

Validation of the United Kingdom

Report on initial data collection and stakeholder consultation

Abbreviations

AP	Accounting Period
APRT	Advance Petroleum Revenue Tax
BEIS	Department for Business, Energy & Industrial Strategy
BGS	British Geological Survey
Boe	barrel of oil equivalent
CA	Coal Authority
CES	Crown Estate Scotland
DAERA	Department of Agriculture, Environment and Rural Affairs
DCLG	Department for Communities and Local Government
DfE	Department for the Economy
DRD	Decommissioning Relief Deed
DUKES	Digest of United Kingdom Energy Statistics
EITI	Extractive Industries Transparency Initiative EU European Union
GB	Great Britain
GDP	Gross Domestic Product
HMRC	Her Majesty's Revenue & Customs
IA	Independent Administrator
ISRS	International Standard on Related Services
LPA	Local Planning Authority
MEA	Mineral Extraction Allowance
MMO	Marine Management Organisation
MPA	Mineral Planning Authority
MPL	Mineral Prospecting Licence
MSG	Multi-Stakeholder Group
Mtoe	million tonnes of oil equivalent
NAO	National Audit Office
NBP	National Balancing Point
NRW	Natural Resources Wales
OBR	Office for Budget Responsibility
OGA	Oil and Gas Authority
OGP	Open Government Partnership
ONS	Office for National Statistics
PEARS	Petroleum e-business assignments and relinquishment system
PEP	Politically Exposed Person
PMA	Plant and Machinery Allowances
PRT	Petroleum Revenue Tax
PSC	People with Significant Control
RFES	Ring Fence Expenditure Supplement
SC	Supplementary Charge
SEPA	Scottish Environment Protection Agency SoS Secretary of State
TCE	The Crown Estate
ToR	Terms of Reference
UK	United Kingdom
UKCS	UK Continental Shelf
US	United States

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Executive Summary

The United Kingdom (UK) became an EITI implementing country in October 2014 after submitting a candidature application in August 2014. A multi-stakeholder group (MSG) was formed and has overseen the publication of four EITI reports covering the years 2014 - 2017. On 25 October 2016, the Board agreed that the UK's Validation under the 2016 EITI Standard would commence on 1 July 2018¹.

This report presents the findings and initial assessment of the International Secretariat's data gathering and stakeholder consultations. The International Secretariat has followed the Validation Procedures and applied the Validation Guide in assessing the UK's progress with the 2016 EITI Standard. While the assessment has not yet been reviewed by the MSG or been quality assured by the independent validator, the Secretariat's preliminary assessment is that much progress has been achieved in the process. However, eight requirements are assessed as unmet with meaningful progress. The corrective actions identified through this assessment relate to civil society engagement and MSG oversight (*see Requirements 1.3 and 1.4*), license allocation and registers (*see Requirements 2.2 and 2.3*), production and export data (*see Requirements 3.2 and 3.3*), the reporting of social expenditures by companies (*see Requirement 6.1*) and reviewing the outcomes and impact of implementation (*Requirement 7.4*).

Overall conclusions

EITI implementation in the UK has two mutually reinforcing objectives. Domestically, the UK EITI aims to 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. This is achieved by working to ensure that essential information to inform public debate is accessible and presented to the public in a clear manner. Internationally, EITI implementation supports the UK government's championing of extractives transparency and open government. UK industry and civil society have strongly supported these efforts. UK EITI stakeholders agree that, having helped establish the EITI globally, the UK should "practice what we preach" and set an example for other resource rich countries.

These objectives have been met. While the UK EITI has been hampered by internal challenges related to the representation of civil society organisations on the multi-stakeholder group, the UK has produced four high-quality EITI reports that address both the domestic and international objectives. There is limited demand for EITI data, not least since a considerable amount of information is already publicly available. Oil, gas and mining companies incorporated in the United Kingdom or listed on the London Stock Exchange (LSE) publish reports on payments to governments each year under UK law. Payment reporting covers payment types as published under the EITI. While these are not disaggregated to the levels required by the EITI Standard, they are more up to date and cover every country where each company operates. The UK EITI Reports collate a wide range of information relating to the UK. In accordance with the 2016 EITI Standard, they reconcile company and government disclosures. The resulting information is of interest to relatively small and specialised audiences. That said, the high quality of EITI Reports

¹ <https://eiti.org/document/validation-schedule-decisions>

underscores the government's commitment to transparency and accountability, and stakeholders continue to see value in using domestic implementation as a means to encourage other resource-rich countries to implement the EITI and high social and environmental standards.

Concurrent with preparing for this Validation, the MSG was exploring opportunities to streamline EITI implementation through systematic disclosure ("mainstreaming"), which would speed up the publication of data and reduce the cost associated with EITI Reporting. Accelerating this work presents a further opportunity for the UK to set an example to other EITI implementing countries.

As noted above, the UK EITI has been hampered by internal challenges related to the nomination and representation of civil society organisations on the multi-stakeholder group. The civil society organisations that had been active in the EITI's work globally since its inception played a strong and supportive role in establishing the EITI in the UK. Through the UK EITI Civil Society Network (CSN) these groups represented civil society when the MSG was first established. However, concurrent with similar challenges with the EITI's global governance²³, conflict arose regarding how civil society representatives to the MSG should be selected. The EITI Standard requires that "each stakeholder group must have the right to appoint its own representatives, bearing in mind the desirability of pluralistic and diverse representation" and that "the nomination process must be independent and free from any suggestion of coercion" (*Requirement 1.4*). An organisation called the Extractive Industries Civil Society (EICS) challenged the existing nomination process⁴. When efforts to agree a compromise stalled, the UK government took a decision to split the nomination role between the two groups. This led the CSN to withdraw from the UK EITI process⁵, a situation that persisted until the commencement of Validation.

The International Secretariat is not mandated or resourced to carry out a detailed examination of this controversy, or to comment on the behaviour and motivations of the parties involved. The views of the CSN and the EICS are a matter of public record and are summarised in this assessment. The International Secretariat team met with representatives from each group. Validation focusses on whether the EITI Requirements have been met and whether the broader objective of the requirements have been fulfilled. The International Secretariat has applied the Validation Guide and determined that Requirements 1.3 regarding civil society engagement and 1.4 regarding the multi-stakeholder group oversight are not met. As of 1 July 2018, the civil society constituency was not "fully, actively and effectively engaged in the EITI process" (Requirement 1.3) and not adequately engaged in MSG oversight of EITI implementation (Requirement 1.4). As a consequence, the broader objectives of the EITI have not been fulfilled.

The International Secretariat does not consider these incidents to constitute a breach of the civil society protocol. There is no evidence of any legal, regulatory or practical barriers to civil society's ability to engage in EITI, nor to their ability to freely operate, communicate and cooperate with the broader constituency. In the International Secretariat's view, the government's efforts to address the challenges regarding the representation of civil society organisations on the multi-stakeholder group were made in

² The Economist (2016) "Flare-up: Tensions run high at an international transparency initiative"

<https://www.economist.com/business/2016/02/25/flare-up>

³ Clare Short (2016) "The former EITI chair Rt Hon Clare Short reflects". <https://eiti.org/blog/former-eiti-chair-rt-hon-clare-short-reflects>

⁴ Martin Brown (2017) "PWYP walks out of UK EITI (again)" <http://goxi.org/profiles/blogs/pwyp-walks-out-of-ukeiti-again>

⁵ UK EITI Civil Society Network (2017) "Civil Society Organisations withdraw from UK EITI"

<https://www.publishwhatyoupay.org/pwyp-news/civil-society-organisations-withdraw-from-uk-eiti/>

good faith. There is no evidence to suggest that the government has sought to influence or orchestrate civil society representation. Similarly, there is no evidence to suggest any coercion or threat of reprisal.

All stakeholders consulted by the International Secretariat agree that it is for the civil society constituency to resolve the matter of their representation on the MSG. At the time of writing, there had been some constructive discussions about resolving the situation. The procedure adopted at the international level in seeking civil society representatives for the EITI International Board through an open and transparent selection process managed by an independent civil society advisory group (CSAG) with the support of an independent organization (IO)⁶ could be replicated at the national level. The civil society constituency could consider seeking government support in this regard.

A reconstituted MSG, with the full, active and effective engagement of civil society would then be well placed to follow up the recommendations from this Validation. The corrective actions relating to disclosures are not onerous, and it should be possible to address these quickly. The work that commenced on EITI mainstreaming should be continued. More widely, the MSG 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.

Recommendations

While the following report includes recommendations for specific improvements the UK may wish to consider implementing, the following is a list of strategic corrective actions that could help the UK make even greater use of the EITI as an instrument to support reforms.

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.
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.
3. In accordance with Requirement 2.2, the UK should disclose information related to the award or transfer of licenses 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

⁶ CBI (2018) Selection of Civil Society Representatives on the International EITI Board (2019-2022)
<https://www.cbi.org/project/eiti-board-cso/>



disclosures of information per Requirement 2.2.

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.
5. In accordance with Requirement 3.2, the UK should ensure that estimates of production values are publicly disclosed for all minerals produced in the year under review. The UK is encouraged to consider the extent to which estimates prepared based on average benchmarks could ensure that general estimates of the value of production is in the public domain.
6. In accordance with Requirement 3.3, the UK should ensure that export volumes and values are publicly disclosed for every mineral commodity exported annually.
7. 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.
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.

Figure 1– initial assessment card

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

Legend to the assessment card

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

Introduction

Having supported the EITI since its inception, the Government of the United Kingdom (UK) committed to implement the EITI in May 2013 at the 6th EITI Global Conference in Sydney in May 2013 and in the UK's second Open Government Partnership (OGP) National Action Plan published at the 2013 OGP London Summit. The first EITI launch event took place on 9 July 2013 and the nominations to the multi-stakeholder group (MSG), composed of four members from each stakeholder group, were finalised in September 2013. The UK submitted a candidature application on 5 August 2014. It was approved by the EITI Board on 15 October 2014 at the EITI Board's meeting in Naypyitaw, Myanmar⁷.

The government designated the Department for Business, Innovation and Skills (BIS) - now the Department for Business, Energy and Industrial Strategy (BEIS) - to lead the UK government's implementation of the EITI Standard and convene the UK's multi-stakeholder group (MSG). The MSG is chaired by Matthew Ray, Deputy Director at BEIS and consists of four representatives from government, industry and civil society and four alternates from each constituency.

On 25 October 2016, the Board agreed that the UK's Validation under the 2016 EITI Standard would commence on 1 July 2018⁸. This report presents the findings and initial assessment of the International Secretariat's data gathering and stakeholder consultations. The International Secretariat has followed the Validation Procedures⁹ and applied the Validation Guide¹⁰ in assessing the UK's progress with the EITI Standard. While the assessment has not yet been reviewed by the MSG or the independent Validator, the International Secretariat's preliminary assessment is that a number of the requirements of the EITI Standard have not been fully addressed. Eight requirements are assessed as unmet with meaningful progress. The corrective actions identified through this assessment relate to civil society engagement and MSG oversight, license allocation and registers, production and export data, reporting of industry social expenditures, and the review of outcomes and impact of implementation.

Brief recap of the sign-up phase

The UK government has taken a strong leadership role on the global tax transparency debate. The EITI was established up under its leadership in 2002. The UK then supported EU country-by-country reporting, committed to implement the EITI in 2013, placed tax and transparency at the centre of the G8 summit in 2013, and set up a beneficial ownership register in June 2016. In April 2018, the UK Parliamentary voted to require its overseas territories, including the British Virgin Islands and the Cayman Islands, to establish public beneficial ownership registers.

At a joint press conference with President of France François Hollande on 22 May 2013, Prime Minister David Cameron announced that the United Kingdom would implement the EITI. The commitment was reaffirmed at the 6th EITI Global Conference in Sydney in May 2013 and in the United Kingdom's second OGP National Action Plan published at the 2013 OGP London Summit. The first EITI launch event took

⁷ <https://eiti.org/news/united-kingdom-accepted-as-candidate-of-resource-transparency-body>

⁸ <https://eiti.org/document/validation-schedule-decisions>

⁹ <https://eiti.org/document/eiti-validation-procedures>

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

place on 9 July 2013 and the nominations to the multi-stakeholder group (MSG), composed of four members from each stakeholder group, were finalised in September 2013. The United Kingdom submitted a candidature application on 5 August 2014 that was approved by the EITI Board on 15 October 2014.

Objectives for implementation and overall progress in implementing the work plan

The objectives of EITI implementation are outlined in the 2018 work plan. They are:

- 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.
- Ensure information is readily accessible and presented to the public in a clear manner.
- Support the UK government's championing of extractives transparency and open government.

As highlighted in the third objective, a key factor is to support the EITI globally by setting an example to other resource rich countries. A number of multinational companies active in the extractive industries are domiciled and/or listed in the UK, as are a host of finance, engineering, construction and other related industries. As such, the commitment to transparency and accountability supports the UK's wider political and economic interests. The work plan includes time-bound activities and is used to track the MSG's decisions, deliverables and overall performance. The MSG is largely on track in implementing its agreed work plan.

History of EITI Reporting

The MSG published its first EITI Report in April 2016 covering payments from the oil, gas, mining and quarrying sectors in calendar year 2014. The 2015 Report was published in March 2017 and the 2016 Report in April 2018. Validation commenced on 1 July 2018. A fourth report covering 2017 was published on 25 February 2019.

The Validation procedures specify that "without prejudice to the ability of the Board to exercise their discretion to consider all available evidence, the Secretariat should not take into account actions undertaken after the commencement of Validation"¹¹. Therefore, the basis for this assessment is progress achieved by 1 July 2018. The fourth report published on 25 February 2019 has not been considered. In February 2019, the EITI Board adopted criteria to consider developments and information disclosed after the commencement of Validation¹².

Summary of engagement by government, civil society and industry

Government, industry and civil society have all strongly supported EITI implementation. The initial efforts to prepare for EITI candidacy were carried out quickly and efficiently, with excellent collaboration between the three constituencies. However, EITI implementation has been hampered by internal

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

¹² <https://eiti.org/BD/2019-15>

challenges related to the representation of civil society organisations on the multi-stakeholder group. These challenges are outlined in more detail in sections 1.3 and 1.4, below.

Key features of the extractive industry

Oil and Gas

While oil and gas production from the UK sector of the North Sea peaked in 1999, the UK remains a substantial producer. Over the last four decades, 39 billion barrel of oil equivalent (boe) have been extracted on the UK Continental Shelf (UKCS)¹³. The industry employs 283 000 people¹⁴, and the services industry (centred in Aberdeen) is a leader in developing technology for hydrocarbon extraction offshore. Historically most gas came from Morecambe Bay and the Southern North Sea off East Anglia. Oil production comes mainly from the North Sea close to the median line with Norway in two main clusters – around the Forties oilfield east of Aberdeen and the Brent oilfield east of Shetland. There have been recent discoveries west of Shetland¹⁵.

In 2017, capital investment in the UK offshore oil and gas industry was £5.6 billion¹⁶. Oil and gas production in the UK increased by more than 4% in 2018, averaging 1.7 million boe per day (see Figure 1). The UK Oil and Gas Authority predicts that oil and gas production over the period 2016–2050 of 3.9 billion boe. In 2017, UK production accounted for 60% of total UK oil and gas demand¹⁷.

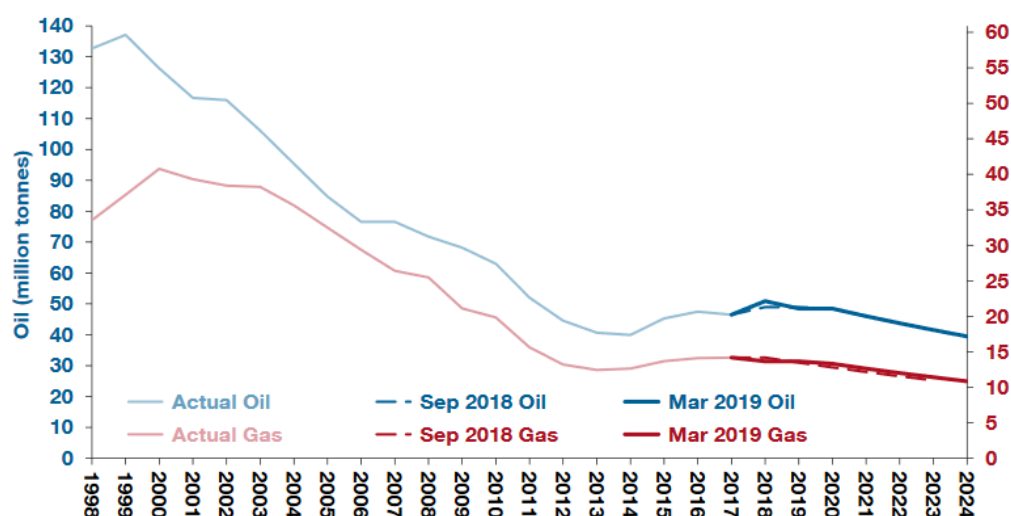
¹³ <https://www.gov.uk/guidance/oil-and-gas-infrastructure#pipelines-and-platforms>

¹⁴ Oil and Gas UK (2018): “Workforce Report 2018” <https://oilandgasuk.co.uk/wp-content/uploads/2019/03/OGUK-Workforce-Report-2018.pdf>

¹⁵ *Ib id*

¹⁶ Oil and Gas UK (2018): “Economic Report” <https://oilandgasuk.co.uk/wp-content/uploads/2019/03/OGUK-Economic-Report-2018.pdf>

¹⁷ Oil and Gas UK (2018): “Economic Report” <https://oilandgasuk.co.uk/wp-content/uploads/2019/03/OGUK-Economic-Report-2018.pdf>

Figure 2– Actual & projected UK continental shelf oil and gas production¹⁸

The tax regime which applies to exploration for, and production of, oil and gas in the UK and on the United Kingdom Continental Shelf (UKCS) currently comprises three elements:

1. 'Ring Fence' Corporation Tax (RFCT). This is calculated in the same way as the standard corporation tax applicable to all companies but with the addition of a 'ring fence' and the availability of 100% first year allowance for virtually all capital expenditure. The ring fence prevents taxable profits from oil and gas extraction in the UK and UKCS being reduced by losses from other activities or by excessive interest payments. The current rate of tax on ring fence profits, which is set separately from the rate of mainstream corporation tax, is 30%.
2. Supplementary Charge. This is an additional charge, currently at a rate of 10% (from 20% from 24th March 2011), on a company's ring fence profits (but with no deduction for finance costs).
3. Petroleum Revenue Tax (PRT). This is a field-based tax charged on profits arising from oil and gas production from individual oil and gas fields which were given development consent before 16 March 1993. The current rate of PRT is 0%. PRT is deductible as an expense in computing profits chargeable to ring fence corporation tax and supplementary charge.

