EXTRACTIVE INDUSTRIES
in the UK

UKEITI
Extractive Industries Transparency Initiative
United Kingdom

UK EITI Annual Review 2020

Including 6th reconciliation report

9th December 2020

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.

Ministerial Foreword

I was delighted to take on the role of UK Extractive Industries Transparency Initiative (EITI) Champion in July 2020. As Minister for Climate Change and Corporate Responsibility, I recognise the importance of transparency in creating good business environments worldwide and ensuring that governments and businesses can be held to account. I commend EITI's efforts towards these objectives and welcome the fact that more countries than ever before have committed to implement EITI.

Having played a key role in establishing EITI in 2003, the UK Government continues to support the international work of EITI and remains firmly committed to implementing the EITI Standard within the UK. UK implementation of EITI furthers the transparency of our own extractives sector and ensures that we are leading by example internationally.

The extractive industries in the UK comprise oil and gas production, mining and quarrying. These sectors play a major role in the UK economy, contributing total GVA of £20 billion in 2019, and employing some 60,000 people directly, whilst supporting many more jobs in downstream industries and supply chains. Though the largest economic contribution comes from oil and gas production, mining and quarrying also play a significant role, with construction minerals representing the largest materials flow in the UK economy.

Climate change is one of the most pressing challenges facing the extractives sector and society as a whole. As the UK prepares to host the COP26 conference in November 2021, the UK Government is committed to leading the world in tackling climate change. As we transition to a low carbon economy, oil and gas will play a smaller role in meeting the demand for energy over time. However, there will continue to be a need for oil and gas and all scenarios proposed by the Committee on Climate Change setting out how we could meet our 2050 net zero emissions target include demand for oil and natural gas. An orderly transition, including UK oil and gas production, is crucial to maintaining security of supply. As such, the need for transparency and public understanding over the activities and revenue flows of the extractive industries has never been greater.

Transparency about climate change risks and opportunities is a priority for this government, and in November 2020 the Chancellor announced that the UK will become the first G20 country to make disclosures aligned with the Taskforce on Climate-related Financial Disclosures (TCFD) fully mandatory across the economy, with most requirements introduced in the next three years. The UK will also implement a green taxonomy, which is a common framework for determining which activities can be defined as environmentally sustainable – which will improve understanding of the impact of firms' activities and investments.

2019 and 2020 have been busy years for UK EITI. In 2019 we completed our first validation under the EITI Standard and we have been working hard to address the corrective actions raised, to prepare for our second validation. We are also working to ensure that the UK complies with the new requirements of the 2019 Standard and to move towards the systematic disclosure of data. The new UK EITI website, which was launched earlier this year, will play a key role in ensuring that key data on the extractive industries is available in a timely way to the public.

I am proud to be able to launch this, our sixth EITI report. We have now put on public record six years' worth of verified data on the financial flows between government and industry, covering 2014-19. Our aim in publishing this data is to explain the positive contribution that the extractive sectors are making to the economic and social development of the country and to demonstrate the industries' commitment to transparency and good governance.

This report would not have been possible without the work of the UK EITI Multi-Stakeholder Group (MSG), formed in equal part of representatives from industry, civil society and government. I am grateful to all of them for their commitment to this initiative, particularly given the challenges that have faced us all in 2020. I look forward to working with them as we take UK EITI forward into 2021.

Lord Callanan

Minister for Climate Change and Corporate Responsibility and UK EITI Champion

Chair's Review of the Year

Welcome to the 2020 UK EITI Annual Review. This report adopts a new format, designed to complement the fact that our data is now available on a new online platform. It sets out the UK's progress in implementing the EITI Standard over 2020, and also summarises the data we published earlier this year on extractives payment flows made in calendar year 2019.

In many ways it has been a very positive year for UK EITI. In May 2020 we launched the UK EITI website, migrating our information from gov.uk. This new platform gives us a much more attractive, flexible and outwards-facing web presence. We are confident that this will be a real game changer, supporting our ambition to provide up-to-date data on the sector, news stories and, for the first time, an independent home to promote the work of the UK EITI Multi-Stakeholder Group (MSG).

The website has also allowed us to move away from our traditional approach of putting most of our information out through an annual payments report. Though we are proud of the reports we put out covering the years 2014-2018, the additional work needed to prepare, agree and publish these reports has added delays in making the data public. Instead, this year we published our most recent payments data directly to the website, ensuring it was publicly available as soon as possible.

Timeliness of data is a key issue for EITI internationally, and so it is for UK EITI. Our first report, covering payments data for 2014, was published in April 2016, some 16 months after the period in question. Our latest payments data, covering 2019, was published this November, 11 months after the relevant period. There remains scope to accelerate the process further, and in 2021 we will be looking hard at our options to reform the reconciliation exercise to achieve this, informed by work going on in other EITI implementing countries.

Nevertheless, the fact that we have completed a reconciliation at all is a fantastic achievement, given the challenging circumstances 2020 has presented. I am very grateful for the work of our independent administrators: Tim Woodward, Hedi Zaghouani and their colleagues at BDO LLP. But the greatest thanks go to the 54 oil, gas, mining and quarrying companies who volunteered their time and their data. Indeed, this year we have received the highest response rate we have ever had. On behalf of all the MSG, I would like to extend our appreciation for your support – which, it is important to emphasise, is entirely voluntary.

This year the MSG also welcomed back colleagues formally nominated through the Civil Society Network once again. For some time, the civil society constituency had been represented by interim members, whilst a new process for nominating civil society interests to the group was agreed. It is a great step forward that that issue has now been resolved, bringing stability and expertise around the table. Civil society colleagues are currently in the process of actively engaging with local communities in relevant parts of the UK to strengthen local representation on their constituency on the MSG. We are keen that the MSG represents the views and perspectives of individuals from areas where the extractives sector plays an important role in the local economy.

In July 2020 we welcomed the appointment of Lord Callanan as the new UK EITI Champion, which demonstrates the UK Government's ongoing support for EITI and the wider transparency agenda. We also welcomed new representatives for the government constituency on the MSG, including for the first time representation from all three devolved administrations within the UK.

All in all, our progress in 2020 gives us a great platform for 2021. We expect to be re-assessed against the requirements of the EITI Standard, and hope to be one of the first nations to do so under the new approach to validation recently agreed by the EITI Board. Later in this report we set the key actions we are taking to fully meet the Standard.

We will also need to tackle the new requirements of the 2019 EITI Standard, in particular the requirement to disclose all contracts and licenses that are granted, entered into or amended from 1 January 2021. Given the number of contracts and licenses this requirement potentially captures, the MSG will need to look hard at how the UK can take on this challenge.

We will also continue our work on systematic disclosure, where we are now looking at a number of the more complex issues that will require greater consideration, including our future approach to the disclosure of tax data.

Going forward, the MSG would also like to turn its attention to areas of the UK extractive industries where there is greater public interest, in particular the debate on energy transition and the challenges facing the extractives sector as the UK works to meet its legally-binding target to bring greenhouse gas emissions to net zero by 2050.

In all it looks like being an exciting, but challenging, year ahead for the MSG. We continue to value the support from companies, government agencies and civil society groups for this important initiative and look forward to continuing the great collaboration we have seen in 2020.

Matthew Ray
Chair of the UK EITI Multi-Stakeholder Group

Perspectives on EITI from MSG representatives

Industry

The UK oil and gas and mining quarrying industries fully support EITI and consider it an important part of the global programme which endeavours to deliver greater transparency and accountability in the sector. Our support is demonstrated by the fact that the total reported by in-scope extractive companies in 2019 represents more than 99% of the sector revenues. Industry also takes a fully active role in the activities and work of the UK EITI Multi-Stakeholder Group and considers EITI to be an important component in maintaining momentum in the drive for more transparency worldwide, which is vital in the fight against international corruption and economic crime.

