
EXTRACTIVE INDUSTRIES

in the UK

UKEITI United Kingdom
Extractive Industries
Transparency Initiative



2017 UK EITI Reconciliation and State of Industry Report

February 2019

This Report has been prepared by UK EITI Multi Stakeholder Group (MSG) charged with the implementation of the Extractive Industries Transparency Initiative in the United Kingdom in collaboration with the Independent Administrator (IA). This Report has been prepared within the context of EITI reporting and is published for information purposes. The figures included within the report have not been subject to specific audit procedures and accordingly neither the MSG nor the IA take responsibility for any loss which may be incurred by any other party, should they rely on figures included within this report if such figures were later discovered not to be accurate.

1. The Extractive Industries Transparency Initiative

The Extractive Industries Transparency Initiative (EITI) is a global standard to promote open and accountable management of natural resources. It seeks to strengthen Government and company systems, inform public debate and enhance trust. To that effect it requires oil, gas and mining companies to disclose their payments to Government agencies and for the reconciliation of these payments with Government receipts from these companies. In each implementing country, it is supported by a coalition of Government, industry and Civil Society organisations working together.

The EITI was first announced at the World Summit on Sustainable Development in Johannesburg in 2002 (the Earth Summit 2002) and was officially launched in London in 2003. EITI is currently being implemented in 51 countries around the world.

The EITI Standard sets out the requirements which countries need to meet in order to be recognised, first as EITI Candidates and subsequently as an EITI Compliant country. The Standard is overseen by the International EITI Secretariat, which comprises members from Governments, extractive companies and Civil Society organisations. As a stakeholder-led initiative, EITI is overseen in each implementing country by a Multi-Stakeholder Group (MSG) comprising representatives from industry, Civil Society and Government.

2. EITI in the UK - Timeline

Date	Event
22 May 2013	The UK Prime Minister announced commitment to EITI.
9 July 2013	A Multi-Stakeholder Group (MSG) was formed to oversee EITI implementation in the UK.
9 October 2013	The MSG held its first meeting.
5 August 2014	The UK submitted its application to become an 'EITI Candidate' country to the EITI Board.
15 October 2014	The UK became an EITI candidate country.
15 April 2016	First UK EITI Report published. (Period covered: calendar year 2014 / Sectors covered: Oil, Gas, Mining and Quarrying.)
31 March 2017	Second UK EITI Report published. (Period covered: calendar year 2015 / Sectors covered: Oil, Gas, Mining and Quarrying.)
30 April 2018	Third UK EITI Report published. (Period covered: calendar year 2016 / Sectors covered: Oil, Gas, Mining and Quarrying.)
1 July 2018	UK Validation against the 2016 EITI Standard commenced.
25 February 2019	Fourth UK EITI Report published. (Period covered: calendar year 2017 / Sectors covered: Oil, Gas, Mining and Quarrying.)
March 2019	UK draft Validation report published.

The reconciliation report covering revenues in 2017 and Beneficial Ownership information is included in pages 7-12 of this document. The contextual information, which was previously published with the reconciliation report, is now available in five documents published on the UK EITI website (<https://www.gov.uk/government/groups/uk-extractive-industries-transparency-initiative-multi-stakeholder-group>).

The five chapters cover:

- Background on the extractive industries
- Background on oil and gas
- Background on mining and quarrying
- Approach and methodology
- Revenue allocations.

The website also includes further background on UK EITI and the work of the MSG.

3. The extractive sector in the UK

The UK's extractive industries comprise mining and quarrying, including oil and gas. The extractive sector has made a sizeable contribution to the UK economy for many years and remains an important sector in the UK. In 2017 industry gross value added (GVA) was £22.0 billion. Notwithstanding the significant fall in oil prices which reached a trough in 2016, extraction of oil and gas and associated support service activities accounted for some 83% of the sector's GVA.

Oil and Gas sector

The UK oil and gas industry finds itself at a cross roads. The sector is managing a challenging environment and is slowly emerging from one of the most testing global downturns it has ever had to face. After the dramatic fall in the global oil price, which started in mid-2014 with the trough in January 2016 at \$31 per barrel, 2017 saw a slight increase in the annual average Brent oil price of \$54 per barrel.

