stakeholders had more legitimate representatives in the public debate through political parties, the free press, specialised industry bodies and unions, among others. Representatives from the Ministry of Oil explained that in their view, the role of the MSG in encouraging public debate was probably necessary in countries where there were no legitimate or publicly-trusted channels for sector-specific discussions to take place. In open societies such as Norway’s, they said, the MSG model could be seen as a regression from the open and inclusive societal debate that is a defining characteristic of the Norwegian model. Representatives from both constituencies said that as a matter of principle they would view any attempt at extending the scope of the EITI into somehow influencing policy or contributing to public debate as a line that should not be crossed in a Norwegian context.

Civil society representatives consulted accepted the general premises of this view and agreed that there were adequate platforms outside the EITI to support an active and engaging public debate on the management of the sector. Nevertheless, civil society representatives expressed regret that the MSG was unable or unwilling to use the EITI process to bring additional clarity to the information that was already available. One representative added that the EITI could be better used to translate data from existing sources such as Petroleum Norway into actionable information, e.g., not to bring new information to the table, but to ensure that the information that is already available is understandable to the public. The same person added that this would not be really covering a real need, as there was already a very high level of trust in Norwegian society in the government’s management of the sector, but would have been “good to have”.

Initial assessment

The International Secretariat’s initial assessment is that Norway has made meaningful progress in meeting this provision.

The EITI Standard introduces Requirement 7 by noting that “regular disclosure of extractive industry data is of little practical use without public awareness, understanding of what the figures mean, and public debate about how resource revenues can be used effectively. The EITI Requirements related to outcomes and impact seek to ensure that stakeholders are engaged in dialogue about natural resource revenue management”. As discussed above (Requirement 1.3), there is little doubt that the Norwegian model of extractive resource governance is premised on precisely the kind of stakeholder engagement that the EITI seeks to foster through Requirement 7.1. Following the logic of Requirement 1.3 above therefore, it could be argued that Norway should be recognised as having gone beyond the EITI’s Requirement on this provision as well. Unlike Requirement 1.3, however, Requirement 7.1 requires MSGs to carry out specific actions with their EITI Reports. It is in other words not Norwegian public debate that is under assessment

here but the MSG's specific actions in regards to the EITI Standard. Whereas the EITI Board can take into consideration in its final decision whether these actions make sense in a Norwegian context given the findings of Requirement 1 above, the International Secretariat is bound by the EITI Board-approved Validation Guide. As a result, the Secretariat's initial assessment is that Norway has made meaningful progress in meeting this requirement insofar as no attempts have been made by the MSG to "spread awareness of and facilitate dialogue about the EITI Report across the country" as prescribed by Requirement 7.1e.

Representatives from industry and the government have argued that it would be counterproductive in a Norwegian context for the MSG to seek to impact the national debate given the existence of more democratic venues. This is something that the MSG should raise with the EITI Board when seeking its approval to use the EITI's agreed upon procedure for mainstreamed disclosures, as it will continue to have an impact on Norway's ability to comply with Requirement 7.1. In the meantime, in order to comply with Requirement 7.1e, the MSG should undertake outreach events to spread awareness of and facilitate dialogue about the EITI Report across the country. The MSG should also make progress on agreeing a clear policy on the access, release and re-use of EITI data by 1 January 2017 and may consider making the EITI Report available in an open data format online as well as publicise its availability.

Data accessibility (#7.2)

Documentation of progress

Summary reports: Norway does not produce summary reports. The Validation Report corresponding to the first Validation noted that members of the MSG "indicated to the Validator that they would have liked to see a shorter "popular" version of the EITI report published for the benefit of laymen and students interested in the EITI and the Norwegian oil sector". This was one of the Validator's recommendations.¹⁵⁸

Comparison of revenue streams: Figure 8 "Net cash flows to the State from petroleum activities" (p. 17) summarises and compares each revenue stream to each other as well as to the total amount of revenue from the sector by stacking the revenues by year (1974-2014) and revenue stream (dividends from Statoil, production and area fees, SDFI, environmental taxes and taxes), showing the development of net cash flows to the government from the sector over time. The graph does not differentiate between special petroleum tax and normal tax. More information is provided on the Norwegian Petroleum website¹⁵⁹ disclosing 2015 data. One of the graphs shows "Macroeconomic indicators for the petroleum sector, 1971-2015", with one of the lines demonstrating the share of extractive sector revenues with total state revenues. All the data is downloadable in Excel format.