Dr Patrick Foster
Mining Association of the UK

Civil Society

The UK EITI process has improved from a civil society perspective, with more systematic disclosure of UK extractive industry data via the new website www.ukeiti.org, including shedding more light on entities such as The Crown Estate. Civil society also welcomes the recognition that climate change and the need for a low-carbon energy transition (see www.ukeiti.org/energy-transition), ensuring that a fair and stable transition for workers and communities that rely on the energy industry as a primary source of employment, are pressing issues that the EITI cannot ignore if it is to remain relevant. UK civil society input to the process is now better coordinated with a dedicated coordinator in place. Publish What You Pay UK, a member of the UK EITI Civil Society Network with a representative on the MSG, published a blog in January 2020 welcoming the 5th UK EITI report, on 2018, but asking if the UK fiscal regime has been too generous to industry and highlighting areas for improvement in the UK EITI process, including the need for greater relevance to matters of public debate among UK citizens (www.pwyp.org/pwyp-news/pwyp-uk-welcomes-uk-eiti-report-uk-fiscal-regime-too-generous/). With the UK chairing and hosting the 26th UN Climate Change Conference (COP26) in Glasgow in November 2021, many eyes will be on the UK's capacity to demonstrate unequivocal climate leadership next year.

Miles Litvinoff
National Coordinator, Publish What You Pay UK

Overview of the extractive sectors in the UK

The UK's extractive industries comprise oil and gas production, mining and quarrying. The extractive sector has made a sizeable contribution to the UK economy for many years and remains an important sector in the UK. In 2019, industry gross value added (GVA) was £20 billion. The extraction of oil and gas and associated support service activities accounted for some 90% of the sector's GVA. The UK EITI website provides more detailed information on the sector in general and the oil and gas and mining and quarrying sectors in the UK.

Oil and Gas sector

The UK oil and gas industry is in its sixth decade of offshore production. Between 2014 and 2019, UK oil production increased by 19% – a significant turnaround given that the basin had previously seen a consistent decline in production since 2000. Gas production also increased until 2017 but has since fallen back with an overall growth over this period of just 4% This increased/maintained production rate derived from both improved performance of existing oil and gas fields and the addition of capacity from new field start-ups which more than compensated for natural decline from existing fields. Production volumes in the next decade and longer term will require a balance between new investment in the UK Continental Shelf (UKCS) and the need to transition to a low-carbon economy as the UK works to meet its legally-binding target to bring greenhouse gas emissions to net zero by 2050. The sector has committed to halve its own Greenhouse Gas (GHG) emissions by 2030 and cut them by 90% by 2040 and will actively lead on carbon capture storage and hydrogen opportunities to reduce the UK's carbon emissions.

The industry continues to transform and reinvent itself. In real terms, total operating costs fell by around 30% between 2014 and 2019, with most of these cost savings deemed sustainable in the long-term. However, ongoing uncertainty and volatility in commodity prices continue with a conservative outlook and new investments need to break even at prices in the $40 to $50 per barrel region. The number of field approvals fell slightly in 2019 but drilling activity picked up from the historically low levels in 2018.

The industry's profitability continued at a subdued level, with net receipts from taxation of around £1 billion in 2019. The UK Government is committed to having an oil and gas tax regime that is internationally competitive in order to encourage investment in the UK, while at the same time ensuring a fair return for the nation and to address climate-related commitments. 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 driven by volatility in product prices.

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 around 40,000 jobs in 2019, with many more supported in the industry's wider supply chain plus those jobs that depend on the UK's oil and gas industry. It is estimated a total of around 270,000 jobs UK were supported by the upstream oil and gas industry in 2019, many of them highly skilled.

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 the equivalent of more than half of the UK's oil and gas demand, thus giving a significant contribution to the balance of trade, as well as through the development of technology, innovation and skills that cascade out of industry and often support the transition to a lower carbon future.

In early 2020, the rapid spread of the virus Covid-19 triggered a global pandemic which continues to have significant impact for the oil and gas industry. Governments around the world employed various mechanisms, national lockdowns in most cases, in an attempt to contain the spread of the virus and minimise its impact on global and local economies. These mechanisms, the lockdowns in particular, together with other underlying market conditions, led to an unprecedented drop in worldwide demand and consumption of oil and oil products. Globally, the International Energy Agency (IEA) estimates that oil demand in 2020 will fall to 91.7 million barrels per day (bpd) down 8.4 million bpd on 2019 levels. The resultant collapse in demand as the pandemic emerged drove down the prices of oil and other energy commodities, with oil price falling by 70% from a high of $69 per barrel in January to a low of $20 per barrel in late April. Whilst oil prices have risen since April, they are still in the low $40s per barrel and the average price year to-date is circa $41 per barrel, $23 below the average for 2019. The collapse in commodity price has created a challenging operating environment with significant adverse consequences for liquidity, profitability and, in extreme cases, the viability of companies in the sector and its interdependent supply chain.

Naturally, the prioritisation and protection of employees' health and safety offshore and onshore has remained industry's primary concern. Financial discipline, a frequent phrase in recent years, has re-emerged as a survival theme with companies slashing or deferring discretionary capital and operating expenditures, continuing hydrocarbon production where feasible in order to protect cash flows and, in worrying signs for the future, the announcement by a few majors of redundancy programs for UK and overseas operations.

In the short term, which could entail the next two to three years, the industry continues to wrestle with the ongoing impact of the restrictions caused by the pandemic on the oil and gas economy. The long-term impacts are less clear and will depend on many factors including the future oil price and global demand, together with the impact of the evident structural shift into energy transition.

These developments are a cause for concern for workers in the industry who have faced uncertainty in recent years due to the cost focussed environment and are now facing further uncertainty with the impact of Covid-19. Whilst transitioning to a net-zero economy will present employment opportunities, concerns as to how this can be done equitably and with opportunities for the current workforce to re-skill and transition are key for communities dependent on the oil and gas industry as a primary employer.

Mining and Quarrying Sector

Construction minerals

Construction minerals are essential to the UK economy, improving our housing stock, transport networks, commercial and industrial buildings, energy and water infrastructure, schools and hospitals.

The main element of construction minerals in volume terms is the extraction of primary aggregates, including quarried crushed rock and both land-won and marine dredged sand & gravel. A total of 199 million tonnes of primary aggregates were produced in the UK in

2019, compared with 91 million tonnes of energy minerals, including coal, oil and gas.[1] Aggregates are largely recovered from indigenous sources and imports remain limited, estimated to represent less than 5 million tonnes per annum. Information available at GB-level only provides further insight on the relative balance of the various sources of aggregates. In 2018, 180 million tonnes of primary aggregates were produced, 117 million tonnes of crushed rock and 63 million tonnes of sand & gravel. Marine-dredged aggregates satisfied about 22% (14 million tonnes) of the total construction needs for sand & gravel.

In addition to the extraction of primary aggregates, materials can also be obtained from the recycling of Construction, Demolition and Excavation Wastes (CDEW), or derived from other industrial, production or extractive processes, referred to as secondary aggregates. Recycled aggregates are the product of processing inert construction and demolition waste, asphalt planings and used railway ballasts into construction aggregates. Secondary aggregates are derived from other industrial processes, such as other mineral extraction operations including ball clay and china clay production, or waste from slate production. Other sources of secondary materials include blast furnace and steel slags, incinerator bottom ash (IBA), furnace bottom ash (FBA), coal-derived fly ash (CDFA) and crushed glass sand. Collectively, recycled and secondary aggregates contribute significantly to the total aggregates demand: although there are no official statistics available on the contribution of these materials to the total aggregates market, the Mineral Products Association estimates that, in 2018, recycled and secondary sources of aggregates accounted for 28% of total aggregates supply in Great Britain,[2] significantly higher than the European average.