The UK oil and gas industry is in its sixth decade of offshore production. Between 2014 and 2017, production on the UK Continental shelf (UKCS) increased by over 15 per cent – a significant achievement given that the basin had previously seen a consistent decline in production since 2000. This increased production level derived from both improved performance of existing oil and gas fields and the addition of capacity from new field start-ups. Production volumes in the next decade, however, remain vulnerable unless continuing new investment is attracted to the UKCS.

The industry continues to transform and reinvent itself. Total operating costs have decreased by 30 per cent over the downturn, with the majority of these cost savings deemed sustainable in the long-term. Ongoing uncertainty and volatility in commodity prices, however, continues to constrain fresh capital commitments, both globally and within the UK. Investors continue with a conservative outlook and new investments need to break even at prices in the \$40 to \$50 per barrel region. 2017 saw a record low level of field approvals and drilling activity, a trend which if continued will threaten production levels post-2020 as well as the supply chain's capabilities and resources available to support future activity. This means a real concern about the ability of industry to realise its long-term potential and with it the wider economic benefit the industry brings to the UK.

The industry's profitability continued at a subdued level, with net receipts from taxation of £847 million in 2017. The production tax regime has been designed to reflect the cash flow of the basin and as such production tax receipts have varied significantly in recent years as a result of the downturn in the industry. In recent years, the Government, recognising the maturity of the basin, has sought to reduce perceptions of fiscal risk and a lack of fiscal competitiveness (to prevent them being barriers to

investment). HM Treasury's Driving Investment strategy acknowledges the long-term investment horizon in the industry and the challenge to keep attracting investors to the UK oil and gas industry to enable the industry to recover from the downturn and to compete in the global race for investment.

The UK oil and gas industry supports hundreds of thousands of jobs in Scotland and across the rest of the UK. According to latest ONS data, the sector was directly responsible for nearly 40,000 jobs in 2017, with many more supported in the industry's wider supply chain and those jobs that depend on the UK's oil and gas industry. It is estimated a total of 280,000 jobs were supported by the UK upstream oil and gas industry in 2017, often highly skilled and contributing significantly to the Exchequer with multi-billion pounds in employment taxes.

Whilst cost control and capital discipline remain high on industry's agenda, the ingenuity of the UK oil and gas industry's people and the communities they work in cement the long-standing importance of this industry to the UK's economy. This is not just through the payment of production taxes and licence fees (as disclosed in the EITI reconciliation), but also ensuring the UK's security of energy supply through providing more than half of the UK's oil and gas demand, a significant contribution to the balance of payments, as well as the development of technology, innovation and skills that cascade out of industry and often support the transition to a lower carbon future.

The Mining and Quarrying Sector

Construction minerals

Construction minerals, principally crushed rock and sand and gravel aggregates, represent the largest materials flow in the UK. The market for these minerals depends upon the level of UK construction activity and longer-term construction-related demand will depend on a variety of factors. Projected UK population increases to 2030 and higher planned investment in infrastructure projects and housing suggest a continuing underlying need for construction activity and minerals.

UK markets for aggregates are largely supplied from UK sources, supplemented by substantial of recycled materials (in recent years recycled materials have made up an estimated 25% to 30% of the market in England, Wales and Scotland, over twice the European average). Therefore, demand for quarried and dredged aggregates is likely to remain significant. Geologically the UK has substantial resources of construction minerals, which will remain subject to planning and environmental approval and permitting before they can be extracted.

Extraction and downstream manufacturing activities are distributed throughout the UK and extraction businesses make a variety of tax, financial and non-financial contributions to national and local Governments and local communities which are outside the current scope of EITI reporting, including the aggregates levy, employment taxes, businesses rates. The industry also supports a significant supply chain of plant, equipment and transport suppliers and professional services.

Other construction-related mineral extraction includes clay for brick-making, limestone and chalk for cement-making, the production of high-quality dimension stone and slate.