Mining

The United Kingdom has a long history of mining dating back to Bronze Age. Later, lead and copper attracted the Romans to Britain. The widespread availability of coal and iron was a significant factor in Europe's Industrial Revolution of the late 18th and early 19th centuries. Although coal and iron ore are no longer mined in significant quantities in the United Kingdom, they were once mined in large quantities

¹⁸ Source: UK Oil and Gas Authority (2019) "Projections of UK Oil and Gas Production and Expenditure"
https://www.ogauthority.co.uk/media/5391/oga_projections_of_uk_oil_and_gas_production_and_expenditure.pdf

throughout the United Kingdom and used for steel and energy production.

Nowadays, mining in the United Kingdom produces a wide variety of fossil fuels, metals, and industrial minerals. In 2006, there were over 2,200 active mines, quarries, and offshore drilling sites on the continental land mass of the United Kingdom¹⁹. Total proved coal reserves in the United Kingdom are estimated at 220mn tonnes²⁰. About 17mn tonnes was produced in 2012. though about 63mn tonnes was consumed (including imports)²¹. There is also significant production of potash, gypsum, salt, tin, gold, china clay, and tungsten. In addition, almost 200mn tonnes of aggregates are used for construction – crushed rock, sand and gravel, and recycled.

Explanation of the Validation process

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

The Validation process is outlined in chapter 4 of the EITI Standard²². It has four phases:

1. Preparation for Validation by the multi-stakeholder group (MSG)
2. Initial data collection and stakeholder consultation undertaken by the EITI International Secretariat.
3. Independent quality assurance by an independent Validator who reports directly the EITI Board
4. Board review.

The [Validation Guide](#) provides detailed guidance on assessing EITI Requirements, and more detailed [Validation procedures](#), including a standardised procedure for data collection and stakeholder consultation by the EITI International Secretariat and standardised terms of reference for the Validator.

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

In accordance with the Validation procedures, the International Secretariat’s work on the initial data collection and stakeholder consultation was conducted in three phases:

1. Desk Review

Prior to visiting the country, the Secretariat conducted a detailed desk review of the available

¹⁹ UK Mining Yearbook <http://www.bgs.ac.uk/mineralsuk/statistics/UKStatistics.html>

²⁰ World Coal Institute <http://www.worldcoal.org/pages/content/index.asp?PageID=404>

²¹ UK Government Department of Environment and Climate Change.

²² See also <https://eiti.org/validation>.

documentation relating to the country's compliance with the EITI Standard, including but not limited to:

- The EITI work plan and other planning documents such as budgets and communication plans;
- The multi-stakeholder group's Terms of Reference, and minutes from multi-stakeholder group meetings;
- EITI Reports, and supplementary information such as summary reports and scoping studies;
- Communication materials;
- Annual progress reports; and
- Any other information of relevance to Validation.

In accordance with the Validation procedures, the Secretariat has not taken into account actions undertaken after the commencement of Validation.

2. Country visit

A country visit took place on 19-26 September 2018. All meetings took place in London and Leicester, United Kingdom. The secretariat met with the multi-stakeholder group and its members, the Independent Administrator and other key stakeholders, including stakeholder groups that are represented on, but not directly participating in, the multi-stakeholder group. In addition to meeting with the MSG as a group, the Secretariat met with its constituent parts (government, companies and civil society) either individually or in constituency groups, with appropriate protocols to ensure that stakeholders are able to freely express their views and that requests for confidentiality are respected. The list of stakeholders consulted is outlined in Annex D.

3. Reporting on progress against requirements

This report provides the International Secretariat initial assessment of progress against requirements in accordance with the Validation Guide. It does not include an overall assessment of compliance.

The International Secretariat's team comprised: Alex Gordy and Sam Bartlett. Eddie Rich provided support and quality assurance.

Part I – MSG Oversight

1. Oversight of the EITI process

1.1 Overview

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

1.2 Assessment

Government engagement in the EITI process (#1.1)

Documentation of progress

Public statement: The UK government has made repeated public statements of support for the EITI since its initial commitment to implement the EITI in May 2013. The EITI international was itself launched and incubated by the British government from 2002 until the establishment of the EITI International Secretariat in 2007²³. In 2013, David Cameron, former British Prime Minister gave a statement of support that the EITI would “create a level playing field for business, help the British people hold decision makers to account and encourage other countries around the world to take similar steps”²⁴. Jo Swinson, former UK EITI Champion also publicly voiced her support in 2013. The 2015 Conservative Party manifesto included a commitment on EITI.²⁵ The 2017 UK Anti-Corruption Strategy also included a statement of support for domestic implementation of EITI.²⁶ The most recent statement of support was issued by Andrew Griffiths MP, UK EITI Champion and a government minister in the foreword of the 2016 EITI Report, published in April 2018.²⁷

The United Kingdom has participated in the Open Government Partnership (OGP) since 2011. The UK’s OGP National Action Plan has included points on EITI since the start. The 2013-15 plan included a starred commitment (number 21) to implement the EITI. The 2016-18 action included a commitment (number 2) to natural resource transparency. The 2016-18 action plan included a commitment to commence EITI

²³ <https://eiti.org/history>

²⁴ <https://www.gov.uk/government/news/g8-transparency-uk-and-france-join-the-extractive-industries-transparency-initiative>

²⁵ Conservative Manifesto 2015, accessed [here](#) in July 2018, p11.

²⁶ DFID, (December 2017), [UK anti-corruption strategy 2017 to 2022](#), accessed [here](#) in July 2018, p.59.

²⁷ Andrew Griffiths MP, Minister for Small Business, Consumers and Corporate Responsibility in his foreword to the 2016 EITI Report noted that “Our active participation in the Initiative is part of the Government’s determination to improve corporate responsibility across sectors, building trust and confidence that the UK is an attractive place to do business.” UKEITI, (April 2018), UK EITI Report for 2016, accessed [here](#) in July 2018, p.7.

Validation and become compliant.²⁸

Senior lead: The UK government initially appointed Jo Swinson to be EITI Champion in 2013. From December 2013 – June 2014 the role of EITI Champion was covered by Jenny Willott MP during Ms Swinson’s parental leave. Baroness Neville-Rolfe was appointed as EITI Champion in January 2016. Andrew Griffiths MP, the Minister for Small Business, Consumers and Corporate Responsibility subsequently severed as the UK EITI Champion. The UKEITI government webpage currently lists the Champion position as “vacant”²⁹.

Marie-Anne Mackenzie from BIS (Department for business, innovation and skills) was the senior civil servant at the Department for Business, Innovation & Skills appointed to support the EITI champion at the first MSG meeting in October 2013.³⁰ Since then, the UK Secretariat that supports the MSG has consisted of two to three officials who coordinate UK EITI across other government departments and the devolved administrations. Chris Carr was appointed as Chair of the MSG in September 2016. Matthew Ray from BEIS (Business, Energy and Industrial Strategy) replaced Chris Carr in September 2017 and is the current Chair of the MSG.

Active engagement: In addition to the Chair, the government is represented on the MSG by four members: Martyn Rounding from HM Revenue and Customs (HMRC), Mike Earp from the Oil & Gas Authority (OGA), Joe Perman from the Scottish government and Jeff Asser from BEIS. There are also four alternate members: Rhona Birchall representing the Department for International Development (DfID), Thomas Thornton-Kemsley from HM Treasury (HMT), James Marshall from HM Revenue and Customs (HMRC) and Martin Quinn from the Department for the Economy in Northern Ireland. This membership is well aligned with the government entities that are required to disclose information in accordance with the agreed scope of implementation. The comments from stakeholders and a review of the attendance as documented in MSG minutes highlighted consistently strong participation from government representatives.

Stakeholder views

Stakeholders noted the government’s strong support for the EITI process. The government had ensured that the MSG was well supported and that EITI implementation was sufficiently funded. Industry and civil society representatives spoke positively about the government’s chairing of and participation in the multi-stakeholder group. Implementation of the EITI had raised a number of challenging technical questions regarding the scope, materiality and reconciliation of payments in the mining, oil and gas industries. Stakeholders welcomed that government representatives had played an active role in reviewing the legislative, regulatory and administrative arrangements, the existing data collection and disclosure mechanisms, and the development of a pragmatic approach to EITI implementation and reporting. Stakeholders also noted that the government had worked to address challenges around ring-fencing extractive payments, currencies, and accounting periods, and limitations to government disclosures due

²⁸ <https://www.gov.uk/government/publications/uk-open-government-national-action-plan-2016-18/uk-open-government-national-action-plan-2016-18#commitment-2-natural-resource-transparency>

²⁹ UKEITI.gov webpage, accessed [here](#) in July 2018.

³⁰ UKEITI application (August 2014), accessed [here](#) in July 2018, p6.

to tax confidentiality.

Two areas of concern were highlighted. First, several stakeholders commented on the government's handling of challenges relating to the representation of civil society organisations on the MSG (see requirement 1.4, below). While some stakeholders argued that government had been too aggressive in addressing these challenges (i.e., interfering in matters that were the responsibility of the civil society constituency)³¹, others countered that the government had been too passive, and should have played a stronger role in seeking to facilitate a compromise that would not delay or undermine EITI implementation. These concerns are addressed in greater detail in sections 1.3 and 1.4, below.

Second, several stakeholders noted that public interest in the EITI was limited, and that there were opportunities for the government to increase the relevance of the EITI to national debates and to provide further leadership in the EITI internationally. The UK's work on beneficial ownership disclosure was highlighted by several stakeholders as an example of how the UK was setting an example for other EITI implementing countries. Stakeholders highlighted several opportunities to link the EITI more closely to national debates, including drawing on EITI data to information discussions about the fiscal consequences of devolution, the costs and financial implications of decommissioning in the North Sea, and the licensing and impact of hydraulic fracking. Several stakeholders countered that these issues should be considered once the UK had achieved its initial goal of achieving compliance with the EITI Standard.

Initial assessment

The International Secretariat's initial assessment is that the United Kingdom has made satisfactory progress in meeting this requirement. The government is fully, actively and effectively engaged in EITI implementation. While the formal role of EITI Champion is currently vacant, government leadership and oversight of the EITI implementation and the MSG has been consistently strong. Government agencies participate actively in the MSG's work and have actively supported EITI implementation, overcoming barriers to comprehensive reporting. The government has demonstrated strong leadership of the multi-stakeholder group and ensured adequate funding for EITI implementation.

Industry engagement in the EITI process (#1.2)

Documentation of progress

Active engagement: Industry representatives have been active and supportive of EITI implementation. An initial challenge was clarifying the scope of EITI implementation. The oil and gas sector is large and included several companies that had for several years been engaged in the global discussions regarding tax and transparency and the development of the EU's country-by-country reporting framework. A number of companies were EITI supporting companies, and has been actively involved in developing the EITI's reporting requirements. The engagement of the mining and quarrying sector was more challenging. The sector is considerably smaller (in economic terms) and included a large number of smaller operators where tax transparency issues did not have such a high profile. Nevertheless, the response from industry

³¹ For example, in September 2017, PWYP-UK alleged "undue interference by UK Government officials in the civil society nomination process jeopardis[ing] genuine multi-stakeholder dialogue in long standing transparency initiative": <https://www.publishwhatyoupay.org/pwyp-news/civil-society-organisations-withdraw-from-uk-eiti/>

was positive and constructive.

From the outset, industry representatives highlighted the importance of ensuring consistency with mandatory reporting requirements. Companies that make payments of more than GBP 86,000 in individual payment flows are required to publicly report their payments to government at a project-level under the EU Accounting and Transparency Directives. A further challenge was addressing taxpayer confidentiality. The 2005 Commissioners for Revenue and Customs Act includes taxpayer confidentiality provisions that hinder HMRC's ability to disclose disaggregated tax revenue information. The MSG therefore developed a system of open-ended taxpayer confidentiality waivers for companies in the scope of EITI reporting. The UK EITI secretariat, working together with the Independent Administrator, undertook extensive outreach efforts to companies to explain the EITI's objectives and reporting requirements. The secretariat provided guidance on how to submit data and templates for data collection and waivers. In the 2016 Report, a total of 41 oil and gas companies and 17 mining and quarrying companies participated in compiling the report with continuing high industry participation³².

Enabling environment: There are no obstacles to industry participation, and company participation in the reporting process has been consistently high.

Stakeholder views

Industry representatives considered the EITI as a useful tool for demonstrating their economic contribution and in engaging in dialogue with government agencies and civil society. They argued that the EITI helped to build greater awareness about how the industry operates, especially regarding the tax arrangements that apply to the sector. Several examples of industry's use of EITI data were highlighted, including in industry associations' interactions with government and Parliament, and instances of industry engagement in EITI-related dissemination and outreach were described during consultations. They were generally satisfied that the reporting process was comprehensive, and that adequate guidance had been provided for participating companies. They explained that industry coordinated on EITI issues through the industry associations, which regularly kept company representatives updated on EITI developments and canvassed their opinions on specific issues. However, it was noted that the EITI risked duplication, as companies were already required to report according to mandatory reporting requirements. Challenges regarding tax payer confidentiality had been addressed in the first round of reporting. Government and civil society representatives were generally satisfied with industry engagement.

Initial assessment

The International Secretariat's initial assessment is that the UK has made satisfactory progress in meeting this requirement. The Secretariat does not find any indications of obstacles to company participation, and industry participation in the reporting process has been consistently high.

To strengthen implementation, the International Secretariat recommends that industry representatives participate actively in the MSG's discussions about EITI mainstreaming and opportunities to extend EITI implementation to address issues influencing the outlook for the sector, including on tax policy, decommissioning and site rehabilitation, and the social and environmental impacts of the oil, gas and

³² 2016 EITI Report, p.10

mining industries.

Civil society engagement in the EITI process (#1.3)³³

Documentation of progress

Freedom house ranked the United Kingdom as “Free” in its 2018 Freedom in the World Report³⁴ with a score of 94 (of 100). It has also ranked United Kingdom’s freedom of the press environment as “Free”³⁵. In August 2018, the UK Government released a policy paper *Civil Society Strategy*³⁶, setting out “how government will work with and for civil society in the long-term to create a country that works for everyone”. The strategy defines Civil society as “organisations and individuals working to create social value, enriching lives and building a fairer society for all”³⁷.

Expression: British citizens have a right to freedom of expression under common law. In 1998, the United Kingdom incorporated the European Convention into its domestic law under the Human Rights Act³⁸. The Act outlines the right to freedom of expression, including “freedom to hold opinions and to receive and impart information and ideas without interference by public authority and regardless of frontiers”. It also notes that “the exercise of these freedoms, since it carries with it duties and responsibilities, may be subject to such formalities, conditions, restrictions or penalties as are prescribed by law and are necessary in a democratic society, in the interests of national security, territorial integrity or public safety, for the prevention of disorder or crime, for the protection of health or morals, for the protection of the reputation or rights of others, for preventing the disclosure of information received in confidence, or for maintaining the authority and impartiality of the judiciary”³⁹.

The UK Government’s *Civil Society Strategy* notes that “Some civil society organisations believe that the space for campaigning and advocacy has closed in recent years, creating a ‘chilling effect’ on civil society campaigning and advocacy”⁴⁰. The Sheila McKechnie Foundation reports:

In 2018, half of the campaigners we surveyed told us that the campaigning climate has

³³ The first Validation under the EITI Standard (Azerbaijan 2016) established precedent for the Validation of requirement 1.3. The CSO protocol “operationalises” requirement 1.3. Each part of the CSO protocol speaks to specific parts of Requirement 1.3:

2.1 of the CSO protocol is intended to assess provisions 1.3(d), 1.3(e)(i), 1.3(e)(iv).

2.2 of the CSO protocol is intended to assess provisions 1.3.(b) and 1.3(c).

2.3 of the CSO protocol is intended to assess provision 1.3(e)(iii).

2.4 of the CSO protocol is intended to assess provisions 1.3.(a) and 1.3(e)(ii)

2.5 of the CSO protocol is intended to assess provision 1.3(d).

³⁴ Freedom House (2018) “Freedom in the World 2018: United Kingdom Profile” <https://freedomhouse.org/report/freedom-world/2018/united-kingdom>

³⁵ Freedom House (2017) “Freedom of the Press 2017: United Kingdom Profile” <https://freedomhouse.org/report/freedom-press/2017/united-kingdom>

³⁶ UK Government (2018) “Civil Society Strategy: building a future that works for everyone”.