The underlying geology across the UK determines the local availability of construction minerals, and aggregates (especially crushed rock) may be transported long distances when necessary. As resources are not always distributed evenly, inter-regional movement of aggregates is required to balance local availability with the wider geographic demands of the market. The South East, for example, has its own supplies of sand & gravel alongside recycled aggregates, but relies heavily on crushed rock brought in by rail from the East Midlands and South West and by sea from Scotland. It also uses marine dredged sand & gravel from coastal waters.

Market drivers for construction minerals include general UK economic and construction growth. Short-term weaknesses had already emerged in construction minerals demand since 2018, driven by slowing activity in commercial constructions. In 2020, market sales of primary aggregates and construction mineral products such as ready-mixed concrete, asphalt and mortar, slumped as a result of the Covid-19 pandemic and the impact of the spring lockdown on general construction activity. Sales of construction minerals and mineral products started to recovery quickly from a low base over the summer, but the broader picture points to a long road ahead and concerns about growth stalling toward the year end.[3] Demand over summer 2020 was fuelled by released pent-up activity post-lockdown in housing and infrastructure, but as the catch-up is gradually winding down, sales volumes remain significantly below pre-pandemic levels. The long-term demand prospects for aggregates demand are nonetheless positive, underpinned by higher planned investment in infrastructure projects and housing. The Mineral Products Association expects demand to accelerate from 2021 and throughout the 2020s,

[1] MPA (2020), *Profile of the UK Mineral Products Industry – 2020 edition*. (**awaiting official publication**)
[2] MPA (2020), *The Contribution of Recycled and Secondary Materials to Total Aggregates Supply in GB in 2018*. Available at : https://mineralproducts.org/documents/Contribution_of_Recycled_and_Secondary_Materials_to_Total_Aggregates_Supply_in_GB_in_2018.pdf
[3] MPA (2020), *Increased summer demand for mineral products gives way to winter concerns*. Press release, November 2020. Available at: https://mineralproducts.org/20-release38.htm

supported by work on major infrastructure projects, including High Speed 2, and the anticipated delivery of various five-year investment programmes within regulated sectors in roads, rail and water and sewerage.

Whilst there appear to be sufficient indigenous mineral resources available to support future demand requirements, there are issues around the supply-mix that will need to be addressed. Industry statistics point to a persistent under-replenishment of land-won sand and gravel permitted reserves.[1] Meanwhile, whilst recycled and secondary sources of aggregates and imports have a definite role to play, their growth potential is constrained by the amount of suitable material available to recycle (mainly from demolition) and its suitability for various applications. Demand for indigenous quarried and dredged aggregates is likely to remain significant and these remain subject to often lengthy and complex planning and environmental permitting controls before they can be extracted.

Construction minerals extraction and related 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 that are outside the current scope of EITI reporting. This includes the Aggregates Levy, employment taxes and businesses rates. At the extraction stage, the annual cost of the Aggregates Levy reached £397m in 2019. 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 manufacture and the production of high-quality dimension stone and slate.

The construction minerals industry is also in the scope of the European Union Emissions Trading System, Climate Change Agreements linked to the UK Climate Change Levy, Streamlined Energy and Carbon Reporting and Energy Saving Opportunity Scheme, all of which are focused on carbon reduction or energy efficiency. In 2020, the UK concrete and cement sector set out a roadmap to become net negative by 2050, removing more carbon dioxide from the atmosphere than it emits each year.[2] It has identified that net zero can be met through decarbonised electricity and transport networks, fuel switching, greater use of low-carbon cements and concretes as well as Carbon Capture, Utilisation or Storage (CCUS) technology for cement manufacture. A net negative industry by 2050 could be achieved by using the natural, in-use properties of concrete which include its ability to absorb carbon dioxide during use, and the benefit of using the thermal properties of concrete in buildings and structures to reduce operational emissions. The concrete and cement industry has already taken considerable early joint action and due to investment in fuel switching, changes in product formulation, and energy efficiency including plant rationalisation, its direct and indirect emissions are 53% lower than 1990 - decarbonising faster than the UK economy as a whole.

Coal

Whilst coal still plays a part in the UK's energy mix, its contribution is declining. Although the UK still has a significant coal resource there are only a small number of operating mines, predominantly opencast. In terms of underground mines, Eckington in Derbyshire, one of a few remaining small mines, closed in January 2019. That being said, West Cumbrian Coal received planning permission in March 2019 for the Woodhouse Colliery,

[1] MPA (2019), *AMPS 2019: 8th Annual Mineral Planning Survey report*. Available at: https://mineralproducts.org/documents/8th_AMPS_Report_2019.pdf
[2] MPA UK Concrete (2020), *UK concrete and cement sector sets out roadmap for beyond net zero*. Available at : https://thisisukconcrete.co.uk/Perspectives/UK-concrete-and-cement-sector-sets-out-roadmap-for.aspx

which is anticipated could produce up to 3.1 million tonnes/year of metallurgical coal for the steelmaking industry.

Industrial and metal minerals

Minerals such as limestone and silica 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. China Clay or Kaolin support a wide range of industrial markets including ceramics, paper and specialist applications such as fillers for pharmaceuticals, paints, adhesives and animal feeds, while Ball Clays are used principally in the ceramics industry for industrial applications, including sanitaryware, tile manufacture and tableware. 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.

Over the last 18 months there have been significant developments in this area. Anglo American plc took over Sirius Minerals in March 2020 and development of the Woodsmith Mine, a major new polyhalite mine in the North Yorkshire moors is accelerating. In the South West, the Drakelands Tungsten mine that was closed in October 2018 has a new owner, Tungsten West, which is developing plans to restart the mine early in 2021. Elsewhere, plans to reopen the South Crofty Tin mine in Cornwall by Cornish Metals (formally Strongbow Exploration) continue and the company reported on a successful drilling programme in summer 2020. Cornish Lithium recently reported it has found “globally significant” lithium grades in geothermal waters and is preparing for work on its pilot plant. Cornwall Resources are also moving forward with the development of their Redmoor project, of a significant tin, tungsten and copper deposit and a mining scoping study has recently been completed. The significant resource of gold at Curraghinalt in Northern Ireland (Dalradian) and Cononish in Scotland (Scotgold), where a recent announcement has been made to accelerate plans to double production, are other exciting examples that illustrate the continuing importance of the UK as a mineral producer.

National Policies

The UK has had no overarching national mineral strategy, policy or plan recognising the economic importance of a steady supply of essential minerals and mineral products, from domestic sources or imported. The current relevant planning documents for each part of the United Kingdom are:

- In England, the National Planning Policy Framework (England),
- In Scotland, Scottish Planning Policy 4: “Planning for Minerals” and “National Planning Framework/Scottish Planning Policy”
- In Wales, Planning Policy Wales and Minerals Technical Advice Note 1 and 2 (MTAN1 and MTAN2)
- In Northern Ireland, Strategic Planning Policy Statement for Northern Ireland, (SPPS)

The English National Planning Policy Framework (NPPF) states in paragraph 203 that “It is essential that there is a sufficient supply of minerals to provide the infrastructure, buildings, energy and goods that the country needs. Since minerals are a finite natural resource, and can only be worked where they are found, best use needs to be made of them to secure their long-term conservation.”

In 2018, in response to the lack of overarching strategy, the minerals industry produced the *UK Minerals Strategy*[1] which sets out the importance of the sector to the UK economy and highlights measures necessary to ensure that demand for minerals and mineral products is supplied sustainably over the next 25 years.

[1] https://mineralproducts.org/documents/UK_Minerals_Strategy.pdf

Review of MSG Activities in 2020

EITI is a global initiative that ensures transparency and accountability on how a country's natural resources are managed. This is a major concern in many resource-rich developing nations where the benefits of resource extraction are sometimes lost through mismanagement and corruption.

EITI is currently being implemented in 55 countries around the world, including the UK. The EITI International Secretariat, based in Oslo, supports countries in implementing a published set of requirements, the EITI Standard. 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.