Automated online disclosure: As discussed in a number of places above, data is regularly published by the government online. Most of the regular disclosures are contained in the website www.norskpetroleum.no/en/, publishing a wide range of information in graphs, with the underlying data accessible in excel formats. Norway EITI have a particular opportunity for mainstreamed EITI disclosures by utilising this online solution as a platform for collating information according to the requirements of EITI Standard 2016. A discussion is already underway between the EITI International Secretariat and Norway EITI, exploring the possibilities for automating online disclosures, subsequent to the EITI Board's approval as per the "Agreed upon procedures for mainstreamed disclosure". A linked platform already fulfils some

¹⁵⁸ https://eiti.org/sites/default/files/documents/2010-11-21_Final_Validation_Report_Norway_0.pdf.

¹⁵⁹ <http://www.norskpetroleum.no/en/economy/governments-revenues/>

Field Code Changed

automatic disclosures, as licensing information contained in NPD's FactPages are synchronised with NPD's databases on a daily basis.¹⁶⁰

Capacity building: There is no evidence that the MSG has undertaken capacity building efforts to increase awareness of the process, improve understanding of the information and data from the reports, and encourage use of the information by citizens, the media and others (see Requirement 7.1 above). This is not to say that Publish What You Pay Norway and partners have not carried out open meetings to engage stakeholders on issues concerning the broader transparency and good governance agendas, however these efforts have not taken place under the auspices of the EITI.

Stakeholder views

Stakeholders from all constituencies said that the EITI's requirements for promoting data accessibility did not really "fit" in a Norwegian context where the system was already open by default. Nevertheless, stakeholders expressed a real interest in automated online disclosures as part of the broader aim of the MSG to seek the EITI Board's approval to use the EITI's agreed upon procedure for mainstreamed disclosures.

Initial assessment

As all provisions under 7.2 are encouraged, the International Secretariat has not assessed compliance with the requirement. As was also highlighted by the last Validation, even within the limited scope of EITI implementation in Norway, the MSG may wish to produce and make use of summary reports as well as use the EITI process to build capacity among stakeholders and add relevance to EITI implementation in Norway.

Lessons learned and follow up on recommendations (7.3)

Documentation of progress

Norway EITI Reports include a section on "Lessons learned from this year's reconciliation". The 2014 EITI Report included 9 recommendations, of which four were new and five were recurrent. All of the recommendations were focused on improving the reporting procedures. The report also notes that one recommendation from previous reports was to "to start working on [the websites of the Ministry of Petroleum and Energy and the Norwegian Petroleum Directorate's websites] with the aim of replacing Section 2 in the EITI Report (contextual information)". According to the report, "considerable work has been performed at www.norskpetroleum.no/en/" and most of the contextual information in the report makes direct reference to government websites.

The last two annual progress reports include a section entitled "follow-up of validation team recommendations and/or recommendations". With only one minor exception (the number of reports published), the text is unchanged in both reports. Among the "recommendations" listed in this section as having been followed are the following:

- Establishing a Norwegian EITI website in early 2011.
- Posting terms of reference for the MSG on the EITI website.
- Agreeing to accept that companies' Chief Financial Officer (CFO) can sign the report instead of the Chief Executive Officer (CEO).
- Constantly reviewing reporting process and templates with an aim "to deliver simple and efficient,

¹⁶⁰ <http://factpages.npd.no/factpages/Default.aspx?culture=en>
EITI International Secretariat Ruselekkveien 26, 0251 Oslo, Norway www.eiti.org
 Tel +47 22 20 08 00 Fax +47 22 83 08 02 Email secretariat@eiti.org

but sufficient reporting”.

- Considering and discarding the need for a separate national EITI secretariat.

The 2015 annual progress report also notes that the Norwegian MSG has delivered seven EITI-reports without any unexplained differences in reported numbers by companies and government, leading the MSG to discuss the added value of continued EITI-reporting since most of the information is publically available anyway. The MSG concluded that “the report has limited value for the Norwegian public, but may have some value as a reference for stakeholder groups in other EITI implementing countries.”