<https://www.gov.uk/government/publications/civil-society-strategy-building-a-future-that-works-for-everyone>

³⁷ *Ib id*

³⁸ UK Government (2018) “Human Rights Act 1998” <https://www.legislation.gov.uk/ukpga/1998/42/schedule/1/part/I/chapter/9>

³⁹ *Ib id*

⁴⁰ *Ib id*

deteriorated. They said the top three factors threatening the legitimacy of campaigning are:

1. negative media coverage of civil society
2. the Lobbying Act and its regulation
3. conditions of public funding that ban campaigning activities.

But there are signs that change-makers are recovering their voice and confidence. A third say they have started campaigning more over the past three years, while 28% report taking a more robust tone⁴¹.

Notwithstanding these concerns, civil society representatives are able to engage actively in public debate on the EITI and on issues concerning the sector. Civil society representatives are able to speak freely on transparency and natural resource governance issues. Civil society is encouraged to be involved in the design, implementation, monitoring and evaluation of the EITI.

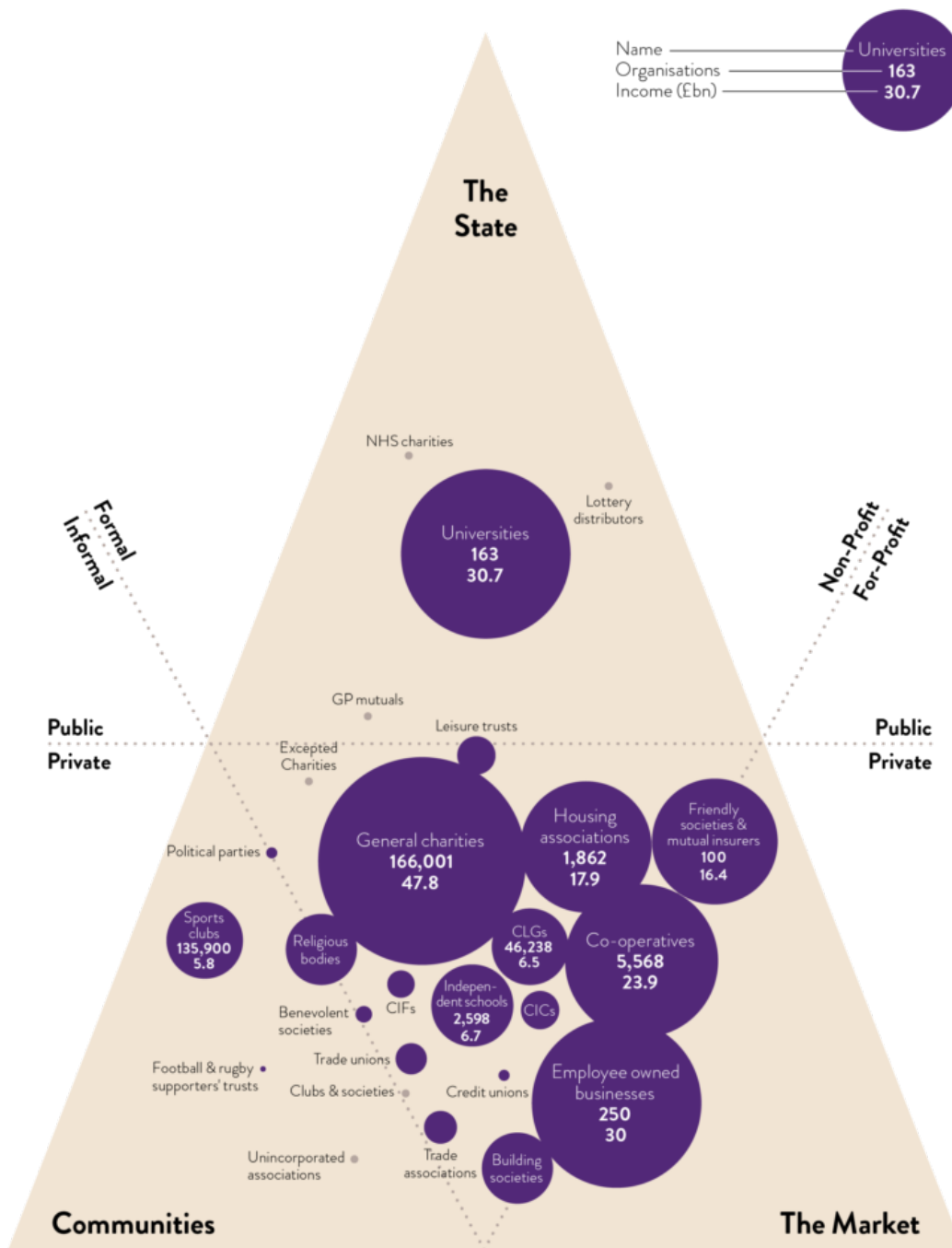
Operation: There were no indications of legal, regulatory, administrative or actual barriers to civil society preventing participation in EITI nor any obvious restrictions of fundamental rights. Civil society groups engaged in the EITI process are able to communicate and cooperate with each other regarding the EITI process. With respect to wider engagement in discussions regarding natural resource management, civil society groups are able to operate freely. Civil society is able to operate freely on extractive sector governance without coercion or fear of reprisal.

Association: The UK civil society almanac⁴² estimates that there are 390,000 civil society organisations in the UK. This number excludes estimates for unincorporated organisations ranging between 600,000 – 900,000⁴³. Figure 3 below visualises groups of organisations according to their distance from the state, the market, and communities.

⁴¹ Sheila McKechnie Foundation (2018) "Campaigner Survey 2018" <https://smk.org.uk/campaigner-survey/>

⁴² UK Civil Society Almanac (2018) "What is civil society" <https://data.ncvo.org.uk/a/almanac18/what-is-civil-society-4/>

⁴³ Ib id

Figure 3 – Visualisation of UK Civil Society, 2018⁴⁴

The civil society organisations that have been active in the EITI process are able to communicate and cooperate with each other freely. There is no evidence to suggest that civil society MSG representatives have been restricted from engaging other CSOs that are not part of the MSG. Similarly, there is no evidence to suggest that formal or informal communication channels between civil society MSG members and the wider civil society constituency have been restricted, or that civil society MSG representatives

⁴⁴ Ib id

have been restricted from engaging in outreach to broader civil society.

Engagement: Civil society organisations in the UK are nominally well placed to be fully, actively and effectively engaged in the design, implementation, monitoring and evaluation of the EITI process. However, recently, civil society engagement has been insufficient. The full, active and effective engagement of civil society has been hampered by internal challenges related to the nomination and representation of civil society organisations on the multi-stakeholder group.

The civil society organisations that were most active in the EITI's work globally since its inception played a strong and supportive role in establishing the EITI in the UK. These groups represented the civil society when the MSG was first established, and later formed the UK EITI Civil Society Network (CSN). In February 2016 the CSN agreed membership principles⁴⁵ adopted by a simple majority vote of the members. Full Membership is open to civil society organisations, each with a nominated official representative to represents the CSO at CSN meetings. As of March 2018, the full member organisations were:

Article 19 www.article19.org

Christian Aid www.christianaid.org.uk/

Global Witness www.globalwitness.org/

Green Alliance www.green-alliance.org.uk

Involve www.involve.org.uk

Natural Resource Governance Institute www.resourcegovernance.org

ONE www.one.org/

Oxfam GB www.oxfam.org.uk

Publish What You Pay UK www.publishwhatyoupay.org/members/united-kingdom/

Transparency International UK www.transparency.org.uk/

Associate membership is open to individuals who are not affiliated to, or able to represent, a CSO. As of March 2018, the CSN had more than 20 individual associate members unaffiliated to the organisations above. The CSN has substantial technical expertise and capacity to make a significant contribution to the EITI through the MSG (as demonstrated through their early engagement in the process). However, in September 2017 the CSN withdrew from the UK EITI process⁴⁶ following a dispute related to the nomination and representation of civil society organisations on the multi-stakeholder group (see requirement 1.4).

The current CSO members of the MSG were nominated by the Extractive Industries Civil Society (EICS). At the time of validation, this network seems largely defunct. The current CSO members appear to be acting

⁴⁵ CSN (2018) "UK EITI Civil Society Network Membership Principles and list of full member organisations" <http://www.publishwhatyoupay.org/wp-content/uploads/2018/03/UK-EITI-CSN-Membership-Principles-member-list-Mar18.pdf>

⁴⁶ <https://www.publishwhatyoupay.org/pwyp-news/civil-society-organisations-withdraw-from-uk-eiti/>

in an individual capacity, with limited interaction with civil society organisations outside the MSG.

Access to public decision-making: Civil society representatives are able to use the EITI process to promote public debate to inform the public about the EITI process and opportunities.

There is no evidence to suggest that civil society representatives are not able to engage in activities and debates about natural resource governance including, for example, conducting analysis and advocacy on natural resource issues, use of EITI data, engagement with media outlets, development of tools to communicate the findings of the EITI Report. Information on the EITI is in the public domain and has been further disseminated by civil society members, for example with blogs⁴⁷ and panel discussions.

Stakeholder views

Stakeholders consulted by the International Secretariat were unanimous that there were no systematic issues that constrained the active participation of civil society in the EITI process. Similarly, stakeholders were unanimous that the dispute regarding the nomination and representation of civil society organisations on the MSG had detracted from other aspects of implementation. Government and industry representatives lamented that the dispute resulted in the withdrawal of some of the most capable civil society actors.

In withdrawing from the EITI, the CSN expressed its dissatisfaction with the government's decision to give the EICS authority over certain civil society nominations to the UK EITI MSG, arguing that "this decision contravenes sections 1.3 and 1.4 of the EITI Standard and is a breach of civil society's right to determine its own representatives independently". The CSN statement reads:

In a further effort to find a solution in September 2017, and following consultation with government officials at the Department for Business, Energy and Industrial Strategy, the CSN agreed to amend its Membership Principles to make reference to diversity and local UK communities affected by the extractive industries. The CSN also invited EICS to apply to join the CSN, which it refused to do. We have always sought in good faith to find a solution to the challenges faced on the issue of civil society representation.

CSN representatives argued that the EICS was not acting in good faith, and that their objective was to disrupt the work of the CSN, not to seriously engage in the work of the EITI.

EICS representatives argued that their interest and involvement in the EITI was a legitimate expression of alternative civil society constituency views. In a post on GOXI, Martin Brown, an anti-corruption and transparency adviser for EICS outlined their position:

⁴⁷ For example, in September 2018 – PWYP UK published "Comparing UK EITI and Mandatory Payments to Governments Data for 2016", compares data released via the UK Extractive Industries Transparency Initiative (EITI) with payments disclosed under UK and other European Union member state regulations implementing the EU Accounting and Transparency Directives' country-by-country reporting requirements for extractive companies. <https://www.pwyp.org/wp-content/uploads/2018/09/Comparing-UK-EITI-mandatory-data-assessment-report-PWYP-UK-Sept18.pdf>

Outside of the UK MSG most people don't know that a 'network' of powerful international NGOs, led and funded by Global Witness and Publish What You Pay has collaborated to keep control of the process of nominating members to the UK MSG- to press home their own narrow policy imperatives. Community groups in the UK recognise their 'right to be heard', but no one wants an MSG with only white, male staff from London-based NGOs, which have no locus at all in community groups affected by our mining, oil and gas sectors. EICS has long proposed that a single civil society body should be used to nominate members, but we want it to be transparent and we want to guarantee that not all the nominees will be, as has been up to now, career staff members of large transnational NGOs or 'consultants'. We believe nominees must include genuine representatives of workers, such as trade unionists and include women and BAME representation too. This simple idea was refused by the experts, representatives and consultants from Global Witness and Publish What You Pay⁴⁸.

The current CSO members of the MSG consulted by International Secretariat noted limited contact with the EICS network. They highlighted their interest on the EITI in an individual capacity and acknowledged that they had limited interaction with other civil society organisations and actors regarding the EITI.

Government representatives argued that they were caught in a “catch 22” situation. The government had hoped that the constituency would be able to reach a consensus on a nomination procedure for electing civil society representatives and that government would have no role in this process. However, they also noted that a protracted impasse would lead to an MSG without civil society representation, which would lead to the failure of the process. When the process stalled, officials felt obliged to consider nominations from both groups. Irrespective of the group’s motives and membership, both were considered part of the wider civil society constituency. Disenfranchising one or the other would also have led to accusations of government interference. Government representatives highlighted their interest in developing a nomination procedure that had the support of all parties, and committed to support efforts to find a solution.

Initial assessment

The International Secretariat’s initial assessment is that the UK has made meaningful progress in meeting this requirement.

The participation of civil society is fundamental to achieving the objectives of EITI. The active participation of civil society in the EITI process is key to ensure that the transparency created by the EITI leads to greater accountability. However, as of 1 July 2018, the civil society constituency was not “fully, actively and effectively engaged in the EITI process” (requirement 1.3). There is no evidence of any legal, regulatory or practical barriers to civil society’s ability to engage in EITI. There are no barriers to freely operating, communicating and cooperating with the broader constituency. However, the dispute between the CSN and EICS has led to a situation whereby the civil society constituency is not adequately represented or engaged. The current CSO MSG members have on an individual basis sought to contribute the work of the MSG. However, by their own admission, most of them are not deeply engaged in the EITI

⁴⁸ Martin Brown (2017) “PWYP walks out of UK EITI (again)” <http://goxi.org/profiles/blogs/pwyp-walks-out-of-ukeiti-again>. See also Eric Joyce (2017) “UK EITI MSG - working to become less male, less white, less dominated by big corporate NGO interests: simply fairer” <http://goxi.org/profiles/blogs/uk-eiti-msg-working-to-become-less-male-less-white-less-dominated>

process, and have had limited interaction with other civil society organisations outside the MSG.

In the International Secretariat's view, the government's efforts to address these challenges were made in good faith. There is no evidence to suggest that the government sought to influence or orchestrate civil society representation. There is no evidence to suggest any coercion or threat of reprisal. Accordingly, the International Secretariat does not consider these incidents to constitute a breach of the civil society protocol.

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.

MSG governance and functioning (#1.4)

Documentation of progress

MSG composition and membership: The EITI Standard requires that “each stakeholder group must have the right to appoint its own representatives, bearing in mind the desirability of pluralistic and diverse representation” and that “the nomination process must be independent and free from any suggestion of coercion” (*Requirement 1.4*). The UK candidature application⁴⁹ notes that “after discussions with stakeholders who had experience of working on other EITI MSGs, the Government decided on an equal 4/4/4 split between civil society, industry and government representatives. It was agreed that a smaller MSG would help facilitate full and open discussion while ensuring sufficient expertise”. The arrangements as outlined in the candidature application have generally been continued.

Civil society representation: As noted above, the civil society organisations that were most active in the EITI's work globally since its inception played a strong and supportive role in establishing the EITI in the UK. The UK candidature application notes:

Following the EITI launch event, the UK Secretariat provided a room to enable civil society to begin the process of choosing representation for the MSG. Government officials were not present at this meeting to avoid unintentionally influencing civil society in the process. This meeting started a successful process where civil society was able to put forward 4 civil society representatives in time for the first MSG meeting.

The candidature application also addressed liaison with the wider civil society constituency:

Civil Society members of the MSG conduct outreach with their constituency, which consists of a network of 31 individuals. Email updates containing the minutes are distributed following each MSG meeting. Members are also invited to meetings ahead of each MSG. Wider outreach has

⁴⁹ UK EITI (2014) “EITI Candidature Application Form”

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/341528/EITI-candidature-application-form.pdf

been undertaken with environmental groups and networks at national and subnational level. This has been done through civil society participation in the UK Open Government Partnership process both in London and beyond, as well as linking into existing meetings with stakeholders, for example a meeting on UK and global energy strategy held at Global Witness.

These groups that represented the civil society constituency when the MSG was first established subsequently established the UK EITI Civil Society Network (CSN). As outlined in the previous section, in February 2016 the CSN agreed membership principles and welcomed civil society organisations to join, and individuals to become associate members. An organisation called the Extractive Industries Civil Society (EICS) subsequently challenged the nomination process led by the CSN. When efforts to agree a compromise stalled, the UK government took a decision to split the nomination role between the two groups. This led the UK EITI Civil Society Network to withdraw from the UK EITI process, a situation that persisted until the commencement of Validation.

At the time of Validation, there were two civil society members, and two vacant positions. There were also two alternate members and two vacant positions. The Government has noted that: “there is an open invitation for other groups to put forward nominations, and the secretariat continues to engage with those groups to encourage them to rejoin the MSG”⁵⁰.

As noted above, the dispute between the CSN and EICS has led to a situation whereby the civil society constituency is not adequately represented or engaged. The current CSO MSG members have on an individual basis sought to contribute the work of the MSG. However, by their own admission, most of them are not deeply engaged in the EITI process, and have had limited interaction with other civil society organisations outside the MSG regarding the EITI.

Industry representation: The UK candidature application notes:

Within the industry constituency, Government decided to invite one mining representative and three oil and gas representatives. This reflects research that suggests that oil and gas extraction contributes to approximately 1.4% of GDP whereas coal mining contributes 0.1% and other mining (aggregates) contribute 0.2% to GDP. However, if industries choose to change the proportion of Oil & Gas to Mining and Quarrying representatives on the MSG, they are free to do so.