A core part of EITI requires oil, gas and mining companies to voluntarily disclose their payments to government agencies and for the reconciliation of these payments with government receipts from these companies. This 'reconciliation process' takes place on an annual basis and is conducted by an independent administrator (in the UK's case BDO LLP), overseen by the UK EITI MSG. This report contains the results of the UK's sixth reconciliation process, covering calendar year 2019. This data has already been published on the Payments Data page of the UK EITI website.

All EITI implementing countries are validated against the EITI Standard, to provide an impartial assessment of whether implementation is consistent with the provisions of the EITI Standard. Countries are assessed against their progress in meeting the different requirements of the EITI Standard and are given a progress indicator for each requirement: 'no progress', 'inadequate progress', 'meaningful progress', 'satisfactory progress' or 'beyond'. In order to achieve the 'satisfactory' overall assessment the country must achieve a 'satisfactory' rating or above against each requirement. The UK completed its first validation against the EITI Standard in 2018 and received an overall assessment of 'meaningful progress', an amber-green rating. This means that significant aspects of each requirement have been implemented and the broader objectives of the requirements are being fulfilled, but there are a number of areas that need to be addressed before an assessment of 'satisfactory progress' can be achieved. The UK received eight corrective actions to address in order to achieve EITI compliance and the MSG have been working hard to address these this year.

This section of the report covers progress made on the corrective actions from the validation and the implementation against the EITI Standard in calendar years 2019 and 2020.

Overview

2019 and 2020 were busy years for UK EITI. The 4th State of the Industry and Reconciliation report, covering payments in 2017, was published in February 2019 and the 5th report, covering payments in 2018, was published in December 2019.

Significant progress was made in implementing the EITI Standard. The UK completed its first validation against the EITI Standard in November 2019 and achieved 'meaningful progress', with a number of corrective address. The MSG has been busy addressing the corrective actions and we expect to be in a position to begin our second validation in early 2021. We also carried out work to address the new requirements of the 2019 EITI Standard. This has included the update of the MSG Terms and Conditions to strengthen the requirement for greater diversity across the MSG and to set out clear MSG appointments and information-sharing processes across the three constituencies.

A major piece of work that started in late 2019 was the development of a UK EITI website. The website was launched in May 2020 and will be an important tool in taking forward the work on systematic disclosure and will ensure that the sector data and background information is made available to industry and the public in a timely manner. Earlier this year the website allowed us to publish the results of our 6th reconciliation covering calendar year payments made in 2019.

The MSG continued to meet every two months and the various subgroups covering the more detailed work on reconciliation, sectoral information, communications and mainstreaming continued to meet regularly throughout the year, with a new "Compliance Subgroup" being established to oversee the MSG's work on meeting EITI requirements.

Assessment of progress on EITI Standard requirements

N°	Requirement	Progress
1	Effective oversight by the multi-stakeholder group.	The MSG continued to meet regularly and the detailed work on implementation is undertaken by sub-groups in between MSG meetings. The sub-groups include representatives from each constituency. They make recommendations to the MSG for agreement. The key milestones and decisions made by the MSG in 2019 and 2020 included: **10 January 2019** – MSG agreed the final reconciliation report covering 2017 payments. **25 February 2019** – publication of 4th UK EITI report. **2 May 2019** – publication of draft UK validation report. **17 June 2019** – BDO LLP appointed the UK EITI Independent Administrator. **14 November 2019** – validation announcement that the UK had achieved "meaningful progress" in implementing the 2016 EITI Standard. **18 November 2019** – award contract to develop UK EITI website to Civic. **20 December 2019** – publication of the 5th UK EITI report covering payments in 2018. **29 May 2020** – new UK EITI website launched. **25 November 2020** – publication of 2019 reconciliation data on UK EITI website. **9 December 2020** – launch and publication of 6th UK EITI report.
2	Timely publication of EITI Reports.	The 5th UK EITI report (covering payments in 2018) was published on 20 December 2019. The reconciliation data covering 2019 payments was published on the UK EITI website on 25 November 2020 and the 6th report published on 9 December 2020. This demonstrates the UK's positive trajectory towards publishing more timely data.
3	EITI Reports that include sectoral information about the extractive industries.	The Sectoral Sub-group was responsible for drafting the sector information chapter for the 5th and 6th UK EITI Reports. A link to the 5th report is above. The sectoral information is also available directly on the new UK EITI website, under Extractive Industries in the UK. The MSG believe that this increases the transparency and

N°	Requirement	Progress
		accessibility of this data, it also ensures that sectoral information can be updated with the latest figures as new data becomes available, again contributing towards our objective of timely data.
4	The production of comprehensive EITI Reports that include full government disclosure of extractive industry revenues and disclosure of all material payments to government by oil, gas and mining companies.	The 5th UK EITI report was published in December 2019, it was estimated that overall compliance rates showed 98% of potential in-scope payments were captured. The 6th report, published in December 2020, had an estimated overall compliance rate of 99% of potential in-scope payments were captured.
5	A credible assurance process applying international standards	BDO LLP, an independent auditor, was contracted as the UK's 'Independent Administrator' to collect, audit and reconcile payments data received from companies with data from government agencies. This means that this data is collected and verified to international auditing standards so that a single, reliable set of figures on the revenue flows between UK Government and the extractive industries is available. The reporting template from companies had to be countersigned by a senior individual with the company to confirm that the figures provided were credible. For the beneficial ownership template options for qualified and full attestation were made available to companies.
6	EITI Reports that are comprehensible, actively promoted, publicly accessible, and contribute to public debate.	The UK's 5th EITI report was formally published on 20 December 2019 on the former Gov.uk page and was widely promoted by industry, civil society and government. The report has now been published on the new UK EITI website. The 6th report was published on 9 December 2020 via a virtual launch event that included presentations by the UK EITI Champion, civil society and industry. The publication was widely promoted by the MSG via their networks and through the UK EITI website.
7	The multi-stakeholder group to take steps to act on lessons learned and review the outcomes and impact of EITI implementation.	MSG have drawn up a Communications Strategy to identify opportunities and deliver communications activities to raise awareness of UK EITI. A paper exploring the impact of EITI implementation 2013-2020 has been agreed by the MSG and was published on the website on 1 December 2020.

Addressing corrective actions from the UK's first EITI validation

The table below provides the latest progress by the MSG in addressing the corrective actions from the 2018 validation at the time of publication of this report. Although the EITI International Secretariat found that the UK had made good progress in implementing the EITI Standard, it recommended that action was required in a number of areas in order for the UK to fully meet the Standard. These corrective actions and the actions undertaken to address them are set out in the table below.