Stakeholder views

All stakeholders from government and industry expressed surprise and concern about the possibility that the EITI process could be used to recommend courses of action outside the limited scope of the EITI Regulations. Other than that, stakeholders did not express any concerns about this requirement.

Initial assessment

The International Secretariat’s initial assessment is that Norway has made satisfactory progress in meeting this requirement. Although the scope of recommendations from EITI reporting in Norway is limited to the process of reconciliation of revenue data, the MSG has taken steps to act upon lessons learnt and considered the recommendations resulting from EITI reporting. They have also sought to identify, investigate and address the causes of any discrepancies. In future annual progress reports, the MSG may wish to set up a matrix showing which recommendations have been successfully addressed and which remain pending so that it is easier to follow these up in the future.

Outcomes and impact of implementation (#7.4)

Documentation of progress

The MSG regularly publishes annual progress reports, although the report corresponding to 2015 had not, as of December 2016, been posted online. The 2015 report submitted to the International Secretariat includes a summary of EITI activities undertaken in the previous year. It also included an assessment of progress with meeting and maintaining compliance with each EITI Requirement. This was achieved by asking the Independent Administrator to express an opinion on the MSG’s compliance with the Standard’s reporting requirements and including a brief summary of the MSG’s discussions to address the gaps identified by the IA. The report does not include any steps taken to exceed the requirements. It does address the relevance of issues like revenue management and expenditure, transportation payments or discretionary social expenditures, but concludes that none of these are relevant in a Norwegian context.

As discussed under Requirement 7.3, annual activity reports generally include an overview of the MSG’s responses to recommendations from reconciliation and Validation, although this does not appear to be done in any systematic manner. There is no systematic approach to listing recommendations and corresponding activities that have been undertaken to address the recommendations or the level of progress in implementing these. Reports include some discussion of the rationale behind the MSG’s decisions not to implement some of the recommendations.

As discussed under Requirement 1.5, Norway EITI work plans are extremely limited in scope and activities. Consequently, the objectives set out in the work plan are in reality addressed by publishing EITI Reports. Annual progress reports do, however, include an assessment of the impact and outcome of the stated objectives (the publication of the report): “The Norwegian MSG has focused on developing a high quality

report containing the relevant information about revenues and companies' payments to the government. The EITI-reports have all confirmed payments published in other sources like i.e. the state account. There is now little public interest in the EITI-reports. The Norwegian MSG does not find it meaningful to continue the reporting and reconciliation of payments. The way ahead has been discussed within the Norwegian MSG and with the EITI Secretariat." Annual progress reports do not include a narrative account of efforts to strengthen the impact of EITI implementation on natural resource governance.

There is evidence that stakeholders are asked to discuss and approve the annual progress report and the impact of EITI implementation. There is also evidence that civil society has organised open discussions to provide feedback on the EITI process and its future development.¹⁶¹

Stakeholder views

Stakeholders did not express any particular views on this requirement, other than to note once again their views on the scope of implementation in a Norwegian context. As mentioned above, representatives from the government and industry expressed concern that EITI implementation should be expected to have an impact on natural resource governance; consequently, they did not understand how the MSG could be required to review the outcome of their efforts against this criterion.

Initial assessment

The International Secretariat's initial assessment is that Norway has made meaningful progress in meeting this requirement.

The MSG annually reviews its process through the publication of annual progress reports. Although these broadly follow the requirements in Requirement 7.4, there are some gaps that need to be addressed. It is clear from consultations with stakeholders that most of these gaps arise from stakeholders' perception that the MSG structure is not well suited to Norway's open and consultative model of natural resource governance. As above, this is something that the MSG should raise with the EITI Board when seeking its approval to use the EITI's agreed upon procedure for mainstreamed disclosures, as it will continue to have an impact on Norway's ability to comply with Requirement 7.4. In the meantime, future annual progress reports should list each recommendation and the corresponding activities that have been undertaken to address the recommendations and the level of progress in implementing each recommendation in accordance with Requirement 7.4a(iii). Where the government or the MSG have decided not to implement a recommendation, the MSG should document the rationale in the annual progress report. In accordance with Requirement 7.4a(v), a narrative account of efforts to strengthen the impact of EITI implementation on natural resource governance should be included in annual progress reports, including any actions to extend the detail and scope of EITI reporting or to increase engagement with stakeholders. Finally, the MSG will wish to ensure that the 2015 annual progress report is available online.