The UK candidature application outlines the procedure for nominating representatives:

In March 2013 Oil & Gas UK agreed to coordinate the nominations for three of the industry representatives for the MSG. Oil & Gas UK hosted an event in the afternoon of the EITI launch event for members to discuss and agree their MSG representation. Government representatives did not attend. ... The Confederation of British Industry (CBI) agreed to nominate the fourth industry representative and contacted the Mining Association of the UK (MAUK) for a volunteer.

⁵⁰ UK EUTI (2018) “Validation self assessment exercise”.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/720920/eiti-msg-minutes-may-2018.pdf

The candidature application also addressed liaison with the wider industry constituency:

Oil & Gas MSG members conduct outreach with their constituency. Oil & Gas UK have an industry network of approximately 450 members which includes almost 60 operators with a direct interest in EITI. Meetings are held with interested members of the network before and after each EITI meeting.

Mining and quarrying MSG representatives conduct outreach with their constituencies through trade associations such as the Mining Association of the UK (MAUK), Mineral Products Association (MPA) and the CBI Minerals Group.

At the time of Validation, there were four Industry members and four alternate members, following the balance agreed at the start of the process.

Government representation: The UK candidature application outlines the procedure for nominating government representatives:

The UK Secretariat solicited nominations in July 2013 and all four representatives were confirmed in September 2013. Nominees were asked to provide details stating why they wanted to sit on the MSG and what they hoped to bring to the discussions. UK Secretariat ensured that the most appropriate government officials representing the main Government departments were allocated a place on the MSG. This includes the Department for Energy and Climate Change, the Scottish Government, HM Revenue & Customs and the Department for Business, Innovation & Skills

The candidature application also addressed liaison within government:

Outreach within Government takes place with official's meetings which are organised by the UK Secretariat. These take place ahead of each MSG meeting and include officials from HM Treasury, the Department of Energy and Climate Change, HM Revenue & Customs, the Foreign and Commonwealth Office, the Department for International Development, the Scottish Government, the Northern Ireland Assembly Government and BIS Legal and Economist teams.

At the time of Validation, there were four government members and four alternate members.

Terms of Reference: The MSG has agreed Terms of Reference “to define the scope and function of the Multi-Stakeholder Group (MSG) formed to direct implementation of the Extractive Industries Transparency Initiative (EITI) in the UK”. The Terms of Reference are available online⁵¹. The TORs give the MSG a say over implementation, outline the role and responsibilities of MSG members and whether MSG members:

⁵¹ UK EITI (2018) Terms of reference for the EITI Multi-Stakeholder Group define the scope and function of the group. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/451326/Terms_of_Reference_for_the_UK_EITI_Multi_Stakeholder_Group_v5.pdf

The MSG is established in order to ensure that the UK implements the EITI and gains EITI-compliance in a timely and effective manner. The MSG is responsible for ensuring that the views of key stakeholders are taken into account in the direction and conduct of implementing EITI. MSG members are representatives of their wider constituencies and must consult them regularly to ensure they continue to reflect the views of their constituency.

The ToRs also give the MSG a mandate to approve work plans, the appointment of the Independent Administrator including the Terms of Reference for the Independent Administrator's work, EITI Reports and annual activity reports. Specifically, section 2.2 states:

The MSG will ensure the UK EITI meets its objective of gaining candidacy followed by compliance with EITI. It will be responsible for developing and endorsing an EITI work programme, scope of EITI, actions, sequencing, timetable, responsible parties, costs, communications and funding sources.

Internal governance and procedures: The ToRs include internal governance rules and procedures in accordance with requirement 1.4.b.vi-viii, addressing attendance (section 3), terms of membership (section 4), meetings (section 5) and sub groups (section 6).

Decision-making: The ToRs include an annex (schedule 1) "Decision Making Protocol for the EITI Multi-Stakeholder Group" addressing decision making principles and rules, specifying that:

The MSG is committed to operating in the spirit of collaboration and cooperation with the aim of reaching general agreement amongst all members on all decisions. ... In cases where general agreement cannot be reached, a formal vote will be taken at the discretion of the Chair and voting rules will be applied. While consensus is not always possible, decision-making principles are designed to build the greatest possible consensus.

The schedule includes rules on voting, proxies and abstention. An analysis of MSG minutes show that these procedures have been followed, and that decision-making is conducted in an inclusive way which treats each constituency as a partner.

Record-keeping: The UK EITI Secretariat publishes minutes from each MSG meeting, and these are made publicly available⁵².

Capacity of the MSG: As noted above, the MSG was established with representatives from all three constituencies that were well placed to fulfil the mandate as outlined in the ToRs and the EITI Standard. However, the issues relating to civil society representation have resulted in half the CSO seats being standing vacant. The current CSO MSG members have on an individual basis sought to contribute the work of the MSG. However, by their own admission, most of them are not deeply engaged in the EITI process and have had limited interaction with other civil society organisations outside the MSG regarding

⁵² UK EITI (2018) "Minutes" <https://www.gov.uk/government/groups/uk-extractive-industries-transparency-initiative-multi-stakeholder-group#minutes>

the EITI.

Per diems: There is no practice of per diem payments. The International Secretariat's understanding is that MSG members are able to recover some costs associated with travelling to London to attend MSG meetings.

Attendance: An analysis of MSG minutes show that the meetings are consistently well attended and quorate, with members joining by telephone as needed. The ToRs includes provisions for observers. As noted above, there are procedures in place for proxies and abstention if needed.

National secretariat: The UK national secretariat provides support to the MSG, including organising and supporting MSG meetings, coordinating the meetings of the government representatives, documenting MSG discussions and decisions, procurement and liaison with the Independent Administrator, liaison with the EITI International Secretariat, and updating the UK website.

Stakeholder views

Stakeholders consulted by the International Secretariat highlighted the MSG had been an effective platform for multi-stakeholder collaboration and oversight. There was agreement that the MSG had a clear mandate, terms of reference and internal procedures and that these had broadly been adhered to in practice. There was considerable satisfaction that the MSG had implemented its agreed work plans, in particular the publication of several high-quality EITI Reports. Government and industry representatives were content with their representation on the MSG, and the arrangements in place for wider collaboration with their constituencies.

Stakeholders were unanimous that the dispute regarding the nomination and representation of civil society organisations on the MSG had undermined the MSG's work and detracted from other aspects of implementation. Civil society representatives had divergent views on causes, but agreed that the solution was for the civil society constituency to agree a revised procedure that had the support of all parties.

Government and industry representatives lamented that the dispute resulted in the withdrawal of some of the most capable civil society actors.

Initial assessment

The International Secretariat's initial assessment is that the UK has made meaningful progress in meeting this requirement. The Government is committed to working with civil society and industry. The Government has established a MSG, ensuring that the invitation to participate was open and transparent. Initially, government, industry and civil society stakeholders were adequately represented. The role, responsibilities and rights of the MSG were clear, with appropriate internal governance rules and procedures.

However, the MSG has encountered a debilitating crisis regarding how civil society representatives to the

MSG should be selected. The EITI Standard requires that “each stakeholder group must have the right to appoint its own representatives, bearing in mind the desirability of pluralistic and diverse representation”. When efforts to agree a compromise stalled, the UK government took a decision to split the nomination role between two groups. This led the UK EITI Civil Society Network to withdraw from the UK EITI process, a situation that has persisted until the commencement of Validation. The result is that the civil society constituency is not adequately engaged or representative.

All stakeholders consulted by the International Secretariat agree that it is for the civil society constituency to resolve the matter of their representation on the MSG. At the time of writing, there had been some constructive discussions about resolving the situation. The procedure adopted at the international level in seeking civil society representatives for the EITI International Board through an open and transparent selection process managed by an independent civil society advisory group (CSAG) with the support of an independent organization (IO)⁵³ could be replicated at the national level. The civil society constituency could consider seeking government support in this regard.

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.

Work plan (#1.5)

Documentation of progress

The UK EITI objectives were initially agreed in May 2014. A sub-group met twice and agreed draft objectives but following consultation with wider stakeholders, these were rejected. An extraordinary meeting of the MSG was convened. Each constituency consulted with their constituencies in advance of this meeting and agreement was reached at this point. The agreed objectives were:

1. Recognise and support the principles set out in the 2013 EITI Standard
2. Enhance accountability to the UK public on the revenues from the UK’s extractive industries.
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.
4. Ensure information is readily accessible and presented to the public in a clear manner.
5. Support moves towards common global reporting standards in oil, gas and mining and promote a level playing field for business in the UK and internationally.
6. Support the UK government’s championing of extractives transparency and open government.

The objectives of EITI implementation were subsequently refined in the June 2015 work plan⁵⁴ and the

⁵³ CBI (2018) Selection of Civil Society Representatives on the International EITI Board (2019-2022)

<https://www.cbi.org/project/eiti-board-cso/>

⁵⁴ UK EITI (2015) “UK updated work plan: June 2015”

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/438682/Updated_UK_EITI

June 2018 work plan⁵⁵. The latest work plan objectives are:

1. 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.
2. Ensure information is readily accessible and presented to the public in a clear manner.
3. Support the UK government's championing of extractives transparency and open government.

Under each objective, the work plan outlines preconditions and risks and capacity constraints. The following section reference the applicable EITI requirements. Thereafter, the work plan list the planned activities, expected outputs and expected outcome. In each case, the responsible entity is listed together with a timeline, costing and current status.

The 2018 work plan is publicly accessible and reflects the contributions and views of stakeholders. It includes measurable and time bound activities to achieve the agreed objectives, outlines plans to address any potential capacity constraints, addresses the scope of EITI reporting and outlines plans to address legal and regulatory obstacles to EITI implementation. The work plan identifies the sources of funding and support needed to ensure timely implementation of the agreed work plan. The work plan foresees all funding to come from the government. The main cost, for the independent administrator, is not given so as not to indicate a budget for potential bidders for the tender.

Stakeholder views

Stakeholders consulted by the International Secretariat argued that the work plan had been an effective tool for the MSG in overseeing EITI implementation. There was continuing support for the overall objectives, and for the step by step approach outlined.

Several stakeholders noted that public interest in the EITI was limited, and that there were opportunities for the government to increase the relevance of the EITI to national debates and to provide further leadership in the EITI internationally. The Standard calls for "objectives for implementation that are linked to the EITI principles and reflect national priorities for the extractive industries" and notes that "MSGs are encouraged to explore innovative approaches to extending EITI implementation to increase the comprehensiveness of EITI reporting and public understanding of revenues and encourage high standards of transparency and accountability in public life, government operations and in business" (Requirement 1.5.a). Stakeholders highlighted several opportunities to link the EITI more closely to national debates, including drawing on EITI data to information discussions about the fiscal consequences of devolution, the costs and financial implications of decommissioning in the North Sea, and the licensing and impact of hydraulic fracking. The UK's work on beneficial ownership disclosure was highlighted by several stakeholders as an example of how the UK was setting an example for other EITI implementing countries. Several stakeholders countered that these issues should be considered once the UK had achieved its

[Work plan-June 2015.xlsx](#)

⁵⁵ UK EITI (2018) "UK updated work plan: June 2018"

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/720921/uk-eiti-workplan-2018.xlsx

initial goal of achieving compliance with the EITI Standard.

Initial assessment

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

In accordance with the EITI Standard, the 2018 work plan has been agreed by the MSG and made publicly available. It includes objectives for implementation that are linked to the EITI principles and reflect national priorities for the extractive industries. It includes measurable and time-bound activities to achieve the agreed objectives and addresses identified capacity constraints. It also addresses the scope of EITI reporting, legal or regulatory obstacles, and plans for implementing the recommendations from EITI reporting. The work plan is costed and includes a detailed timetable for implementation. Overall progress in implementing the work plan has been satisfactory.

It is recommended that a reconstituted MSG, with the full, active and effective engagement of civil society, reviews the impact of the first five years of EITI implementation and explores 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.

Table 1 – Summary initial assessment table: MSG oversight

EITI provisions	Summary of main findings	International Secretariat's initial assessment of progress with the EITI provisions (to be completed for 'required' provisions)
Government oversight of the EITI process (#1.1)	<p>The government is fully, actively and effectively engaged in EITI implementation. While the formal role of EITI Champion is currently vacant, government leadership and oversight of the EITI implementation and the MSG has been consistently strong.</p> <p>Government agencies participate actively in the MSG's work and have actively supported EITI implementation, overcoming barriers to comprehensive reporting. The government has demonstrated strong leadership of the multi-stakeholder group and ensured adequate funding for EITI implementation.</p>	Satisfactory progress
Company engagement (#1.2)	<p>There are no obstacles to industry participation in the EITI process and company participation in the reporting process has been consistently high.</p>	Satisfactory progress
Civil society engagement (#1.3)	<p>As of 1 July 2018, the civil society constituency was not "fully, actively and effectively engaged in the EITI process" (requirement 1.3). There is no evidence of any legal, regulatory or practical barriers to civil society's ability to engage in EITI. There are no barriers to freely operating, communicating and cooperating with the broader constituency. However, the dispute between the CSN and EICS has led to a situation whereby the civil society constituency is not adequately represented or engaged. The current CSO MSG members have on an individual basis sought to</p>	Meaningful progress

	<p>contribute the work of the MSG. However, by their own admission, most of them are not deeply engaged in the EITI process, and have had limited interaction with other civil society organisations outside the MSG.</p>	
<p>MSG governance and functioning (#1.4)</p>	<p>The Government has established a MSG, ensuring that the invitation to participate was open and transparent. Initially, government, industry and civil society stakeholders were adequately represented. The role, responsibilities and rights of the MSG were clear, with appropriate internal governance rules and procedures. However, the MSG has encountered a debilitating crisis regarding how civil society representatives to the MSG should be selected. The result is that the civil society constituency is not adequately engaged or representative.</p>	<p>Meaningful progress</p>
<p>Work plan (#1.5)</p>	<p>The 2018 work plan has been agreed by the MSG and made publicly available. It includes objectives for implementation that are linked to the EITI principles and reflect national priorities for the extractive industries. It includes measurable and time-bound activities to achieve the agreed objectives and addresses identified capacity constraints. It also addresses the scope of EITI reporting, legal or regulatory obstacles, and plans for implementing the recommendations from EITI reporting. The work plan is costed and includes a detailed timetable for implementation. Overall progress in implementing the work plan has been satisfactory.</p>	<p>Satisfactory progress</p>

Secretariat's recommendations:

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.
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.

Part II – EITI Disclosures

2. Award of contracts and licenses

2.1 Overview

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

2.2 Assessment

Legal framework (#2.1)

Documentation of progress

Legal framework

Systematic disclosures: The full-text of relevant legislation is publicly-accessible on the legislation.gov.uk site of the National Archives, including the 1998 Petroleum Act⁵⁶, the 1964 Petroleum (Production) Act (Northern Ireland)⁵⁷ and the 1969 Mineral Development Act (Northern Ireland).⁵⁸ The Oil & Gas Authority website provides comprehensive information on the legal and regulatory framework for oil and gas.⁵⁹ The British Geological Survey website provides comprehensive information on legislation and policy for mining and quarrying.⁶⁰ The relevant mineral policies are accessible on the respective government websites for England⁶¹, Northern Ireland⁶², Scotland⁶³ and Wales.⁶⁴ For Northern Ireland specifically, information on minerals planning is accessible on the Department of Infrastructure website.⁶⁵

2016 EITI Report: The report provides references to this publicly-available information in the overviews of the legal frameworks for oil and gas (pp.39-40⁶⁶) and for mining and quarrying (pp.55-57), which include

⁵⁶ 1998 Petroleum Act, accessed [here](#) in July 2018.

⁵⁷ 1964 Petroleum (Production) Act (Northern Ireland), accessed [here](#) in July 2018.

⁵⁸ 1969 Mineral Development Act (Northern Ireland), accessed [here](#) in July 2018.

⁵⁹ The Oil and Gas Authority website, Overview section, accessed [here](#) in July 2018.

⁶⁰ British Geological Survey, Legislation & policy section, accessed [here](#) in July 2018.

⁶¹ Department for Communities and Local Government (DCLG), 2012 National Planning Policy Framework (England), accessed [here](#) in July 2018.

⁶² Welsh Government, Planning Policy Wales, accessed [here](#) in July 2018.

⁶³ Scottish Government, National Planning Framework for Scotland 3, accessed [here](#) in July 2018.

⁶⁴ Northern Ireland Department of the Environment, 'Strategic Planning Policy Statement for Northern Ireland', accessed [here](#) in July 2018, and 'Planning Strategy for Rural Northern Ireland', accessed [here](#) in July 2018.

⁶⁵ Northern Ireland Department of Infrastructure, Planning section, accessed [here](#) in July 2018.

⁶⁶ All page numbers used in the full text of this initial assessment refer to UK EITI (April 2018), UK EITI Report for 2016, accessed [here](#) in June 2018.

overviews of key laws, policies and regulations.

Government agencies' roles

Systematic disclosures: In oil and gas, information about the roles and responsibilities of regulators is publicly accessible on the relevant agencies' websites for the Oil & Gas Authority⁶⁷ and Northern Ireland's Department for the Economy.⁶⁸ In mining and quarrying, information about the roles and responsibilities of relevant government agencies is publicly accessible on each entity's website, including the British Geological Survey⁶⁹, the Coal Authority⁷⁰, the Crown Estate⁷¹, the Northern Ireland Department of Infrastructure⁷² and Department for the Economy⁷³, the Scottish Government⁷⁴ and the Welsh Government.⁷⁵

2016 EITI Report: The report provides an overview of the roles and responsibilities of key government entities in oil and gas (pp.39-40) and mining and quarrying (pp.55-62), including links to the publicly-available information listed above.