N°	Corrective action	Progress
1	In accordance with Requirement 1.3.a, the civil society constituency should demonstrate that they are fully, actively and effectively engaged in the EITI process. Specifically, civil society should ensure that they are able to fully contribute and provide input to the EITI process by ensuring that the constituency is adequately represented on the MSG, with agreed mechanisms for wider constituency engagement.	A Civil Society Network (CSN) Coordinator was appointed in January 2020. The CSN conducted a nominations process and three full members and one alternate member were appointed to the MSG. One full seat and one alternate seat have been reserved for representatives from local communities. Outreach to local communities currently in progress and it is hoped that these seats will be filled shortly. The CSN membership principles are published on the UK EITI website and detail mechanisms for appointments and information sharing.
2	In accordance with Requirement 1.4.a.ii, the MSG should ensure that the civil society constituency is adequately represented, and that the civil society constituency appoints its own representatives, bearing in mind the desirability of pluralistic and diverse representation.	Civil society is fully engaged in both the MSG and its subgroups, although search for local community representatives continues. The CSN membership principles are published on the UK EITI website and detail mechanisms for appointments and information sharing.
3	In accordance with Requirement 2.2, the UK should disclose information related to the award or transfer of licences pertaining to the companies covered in EITI reporting. This information should include the number of mining, oil and gas licenses awarded and transferred in the year covered by the EITI reporting cycle, a description of the award procedures, including specific technical and financial criteria assessed, and highlight any non-trivial deviations in practice. The UK is encouraged to consider innovative solutions for embedding a public accountability mechanism to ensure transparency on any non-trivial deviations from statutory procedures in its systematic disclosures of information per Requirement 2.2.	The Secretariat have been working closely with government agencies and devolved administrations to ensure that information on the date of application, transfer and expiry of licences are disclosed. There is still some work to do, but it is hoped that this information will be available in early 2021. The MSG does not believe there are any non-trivial deviations in the award of licences and will include a line to this effect on the website.
4	In accordance with Requirement 2.3, the UK should maintain a publicly available register or cadastre system(s), including comprehensive information on all active licenses held by all mining and quarrying companies included in the scope of EITI reporting. In the interim the UK should ensure that future EITI reporting provides the information set out under Requirement 2.3.b for all mining and quarrying companies. The UK is encouraged to consider the extent to which integration of EITI reporting with the work of organisations like the British Geological Survey could ensure systematic disclosure of information mandated under Requirement 2.3.b.	The Secretariat have been working closely with government agencies and devolved administrations to ensure that information under requirement 2.3 is publicly disclosed for all government agencies in scope of EITI and hopes to achieve full compliance with this requirement in early 2021.

N°	Corrective action	Progress
5	In accordance with Requirement 2.4, the UK should ensure that the government's policy on disclosure of contracts and licences that govern the exploration and exploitation of oil, gas and minerals is publicly codified.	The MSG does not understand the UK Government to have a policy on the disclosure of contracts and licences that govern the extractives sector. Therefore, at the MSG meeting 16th September 2020 the MSG agreed that this corrective action could be met by being clear on our website that government does not have a specific policy on this and explain what level of information is disclosed by each organisation and, where it can be found, outlining any cases where the full text of licences is not disclosed and the reasons for this. The Secretariat are drafting the content for the new "Contract and Licence Transparency" section of the website. It will be uploaded onto the website shortly.
6	In accordance with Requirement 6.1, the UK should assess the materiality of mandatory social expenditures ahead of future EITI reporting and ensure that reporting of mandatory social expenditures be disaggregated by type of payment, nature of in-kind contributions and beneficiary(ies), clarifying the name and function of any non-government (third-party) beneficiaries where applicable.	The MSG believes that the text in the background chapter of the 2018 report entitled 'Extractive Industries in the UK' and the Reconciliation Report meets this corrective action. The MSG agreed that this revenue stream is still material and should be retained as in-scope for the 2019 reconciliation process. The MSG has reviewed the guidance and templates and are content that they cover social expenditure adequately and that no further detail is required.
7	In accordance with Requirement 7.1, the UK should ensure that outreach events, whether organised by government, civil society or companies, are undertaken to spread awareness of and facilitate dialogue about the EITI Report across the country.	A new UK EITI website was launched in May 2020, allowing industry and the public to access to timely data and information on the extractives sector. Two launch events were planned and in the process of being finalised in Aberdeen and London, but had to be postponed in the wake of COVID-19. The 6th UK EITI report will be launched virtually on 9 December 2020, with presentations from the UK EITI Champion and representatives from civil society and industry. An audience will be invited from stakeholders across industry, civil society and government.
8	In accordance with Requirement 7.4, the MSG, with the full, active and effective engagement of civil society, should review the impact of the first five years of EITI implementation and explore the opportunities to further leverage the EITI platform to enrich public debate on the governance and stewardship of the UK's oil, gas and mineral resources.	The Secretariat have drafted an impact paper, ensuring that all constituencies were fully engaged in this process. The MSG agreed the proposed evaluation questions drafted by the Secretariat: i) What has UK EITI done in its first five years of implementation to achieve its objectives? ii) What has been the impact of EITI implementation in the UK on natural resource governance?

N°	Corrective action	Progress
		iii) How could the UK further leverage the EITI platform to enrich public debate on the governance and stewardship of the UK's oil, gas and mineral resources? The paper was tabled to the MSG approved and was uploaded onto the website on 1 December 2020, it can be found here.

Progress against workplan, including impacts

Every year the UK EITI MSG agrees a workplan setting out its priorities for the year and how they align against UK EITI's four overarching objectives. The following table provides an overview of the progress made by the MSG against each action on the workplan at the time of publication of the report. More detail can be found in our 2020 workplan on the UK EITI website.

N°	Objective	Progress
1	Uphold the principles set out in the 2019 EITI Standard and implement them in a way suitable for the UK context.	The MSG established a Compliance Subgroup to take forward the corrective actions from the validation and to address the new requirements of the 2019 Standard. A paper assessing the impact of the first five years of UK EITI has been approved by the MSG and was published on the UK EITI website on 1 December 2020. The MSG Terms of Reference have been reviewed and updated to reflect new requirements of the 2019 Standard on gender and diversity and to strengthen appointment and succession planning processes. The Secretariat has worked closely with Civil Society Network to ensure they are fully represented on the MSG, having relied on interim members for a short time. The CSN have documented their nominations process, which includes mechanisms to ensure diverse representation, the Network is actively seeking representatives from local communities.
2	Promote transparent and accessible disclosure systems and good governance in the extractives sector. Enhance accountability on revenues from the UK's extractives industries.	The new UK EITI website was launched in May 2020, providing data and information on the extractives sector in a timely manner. The data from the 6th reconciliation process was published on 25 November 2020, before this report was published, and the website puts a new focus on systematic disclosure of data: it signposts many new data sources that have been identified by the Mainstreaming Subgroup. The 6th UK EITI Report will be launched at a virtual event on 9 December 2020 with a keynote speech by Lord Callanan, the UK EITI Champion, and civil society and industry representatives. New data on gender employment and environmental taxes was identified and added to the website as required by the 2019 EITI Standard. Work is ongoing on the new requirement to publish contracts and licences entered into, signed or amended from 1 January 2021.

N°	Objective	Progress
3	Increase public understanding of the social and economic impacts of the UK's extractive industries and enrich public debate on the governance and stewardship of the UK's oil, gas and mineral resources.	The UK EITI website launched in May 2020 and provides a single place for members of the public to find out about the extractive industries. Planned awareness launch events for the launch of the website in Aberdeen and London had to be postponed due to the global pandemic. A virtual launch of the 6th UK EITI report is planned for 9 December 2020. Members have ensured that information on the planned awareness raising events and new website were disseminated to their stakeholders and contacts. UK EITI has also been promoted via industry and civil society events, websites and social media platforms. Lord Callanan, the Minister for Climate Change and Corporate Responsibility at the Department for Business, Energy and Industrial Strategy (BEIS) was appointed as the new UK EITI Champion.
4	Contribute to international efforts to further transparent and accessible disclosure systems, common global reporting standards and good governance in the extractives sector.	UK EITI Secretariat have held regular meetings with colleagues from the secretariats in Germany and the Netherlands. The Secretariat have also had ad-hoc contact with other countries such as Trinidad and Tobago, Mongolia and participated in a workshop on mainstreaming organised by the Columbian EITI Secretariat. The UK Secretariat is in regular contact with the International Secretariat, particularly with regard to process changes brought about by the global pandemic and its impact on revalidation and reporting.

Efforts to strengthen the impact of EITI implementation on natural resource governance

UK already benefits from a high level of extractives transparency and many of the disclosures required by EITI are already systematically disclosed. However, as outlined in our Mainstreaming Feasibility Study, this data is often spread across a range of sources so there is no one place for individuals to go to find out more about the UK extractive industries. UK EITI provides a key role in collating the data available into a more accessible format, and signposting additional data sources, so that the public have the tools available to hold the extractive sector to account.