Table 7 - Summary assessment table: Outcomes and impact

EITI provisions	Summary of main findings	International Secretariat's initial assessment of progress with the EITI provisions (to be completed for 'required' provisions)

¹⁶¹ See for example <http://www.publishwhatyoupay.no/en/node/16874>.

Public debate (#7.1)	There is strong disagreement within the MSG about the extent to which the MSG could or should have an impact on the management of the extractive sector in a Norwegian context. This is something that the Board will need to take into account. Notwithstanding this disagreement, there are procedural steps listed under Requirement 7.1 that the MSG does not appear to be doing, including disseminating the findings of EITI reports to stakeholders or conducting any form of outreach.	Meaningful progress
Data accessibility (#7.2)	As was also highlighted by the last Validation, even within the limited scope of EITI implementation in Norway, the MSG may wish to produce and make use of summary reports as well as use the EITI process to build capacity among stakeholders and add relevance to EITI implementation in Norway.	
Lessons learned and follow up on recommendations (7.3)	The MSG has taken steps to act upon lessons learnt and considered the recommendations resulting from EITI reporting. Efforts have been made to identify, investigate and address the causes of any discrepancies.	Satisfactory progress
Outcomes and impact of implementation (#7.4)	The MSG annually reviews its process through the publication of annual progress reports. Although these broadly follow the requirements in Requirement 7.4, there are some gaps that need to be addressed.	Meaningful progress
International Secretariat's recommendations:		
<ol style="list-style-type: none"> 1. In seeking the EITI Board's approval to use the EITI's agreed upon procedure for mainstreamed disclosures, the MSG should raise the issue of applicability of requirement 7.4 in the Norwegian context. 2. In the meantime, future annual progress reports should list each recommendation and the corresponding activities that have been undertaken to address the recommendations and the level of progress in implementing each recommendation in accordance with Requirement 7.4a(iii). Where the government or the MSG have decided not to implement a recommendation, the MSG should document the rationale in the annual progress report. The MSG may wish to set up a matrix showing which recommendations have been successfully addressed and which remain pending so that it is easier to follow these up in the future (Requirement 7.3). 3. In accordance with Requirement 7.4a(v), a narrative account of efforts to strengthen the impact of EITI implementation on natural resource governance should be included in annual progress reports, including any actions to extend the detail and scope of EITI reporting or to increase engagement with stakeholders. Finally, the MSG will wish to ensure that the 2015 annual progress report is available online. 		

7.3 Impact analysis (not to be considered in assessing compliance with the EITI provisions)

Documentation of progress

It is challenging to specifically point out impacts of EITI implementation in Norway, considering that transparency and accountability have been an integral part of the management of the Norwegian oil sector since it was established. Consultations with stakeholders suggest that Norway EITI has helped place transparency on the agenda, and that it had confirmed that the Norwegian oil management system was

transparent and accountable. EITI implementation has been accompanied by the more regular publication online data through the Norwegian Petroleum website. To the extent that the EITI has helped guide or in any way improve the Norwegian Petroleum website, as suggested by the Independent Administrator in the EITI Report 2014 (p. 41), it will have contributed to the development of a world-class platform on the management of the extractive sector. Company representatives also commented that the EITI process had given them insights to civil society discussions about the sector and anti-corruption advocacy.

Stakeholders from all constituencies were clear that in their opinion, the main reason why Norway implemented the EITI was to present a positive example to other countries. A secondary effect of implementation according to representatives from the Ministry of Oil and from the companies was that implementation would demonstrate the degree to which the Norwegian extractive sector was not corrupt. On both of these accounts, stakeholders felt that implementation of the EITI had served its purpose. Representatives from the companies added that implementation of the EITI provided an additional “layer of assurances” on the existing array of indexes and assessments that show a high level of trust in how the sector is governed.

Civil society representatives on the MSG said that their support for implementation of the EITI in Norway was not to address corruption, but rather as a support for their work to improve natural resource governance in other countries. They highlighted the symbolic effect of having a country like Norway implement the EITI and the importance of participating on global policy discussions through the EITI. In particular, they highlighted the effect that implementation of the EITI could have in promoting country-by-country reporting requirements and improving fiscal systems in the sector. Neither of these issues were seen as particularly relevant in the Norwegian context, but they were seen as being relevant abroad.