Coal

Coal continues to have a significant role in the UK's energy mix. At the end of 2016 the UK had an estimated 61 million tonnes of coal reserves and resources at operating surface and underground mines together with those in the planning process, such as the reopening of Haig Colliery in Whitehaven by West Cumbria Coal. In addition, there were some 159 million tonnes of resources in projects at the pre-planning stage plus just under 3 billion tonnes of potential resources at identified projects developed to various stages in the past 30 years.¹

Industrial and metal minerals

Future extraction trends for industrial minerals will depend on movements in UK and overseas markets and on the competitiveness of operating costs and the business environment in the UK. Minerals such as limestone and sand have numerous non-construction uses ranging from iron and steel and glass making to cleaning acidic power station emissions and improving the performance and sustainability of UK agriculture. The continuing development of a major new polyhalite mine in the North Yorkshire Moors, the reopening of South Crofty Tin mine in Cornwall and the significant resource of gold at Curraghinalt² in Northern Ireland are three examples which illustrate the continuing importance of the UK as a mineral producer.

The English National Planning Policy Framework (NPPF) states in paragraph 142 that "Minerals are essential to support sustainable economic growth and our quality of life. It is therefore important that there is a sufficient supply of material to provide the infrastructure, buildings, energy and goods that the country needs. However, since minerals are a finite natural resource, and can only be worked where they are found, it is important to make best use of them to secure their long-term conservation."³

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

Reconciliation Report

This fourth UK EITI report provides detailed information on and a reconciliation of payment streams between companies operating in the UK extractive sector and the relevant Government agencies in 2017. This will assist the UK in identifying the positive contribution that the extractive sector is making to the economic and social development of the country and to realise their potential through improved resource governance that encompasses and fully implements the principles and criteria of the EITI.

Revenue streams deemed within scope for UK EITI for 2017 were as follows:

Oil and gas sector: combined total for Ring-Fence Corporation Tax and Supplementary Charge; Petroleum Revenue Tax and Advance Petroleum Revenue

¹ Coal Authority, email communication.

² <https://dalradian.com/curraghinalt-project/default.aspx>

³ DCLG, NPPF, 2018, para 203, https://www.gov.uk/Government/uploads/system/uploads/attachment_data/file/6077/2116950.pdf

Tax; Petroleum Licence Fees; the OGA Levy; and payments to The Crown Estate and Crown Estate Scotland in respect of pipelines operated by companies that are engaged in UK extractive activities.

Mining and Quarrying sector: Corporation Tax; extractive-related payments to the Coal Authority; extractive-related payments to The Crown Estate and Crown Estate Scotland; and monetary payments to local planning authorities as part of planning obligations.

Continuing to shadow the Reports on Payments to Government Regulations 2014, the materiality threshold remained at £86,000, applied to each revenue stream at group level. The Government agencies required to report for 2017 UK EITI were HMRC, the OGA, The Crown Estate, Crown Estate Scotland and the Coal Authority.

A total of 39 oil and gas companies and 19 mining and quarrying companies participated in compiling the report with continuing high industry participation. The MSG is grateful to all those companies which participated in the process this year. This report incorporates information collected up to 7 December 2018. Any information collected after this date has not been included in the report.

1. RECONCILIATION REPORT

1.1. Extractive Industries Payments to/refunds from UK Government

The two tables below summarise the reconciled extractive industries payments to and repayments by UK Government Agencies in 2017. All material differences have been reconciled.

1.1.1 Full summary¹

(in £ million)

Payment stream:	Petro leum Licence Fees	OGA Levy	PRT	RFCT & SC	Mains tream CT	Pay ments to TCE	Pay ments to TCE	Pay ments to CES	Pay ments to CES	Pay ments to CES	Total pay ments
Type of payee:	Oil & Gas	Oil & Gas	Oil & Gas	Oil & Gas	Other Mining & Qua rrying	Oil & Gas	Other Mining & Qua rrying	Oil & Gas	Other Mining & Qua rrying	Other Mining & Qua rrying	All
Recipient:	OGA	OGA	HMRC	HMRC	HMRC	TCE	TCE	CES	CES	CA	All
Total reported by government agencies	65.37	20.10	-577.24	1,424.15	49.65	2.17	20.86	2.08	0.35	0.57	1,008.06
Total reported by government agencies for out-of-scope and non-participating extractive companies*	8.86	1.39	0.00	13.73	2.39***	0.00	0.30	0.09	0.35	0.45	27.57
Total reported by government agencies for in-scope extractive companies	56.51	18.71	-577.24	1,410.42	47.26	2.17	20.57	1.99	0.00	0.13	980.52
Total reported by in-scope extractive companies	56.50	18.72	-577.24	1,410.42	47.26	2.17	20.57	1.99	0.00	0.13	980.52
Net unreconciled difference**	0.01	-0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