Prior to the launch of the new UK EITI website (www.ukeiti.org) on 25th May 2020, data had been published in annual reports on Gov.uk. However, the sectoral information collated by UK EITI is now an integral part of the new website and is updated on a regular basis as new data becomes available, rather than once annually, which represents a move towards increased systematic disclosure. Six months since the launch of the new website, the UK EITI website has received a total of 2,949 views, of which 921 (approximately 31%) were on our reporting or sectoral information pages,[1] which demonstrates significant interest in the data collated and published by UK EITI.

The MSG also carried out a range of outreach activities in 2019 and 2020: MSG members and the UK Secretariat have raised awareness of UK EITI by organising and participating in events, written communications and social media outreach. These have included:

- Speaking slot for the MSG Chair at the Mineral Products Association (MPA) annual conference (June 2019).

[1] Data from Google Analytics, sourced 19th November 2020 and covering the period 29th May 2020- 18th November 2020.

- Participation by Chair and National Coordinator at the EITI Global conferences and Board meetings in Paris and Oslo (June 2019 and February 2020).
- Presentation on UK EITI by the Secretariat to Armenian Secretariat and members of their MSG (September 2019).
- Article on UK EITI in Autumn 2019 edition of OGUK magazine: Wireline.
- PWYP UK blog welcoming the publication of the UK EITI report covering 2018 payments data (January 2020).
- Statement in support of UK EITI and Tweet by new EITI Champion, Lord Callanan, Minister for Climate Change and Corporate Responsibility (July 2020).
- Presentation on UK experience of mainstreaming for webinar hosted by the Colombian EITI Secretariat (September 2020).
- Speaking slot at the ABC Minds Energy and Extractives Virtual Conference (September 2020).
- Virtual launch of the UK EITI Annual Review 2020, with a keynote speech from the EITI Champion and speakers from government, industry and civil society (December 2020).

Extractive payments reconciliation report

Introduction

The extractives sectors continue to make sizeable tax payments to the UK Government. However, principally in the context of oil and gas decommissioning activity, parts of the sector also received repayments from Government of tax paid previously where loss carry back for decommissioning costs reduced earlier years' taxable profits.

In order to improve public understanding of these payments, UK EITI analyses these payments against each relevant tax and licence. The data is based on a reconciliation exercise where we asked companies to disclose their payments/repayments to HM Revenue & Customs (HMRC), The Crown Estate (TCE) or Crown Estate Scotland (CES) at group level above a threshold level (£86,000). Additionally, the reconciliation included companies that paid more than £1 million to the Oil & Gas Authority (OGA), even if the company did not make any other payment/repayment above a threshold. Government agencies were also asked to disclose what they receive from oil, gas, mining and quarrying companies. These figures were then reconciled by an independent administrator. The UK EITI website contains information on the oil and gas and mining and quarrying tax regimes.

This, our sixth reconciliation 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 2019. This data was published on the UK EITI website on 25 November 2020.

The reconciliation process consisted of the following steps:

- analysis of the reconciliation scope prepared by the Multi-Stakeholder Group (MSG);
- collection of payment data from government agencies and extractive companies which provide the basis for the reconciliation;
- comparison of amounts reported by government agencies and extractive companies to determine if there were discrepancies between the two sources of information; and
- contact with government agencies and extractive companies to resolve the discrepancies.

A total of 37 oil and gas companies and 17 mining and quarrying companies participated in compiling the report, with continuing high industry participation. This represents 99.30% of potential in-scope payments. We consider this to be a comprehensive picture as the vast majority of companies we approached provided their data. The MSG is grateful to all those companies that participated in the process this year. This report incorporates information collected up to 11 November 2020. Any information collected after this date has not been included in the report.

Scope

This year we have included the following payment streams:

- **Oil and gas sector:** combined total for Ring-Fence Corporation Tax (RFCT) and Supplementary Charge (SC); Petroleum Revenue Tax (PRT) and Advance Petroleum Revenue Tax; Petroleum Licence Fees; the OGA Levy; and payments to TCE and CES in respect of pipelines operated by companies that are engaged in UK extractive activities. The MSG agreed that companies which paid more than £1 million to the OGA should also be included in the reconciliation.

- **Mining and Quarrying sector:** Corporation Tax; extractive-related payments to TCE and CES; 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 2019 UK EITI were HMRC, the OGA, TCE and CES.

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 2019. All material differences have been reconciled.

Table 1: Detailed Extractive Industries Payments to/refunds from UK Government in 2019[1]

This table provides an overview of the payments and refunds reported by extractive companies and government agencies in 2019, which provides a net total £1,513.69 million. Most of these transactions cover Ring-Fence Corporation Tax and Supplementary Charge payments to HMRC and licence fee payments to the OGA. A total of £10.55 million was reported by out-of-scope and non-participating companies and this is subtracted from the overall total, leaving a total of £1,503.14 million reported by government and a total of £1,503.13 million reported by UK in-scope companies. The final reconciliation shows an unreconciled difference of £0.01 million, which works out at 0.001% of the total, highlighting the transparency of the UK sector.

[1] Payments for petroleum licence fees, field-level petroleum revenue tax payments and payments to TCE and CES are included in the online disclosure of project level payments and repayments at (https://www.ukeiti.org/publications-reports)

(in £ million)

Payment stream:	Petroleum Licence Fees	OGA Levy	PRT	RFCT & SC	Mainstream CT	Payments to TCE	Payments to TCE	Payments to CES	Payments to CES	Total payments
Type of payee:	Oil & Gas	Oil & Gas	Oil & Gas	Oil & Gas	Other Mining & Quarrying	Oil & Gas	Other Mining & Quarrying	Oil & Gas	Other Mining & Quarrying	All
Recipient:	OGA	OGA	HMRC	HMRC	HMRC	TCE	TCE	CES	CES	All
Total reported by government agencies	65.72	25.28	-310.10	1,658.37	48.02	2.53	22.04	1.64	0.19	1,513.69
Total reported by government agencies for out-of-scope and non-participating extractive companies[(a)]	7.60	2.05	0.07	-2.03	2.63	0.00	0.00	0.04	0.19	10.55
Total reported by government agencies for in-scope extractive companies	58.12	23.23	-310.17	1,660.40	45.39	2.53	22.04	1.60	0.00	1,503.14
Total reported by in-scope extractive companies	58.12	23.23	-310.17	1,660.39	45.39	2.53	22.04	1.60	0.00	1,503.13
Net unreconciled difference[(b)]	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.01

[(a)] 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.

[(b)] All net unreconciled differences are below the materiality deviation agreed by the MSG.

Table 2: Extractive Industries Payments to/refunds from UK Government in 2019

This table shows a breakdown of payments and refunds of the data in Table 1 (above) by sector (oil and gas and mining and quarrying) and government agency (OGA, HMRC, TCE and CES) for all the companies that participated in UK EITI for 2019.

(in £ million)

Type of payee:	Oil & Gas	Other Mining & Quarrying	All	All	All	All	All
Recipient:	All	All	OGA	HMRC	TCE	CES	All
Total reported by government agencies	1,443.44	70.25	90.99	1,396.30	24.57	1.83	1,513.69
Total reported by government agencies for out-of-scope and non-participating extractive companies[(a)]	7.73	2.82	9.65	0.67	0.00	0.23	10.55
Total reported by government agencies for in-scope extractive companies	1,435.71	67.43	81.34	1,395.63	24.57	1.60	1,503.14
Total reported by in-scope extractive companies	1,435.70	67.43	81.34	1,395.62	24.57	1.60	1,503.13
Net unreconciled difference**	0.01	0.00	0.00	0.01	0.00	0.00	0.01

[(a)] 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.

[(b)] All net unreconciled differences are below the materiality deviation agreed by the MSG.