Fiscal regime

Systematic disclosures: Information on the fiscal regime for oil and gas is publicly accessible, including the 1975 Oil Taxation Act⁷⁶, the 1993 Finance Act that dis-applied Petroleum Revenue Tax (PRT)⁷⁷ and the 2016 Budget that zero-rated PRT.⁷⁸ The UK Government website provides an overview of all fiscal terms applicable to oil and gas.⁷⁹ The fiscal regime for mining and quarrying is not distinct from other activities, with rates and allowances for Corporation Tax accessible on the HMRC website.⁸⁰ For coal, information on licensing charges is accessible on the Coal Authority website.⁸¹ Fees for (mineral planning and environment) permitting by the UK's devolved authorities are publicly-accessible (*see Requirement 2.2*).

2016 EITI Report: The report provides an overview of fiscal terms for oil and gas (pp.41,42-51) and for mining and quarrying (pp.59-62), including rates where applicable and links to publicly-accessible information listed above.

⁶⁷ The Oil and Gas Authority website, About us section, accessed [here](#) in July 2018.

⁶⁸ Northern Ireland Department for the Economy website, Minerals and Petroleum section, accessed [here](#) in July 2018.

⁶⁹ British Geological Survey website, About us section, accessed [here](#) in July 2018.

⁷⁰ The Coal Authority website, About our services section, accessed [here](#) in July 2018.

⁷¹ The Crown Estate website, Our business section, accessed [here](#) in July 2018.

⁷² Northern Ireland Department of Infrastructure website, Planning section, op.cit..

⁷³ Northern Ireland Department for the Economy website, Minerals and Petroleum section, op.cit..

⁷⁴ Scottish Government website, Planning and Architecture section, accessed [here](#) in July 2018.

⁷⁵ Welsh Government website, Planning policy and guidance section, accessed [here](#) in July 2018.

⁷⁶ 1975 Oil Taxation Act, accessed [here](#) in July 2018.

⁷⁷ 1993 Finance Act, accessed [here](#) in July 2018.

⁷⁸ 2016 UK Budget, accessed [here](#) in July 2018.

⁷⁹ Gov.uk, 'Oil and gas finance and taxation', accessed [here](#) in July 2018.

⁸⁰ Gov.uk, 'Rates and allowances: Corporation Tax', accessed [here](#) in July 2018.

⁸¹ The Coal Authority website, Licensing charges section, accessed [here](#) in July 2018.

Fiscal devolution

Systematic disclosures: The degree of fiscal devolution is described in detail on the respective websites of the UK's devolved authorities, including the Northern Ireland Department for the Economy⁸², the Scottish Government⁸³ and the Welsh Government.⁸⁴

2016 EITI Report: The report provides an overview of the degree of fiscal devolution in the extractive industries. In oil and gas, the report notes the devolution in oil and gas to Northern Ireland's Department for the Economy (DfE) (pp.41-42). The report details a population-based revenue earmarked, funded from a share of income from seaward petroleum licences to the Northern Ireland Government, as required by section 2 of the Miscellaneous Financial Provisions Act 1968 (p.68). In mining and quarrying, the 2016 EITI Report confirms the devolution of mineral planning and environmental permitting to Mineral Planning Authorities in Wales, Scotland, England and Northern Ireland (pp.56,57-58) and the devolution of responsibility for Mineral Prospecting Licenses (MPLs) in Northern Ireland to the DfE (p.61). The report also details 'Section 106 payments' to local authorities related to planning permission for mining operations (p.20).

Reforms

Systematic disclosures: The UK Government website provides updates on current and planned reforms, both through annual reports of key agencies like HMRC⁸⁵, departmental reform briefs⁸⁶, budget statements and policy statements⁸⁷ as well as the UK database of parliamentary proceedings.⁸⁸ The OGA website⁸⁹ and the CA website⁹⁰ provide updates on regulatory changes related to petroleum and coal, while TCE's annual "area involved" reports⁹¹ provide updates on regulatory and licensing activities, albeit to a lesser degree of detail.

2016 EITI Report: The report provides an overview of ongoing and planned reforms in oil and gas, including an overview of policy-making principles (pp.49-50) and the devolution of oil and gas licensing to the Scottish Government in February 2018 and to the Welsh Government from October 2018 (p.41). It is noted that OGA became a government-owned company in October 2016 and that the OGA levy was introduced in October 2015 (p.51). The report also refers to recent reforms linked to shale gas, such as in the 2015 Infrastructure Act (p.52), alongside more minor reforms in mining planning and environmental permitting (pp.55-57).

⁸² Northern Ireland Department for the Economy website, Minerals and Petroleum section, op.cit..

⁸³ Scottish Government website, Planning and Architecture section, op.cit..

⁸⁴ Welsh Government website, Planning policy and guidance section, accessed [here](#) in July 2018.

⁸⁵ Her Majesty's Revenue and Customs (HMRC) annual reports and accounts, accessed [here](#) in July 2018.

⁸⁶ See for instance HM Treasury (December 2014), 'Driving investment: a plan to reform the oil and gas fiscal regime', accessed [here](#) in July 2018.

⁸⁷ See for instance HM Treasury (November 2016), 'Autumn Statement 2016', accessed [here](#) in July 2018.

⁸⁸ See for instance UK Parliament, Written questions and answers section, accessed [here](#) in July 2018.

⁸⁹ The Oil and Gas Authority website, 'Regulatory framework' section, accessed [here](#) in September 2018.

⁹⁰ The Coal Authority website, 'Latest documents by organisation', accessed [here](#) in September 2018.

⁹¹ The Crown Estate website, Minerals and Dredging section, accessed [here](#) in September 2018.

Stakeholder views

Stakeholders consulted did not express any particular views about the comprehensiveness of the UKEITI Reports' coverage of the legal environment and fiscal regime. Several industry MSG members, from both oil and gas as well as mining and quarrying, considered that it was helpful to have an overview and links to further information in one place. Several CSN representatives considered that the non-financial information had not significantly changed since the first EITI Report. Nonetheless, they considered it a useful overview of the extractive industries, including relevant legislation and fiscal terms. One CSO considered that TCE's licensing process was not sufficiently transparent (see Requirement 2.2). Several government stakeholders considered that there was sufficient information in the public domain on the legal and fiscal terms in the extractives, including in mining and quarrying.

Initial assessment

The International Secretariat's initial assessment is that the UK has made satisfactory progress in meeting this requirement. The 2016 EITI Report provides an overview of the legal framework and fiscal regimes governing the oil and gas and mining and quarrying sectors, including an overview of the relevant laws and regulations, key government entities with jurisdiction, the degree of fiscal devolution and recent or ongoing reforms. In the International Secretariat's view, the UK has gone beyond the minimum requirement in systematically disclosing all key information on relevant government websites (Oil and Gas Authority, Coal Authority, The Crown Estate, British Geological Survey, Parliament, National Archives, etc.) in accordance with Requirement 2.1.

To strengthen implementation, the UK may wish to explore options for further improving the accessibility of online information on the legal and fiscal environment for oil and gas, mining and quarrying, perhaps through an online EITI disclosures page. Stakeholders may wish to consider the scope for using EITI reporting as a diagnostic tool for tracking the impact of legal, regulatory and fiscal reforms.

License allocations (#2.2)

Documentation of progress

Systematic disclosures: For *oil and gas*, the OGA website provides information on all oil and gas licenses searchable by number, block and company⁹² and a detailed overview of the licensing process, including technical and financial criteria.⁹³ The OGA website provides all information related to bidding rounds on its website⁹⁴, including successful bidders but not the full list of bidders. The DfE website provides a description of the licensing process and data on the sole oil and gas license onshore Northern Ireland.⁹⁵ However, there is no publicly-accessible system for tracking transfers of licenses (or participating interest

⁹² The Oil and Gas Authority website, License data section, accessed [here](#) in July 2018.

⁹³ The Oil and Gas Authority website, Licensee criteria section, accessed [here](#) in July 2018.

⁹⁴ The Oil and Gas Authority website, 'Dates of previous and indicative timings for future licence rounds', accessed [here](#) in July 2018.

⁹⁵ Northern Ireland Department for the Economy website, Petroleum licensing section, accessed [here](#) in July 2018.

therein) in either oil and gas or mining and quarrying. While there is insufficient information online⁹⁶ to assess non-trivial deviations from the statutory procedures for awarding oil and gas licenses, there appears to be a high level of public trust in the OGA based on stakeholder consultations.

In *mining and quarrying*, the report's description of the process for the TCE's awarding of land-based mining for construction materials⁹⁷ and of licenses for marine dredging of non-energy minerals⁹⁸ does not detail the technical and financial criteria used for assessing applications (pp.60-61). It is unclear from the report and publicly-accessible information whether any technical or financial criteria are assessed in the transfer of licenses granted by TCE.

Oil and gas

Systematic disclosures: The OGA website provides information on all oil and gas licenses searchable by number, block and company⁹⁹ and a detailed overview of the licensing process, including technical and financial criteria.¹⁰⁰ The OGA website provides all information related to bidding rounds on its website¹⁰¹, including successful bidders but not the full list of bidders. The DfE website provides a description of the licensing process and data on the sole oil and gas license onshore Northern Ireland.¹⁰² However, there is no publicly-accessible system for tracking transfers of licenses (or participating interest therein) in either oil and gas or mining and quarrying. While there is insufficient information online¹⁰³ to assess non-trivial deviations from the statutory procedures for awarding oil and gas licenses, there appears to be a high level of public trust in the OGA based on stakeholder consultations.

2016 EITI Report: The report implies that there were no license awards in 2016. It is stated that the 29th offshore licensing round and the 2016 offshore supplementary round were both initiated in 2016, but were only concluded in 2017 (p.40). It notes that licenses were offered in December 2015 following the 14th onshore licensing round (p.40), implying that none of these licenses were awarded in 2016. Although the report confirms that out-of-round license applications are possible, albeit only in "exceptional circumstances" (p.40), it does not explicitly state whether there were any out-of-round license allocations in 2016. While the report states that there were no non-trivial deviations from the legal and regulatory framework governing licence transfers during 2016 (p.40), it does not provide a list transfers of interests in oil and gas licenses in 2016.

Award/transfer process: The report provides an overview of the different types of oil and gas licenses available from both OGA (in Great Britain and offshore Northern Ireland) and the DfE (onshore in Northern Ireland) (pp.41-42). In Great Britain and offshore Northern Ireland, the report describes the process for OGA's awarding of licenses through regular licensing rounds, where bidders are pre-qualified,

⁹⁶ E.g. publication of bid documents or evaluations.

⁹⁷ sand, hard rock, dimension stone and slate.

⁹⁸ out to the 200 nautical mile limit.

⁹⁹ The Oil and Gas Authority website, License data section, op.cit.

¹⁰⁰ The Oil and Gas Authority website, Licensee criteria section, op.cit.

¹⁰¹ The Oil and Gas Authority website, 'Dates of previous and indicative timings for future licence rounds', op.cit.

¹⁰² Northern Ireland Department for the Economy website, Petroleum licensing section, op.cit.

¹⁰³ E.g. publication of bid documents or evaluations.

as well as through direct applications outside of licensing rounds “only in exceptional circumstances” (p.40). A brief description of the process for transferring licenses awarded by OGA is provided, with a link¹⁰⁴ provided to the OGA webpage with guidance on license transfers (p.41). Onshore Northern Ireland, the report confirms that the DfE is responsible for awarding licenses that are similar to onshore Petroleum Exploration and Development Licences (PEDLs) in Great Britain (pp.40,42). However, it does not explain the process for awarding or transferring oil and gas licenses onshore Northern Ireland from the DfE. However, the report provides a link to the relevant DfE webpage (p.40), which provides guidance on the process for awards of oil and gas licenses¹⁰⁵, but not for transfers of licenses.

The report indicates that several permissions related to shale gas exploration were awarded in 2016 (p.52), explaining that North Yorkshire County Council granted Third Energy permission to hydraulically fracture an existing vertical well at its Kirby Misperton site in May 2016¹⁰⁶ (p.52). It also reports that Nottinghamshire County Council approved an application to drill an exploratory well at the Springs Road site in October 2016, although the application did not include plans for hydraulic fracking¹⁰⁷ (p.52).

Technical and financial criteria: The report describes set technical and financial criteria announced in advance of bidding rounds through the Official Journal of the European Union and provides a link¹⁰⁸ to criteria for the 14th onshore licensing round in the licensing round announcement (p.41). The report provides a link¹⁰⁹ to the OGA webpage with guidance on license transfers (p.41), which in turn leads to the OGA webpage¹¹⁰ covering the technical and financial criteria assessed in oil and gas for both license awards and transfers. The DfE website referred to in the report (p.40) includes guidance for applicants on the technical and financial criteria assessed for onshore petroleum license awards¹¹¹ as well as an overview of the way in which criteria are assessed.¹¹²

License transferee information: While the 2016 EITI Report implies the existence of oil and gas license transfers in 2016 (p.40), it does not provide a list of licenses transferred, nor names of companies involved.

Non-trivial deviations: Despite the lack of clarity in the 2016 EITI Report about the existence and number of license transfers in 2016, the report states that there were no non-trivial deviations in oil and gas license transfers in 2016 (p.40).

Comprehensiveness: The report refers to licensing outside of the period under review, including the 14th onshore licensing round in late 2015 (pp.40-41), the 29th offshore licensing and the 2016 offshore

¹⁰⁴ The Oil and Gas Authority website, ‘License assignments’, accessed [here](#) in September 2018.

¹⁰⁵ Northern Ireland Department for the Economy website, Petroleum licensing section, op.cit.

¹⁰⁶ North Yorkshire County Council, Kirby Misperton fracking operations’, accessed [here](#) in September 2018.

¹⁰⁷ Nottinghamshire County Council, ‘Councillors approve planning application for county’s first exploratory shale gas wells’, accessed [here](#) in September 2018.

¹⁰⁸ Official Journal of the European Union (20 June 2014), ‘Announcement of United Kingdom 14th Onshore (Landward) Oil and Gas Licensing Round’, accessed [here](#) in June 2018.

¹⁰⁹ The Oil and Gas Authority website, ‘License assignments’, accessed [here](#) in September 2018.

¹¹⁰ The Oil and Gas Authority website, ‘Licensee criteria’, accessed [here](#) in September 2018.

¹¹¹ Northern Ireland Department for the Economy website, ‘Appendix A – financial capacity’ accessed [here](#) and ‘Appendix B – technical capacity’ accessed [here](#), in September 2018.

¹¹² Northern Ireland Department for the Economy (June 2010), ‘Guidance for Applicants: Petroleum Licensing in Northern Ireland’, accessed [here](#) in September 2018, pp.28-34.

supplementary rounds both initiated in 2016 but concluded in 2017 (p.40).

Bidding process: The report refers to bidding rounds that led to license awards in oil and gas in 2015 and 2017 (pp.40-41), but implies that no such license was awarded through bidding in 2016.

Commentary on efficiency: The report does not include commentary on the efficiency of the licensing process in either oil and gas or mining and quarrying, beyond noting the devolution of oil and gas licensing rights to Wales and Scotland in 2018 (p.41).

Mining and quarrying

There is no licensing system for mineral rights in most of Great Britain, with key exceptions. The Coal Authority is responsible for licensing in coal. The Crown Estate (TCE) holds rights to all “Mines Royal”, i.e. gold and silver, as well as the rights to terrestrial mining and quarrying on its lands. In Northern Ireland, the Department for the Economy (DfE) manages licenses for land-based mining and quarrying. Commercial agreements for non-energy minerals out to the 200 nautical mile limit (marine aggregates) are awarded by TCE, subject to obtaining mineral licenses granted by the Marine Management Organisation (MMO) or the one of the devolved authorities.¹¹³ Based on the results of company EITI reporting for 2016, material mining and quarrying companies can be assumed to hold licenses in marine aggregates, land-based mining on TCE estates and minerals licenses from the DfE in Northern Ireland, but no licenses in coal, gold or silver (*see Requirement 4.1*). This implies that the licensing systems of TCE, Northern Ireland’s DfE, the Marine Management Organisation (MMO) and the devolved marine authorities are assessed for the purposes of Validation, while those of the Coal Authority strictly-speaking are not.

Systematic disclosures: General land ownership information accessible through HM Land Registry.¹¹⁴ The UK Government website provides and local planning authorities’ websites provide guidance on the mineral planning permission process.¹¹⁵ The BGS website provides an overview of legislation and policy on mineral ownership in the UK.¹¹⁶

2016 EITI Report: The report confirms the lack of licenses for mineral rights in onshore Great Britain (England, Scotland and Wales), aside from coal, gold and silver and areas controlled by TCE and Northern Ireland (p.58). While the report makes clear that mineral planning and environmental permitting is not considered a form of licensing, it explains that such permitting is a precondition for undertaking exploration and production (p.58).

Marine aggregates licenses (TCE)

Systematic disclosures: The TCE website refers to the processes for granting of minerals and dredging

¹¹³ Natural Resources Wales (NRW), Marine Scotland or in Northern Ireland the Department of Agriculture, Environment and Rural Affairs (DAERA).

¹¹⁴ Gov.uk, ‘Search for property information from HM Land Registry’, accessed [here](#) in July 2018.

¹¹⁵ Gov.uk, ‘Guidance: Minerals’, accessed [here](#) in July 2018.