* Includes extractive companies out of scope of the reconciliation because their payments were below the agreed materiality thresholds and those with material payments that declined to participate in the reconciliation process.

** All net unreconciled differences are below the materiality deviation agreed by the MSG.

*** This amount was reported by HMRC for one mining and quarrying company which signed a waiver of confidentiality in September 2016 but has chosen not to submit a return covering its payments in 2017.

¹ Payments for petroleum licence fees and field-level petroleum revenue tax payments and applicable payments to TCE are included in the online disclosure of project level payments and repayments at (<https://www.gov.uk/government/publications/extractive-industries-transparency-initiative-payments-report-2017>)

1.1.2 Brief summary

(in £ million)

Type of payee:	Oil & Gas	Other Mining & Quarrying	All	All	All	All	All	All
Recipient:	All	All	OGA	HMRC	TCE	CES	CA	All
Total reported by government agencies	936.63	71.44	85.47	896.57	22.03	2.43	0.57	1,008.06
Total reported by government agencies for out-of-scope and non-participating extractive companies*	24.08	3.48	10.25	16.13	0.30	0.44	0.45	27.57
Total reported by government agencies for in-scope extractive companies	912.56	67.96	75.22	880.44	22.73	1.99	0.13	980.52
Total reported by in-scope extractive companies	912.56	67.96	75.22	880.44	22.74	1.99	0.13	980.52
Net unreconciled difference**	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

* Includes extractive companies out of scope of the reconciliation because their payments were below the agreed materiality thresholds and those with material payments that declined to participate in the reconciliation process.

** All net unreconciled differences are below the materiality deviation agreed by the MSG.

Adjustments to the EITI reconciliation scope

The number of companies assessed as in-scope for the 2017 reconciliation was adjusted slightly during the reconciliation exercise as more information on the extractive nature and materiality of payments emerged. The changes are detailed as follows:

Sector	Initial number of companies	(+)	(-)	Adjusted number of companies
Oil & Gas	41	7	-7	41
Mining & Quarrying	20	1		21
Total	61	8	-7	62

Oil & Gas sector

Seven companies that initially were sent reporting templates were subsequently excluded from the 2017 EITI scope because as part of the reconciliation exercise it emerged that they made/received no material payments/repayments during the calendar year 2017.

Seven companies were added to the reconciliation scope when it was realised that their payments exceeded the materiality threshold for the calendar year 2017.

Mining & Quarrying sector

One company was added to the reconciliation scope when it was realised that its payments exceeded the materiality threshold for the calendar year 2017.

The final number of companies included in the EITI reconciliation scope was therefore 62.

Data collection

Four potentially in-scope companies chose not to submit returns, two from each sector. As the total amount reported by Government and extractive companies subject to the reconciliation constitutes more than 97 per cent of the total reported by Government agencies, the overall reconciliation outcome is substantial and satisfactory.

1.2. Breakdown of Reconciled Data by Company and Sector

The two tables below set out the detailed results of the reconciliation exercise with post-reconciliation differences noted between amounts reported as paid by in-scope extractive companies and amounts reported as received by Government Agencies.