All stakeholders expressed a strong interest in understanding the extent to which Norway’s implementation of the EITI had been useful “out there”. When asked to explain this further they said that if Norway’s implementation had contributed to encourage other countries to implement the EITI, then implementation would have had a positive and worthwhile outcome. Norway EITI’s website notes that “it has been of considerable importance for Norway to implement the EITI. Transparency in payment flows and good governance are universal principles with which Norway already complies. Still, Norway has chosen to implement the EITI, hoping that other countries, where the need to introduce transparency criteria is bigger, will be motivated and influenced to do the same”. There is no doubt that Norway’s example is of great value to the EITI internationally, and that it sets a good example for other EITI implementing countries. The International Secretariat’s experience with providing support to implementing countries has demonstrated how Norway as an EITI country has set an example for other countries. For instance, in EITI guidance materials, Norway is used as an example for how to establish efficient license registers¹⁶², how to comprehensively report on transfers between SOEs and government entities¹⁶³, how to illustrate which government agencies collect payments from the sector¹⁶⁴, how to publish EITI data in an open format.¹⁶⁵ These examples are cited in training materials and in briefings in countries. If Norway decides to proceed with mainstreaming EITI disclosures, it is likely to set an example for how to move towards more regular, efficient and reliable disclosures of extractive sector data for other implementing

¹⁶² <https://eiti.org/document/guidance-note-on-license-registers#examples>

¹⁶³ <https://eiti.org/document/guidance-note-on-soe-participation-in-eiti-reporting>

¹⁶⁴ <https://eiti.org/document/guidance-note-on-defining-materiality-reporting-thresholds-reporting-entities>

¹⁶⁵ <https://eiti.org/document/guidance-note-on-publishing-eiti-data>

countries. The Norwegian Petroleum website is already being showcased as a way to move ahead.¹⁶⁶ The International Secretariat and EITI Norway can work more together to facilitate sharing of best-practices and peer learning between Norway and other countries with regards to implementing the EITI Standard and extractive sector transparency more broadly.

With regards to beneficial ownership, while the government already has a robust process in place for involving stakeholders in the implementation of beneficial ownership disclosure, there are opportunities for Norway EITI to communicate what the government is already doing and the implications for the oil sector, either through EITI reporting, the national EITI or the Norwegian Petroleum website.

Depending on the future direction Norway EITI decides to take, there might be benefits relating to amending the EITI regulations. This could for instance help clarify some of the revenue streams required to be reported as part of the reconciliation, reframe the scope of the EITI in Norway to reflect the key priorities and challenges in the sector, and to make it the regulations consistent with the requirements in the EITI Standard.

Increasing mainstreaming of the EITI process and reporting would also ensure sustainability of the process. The issue of sustainability and utility of the EITI process appears to be a key concern at the moment, and the APR 2015 notes that discussing the most appropriate way forward has been one of the main activities of the MSG in the last year. Considering avenues for mainstreaming and adapted implementation for Norway will be essential for ensuring the sustainability and suitability of EITI in the Norwegian context.

¹⁶⁶ <https://eiti.org/mainstreaming#examples-from-countries>

Annexes

Annex A - List of MSG members¹⁶⁷

Government

- Lars Erik Aamot, Ekspedisjonssjef, Olje- og energidepartementet
Alternate: Gro Anundskaas, underdirektør, Olje- og energidepartementet
- Ingvild Brandal Gaasemyr, lovrådgiver, Finansdepartementet
Alternate: Beate Bentzen, fagdirektør Finansdepartementet

Industry

- Oluf Bjørndal, Advokat, Norsk olje og gass
Alternate: Frode Bøhm, fagsjef, Norsk olje og gass
- Hilde Røed, Principal Consultant Sustainability, Statoil
Alternate: Carine Smith Ihenacho, Vice President Legal, Statoil
- Svein Bjørnstad, Juridisk direktør, ExxonMobil
Alternate: Hans Petter Nordby, advokat, Chevron

Civil society

- Guro Slettemark, Generalsekretær, Transparency International Norge
Alternate: Gro Skaaren-Fyrsto, spesialrådgiver, Transparency International
- Mona Thowsen, Generalsekretær, PWYP Norge
Alternate: Stefan Norris, seniorrådgiver WWF Norge
- Amalie Tofte, Internasjonal sekretær, Industri Energi
Alternate: Fanny Voldnes, registrert revisor, Fagforbundet
- Fredrik Glad-Gjernes, Utenlandssjef, KFUK-KFUM Global
Alternate: Sven Larsen, rådgiver, KFUK-KFUM Global