¹¹⁶ British Geological Survey website, Legislation & policy: mineral ownership, accessed [here](#) in July 2018.

licenses for marine aggregates¹¹⁷, although it does not describe these processes (nor criteria assessed) in any detail. Based on a comparison of TCE's 19th and 20th annual "area involved" reports, covering 20167 and 2017 respectively, it appears that the areas under marine dredging licenses increased by 123.12 sq km¹¹⁸ in 2016, although this represents a net of terminations of licenses. However, the TCE report does not disaggregate this information per license and company, beyond a general disaggregation by region. In England, the MMO website provides guidance on marine licenses¹¹⁹, including details of the application process¹²⁰ and a public register of marine license applications and decisions.¹²¹ The equivalent information is accessible on the marine licensing sections of the Natural Resources Wales (NRW)¹²², Marine Scotland¹²³, and Northern Ireland's Department of Agriculture, Environment and Rural Affairs (DAERA)¹²⁴ public websites.

2016 EITI Report: Although the report confirms TCE's responsibility for concluding commercial agreements with companies for non-energy minerals out to the 200 nautical mile limit, subject to obtaining a marine license from the Marine Management Organisation (MMO) or the one of the devolved authorities¹²⁵ (pp.60,61), it does not clarify whether any commercial agreements for marine dredging were awarded or transferred in 2016.

Award/transfer process, including criteria: The report describes the process for TCE concluding commercial agreements with companies for non-energy minerals out to the 200 nautical mile limit, subject to the award of marine licenses from the MMO or its equivalent in Northern Ireland, Scotland and Wales (pp.60-61). However, the process for transferring these licenses is not described. The devolved nature of mineral planning, marine plan and environmental permitting is explained in detail, with links to the relevant Mineral Planning Authorities and Local Planning Authorities (pp.56-58,60-61). The report's description of the process for concluding commercial agreements for marine dredging of non-energy minerals¹²⁶ does not detail the technical and financial criteria used for assessing applications either by TCE (for commercial agreements) or the MMO and its equivalent devolved organisations (p.60). It is unclear from the EITI Report and publicly-accessible information whether any technical or financial criteria are assessed in the transfer of marine aggregates agreements with TCE or associated marine licenses. It is unclear from the 2016 EITI Report whether there were any awards or transfers of licenses for marine aggregates commercial agreements or associated marine licenses through competitive tender in 2016, nor the list of bidders for licenses awarded in this way. The identity of parties to the license awards and

¹¹⁷ The Crown Estate website, 'Minerals and Dredging', accessed [here](#) in July 2018.

¹¹⁸ 1057.37 sq km in 2017 – (minus) – 934.25 sq km of area in 2016 = 123.12 sq km net of new areas licensed in 2016. See The Crown Estate (2017), 'The area involved – 19th annual report', accessed [here](#) in September 2018, p.4. And The Crown Estate (2018), 'The area involved – 20th annual report', accessed [here](#) in September 2018, p.4.

¹¹⁹ Marine Management Organisation on Gov.uk, 'Marine licences', accessed [here](#) in September 2018.

¹²⁰ Marine Management Organisation on Gov.uk, 'Guidance: Make a marine licence application', accessed [here](#) in September 2018.

¹²¹ Marine Management Organisation on Gov.uk, 'Public register of marine licenses', accessed [here](#) in September 2018.

¹²² Natural Resources Wales, 'Marine licensing', accessed [here](#) in September 2018.

¹²³ Scottish Government, Marine Scotland Information, accessed [here](#) in September 2018.

¹²⁴ Northern Ireland's Department of Agriculture, Environment and Rural Affairs (DAERA), 'Marine licensing', accessed [here](#) in September 2018.

¹²⁵ Natural Resources Wales (NRW), Marine Scotland or in Northern Ireland the Department of Agriculture, Environment and Rural Affairs (DAERA).

¹²⁶ out to the 200 nautical mile limit.

transfers in 2016, if applicable, is unclear from the 2016 EITI Report.

Deviations and comprehensiveness: The report does not refer to any assessment of non-trivial deviations in the award or transfer of any marine aggregates agreement and marine license in 2016. The report does not refer to marine aggregates agreement and marine licenses awarded or transferred outside of (or during) the period under review.

Terrestrial mining licenses on TCE estates

Systematic disclosures: The TCE website refers to the processes for granting of licenses for minerals including sand, gravel, limestone, granite, brick clay, slate and dimension stone¹²⁷, although it does not describe these processes (nor criteria assessed) in any detail. There is no information on the TCE website listing the licenses awarded or transferred in a particular year.

2016 EITI Report: The report confirms that TCE grants mineral leases across the UK for land-based mining on its lands¹²⁸ (p.61), but does not clarify whether any such mineral leases were awarded by TCE or transferred in 2016.

Award/transfer process, including criteria: The report describes the general process for awarding land-based mining licenses by TCE, through open market and “case-by-case” basis (p.61), but does not describe the process for transferring licenses originally awarded by TCE. It is unclear from the report (p.61) and other publicly-accessible information like the TCE website whether any technical or financial criteria are assessed in the transfer of land-based mining licenses granted by TCE. The report does not list the land-based mining license awards and transfers in 2016, nor the companies involved. It is not clear from the report whether any land-based mining license was awarded by TCE through open tender in 2016, nor the names of bidders for any licenses awarded in this way.

Deviations and comprehensiveness: The report does not refer to any assessment of non-trivial deviations in the award or transfer of any land-based mining license on TCE estates in 2016. The report does not refer to land-based mining licenses awarded by the TCE outside of (or during) the period under review.

Northern Ireland mining licenses (DfE)

Systematic disclosures: The DfE website provides information on the licensing process for mining licenses in Northern Ireland¹²⁹, and a FAQ that describes the process for reviewing applications for MPLs.¹³⁰ While the guidance only states that the DfE ‘investigates the technical and financial resources of the applicant and carries out a consultation procedure’¹³¹, the template application forms detail the proof of technical

¹²⁷ The Crown Estate website, ‘On the land and coast’, accessed [here](#) in July 2018.

¹²⁸ including for sand, hard rock, dimension stone and slate, on land owned by TCE.

¹²⁹ Northern Ireland Department for the Economy website, ‘Application for a mining licence’, accessed [here](#) in July 2018.

¹³⁰ Northern Ireland Department for the Economy, ‘Minerals and petroleum legislation and policy’, accessed [here](#) in September 2018.

¹³¹ Northern Ireland Department for the Economy, ‘Mineral Licences-Guidance for Applicants’, accessed [here](#) in July 2018, Item 24.

and financial capacities required, such as proof of past relevant experience and sufficient funds to execute the work programme.¹³² While the model clauses of Minerals Licenses on the DfE website confirm that DfE approval is required for the transfer of licenses¹³³, the process for transferring licenses, including specific criteria assessed by the DfE, does not appear to be described on the DfE website.

2016 EITI Report: The report states that the DfE is responsible for awarding Mineral Prospecting Licenses (MPLs) in Northern Ireland “with certain exceptions”¹³⁴ (pp.59,61). While the report describes two applications for MPLs lodged with the DfE in 2015-16, it confirms the lack of MPL awards in this period (p.59). However, it does not clarify whether any MPLs were transferred in 2016.

Award/transfer process, including criteria: The report provides a general description of the process for awarding MPLs by the DfE (p.59). The process is on a first-come-first-served basis, albeit with provisions for competitive tenders where more than one interested party expressed interest in a specific area (p.59). The report does not provide guidance on any technical or financial criteria assessed by the DfE for awards and transfers. It is unclear from the 2016 EITI Report whether there were any awards or transfers of Minerals Licenses in Northern Ireland in 2016, either through competitive tender or on a first-come-first-served basis. The identity of parties to the license awards and transfers in 2016, and bids where applicable, is unclear from the 2016 EITI Report.

Deviations and comprehensiveness: The report does not refer to any assessment of non-trivial deviations in the award or transfer of any Minerals Licenses in Northern Ireland in 2016. The report does not refer to Minerals Licenses awarded or transferred outside of (or during) the period under review.

Licenses held by non-material companies: Coal Authority licenses

Systematic disclosures: The Coal Authority’s website provides information on the licensing process, including high-level overviews¹³⁵ of the general technical and financial criteria assessed in awards and transfers of licenses¹³⁶ (albeit with no specific list of detailed criteria). While there is no specific information on the process for transferring licenses awarded by the Coal Authority, the UK Government website provides guidance on coal license and lease assignments¹³⁷, which are the equivalent of transfers. The CA’s interactive map viewer does not provide for searchability by date of award. There is insufficient information online to track license awards and transfers by year in the coal sector.

2016 EITI Report: The report describes the Coal Authority’s responsibilities for issuing licences for coal mining and underground coal gasification as well as granting agreements to enter its coal estate for other

¹³² Northern Ireland Department for the Economy website, ‘Minerals and petroleum legislation and policy’, accessed [here](#) in September 2018.

¹³³ Northern Ireland Department for the Economy, ‘Mineral prospecting licences – model clauses’, accessed [here](#) in September 2018, Provision 18 (p.4).

¹³⁴ the exceptions being gold and silver mining rights.

¹³⁵ The Coal Authority, ‘Guidance: Get a coal mining licence or other consent’, accessed [here](#) in July 2018.

¹³⁶ The Coal Authority, ‘Guidance: Coal mining licence applications supporting documents’, accessed [here](#) in September 2018.

¹³⁷ Gov.uk, ‘Guidance: Coal mining licence applications supporting documents’, accessed [here](#) in September 2018.

processes such as coal bed methane extraction (p.58). While the report provides a link¹³⁸ to information on coal-mining license areas (p.58), neither the 2016 EITI Report nor the Coal Authority website specifically list the coal license awards and transfers in any given year, including 2016.

Award/transfer process, including criteria: The report describes the Coal Authority's responsibility for issuing licences related to coal mining (p.58), with links to further information on the Coal Authority website.¹³⁹ It is unclear from the 2016 EITI Report whether there were any awards or transfers of licenses in coal in 2016. The identity of parties to the license awards and transfers, if applicable, is unclear from the 2016 EITI Report. It is unclear whether any coal mining licenses was awarded through tender.

Deviations and comprehensiveness: The 2016 EITI Report does not clarify the number of coal license awards and transfers in 2016, nor any related non-trivial deviations. The report does not refer to licenses awarded by the Coal Authority outside of the period under review.

Licenses held by non-material companies: Gold and silver

Systematic disclosures: The TCE website confirms the entity's responsibility for managing the rights to deposits of 'Mines Royal' (gold and silver) throughout the UK¹⁴⁰, but does not describe the process for awarding option agreements for gold and silver. The UK Government website¹⁴¹ confirms that TCE leases for commercially exploiting any Mines Royal (i.e. silver and gold) are managed by a TCE Mineral Agent, Wardell Armstrong LLP. Since April 2017, TCE has devolved its powers in Scotland to Crown Estate Scotland (CES). While the CES website provides information on the process for awarding and renewing Mines Royal options in Scotland¹⁴², it is unclear from the TCE website whether the same process applies to Mines Royal options in the rest of the UK. The CES website provides a categorical bar on extraction of gold panning in Scotland.¹⁴³

2016 EITI Report: While the report confirms TCE's responsibilities for managing mineral leases for gold and silver, it notes that there is "no significant" gold and silver production in the UK (p.61), albeit without clarifying whether there were any awards or transfer of rights for gold or silver mining or exploration in 2016.

Award/transfer process, including criteria: The report confirms TCE's responsibility for awarding exploration and extraction option agreements for gold and silver (p.61), but without describing the process for awarding or transferring these (nor criteria assessed) aside from noting that there is currently no "significant" production of gold or silver (p.61). The report confirms that management of licensing can at times be undertaken by private agents on behalf of TCE (p.58). The identity of any recipient of new gold or silver option agreements in 2016 is unclear from the report.

Deviations and comprehensiveness: The report does not describe any awards or transfers of gold or silver

¹³⁸ The Coal Authority website, 'Coal mining data: licence areas', accessed [here](#) in September 2018.

¹³⁹ Coal Authority website, Mining permits and licenses webpage, accessed [here](#) in June 2018.

¹⁴⁰ The Crown Estate website, 'On the land and coast', accessed [here](#) in September 2018.

¹⁴¹ Gov.uk, 'Gold and silver agreement for lease (England and Wales)', accessed [here](#) in September 2018.

¹⁴² Crown Estate Scotland website, 'Mines Royal option process', accessed [here](#) in September 2018.

¹⁴³ Crown Estate Scotland, 'Policy statement: gold panning', accessed [here](#) in September 2018.

option agreements, nor assess the existence of any deviations.

Commentary on efficiency: The UK's EITI Reports have not commented on the efficiency of the licensing systems related to mining and quarrying to date.

Stakeholder views

Awards: In *oil and gas*, a government official noted that out-of-round awards of oil and gas licenses was extremely rare, pointing to evidence in the National Archives that the last such award outside a licensing round had occurred in 2010. There was consensus among stakeholders consulted that there had been no awards of oil and gas licenses in 2016, although there had been transfers of licenses.

In *coal*, a government representative confirmed that there had been several license awards by the Coal Authority in 2016, although these were not routinely disclosed to the public other than by being reflected in the Authority's cadastral portal. However, the representative noted that the Coal Authority submitted quarterly reports¹⁴⁴ to the Department of BEIS, which clearly highlighted the licenses awarded by the Coal Authority in each quarter.

In terms of *licenses awarded by TCE*, a public-sector representative noted that TCE tended to grant marine aggregates licenses through competitive tender every few years, although there had been a few bilateral awards in the past. The official noted that all pre-qualification criteria were included in the 'Invitation to tender (ITT)' pack provided to any interested party. While he noted that the MMO consulted widely ahead of granting marine licenses for aggregates dredging, it was unclear from consultations whether the MMO advertised decisions on granting or agreeing to the assignment of marine licenses. Nonetheless the official noted that it was likely that new marine aggregates agreements and associated marine licenses had been awarded in 2016. A representative explained that there were clear criteria assessed for awards of land-based mineral leases by TCE, although these were not publicly codified. The Mineral Agent assessed applications for land-based mineral leases and submitted a recommendation to TCE, which took the final decision. A government representative explained that Option Agreements were granted by TCE to appropriate parties for Mines Royal, although did not clarify whether any such Option Agreements had been granted in 2016. Several industry representatives noted that The Crown Estate's primary business consisted of property management rather than extractives, which could explain the gaps in public information about TCE's minerals licensing procedures. Several CSN representatives considered that TCE licensing was not standardised and noted the different names of licenses awarded by TCE, although they clarified that this represented a lack of public clarity in TCE systems rather than any kind of manipulation.

Transfers: In terms of *oil and gas*, a government MSG member confirmed that licenses were transferable upon authorisation of the OGA and that there had been several transfers in 2016. While information on licenses was accessible through the OGA's Petroleum e-business assignments and relinquishment system (PEARS)¹⁴⁵ upon registration, the official noted that it was not possible to view historical transfers through the system. Although OGA had this information on record, this was not routinely disclosed. However, the representative noted that license data was updated in real time on the OGA website, reflecting transfers

¹⁴⁴ 'Accrued income schedules'.

¹⁴⁵ The Oil and Gas Authority website, Petroleum e-business assignments and relinquishment system (PEARS), accessed [here](#) in September 2018.

once concluded.

In terms of *coal*, a government representative considered that it was likely that there had been transfers of licenses awarded by the Coal Authority in 2016, but noted that this was not routinely tracked in publicly-accessible information. While the Coal Authority had information on transfers in its systems, it would need to develop a system to extract this data, which it had not previously been asked to do. With regards to the process for transferring coal-related licenses, the representative noted that these were allowed subject to approval by the Coal Authority. The process consisted of the transferring company submitting a 'Consent to assign' application, with the transferee company applying for a variance on the license in question. It was confirmed that such applications were treated in the same way as new applications, insofar as the same technical and financial criteria were assessed for both awards and transfers.

In terms of *marine aggregates agreements from TCE*, a public-sector representative confirmed these could be assigned subject to agreement from the MMO (or other devolved authority depending on the location) on the assignment of the relevant marine license. With regards to *land-based mineral leases from TCE*, a representative explained that it was possible to transfer a lease in most cases, but that this depended on whether the lease included an assignment provision. The representative confirmed that TCE approval was required for such transfers, but noted that transfers of land-based mineral leases on TCE land were very rare. With regards to Option Agreements for Mines Royal (gold and silver), the representative confirmed that it was not possible to transfer or assign such agreements to another party.

With regards to *Minerals Licenses in Northern Ireland*, a government representative explained that if the DfE website did not provide explicit guidance on assigning licenses, the license conditions described in the actual license agreement was likely to describe the license-holder's rights to transfer the license.

Criteria: In *oil and gas*, a government MSG member highlighted a recent publication providing a comprehensive overview of financial criteria assessed by the OGA in license awards and transfers.¹⁴⁶ The representative also noted the public accessibility of technical criteria published as part of documentation for specific bidding rounds, accessible for all bid rounds on the OGA website.¹⁴⁷

In *coal*, a government representative explained that while the guidance notes available on the Coal Authority sections of the Gov.uk website provided high-level indications of the technical and financial criteria assessed for license awards and transfers, the Coal Authority's Finance Department would request further detail from applicants in cases where the required capacities were not considered to have been demonstrated in the initial application. However, the representative noted that in the current environment for the coal industry in the UK, companies that applied for awards or transfers were already well-known to the Coal Authority, which reduced the need to demonstrate technical and financial capacities.