1.2.1 Oil & Gas companies

£000	As reported by Government Agencies							Total reported by company
	RFCT & SC	PRT	Petroleum Licence Fees	OGA Levy	Payments to TCE	Payments to CES	Total	
Anasuria Hibicus UK Ltd	8,350						8,350	8,350
Apache Corporation	88,638	-15,276	1,104	486		191	75,144	75,145
BHP Billiton Petroleum Great Britain Ltd	10,483						10,483	10,483
BP UK Group	-39,506	-158,541	3,675	1,171		932	-192,268	-192,276
CalEnergy Gas Ltd		-777					-777	-777
Centrica Plc		-15,330	3,686	1,481	363		-9,799	-9,791
Chevron North Sea Ltd	22,021	-7,161	1,468	374			16,702	16,702
CNR International UK Investments Ltd	-30,915	-92,842	366	474			-122,916	-122,915
ConocoPhillips UK Ltd	102,137	-11,333	4,990	1,879	395	162	98,229	98,228
Dana Petroleum Ltd	1,043	-2,100	1,307	460			710	710
Endeavour Energy UK Ltd		-4,220		131			-4,090	-4,090
Engie E&P UK Ltd *	-254		2,431	383			2,560	2,560
ENI UK Ltd	84,274	-211	2,149	256	669		87,138	87,131
EnQuest PLC			996	710			1,706	1,706
ExxonMobil International Ltd	86,893	-90,628					-3,735	-3,735
Faroe Petroleum PLC	193		554	196			944	944
IGas Energy PLC	538		1,423				1,961	1,962
INEOS Industries		-1,424	3,875	399	129		2,980	2,978
Ithaca Energy UK Ltd			604	214	102	103	1,022	1,022

£000	As reported by Government Agencies							Total reported by company
	RFCT & SC	PRT	Petroleum Licence Fees	OGA Levy	Payments to TCE	Payments to CES	Total	
JX Nippon Exploration and Production UK Ltd	-3,913	-659					-4,572	-4,572
Maersk Oil North Sea UK Ltd **	-20,500		1,474	515			-18,511	-18,511
Marathon Oil UK LLC	113,776	-6,369	278	262			107,948	107,948
Marubeni Oil & Gas UK Ltd		-293					-293	-293
Nexen Petroleum UK Ltd	389,000		4,436	452			393,888	393,888
Noble Energy Capital Ltd	139						139	139
NSMP Operations Ltd						193	193	193
Oranje-Nassau Energie UK Ltd	6,600		187				6,787	6,787
Perenco UK Ltd	18,000		3,947	1,655	508		24,110	24,111
Premier Oil PLC	-1,233	-267	2,552	757			1,810	1,810
Repsol Sinopec Resources UK Ltd	-15,802	-63,715	1,510	1,559			-76,449	-76,449
Royal Dutch Shell PLC	208,496	-92,422	3,218	2,553		221	122,066	122,065
SHV Energy Holdings UK Ltd	4,137						4,137	4,137
Siccar Point Energy Holdings Ltd [incl. OMV UK Ltd]			2,590				2,590	2,590
Statoil UK Ltd ***		-5,978	1,591	288			-4,099	-4,099
SUMMIT Exploration and Production	367						367	367
Suncor Energy UK Ltd	308,070						308,070	308,070
TAQA Bratani Ltd	61,560	-7,691	1,060	561			55,489	55,490
Total E&P UK Ltd	14,231		4,949	1,312		190	20,681	20,681
Tullow Oil PLC	-6,402		86	180			-6,136	-6,136
Total	1,410,421	-577,235	56,507	18,708	2,167	1,992	912,559	912,552

* Acquired by Neptune Energy during 2018.

** Acquired by Total E&P UK Ltd during 2018.

*** Changed its name to Equinor UK Ltd during 2018.

1.2.2 Other Mining & Quarrying companies

£000	As reported by government agencies			Total	Total reported by company
	Mainstream Corporation Tax	Payments to TCE	Payments to CA		
Aggregate Industries UK Ltd	21,443	347		21,790	21,790
Albion Stone	581	198		780	780
Breedon Group PLC	12,457	349		12,806	12,806
Brett Group	1,303			1,303	1,303
Britannia Aggregates Ltd	145	453		599	599
Cemex UK Materials Ltd	250	5,128		5,378	5,378
Cleveland Potash Ltd	-820	1,112		292	292
DEME Building Materials Ltd		1,105		1,105	1,105
Garreg Lwyd Energy Ltd		170		170	170
Hanson UK Group		3,783		3,783	3,783
Irish Salt Mining & Exploration Co. Ltd	90			90	90
Kendall Bros (Portsmouth) Ltd *	320	357		677	677
Llanelli Sand Dredging Ltd		119		119	119
Severn Sands Ltd	129	194		323	323
Tarmac Holdings Limited	4,252	4,449		8,701	8,706
The Banks Group	3,674		126	3,800	3,801
Van Oord UK Ltd	1,812	533		2,344	2,344
Volker Dredging Ltd	116	1,850		1,966	1,966
Westminster Gravels Ltd	1,505	422		1,927	1,927
Total	47,258	20,568	126	67,952	67,957