Adjustments to the EITI reconciliation scope

Each year the number of companies assessed as in-scope changes as new companies slip above or below the threshold of £86,000 or companies' merge. In 2019 the reconciliation was adjusted slightly during the reconciliation exercise as more information on the extractive nature and materiality of payments emerged and we believe that we have captured all material financial flows. The changes are detailed as follows:

Table 3: Adjustments to the EITI reconciliation scope

Sector	2018 Scope	+	-	2019 Scope
Oil & Gas	39	8	-10	37
Mining & Quarrying	16	3	-2	17
Total	**55**	**11**	**-12**	**54**

Oil & Gas sector

Six companies were added to the reconciliation scope when it was realised that their payments/repayments made to HMRC exceeded £86,000 for the calendar year 2019.

One company was added to the reconciliation scope when it was realised that its payments/repayments made to CES exceeded £86,000 for the calendar year 2019.

One company decided to participate voluntarily in the EITI reporting process.

Seven companies that were initially sent reporting templates were subsequently excluded from the reconciliation process because as part of the reconciliation exercise it emerged that they made/received no material payments/repayments during the calendar year 2019.

Two companies were acquired by other in-scope companies that submitted a combined reporting template. Accordingly, this reduced the number of in-scope companies by two.

One company declined to participate in the reconciliation process.

Mining & Quarrying sector

Three companies were added to the reconciliation scope when it was realised that their payments/repayments made to HMRC exceeding £86,000 for the calendar year 2019.

Two companies declined to participate in the reconciliation process.

The final number of companies (both oil and gas and mining and quarrying) included in the EITI reconciliation scope was therefore 54.

Data collection

Three potentially in-scope companies chose not to submit returns, one oil & gas company and two mining companies. As the total amount reported by government and extractive companies subject to the reconciliation constitutes more than 99% of the total reported by government agencies, the overall reconciliation outcome is substantial and satisfactory.

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.

Table 4: Oil & gas companies

This table lists, in alphabetical order, the oil and gas companies that participated in the 2019 reconciliation process and provides a breakdown of their total payments and receipts against each individual tax and licence regime.

£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	
Alpha Petroleum			1,151.54	282.42			**1,433.95**	**1,433.95**
ANASURIA HIBISCUS UK Ltd	8,063.66						**8,063.66**	**8,063.66**
Apache Corporation	171,203.43		1,243.11	638.91			**173,085.45**	**173,085.45**
BHP Billiton Petroleum Great Britain Ltd	17,071.02						**17,071.02**	**17,070.02**
BP UK Group		-20,735.70	4,350.41	1,414.93		210.64	**-14,759.72**	**-14,758.72**
CalEnergy Gas Ltd	-348.96						**-348.96**	**-348.96**
Centrica	40,543.68	-70,077.77	4,774.87	1,846.69	395.45		**-22,517.09**	**-22,517.31**
CHRYSAOR	198,515.62	1,762.57	3,476.26	2,431.28	397.90	176.33	**206,759.95**	**206,759.95**
CNOOC Petroleum Europe Limited (formerly Nexen Petroleum UK Ltd)	274,584.52		4,652.88	673.61			**279,911.01**	**279,911.03**
CNR International UK Investments Ltd	16,474.91		304.49	724.48			**17,503.88**	**17,503.88**
Dana Petroleum Ltd	-941.49	-6,089.16	620.30	563.75			**-5,846.60**	**-5,852.61**
ENI UK Ltd	129,031.45	-3,744.71	2,407.57	355.74	910.48		**128,960.52**	**128,960.52**
EnQuest PLC	8,508.55		1,036.57	1,005.27		86.38	**10,636.78**	**10,637.78**
Equinor UK Ltd			2,335.26	447.26			**2,782.52**	**2,782.52**
ExxonMobil International Ltd	97,695.27	-78,693.40					**19,001.87**	**19,001.87**
Hurricane Energy Plc			2,214.78	112.04			**2,326.81**	**2,326.81**
IGas Energy PLC			1,073.98	94.06			**1,168.03**	**1,168.03**
INEOS Industries	-1,296.83	-705.35	3,545.65	288.03	129.00	215.31	**2,175.81**	**2,175.43**
Iranian Oil Company (U.K.) Ltd	15,568.27						**15,568.27**	**15,568.27**
Ithaca Energy UK	168,586.46	-2,591.99	1,072.34	560.72		111.16	**167,738.70**	**167,739.17**
JX Nippon Exploration and Production UK Ltd	-7,294.36	-2,066.02	86.97				**-9,273.41**	**-9,273.41**

£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	
Neptune Energy (including Engie E&P UK Ltd)			2,427.12	495.21			**2,922.33**	**2,922.33**
NOBLE ENERGY GROUP	-707.06						**-707.06**	**-706.64**
NSMP Operations Ltd						193.42	**193.42**	**193.42**
ONE-Dyas UK Ltd (Formerly Oranje-Nassau Energie Resources Ltd)	25,070.10		1,006.77				**26,076.87**	**26,076.87**
Perenco UK Ltd	86,387.17		3,369.33	2,100.87	700.66		**92,558.02**	**92,557.98**
Premier Oil PLC	-349.52		2,404.90	676.04			**2,731.41**	**2,731.41**
Repsol Sinopec Resources UK Ltd	-52,442.92	-9,977.28	2,198.85	2,196.27			**-58,025.07**	**-58,025.07**
RockRose UKCS8 LLC (formerly Marathon Oil UK LLC)	28,802.47	-12,426.83	547.38	470.17			**17,393.19**	**17,390.92**
Royal Dutch Shell PLC	-25,421.06	-87,905.71	2,124.23	2,749.06		220.91	**-108,232.58**	**-108,230.95**
SAGE North Sea Ltd						190.61	**190.61**	**190.61**
SICCAR POINT ENERGY			2,886.16	97.42			**2,983.58**	**2,983.58**
SUMMIT Exploration and Production	7,435.00						**7,435.00**	**7,435.00**
Suncor Energy UK Ltd	206,500.00						**206,500.00**	**206,500.00**
TAQA Bratani Ltd	33,428.56	-16,915.31	807.72	723.40			**18,044.36**	**18,044.36**
TOTAL Group / Total Holdings UK Limited	234,741.49		5,999.87	2,282.22		189.66	**243,213.24**	**243,210.54**
TULLOW OIL PLC	-19,008.52						**-19,008.52**	**-19,008.52**
Total	**1,660,401**	**-310,167**	**58,119**	**23,230**	**2,533**	**1,594**	**1,435,711**	**1,435,703**

Table 5: Other mining & quarrying companies

This table reports, in alphabetical order, the mining and quarrying companies that participated in the 2019 process and provides a breakdown of their total corporation tax payments and receipts and their total payments made to TCE: there were no payments by these companies to CES.

£000	As reported by Government Agencies			Total reported by company
	Mainstream Corporation Tax	Payments to TCE	Total	
Aggregate Industries UK Ltd[(a)]	12,260.78	680.18	**12,940.96**	**12,940.96**
Albion Stone	183.06	90.63	**273.70**	**273.70**
Breedon Group PLC	15,094.55	248.23	**15,342.78**	**15,342.98**
Brett Group	-279.26		**-279.26**	**-279.26**
Britannia Aggregates Ltd		518.79	**518.79**	**518.79**
Cemex UK Materials Ltd	281.61	5,637.02	**5,918.63**	**5,918.63**
Cleveland Potash Ltd		830.27	**830.27**	**830.27**
DEME Building Materials Ltd	94.09	1,888.41	**1,982.50**	**1,982.50**
Hanson UK Group		3,285.85	**3,285.85**	**3,279.42**
Irish Salt Mining & Exploration Co. Ltd	1,927.76		**1,927.76**	**1,927.76**
Llanelli Sand Dredging Ltd		346.85	**346.85**	**346.85**

£000	As reported by Government Agencies			Total reported by company
	Mainstream Corporation Tax	Payments to TCE	Total	
Saint-Gobain Ltd[(b)]	16,500.00		**16,500.00**	**16,500.00**
Tarmac Holdings Limited	-4,299.39	5,065.50	**766.12**	**766.12**
The Banks Group	2,620.66		**2,620.66**	**2,620.00**
Van Oord UK Ltd	668.74	460.74	**1,129.48**	**1,129.48**
Volker Dredging Ltd		2,031.37	**2,031.37**	**2,031.37**
Westminster Gravels Ltd	339.00	959.05	**1,298.05**	**1,298.55**
Total	**45,392**	**22,043**	**67,435**	**67,428**

(a) Including the payments made by Kendall Bros (Portsmouth) Ltd
(b) Including the payments made by Saint-Gobain Construction Products UK Limited

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 summary tables 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.ukeiti.org/publication/uk-eiti-payments-report-2019, which also includes reconciled field level data on Petroleum Revenue Tax and project-level payments to TCE and CES.