In terms of *licenses awarded by TCE*, an independent industry expert considered that there were clear technical and financial criteria assessed by TCE in its licensing of both land-based mining and quarrying,

¹⁴⁶ The Oil and Gas Authority (August 2018), 'Financial Guidance', accessed [here](#) in September 2018.

¹⁴⁷ The Oil and Gas Authority website, Licensing round, accessed [here](#) in September 2018.

and expressed surprise that these were not publicly-accessible. A representative explained that, while the criteria assessed for transfers of land-based mineral leases on TCE lands were usually the same as for the initial award, this was not always the case and depended on the terms of the lease's assignment clause.

Deviations: In terms of *oil and gas*, government MSG member confirmed that the MSG had endorsed the 2016 EITI Report's finding that there were no deviations from statutory regulations in the transfers of oil and gas licenses in 2016, noting that this was based on assurances from the OGA.

With regards to *mining and quarrying*, while all industry representatives consulted considered that the planning and environmental planning process was time-consuming, they were not aware of any non-trivial deviations in the allocation of either licenses (from TCE and CA) or permits (from local authorities). Several industry MSG members considered that the process for awarding and transferring licenses for marine aggregates awarded by TCE was a tightly-controlled process that made any non-trivial deviations highly unlikely.

Initial assessment

The International Secretariat's initial assessment is that the UK has made **meaningful progress** towards meeting this requirement. The 2016 EITI Report does not systematically track license awards and transfers involving companies covered in the scope of EITI reporting in the year under review, either in oil and gas or in mining and quarrying. While the report clarifies the lack of oil and gas license awards in 2016, it only implies the existence of transfers without clearly listing them. The only material sub-sectors in mining and quarrying appear to be Minerals Licenses in Northern Ireland as well as terrestrial and marine mining agreements with The Crown Estate. The coal, gold and silver sub-sectors are not strictly material to EITI reporting. While the EITI Report describes the general process for awarding licenses, it does not systematically indicate the technical and financial criteria assessed, nor clarify the statutory process for transferring licenses. The report only refers to an assessment of non-trivial deviations from statutory procedures for license awards and transfers in oil and gas, not mining and quarrying. The public accessibility of detail in the description of TCE's licensing procedures, while more developed for marine dredging than for land-based minerals on TCE estates, is less comprehensive than for oil, gas or coal.

In accordance with Requirement 2.2, the UK should disclose information related to the award or transfer of licenses 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.

License registers (#2.3)

Documentation of progress

Oil and gas

Systematic disclosures: The OGA website¹⁴⁸, including field-level data¹⁴⁹, provides all information on oil and gas licenses as per Requirement 2.3 aside from dates of application. The OGA's interactive maps and tools¹⁵⁰ and data centre¹⁵¹ provide access to coordinates and license documents in a user-friendly open-data format. The DfE website provides data and documents related to the sole oil and gas license onshore Northern Ireland, aside from the date of application.¹⁵²

2016 EITI Report: The report confirms that OGA publishes licenses and license reports, including interactive maps (p.40), that cover all active oil and gas licenses in Great Britain and the UK Continental Shelf (UKCS) (p.42). A link¹⁵³ is provided to OGA's license data (p.40), where data is searchable by license number, by block, by company and by area. In Northern Ireland, the report provides a link¹⁵⁴ to the DfE's Petroleum licensing webpage, which publishes information on current onshore oil and gas licenses for which it has jurisdiction (p.40). The DfE webpage lists only one active oil and gas license¹⁵⁵ in June 2018, which is not held by a material company in the 2016 EITI Report.

Licenses held by material companies: The OGA license data webpage provides license information on all active licenses in Great Britain and the UKCS.¹⁵⁶ The DfE webpage on Petroleum licensing provides information on the sole onshore Northern Ireland oil and gas licenses, which is not held by a material company.¹⁵⁷

License-holder names: The OGA license data webpage provides license number, block number, name of license administrator and names of operating and partner companies for each block in the license.¹⁵⁸ The DfE webpage on Petroleum licensing provides the names of the two license-holder companies for the sole active onshore Northern Ireland oil and gas licenses.¹⁵⁹

License coordinates: The 2016 EITI Report provides a link¹⁶⁰ to the OGA webpage providing interactive oil and gas maps, that enable users to access license coordinates (p.40). For onshore Northern Ireland oil and

¹⁴⁸ The Oil and Gas Authority website, 'License data', accessed [here](#) in July 2018.

¹⁴⁹ The Oil and Gas Authority website, 'Field consents', accessed [here](#) in July 2018.

¹⁵⁰ The Oil and Gas Authority website, 'Interactive maps and tools', accessed [here](#) in July 2018.

¹⁵¹ The Oil and Gas Authority website, 'Data centre', accessed [here](#) in July 2018.

¹⁵² Northern Ireland Department for the Economy website, Petroleum licensing section, accessed [here](#) in July 2018.

¹⁵³ The Oil and Gas Authority website, 'License data', accessed [here](#) in September 2018.

¹⁵⁴ Northern Ireland Department for the Economy website, Petroleum licensing section, accessed [here](#) in July 2018.

¹⁵⁵ PL1/10 (Central Larne – Lough Neagh Basin), initially awarded to InfraStrata plc and eCORP Oil and Gas UK Ltd on 4 March 2011, and subsequently assigned to a 60/40 consortium of Terrain Energy and Tudor Hall Energy Ltd. on 10 April 2018.

¹⁵⁶ The Oil and Gas Authority website, 'License data', accessed [here](#) in September 2018.

¹⁵⁷ Northern Ireland Department for the Economy website, Petroleum licensing section, accessed [here](#) in July 2018.

¹⁵⁸ The Oil and Gas Authority website, 'License data', accessed [here](#) in September 2018.

¹⁵⁹ Northern Ireland Department for the Economy website, Petroleum licensing section, accessed [here](#) in July 2018.

¹⁶⁰ The Oil and Gas Authority website, 'Interactive maps and tools', accessed [here](#) in September 2018.

gas licenses, the license document for the sole license awarded by DfE provides the geographical coordinates of the license.¹⁶¹

Dates: The OGA license data webpage provides, for all active *oil and gas* licenses in Great Britain and the UKCS, information including license start date, initial term end date, subsequent term end dates (where applicable), and end date, but not dates of application.¹⁶² The supplement to the 2016 EITI Report states that the OGA has not routinely collected dates of application for licences awarded, although it explains that the majority of licenses have been awarded through bidding rounds and that applications could “obviously be assumed” to have been received between the pre-determined opening and closing dates of the bidding round.¹⁶³ For the sole onshore Northern Ireland block, license documents available on the DfE webpage on Petroleum licensing provide the date of initial award of the license, date of assignment to a different consortium, and end date, but not date of initial application for the initial award in 2011.¹⁶⁴

Commodity: The 2016 EITI Report only states that UK license and fiscal terms do not generally differentiate between conventional and unconventional hydrocarbon activities (p.51), implying that oil and gas licenses cover both commodities without explicitly stating so.

Licenses held by non-material companies: The OGA license data webpage provides license information on all active licenses in Great Britain and the UKCS.¹⁶⁵ DfE’s Petroleum licensing webpage¹⁶⁶ provides information on the sole onshore oil and gas license, held by a company below the scope of EITI reporting.

Public cadastre/register: The 2016 EITI Report refers to the registers of licenses maintained by OGA (for Great Britain and the UKCS) and DfE (onshore Northern Ireland) (pp.40,42), but without providing a clear description of the specific information accessible to the public.

Mining and quarrying

The BGS website provides a description of different types of mineral ownership – and the lack of a national licensing system for exploration and extraction – with links to relevant authorities.¹⁶⁷ The 2016 EITI Report confirms the lack of licenses for mineral rights in onshore Great Britain (England, Scotland and Wales), aside from coal, gold and silver (p.58). While the 2016 EITI Report does not specify the licenses held by companies in the scope of EITI reporting, material mining and quarrying companies, based on their profile and payments, can be assumed to hold licenses in marine aggregates, land-based mining on TCE estates and minerals licenses from the DfE in Northern Ireland, but no licenses in coal, gold or silver (see Requirement 4.1).

¹⁶¹ PL1/10 License document, accessed [here](#) in June 2018, p.7.

¹⁶² The Oil and Gas Authority website, ‘License data’, accessed [here](#) in September 2018.

¹⁶³ UK EITI (June 2018), ‘UK Extractive Industries Transparency Initiative (UK EITI) report 2016: supplementary information’, accessed [here](#) in September 2018.

¹⁶⁴ Northern Ireland Department for the Economy website, Petroleum license documents, accessed [here](#) in June 2018.

¹⁶⁵ The Oil and Gas Authority website, ‘License data’, accessed [here](#) in September 2018.

¹⁶⁶ Northern Ireland Department for the Economy website, Petroleum licensing section, accessed [here](#) in July 2018.

¹⁶⁷ British Geological Survey website, ‘Legislation & policy: mineral ownership’, accessed [here](#) in July 2018.

Marine aggregates licenses (TCE)

Systematic disclosures: The Crown Estate website operates a GIS- mapping and data centre¹⁶⁸ for the licenses it manages, including data on marine aggregate licenses¹⁶⁹ but not specifically for the land-based mineral licenses.¹⁷⁰ However, while license-holder names and coordinates are provided¹⁷¹, the dates of application, award and expiry are not publicly accessible. In England, the MMO website provides a public register of marine license applications and decisions.¹⁷² The equivalent information is accessible on the marine licensing sections of the Natural Resources Wales (NRW)¹⁷³, Marine Scotland¹⁷⁴, and Northern Ireland's Department of Agriculture, Environment and Rural Affairs (DAERA)¹⁷⁵ public websites. However, the search functions on these websites require knowledge of the specific case reference or license number.

2016 EITI Report: For licenses for marine aggregates and mineral potash granted by TCE, the report notes that all licensed applications and exploration/option area details are published online free of charge and provides a link¹⁷⁶ to the general TCE website (p.60), but does not describe the information accessible from the TCE website in any detail.

Licensees held by material companies: However, based on the license-level reporting of payments by mining and quarrying on the UKEITI website¹⁷⁷ indicates that material companies held marine dredging leases from TCE. There is also evidence that at least one material company¹⁷⁸ holding a potash mining license in the year under review (pp.61,79).

License-holder names: The TCE website provides the names of operators of all active marine aggregate licenses¹⁷⁹, but not of marine potash license-holders. The license-level reporting of payments by mining and quarrying on the UKEITI website¹⁸⁰ indicates many of the names of licenses held by material companies, albeit with some gaps in the license names. It is unclear whether material companies held additional licenses for which they did not make payments to TCE.

License coordinates: The regional dredging area charts on TCE's Marine Aggregates Information website

¹⁶⁸ The Crown Estate website, Maps and GIS Data, accessed [here](#) in July 2018.

¹⁶⁹ The Crown Estate website, 'Marine aggregates: downloads and links', accessed [here](#) in July 2018.

¹⁷⁰ The Crown Estate website, 'On the land and coast', accessed [here](#) in July 2018.

¹⁷¹ See The Crown Estate website, Our Portfolio webpage, accessed [here](#) in June 2018.

¹⁷² Marine Management Organisation on Gov.uk, 'Public register of marine licenses', accessed [here](#) in September 2018.

¹⁷³ Natural Resources Wales, 'Marine licensing', accessed [here](#) in September 2018.

¹⁷⁴ Scottish Government, Marine Scotland Information, accessed [here](#) in September 2018.

¹⁷⁵ Northern Ireland's Department of Agriculture, Environment and Rural Affairs (DAERA), 'Marine licensing', accessed [here](#) in September 2018.

¹⁷⁶ The Crown Estate website, accessed [here](#) in September 2018.

¹⁷⁷ UKEITI (May 2018), 'Data on project-level extractive-related payments to The Crown Estate by mining and quarrying companies in 2016', accessed [here](#) in September 2018.

¹⁷⁸ Cleveland Potash Ltd.

¹⁷⁹ See The Crown Estate website, Our Portfolio webpage, accessed [here](#) in June 2018.

¹⁸⁰ UKEITI (May 2018), 'Data on project-level extractive-related payments to The Crown Estate by mining and quarrying companies in 2016', accessed [here](#) in September 2018.

provides maps for the seven key zones of the UK¹⁸¹, from which coordinates can be approximated.

Dates: The TCE website¹⁸² does not appear to provide the dates of application, award and expiry for each marine aggregate license held by companies in the 2016 EITI Report.

Commodity: The TCE website implies that licenses are awarded for marine aggregate (sand and gravel)¹⁸³ and land-based salt and potash¹⁸⁴ separately, but only provides a list of licenses for marine aggregate¹⁸⁵, not mineral potash.

Terrestrial mining licenses on TCE estates

Systematic disclosures: The Crown Estate website operates a maps and GIS data centre¹⁸⁶ for the marine aggregate agreements, but not specifically for the land-based mineral licenses, where the TCE website is more general.¹⁸⁷ However, the TCE website's "Our Assets" section provides information on holders of leases on TCE estates¹⁸⁸, albeit without dates of application, award or expiry. It is assumed that these licenses cover all non-energy and non-coal minerals.

2016 EITI Report: While the report refers to the TCE's responsibility for managing licenses for terrestrial mining on its lands (p.61), it does not clarify the existence or public accessibility of TCE's register of land-based mining agreements.

Licenses held by material companies: The number of agreements involving material companies in the 2016 EITI Report and TCE for terrestrial mining or quarrying on TCE estates is unclear from EITI Report itself. However, based on the license-level reporting of payments by mining and quarrying on the UKEITI website¹⁸⁹ indicates that material companies held terrestrial mining and quarrying leases from TCE.

License-holder names: The license-level reporting of payments by mining and quarrying on the UKEITI website¹⁹⁰ indicates many of the names of licenses held by material companies, albeit with some gaps in the license names. It is unclear whether material companies held additional licenses for which they did not make payments to TCE.

License coordinates: The TCE website's "Our Assets" section provides information on coordinates of leases

¹⁸¹ Marine Aggregates Information website, 'Regional dredging area charts', accessed [here](#) in September 2018.

¹⁸² See The Crown Estate website, Our Portfolio webpage, accessed [here](#) in June 2018.

¹⁸³ The Crown Estate website, Marine aggregate downloads webpage, accessed [here](#) in June 2018.

¹⁸⁴ The Crown Estate website, Minerals potash webpage, accessed [here](#) in June 2018.

¹⁸⁵ See The Crown Estate website, Our Portfolio webpage, op.cit.

¹⁸⁶ The Crown Estate website, Maps and GIS Data, accessed [here](#) in July 2018.

¹⁸⁷ The Crown Estate website, 'On the land and coast', accessed [here](#) in July 2018.

¹⁸⁸ The Crown Estate website, 'Our Assets', accessed [here](#) in September 2018.

¹⁸⁹ UKEITI (May 2018), 'Data on project-level extractive-related payments to The Crown Estate by mining and quarrying companies in 2016', accessed [here](#) in September 2018.

¹⁹⁰ UKEITI (May 2018), 'Data on project-level extractive-related payments to The Crown Estate by mining and quarrying companies in 2016', accessed [here](#) in September 2018.

on TCE estates.¹⁹¹

Dates: There is no publicly-available information on dates of application, award or expiry of leases for land-based mining on TCE estates held by material companies, either in the 2016 EITI Report or the TCE website.

Commodity: It is unclear whether the TCE website's "Our Assets" section provides information on the commodity(ies) covered by individual leases for land-based mining on TCE estates.¹⁹²

Northern Ireland mining licenses (DfE)

Systematic disclosures: Northern Ireland's DfE provides a map of active mining licenses¹⁹³, although it provides only license-holder names and license coordinates, not the dates of application, award and expiry.

2016 EITI Report: For MPLs awarded by Northern Ireland's DfE, the report only provides a cursory description of the process for awarding licenses (p.59), but does not confirm whether the DfE publishes information on active MPLs. The DfE webpage on 'Minerals and petroleum legislation and policy' provides a Minerals License Map that shows 15 active MPLs as of April 2018.¹⁹⁴ The information provided includes license number, license-holder name and coordinates, but no dates of application, award or expiry.

Licenses held by material companies: Based on the DfE's Minerals License Map for MPLs in Northern Ireland, it appears that one company¹⁹⁵ in the scope of 2016 EITI reporting held five active MPLs as of April 2018¹⁹⁶, although it is unclear from the DfE website or the 2016 EITI Report whether these licenses were active in 2016.

License-holder names: The DfE's Minerals License Map of MPLs in Northern Ireland provides license-holder names for the 15 MPLs active as of April 2018.¹⁹⁷

License coordinates: The DfE's Minerals License Map of MPLs in Northern Ireland consists of a map of 15 MPLs active as of April 2018¹⁹⁸, from which it is possible to estimate coordinates of each license.

Dates: The DfE's Minerals License Map of MPLs in Northern Ireland does not provide the dates of

¹⁹¹ The Crown Estate website, 'Our Assets', accessed [here](#) in September 2018.

¹⁹² The Crown Estate website, 'Our Assets', accessed [here](#) in September 2018.

¹⁹³ Northern Ireland Department for the Economy (April 2018), 'Minerals License Map', accessed [here](#) in June 2018.

¹⁹⁴ Ibid.

¹⁹⁵ Irish Salt Mining & Exploration Co. Ltd.

¹⁹⁶ Northern Ireland Department for the Economy (April 2018), 'Minerals License Map', op.cit.

¹⁹⁷ Ibid.