Annex B - List of stakeholders consulted

Government

Gro Anundskaas, underdirektør, Olje- og energidepartementet

Marius Pilgaard, Utredningsleder, Finansdepartementet

Ingvild Gaasemyr, seniorrådgiver, finansdepartementet

Commented [A66]: Marius Pilgaard has not been a member of the MSG this period. He does not work in the Ministry of Finance anymore. The representative from Ministry of Finance is Ingvild Brandal Gaasemyr Her title is lovrådgiver

¹⁶⁷ <https://www.regjeringen.no/no/aktuelt/Offisielt-fra-statsradet-20-juni-20141/id764152/>.

Morten Anker, avdelingsdirektør, Olje- og energidepartementet

Helge Vestborg, fagdirektør, Olje- og energidepartementet

Commented [A67]: Westborg

Industry

Oluf Bjørndal, Advokat, Norsk olje og gass

Hilde Røed, Principal Consultant Sustainability, Statoil

Svein Bjørnstad, Juridisk direktør, ExxonMobil

Hans Petter Nordby, advokat, Chevron

Civil society

Guro Slettemark, Generalsekretær, Transparency International Norge

Mona Thowsen, Generalsekretær, PWYP Norge

Sven Larsen, Advisor, Norwegian Church Aid

Independent Administrator

Mette Herdlevær, State authorised auditor, Deloitte AS

Others who provided background but were not interviewed specifically for the initial assessment

Ragnhild Freng Dale, Researcher, University of Cambridge

Gunhild Ørstavik, Advisor, Forum for Women and Development

Annex C - List of reference documents

Work plans and Annual Activity Reports:

- Norway EITI 2016 Work plan
- Norway EITI 2015 Work plan
- Norway EITI 2015 Annual Activity Report (now called Annual Progress Report, in accordance with the EITI Standard 2016)
https://eiti.org/sites/default/files/documents/2015_annual_activity_report_-_final_1_0.pdf
- Norway 2014 Annual Activity Report
https://eiti.org/sites/default/files/documents/2014_norway_annual_activity_report.pdf
- Norway 2013 Annual Activity Report
https://eiti.org/sites/default/files/documents/2013_norway_annual_activity_report.pdf

EITI Reports, scoping studies, Validation Reports:

- Norway 2014 EITI Report,
- http://nettsteder.regjeringen.no/eiti2-en/files/2016/02/2015-EITI-rapport-for-2014_engelsk-004-L729584.pdf

- Norway 2013 EITI Report, https://legacy.eiti.org/files/2014_EITI_rapport_engelsk_for_2013.pdf
- Norway 2012 EITI Report, <https://legacy.eiti.org/files/Norway-2012-EITI-report.pdf>
- Norway 2011 EITI Report, https://eiti.org/sites/default/files/documents/2011_norway_eiti_report_en.pdf
- Norway 2010 EITI Report (in Norwegian), https://eiti.org/sites/default/files/documents/2010_norway_eiti_report_nor.pdf
- Norway 2009 EITI Report, <https://legacy.eiti.org/files/Norway-2009-EITI-Report.pdf>
- Norway 2008 EITI Report, <https://legacy.eiti.org/files/Norway%202008%20EITI%20Report.pdf>

Relevant legislation, legal documents and TORs related to EITI implementation:

- Norway EITI regulations, 2009 <https://lovdata.no/dokument/SF/forskrift/2009-06-26-856>
- Guidelines for EITI reporting <http://nettsteder.regjeringen.no/eiti2-en/guidelines-for-reporting/>
- Assignment description for the Independent Administrator for the 2014 Norway EITI Report

Other relevant documents and websites

- Norwegian Petroleum website, <http://www.norskpetroleum.no/en/>
- Publish What You Pay Norway, EITI Position Paper 2015, http://www.publishwhatyoupay.no/sites/all/files/Position_Paper_EITI_PWYPNorway_2015.pdf
- Publish What You Pay Norway, EITI Position Paper 2014, http://www.publishwhatyoupay.no/sites/all/files/Position_Paper_re.EITI_PWYPNorway26MAR14_ENG_0.pdf