Separate to the UK EITI payment reconciliation exercise and complementing the information in this report, a number of companies have reported their 2019 payments to governments around the world, including to UK government entities, under the EU Accounting and Transparency Directives. There can be differences in the amounts reported under UK EITI and under the EU Accounting and Transparency Directives. These differences can relate to interpretation of the scope of payment categories, reporting currency and timing. The Natural Resource Governance Institute maintains a database of Payments to Governments reports submitted by companies under EU/EEA and equivalent Canadian legislation.[1]

Section 106 (Town and Country Planning Act 1990) Payments

Payments to local planning authorities in England and Wales are required under section 106 of the Town and Country Planning Act 1990 and equivalent legislation in Scotland and Northern Ireland. These are used to mitigate the impact of extractive activities on the local community and benefit local communities. These payments can provide external benefits, including the improvement of local road networks or community facilities.

Only one company reported material payments under section 106 or equivalent legislation. It was Aggregate Industries UK Ltd, who reported total payments for £113,326.

[1] www.resourceprojects.org.

UK-incorporated companies, where a parent company is not reporting in a non-UK jurisdiction, file payments reports online with the Companies House Extractives Service: https://extractives.companieshouse.gov.uk

London Stock Exchange Main Market-listed companies (including those that are both UK and non-UK incorporated) announce or file payments reports online with Morningstar, the UK National Storage Mechanism: http://www.morningstar.co.uk/uk/NSM

Beneficial Ownership

As part of EITI reporting, companies are asked to disclose their beneficial owners; that is, information on the people who ultimately own and control each company.

Most UK-registered companies are required to submit information on people with significant control (PSC) to Companies House. Publicly listed companies are exempt from PSC requirements because they already provide beneficial ownership information under stock exchange requirements. Therefore, in order to disclose their beneficial ownership information for EITI reporting, UK-registered companies need only confirm their filing and provide the link to the relevant page at Companies House in their EITI beneficial ownership declaration form. Private companies who have not filed information at Companies House on PSCs should disclose their beneficial ownership information in the EITI beneficial ownership declaration form.

All 54 companies who submitted EITI reporting templates also submitted a beneficial ownership declaration form. 36 of the reporting templates received were from companies that are either publicly listed or wholly owned subsidiaries of a publicly listed company, meaning that they provide beneficial ownership information under stock exchange requirements. The remaining 18 companies were privately held.

Table 6: Privately held companies

N°	Sector	Company
1	M&Q	Albion Stone
2	M&Q	Brett Group
3	M&Q	Britannia Aggregates Ltd
4	M&Q	Irish Salt Mining & Exploration Co. Ltd
5	M&Q	The Banks Group
6	M&Q	Van Oord UK Ltd
7	M&Q	Volker Dredging Ltd
8	O&G	Alpha Petroleum
9	O&G	CHRYSAOR
10	O&G	Dana Petroleum Ltd
11	O&G	INEOS Industries
12	O&G	Iranian Oil Company (U.K.) Ltd
13	O&G	Neptune Energy (Engie E&P UK Ltd)
14	O&G	NSMP Operations Ltd
15	O&G	ONE-Dyas UK Ltd (Formerly Oranje-Nassau Energie UK Ltd)
16	O&G	Perenco UK Ltd
17	O&G	SAGE North Sea Ltd
18	O&G	SICCAR POINT ENERGY

Information on the beneficial owners of these 18 privately held companies can be found on the Companies House website[1]: simply search for the company you are interested in and use the 'people' tab to access information about PSCs.

Private companies are also asked to disclose information on any owners who are identified as "politically exposed", i.e. have political influence, or who, as family members or close associates, have links to senior political figures or government officials in the UK or

[1] https://beta.companieshouse.gov.uk/

abroad, and who have a share of 5% or more in the company. In 2019, no privately owned companies making material payments under the EITI Standard disclosed politically exposed people. We cannot comment on whether companies who did not participate in this year's reporting process have any politically exposed people.

A number of extractive companies making material payments to the UK government are ultimately controlled by foreign government entities, which is a matter of public interest. It is important that the UK's beneficial ownership system is able to accurately capture details of foreign government ownership of companies operating in the UK's extractive sector.

More information on the UK's beneficial ownership regime can be found on the beneficial ownership page of the UK EITI website.

Annex A: Background information on the Extractive Industries Transparency Initiative and UK implementation

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 55 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 EITI International 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.

Further background on UK EITI and the work of the UK EITI Multi-Stakeholder Group (MSG) is available on the UK EITI website (www.ukeiti.org).

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	1st UK EITI Report published. (Period covered: calendar year 2014 / Sectors covered: Oil, Gas, Mining and Quarrying)
31 March 2017	2nd UK EITI Report published. (Period covered: calendar year 2015 / Sectors covered: Oil, Gas, Mining and Quarrying)
30 April 2018	3rd 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	4th UK EITI Report published. (Period covered: calendar year 2017 / Sectors covered: Oil, Gas, Mining and Quarrying)
2 May 2019	UK draft Validation report published.
14 November 2019	Validation announcement that UK had made “meaningful progress” in implementing the 2016 EITI Standard.
20 December 2019	5th UK EITI Report published. (Period covered: calendar year 2018 / Sectors covered: Oil, Gas, Mining and Quarrying)
29 May 2020	Launch of UK EITI website.
9 December 2020	6th UK EITI Report published. (Period covered: calendar year 2019 / Sectors covered: Oil, Gas, Mining and Quarrying)

Annex B: Glossary of Abbreviations

BEIS	Department for Business, Energy and Industrial Strategy
CCUS	Carbon Capture, Utilisation or Storage
CDEW	Construction, Demolition and Excavation Wastes
CDFA	Coal-Derived Fly Ash
CES	Crown Estate Scotland
COP	Conference of Parties
CSN	Civil Society Network
CT	Corporation Tax
EITI	Extractive Industries Transparency Initiative
EU	European Union
FBA	Furnace Bottom Ash
GB	Great Britain
GHG	Greenhouse Gas
GVA	Gross Value Added
HM	Her Majesty's
HMRC	Her Majesty's Revenue & Customs
IBA	Incinerator Bottom Ash
IEA	International Energy Agency
M&Q	Mining & Quarrying
MPA	Mineral Products Association
MSG	UK EITI Multi-Stakeholder Group
MTAN	Minerals Technical Advice Note
NPPF	National Planning Policy Framework
O&G	Oil & Gas
OECD	Organisation for Economic Co-operation and Development
OGA	Oil and Gas Authority
ONS	Office of National Statistics
PRT	Petroleum Revenue Tax
PSC	People with Significant Control
RFCT	Ring Fence Corporation Tax
SC	Supplementary Charge
SPPS	Strategic Planning Policy Statement for Northern Ireland
TCE	The Crown Estate
TCFD	Taskforce on Climate-related Financial Disclosures
UK	United Kingdom
UKCS	UK Continental Shelf
UN	United Nations