* Acquired by Aggregate Industries UK Ltd during 2018.

There were additional, relatively minor, payments reported by the relevant Government Agencies for companies that were in scope but whose payments were below the agreed materiality thresholds and for in-scope companies that did not participate in the reconciliation process. The totals of such payments are reported in the tables in Section 1.1 above and, for petroleum licence fees and the OGA Levy, are included in the online disclosure of project level payments and repayments at <https://www.gov.uk/government/publications/extractive-industries-transparency-initiative-payments-report-2017>, which also includes reconciled field level data on Petroleum Revenue Tax and project-level payments to TCE.

Separate to the UK EITI payment reconciliation exercise and complementing the information in this report, a number of companies have reported their 2017 payments to governments around the world, including to UK government entities, under the EU Accounting and Transparency Directives.¹

¹ Data can be extracted from <https://extractives.companieshouse.gov.uk/search?query=c>

Beneficial Ownership

For all 58 reporting templates received, companies submitted a beneficial ownership declaration form. A total of 17 of these companies were privately held and made material payments to the UK Government under UK EITI. These 17 companies have filed information to Companies House on people with significant control (PSC) as part of their confirmation statements¹ and are detailed in the table below.

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

N°	Company	Sector	Beneficial ownership disclosed for EITI purposes
1	Albion Stone	Mining and Quarrying	No
2	Brett Group	Mining and Quarrying	No
3	Britannia Aggregates Ltd	Mining and Quarrying	No
4	Dana Petroleum Ltd	Oil and Gas	No
5	Endeavour Energy UK Ltd	Oil and Gas	No
6	INEOS Industries	Oil and Gas	Yes: Mr James Arthur Ratcliffe
7	Irish Salt Mining & Exploration Co. Ltd	Mining and Quarrying	No
8	Kendall Bros (Portsmouth) Ltd	Mining and Quarrying	No
9	NSMP Operations Ltd	Oil and Gas	No
10	Oranje-Nassau Energie UK Ltd	Oil and Gas	Yes: Mr Martialis Quirinus Henricus van Poecke
11	Perenco UK Ltd	Oil and Gas	No
12	Severn Sands Ltd	Mining and Quarrying	No
13	SHV Energy Holdings UK Ltd	Oil and Gas	No
14	Siccar Point Energy (Holdings) Ltd	Oil and Gas	No
15	The Banks Group	Mining and Quarrying	Yes: Mr Harry James Banks
16	Van Oord UK Ltd	Mining and Quarrying	No
17	Volker Dredging Ltd	Mining and Quarrying	No

No Politically Exposed Persons (PEPs) were disclosed.

¹ <https://beta.companieshouse.gov.uk/>

GLOSSARY OF ABBREVIATIONS FOR RECONCILIATION AND STATE OF INDUSTRY REPORT

CA	Coal Authority
CES	Crown Estate Scotland
CT	Corporation Tax
DCLG	Department for Communities and Local Government
EITI	Extractive Industries Transparency Initiative
EU	European Union
GVA	Gross Value Added
HM	Her Majesty's
HMRC	Her Majesty's Revenue & Customs
MSG	UK EITI Multi-Stakeholder Group
NPPF	National Planning Policy Framework
OGA	Oil and Gas Authority
PEP	Politically Exposed Person
PRT	Petroleum Revenue Tax
PSC	People with Significant Control
RFCT	Ring Fence Corporation Tax
SC	Supplementary Charge
TCE	The Crown Estate
UK	United Kingdom
UKCS	UK Continental Shelf