MSG meeting minutes

- Minutes of the Norway EITI Multi Stakeholder Group Meeting, 19 August 2015
- Minutes of the Norway EITI Multi Stakeholder Group Meeting, 14 December 2015

Data quality and assurance is addressed in the report in a separate section (5.4 in the 2014 report). The audit system is also described in detail (2.11 in the 2014 report). The Norway report is referred to as an example by EITI in guidance note 24 on data reliability, listed on EITI web site <https://eiti.org/document/guidance-note-on-data-quality-assurance>. The Norwegian EITI report appears to include information on the same format as the examples in guidance note 24. The assurance to be provided (Agreed upon procedures) has been discussed with MSG and the procedures to be performed agreed with the MSG. The agreed procedures are described in the report.

Further, the TOR advises that an audit standard such as ISRS 4400 should be used for the report. "The Independent Administrator should exercise judgement and **apply appropriate international professional standards**³ in developing a procedure that provide a sufficient basis for a comprehensive and reliable EITI Report. In footnote 3

¹ For example, ISA 505 relative to external confirmations; ISA 530 relative to audit sampling; ISA 500 relative to audit evidence; **ISRS 4400 relative to the engagement to perform agreed-upon procedures regarding financial information** and ISRS 4410 relative to compilation engagements. "

The TOR also outlines examples of possible procedures to assure reliability, such as sign off by a senior officer in the company. This has been implemented in Norway, and assessed in the report.

As per ISRS 4400 we are **required** to include some specific text in the report in order to comply with the standard:

18.

The report of factual findings **should contain:**

- (a) Title;
- (b) Addressee (ordinarily the client who engaged the auditor to perform the agreed-upon procedures);
- (c) Identification of specific financial or non-financial information to which the agreed-upon procedures have been applied;
- (d) A statement that the procedures performed were those agreed upon with the recipient;
- (e) A statement that the engagement was performed in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements, or with relevant national standards or practices;
- (f) Identification of the purpose for which the agreed-upon procedures were performed;
- (g) A listing of the specific procedures performed;
- (h) A description of the auditor's factual findings including sufficient details of errors and exceptions found;
- (i) **Statement that the procedures performed do not constitute either an audit or a review and, as such, no assurance is expressed;**
- (j) **A statement that had the auditor performed additional procedures, an audit or a review, other matters might have come to light that would have been reported;**

IA has commented on whether all companies and governmental entities have reported, whether all forms were signed, whether all cash flows were reported, whether audit reports were received. Deviations were reported on. IA also commented that the data had been corroborated against other sources available. See section 5.4

The audit system is also described in detail (2.11 in the 2014 report). **The Norway report is also referred to as an example by EITI in guidance note 24 on data reliability which is listed on EITI web site**

<https://eiti.org/document/guidance-note-on-data-quality-assurance>

Further, the TOR advises that an audit standard such as ISRS 4400 should be used for the report. “The Independent Administrator should exercise judgement and **apply appropriate international professional standards**³ in developing a procedure that provide a sufficient basis for a comprehensive and reliable EITI Report. in footnote 3

¹ For example, ISA 505 relative to external confirmations; ISA 530 relative to audit sampling; ISA 500 relative to audit evidence; **ISRS 4400 relative to the engagement to perform agreed-upon procedures regarding financial information** and ISRS 4410 relative to compilation engagements. “

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- (c) Identification of specific financial or non-financial information to which the agreed-upon procedures have been applied;
- (d) A statement that the procedures performed were those agreed upon with the recipient;
- (e) A statement that the engagement was performed in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements, or with relevant national standards or practices;
- (f) Identification of the purpose for which the agreed-upon procedures were performed;
- (g) A listing of the specific procedures performed;
- (h) A description of the auditor’s factual findings including sufficient details of errors and exceptions found;
- (i) **Statement that the procedures performed do not constitute either an audit or a review and, as such, no assurance is expressed;**
- (j) **A statement that had the auditor performed additional procedures, an audit or a review, other matters might have come to light that would have been reported;**

So in order to comply with ISRS 4400 we are obliged to include this text.

Materiality, see other comments. The MSG has also regularly discussed the scope, see i.e Annual Activity Reports.