¹⁹⁸ Ibid.

application, award or expiry for any of the 15 MPLs active as of April 2018.¹⁹⁹

Commodity: The DfE's Minerals License Map of MPLs in Northern Ireland does not provide the specific commodity(ies) covered by each of the 15 MPLs active as of April 2018.²⁰⁰ However, the DfE's 'Minerals licensing' webpage indicates that MPLs are awarded for precious metals exploration²⁰¹, implying that MPLs cover all types of precious metals.

Licenses held by non-material companies: Coal Authority licenses

Systematic disclosures: The Coal Authority provides an online search tool²⁰², with reports upon request, which include license-holder names and coordinates, although information accessible online does not explicitly state whether all information listed under Requirement 2.3.b (e.g. including dates of application, award and expiry) is available upon request.

2016 EITI Report: The report states that the Coal Authority holds an offline public registry of coal licences and does not publish licences online, but provides a link²⁰³ to Coal Authority contact details, from which license details can be requested (p.58), albeit without clearly describing the specific license information available.

Licenses held by material companies: No coal mining company appears to have been included in the scope of reporting (see Requirement 4.1). However, it is notable that the report provides two sets of estimates of coal mines. On the one hand, it states that, in March 2017, there were ten surface coal mining licenses held by nine companies and three underground coal mining licenses held by three companies, alongside 13 UGC licenses, all of which were conditional and thus non-operational in 2016 (p.59). On the other hand, the report elsewhere states that there were 21 operating coal surface mines and no commercial-scale operating underground mine in March 2016 (p.62).

Licenses held by non-material companies: Gold and silver

Systematic disclosures: The Crown Estate website operates a maps and GIS data centre²⁰⁴ for marine aggregate agreements, while the TCE website's "Our Assets" section provides information on holders of leases on TCE estates²⁰⁵. However, neither of these two websites appears to list active gold or silver option agreements granted by TCE.

2016 EITI Report: It is unclear from the report whether there were any active gold or silver mining rights from the TCE in 2016 (p.61).

Licenses held by material companies: None of the companies listed in the 2016 EITI Report appear to hold

¹⁹⁹ Ibid.

²⁰⁰ Ibid.

²⁰¹ Northern Ireland Department for the Economy, 'Minerals licensing' webpage, accessed [here](#) in June 2018.

²⁰² The Coal Authority website, 'Find out if a property is affected by coal mining', accessed [here](#) in July 2018.

²⁰³ The Coal Authority website, accessed [here](#) in September 2018.

²⁰⁴ The Crown Estate website, Maps and GIS Data, accessed [here](#) in July 2018.

²⁰⁵ The Crown Estate website, 'Our Assets', accessed [here](#) in September 2018.

any active gold or silver option agreement from TCE.

Public cadastre/register: While the 2016 EITI Report refers to license registers maintained by the Oil and Gas Authority, the Coal Authority, and The Crown Estate for marine commercial agreements, it does not comment on the efficiency or comprehensiveness of existing license registers, nor itemise the public accessibility of specific information listed under Requirement 2.3.b.

Stakeholder views

In terms of *oil and gas*, an MSG member noted that the MSG had discussed the issue of dates of application for oil and gas licenses on several occasions, but had decided that these were not relevant in the UK context. While he noted that it would have been possible to reconstitute the year of the date of application for all licenses, he questioned the value of such information in the UK, noting the lack of demand from civil society. The member confirmed that coordinates for all oil and gas licenses were available from the OGA's GIS website, while the full text of oil and gas licenses was accessible through the OGA's Energy Portal.²⁰⁶

In *coal*, a government representative confirmed that license-holder names and coordinates were accessible for all coal-related licenses through the Coal Authority's online cadastral portal. However, it was confirmed that dates of application, award and expiry were accessible from the Coal Authority upon request.²⁰⁷ The IA confirmed that the Coal Authority maintained an offline license register, from which all data on active licenses per Requirement 2.3.b was freely accessible.

In terms of *licenses awarded by TCE*, several industry and public-sector MSG members considered that license data for marine aggregates mining, including license coordinates, were accessible upon request from the MMO. An industry representative explained that the year of award of TCE-awarded marine aggregates agreements could be estimated based on the license number, accessible through the TCE website.²⁰⁸ A public-sector representative considered that dates of award and expiry for all marine licenses could be requested from the MMO. While it was unclear whether dates of application for marine licenses were accessible from the MMO upon request, the official noted that the vast majority of marine aggregates agreements were granted through open tender, implying that the deadline for tenders could be used as a proxy for the date of application for all but the few marine aggregates agreements awarded through open tender. Of the 65 marine aggregates agreements active at any one time, the official noted that only a few would have been granted bilaterally, outside of tender rounds. A private-sector representative explained that all land-based mineral leases on TCE land were available through the HM Land Registry website.²⁰⁹

In terms of *Minerals Licenses in Northern Ireland*, a government representative confirmed that the DfE's maps of Minerals Licenses provided the license numbers, license-holder names, minerals covered and an approximation of geographical coordinates, but expressed uncertainty over the public accessibility of dates of application, award and expiry for active Minerals Licenses. However, the representative noted

²⁰⁶ The Oil and Gas Authority, Energy Portal, accessed [here](#) in September 2018.

²⁰⁷ provided they did not consist of confidential information (which dates were not considered to be).

²⁰⁸ The Crown Estate website, 'Minerals and Dredging' webpage, accessed [here](#) in September 2018.

²⁰⁹ HM Land Registry website, accessed [here](#) in November 2018.

that the year of award could be estimated for all Minerals Licenses, using the number in the license name as a proxy for the year of award (e.g. 2018 for KBRI-18). Given that all Minerals Licenses were awarded for a period of six years, the representative noted that a rough estimation of the year of expiry could also be made on the basis of the license name.

Initial assessment

The International Secretariat's initial assessment is that the UK has made **meaningful progress** towards meeting this requirement. The 2016 EITI Report provides guidance on accessing the register of licenses in oil and gas (from OGA and DfE), in coal (from the Coal Authority) and marine aggregates and marine potash (from TCE). However, the report does not provide guidance on accessing the register of licenses for Mineral Licenses by Northern Ireland's DfE, several of which are held by at least one material company in the 2016 EITI Report. In oil and gas, all information mandated under Requirement 2.3.b is publicly accessible for all active licenses, aside from dates of application. In coal, it appears that all information listed under Requirement 2.3.b is accessible upon request from the Coal Authority. The TCE website provides much information on marine aggregates licenses, aside from dates of application, award and expiry, but does not provide information on active marine potash licenses. The lack of publicly-accessible information on silver and gold Option Agreements is less material, since none appear to have been held by companies in the scope of EITI reporting in 2016. The DfE website provides access to much of the required information aside from dates of application, award and expiry.

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.

Contract disclosures (#2.4)

Documentation of progress

Government policy

Systematic disclosures: While there are no contracts in the UK extractive industries, as confirmed in successive EITI Reports, the UK Government's commitment to open contracting is enshrined in several policy documents including successive Open Government Partnership national action plans²¹⁰ and the UK Government Open Contracting webpage.²¹¹

2016 EITI Report: The 2016 EITI Report clarifies that there are no contracts in the extractive industries aside from agreements with the TCE for certain minerals. While the report indicates that the full-text of

²¹⁰ See for instance HM Government, UK Open Government National Action Plan 2016-18, accessed [here](#) in July 2018.

²¹¹ Gov.uk, Open contracting webpage, accessed [here](#) in July 2018.

all oil and gas licenses is available from the OGA and DfE, it is unclear from the report whether the government has a policy to publish the full text of all licenses in the mining and quarrying sector.

Actual practice

Systematic disclosures: The OGA website provides access to the full text of all oil and gas licenses.²¹²

2016 EITI Report: In *oil and gas*, the report confirms that the regulatory system is based on petroleum licenses, not contracts (pp.39,41-42). The report confirms that the full-text of respective oil and gas licenses is accessible through the OGA and DfE websites (p.40). The report clarifies that model clauses of oil and gas licenses are required to be published in secondary legislation, aside from “particular cases”, and that model clauses have been published in full in the license document in practice (pp.41-42).

In *mining and quarrying*, the report confirms that most mining activities onshore Great Britain do not require a license or contract, aside from coal, gold and silver (p.58).

For coal licenses, the report confirms that information about active licenses is available upon request from the Coal Authority (p.58), but does not confirm whether this includes the full text of each active coal license.

For licenses for marine aggregates and mineral potash granted by TCE, the report notes that all licensed applications and exploration/option area details are published online free of charge and provides a link²¹³ to the general TCE website (p.60). For gold and silver licenses, it is unclear from the report or the TCE website whether there were any active gold or silver licenses in 2016. The report does not provide guidance on accessing the full text of gold and silver licenses, if applicable. The report only states that TCE does not disclose contracts and agreements relating to minerals where they contain commercially confidential information (p.60).

For MPLs awarded by Northern Ireland’s DfE, the report only provides a cursory description of the allocation process (p.59), but does not confirm whether the DfE publishes the full text of all active MPLs on its website. The DfE webpage on ‘Minerals licensing’ does not appear to provide access to the full text of MPLs in Northern Ireland.²¹⁴

Stakeholder views

There were no particular views from stakeholders consulted on the public accessibility of licenses, other than general comments on the relative lack of information on licenses in mining and quarrying compared to oil and gas. Several CSN representatives noted that there had been a challenge in ensuring the public accessibility of license agreements awarded by the CA. Several CSN representatives called for the publication of oil and gas companies’ decommissioning agreements, although they recognised this was not strictly required under the EITI Standard. Given that such agreements gave oil and gas companies

²¹² The Oil and Gas Authority, Energy Portal, accessed [here](#) in September 2018.

²¹³ The Crown Estate website, accessed [here](#) in September 2018.

²¹⁴ Northern Ireland Department for the Economy, ‘Minerals licensing’ webpage, accessed [here](#) in June 2018

significant allowances for decommissioning, the CSN representatives considered that these agreements should be in the public domain.

Initial assessment

The International Secretariat's initial assessment is that the UK has made **satisfactory progress** towards meeting this requirement. The 2016 EITI Report clarifies that there are no contracts in the UK extractive industries, aside from agreements concluded for marine aggregates and marine potash with TCE. The report clarifies the practice of publishing licenses, and the accessibility of published licenses, for most mineral commodities, although there are gaps in terms of Mineral Prospecting Licenses onshore Northern Ireland.

To strengthen implementation, the UK may wish to consider options for more systematic disclosure of agreements peripheral to the operating contracts, such as Decommissioning Deeds, Planning Permits (including Section 106 agreements) and others.

Beneficial ownership disclosure (#2.5)

Documentation of progress

Government policy

Systematic disclosures: The 2015 Small Business, Enterprise and Employment Act introduced legal provisions requiring “persons with significant control” (PSCs) to disclose their ultimate beneficial ownership of companies, in line with the definition of beneficial owners in EITI Requirement 2.5, under Part 21A.²¹⁵ In December 2017, the EU reached agreement on amendments to the 4th AMLD Anti-Money Laundering Directive which requires public access to beneficial ownership registers on companies, interconnecting national registers to facilitate cooperation between Member States, and extending the information available to national authorities.²¹⁶

Implementing regulations enacted in 2016 provided guidelines for the establishment of a register of PSCs.²¹⁷ The government webpage on PSC requirements²¹⁸ provides guidance for companies on compliance with the PSC disclosure requirements, as does the Department for BEIS.²¹⁹

The UKEITI beneficial ownership roadmap to 2020 reaffirms the government's commitment to beneficial

²¹⁵ 2015 Small Business, Enterprise and Employment Act, Part 21A: Information about people with significant control, accessed [here](#) in July 2018.

²¹⁶ European Parliament and Council of the EU (May 2015), ‘Directive (EU) 2015/849 of the European Parliament and of the Council, on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing’, accessed [here](#) in July 2018.

²¹⁷ 2016 Register of People with Significant Control Regulations, accessed [here](#) in July 2018.

²¹⁸ Gov.uk, ‘PSC requirements for companies and limited liability partnerships’, accessed [here](#) in July 2018.

²¹⁹ Department for BEIS (June 2017), ‘Register of people with significant control, guidance for registered and unregistered companies’, accessed [here](#) in July 2018.

ownership transparency and sets out specific activities in the 2017-20 period including reviews of reporting templates and quality assurances for beneficial ownership reporting.²²⁰ The UKEITI has issued guidance for companies on beneficial ownership.²²¹

2016 EITI Report: The report confirms the alignment in the MSG's approach with provisions of the Small Business, Enterprise and Employment Act 2015 that require companies incorporated in the UK from 30 June 2016 to submit information on PSCs along with a statement of confirmation (p.76). The report confirms the MSG's approval of and provides a link to the three-year UKEITI roadmap for building a BO register (p.76).

Actual practice

Systematic disclosures: The register of PSCs²²² has been established and made public since 30 June 2016.²²³ The Companies House register²²⁴ also provides access to shareholder (legal ownership) information on all material companies in the UKEITI Reports.

2016 EITI Report: The report confirms the MSG's agreement to incorporate BO disclosure from the first EITI Report and on an ongoing basis (p.76). The MSG allowed companies already filing in this way to simply confirm the link to the disclosure on the PSC register. For others, they were required to disclose BO above 25%. Listed companies were required to confirm their listed status (p.76). For EITI reporting, privately-owned companies were also asked to disclose information on politically-exposed persons (p.76).

Annex 1 provides two of 15 reporting companies' reporting of BO information and confirmation that another 6 companies' BO information is available from Companies House (p.84). The report confirms that no reporting companies disclosed any PEPs (p.84). The report provides disclosures of beneficial owners by reporting companies with 15 private companies responding, 8 of which provided relevant information or links, up from only 6 of 15 private companies providing material beneficial ownership information for 2015 (p.12).

Stakeholder views

Several CSN representatives consulted highlighted the UK's commitment to making its beneficial ownership register public as one of the early outcomes of the UK's EITI implementation. Several civil society publications have highlighted the UK Government's public commitment to introduce beneficial ownership reporting when it hosted the G8 Summit in June 2018 and its commitment to making the beneficial ownership register freely accessible to the public in October 2013.²²⁵ CSOs including Open

²²⁰ UKEITI (November 2016), 'UK EITI Beneficial Ownership Roadmap', accessed [here](#) in July 2018.

²²¹ UKEITI, Beneficial Ownership Guide, accessed [here](#) in July 2018.

²²² Gov.uk, 'PSC requirements for companies and limited liability partnerships', accessed [here](#) in July 2018.

²²³ Companies House, 'People with significant control (PSC) snapshot', accessed [here](#) in September 2018.

²²⁴ Companies House Register, accessed [here](#) in July 2018.

²²⁵ Open Ownership and Global Witness (October 2017), 'Learning the lessons from the UK's public beneficial ownership register', accessed [here](#) in September 2018.

Ownership and Global Witness have welcomed the release of beneficial ownership information under an open data license, rendering it available for reuse without restrictions.²²⁶ In November 2016, a group of CSOs including Global Witness, DataKind UK, OpenCorporates, Spend Network and Organized Crime and Corruption Reporting Project (OCCRP) undertook an initial analysis of the first 1.3m companies that submitted beneficial ownership data in the UK.²²⁷ The review found gaps in beneficial ownership reporting, with 9,800 companies reporting a foreign company as their beneficial owner, of which 3,000 included companies with addresses in tax havens as the ultimate owner.²²⁸

Initial assessment

Implementing countries are not yet required to address beneficial ownership and progress with this requirement does not yet have any implications for a country's EITI status. The UK Government has publicly stated its policy on beneficial ownership disclosure and has taken steps to establish a public beneficial ownership register. In the International Secretariat's view, the UK has gone beyond the minimum requirement in systematically disclosing all key information in accordance with Requirement 2.5.

To strengthen implementation, the UK may wish to consider using EITI reporting as an annual diagnostic of extractives companies' beneficial ownership disclosures to the Companies House register of persons with significant control (PSC).

State participation (#2.6)

Documentation of progress

Systematic disclosures: Not applicable.

2016 EITI Report: *Materiality*: The 2016 EITI Report confirms the lack of state participation in the extractive industries, although it notes that the government has funded acquisition and interpretation of seismic data through the OGA (p.13). The report further clarifies that the OGA became a government-owned company in October 2016, structured as a not-for-profit company funded primarily by fees for specific activities and by a per-license levy (the OGA levy) (p.51). It notes that the OGA collected GBP 21.268m in 2016 calendar year, split 89% from in-production companies and 11% from pre-production companies (p.51).

Financial relationship with government: The report describes the OGA as a vested company with operational independence from Government (p.68). It confirms that the Secretary of State for Business, Energy and Industrial Strategy (BEIS) is ultimately responsible to Parliament for the OGA, while the OGA Board of Directors is accountable to the Secretary of State for BEIS. The report further explains that the Permanent Secretary of the Department for BEIS is the OGA's Principal Accounting Officer and is

²²⁶ Open Ownership and Global Witness (October 2017), 'Learning the lessons from the UK's public beneficial ownership register', accessed [here](#) in September 2018.

²²⁷ Global Witness (November 2016), 'What does the UK beneficial ownership data show us?', accessed [here](#) in September 2018.

²²⁸ Open Ownership and Global Witness (October 2017), 'Learning the lessons from the UK's public beneficial ownership register', accessed [here](#) in September 2018.

responsible to Parliament for any grant funding of the OGA. It explains that the OGA's Chief Executive is responsible to the Permanent Secretary and that the OGA's Annual Report and Accounts are approved by the Board of Directors and the Secretary of State (p.68).

The report describes the prohibition of retained earnings by the OGA, by explaining that the rate of the OGA levy is set by statutory instrument approved by Parliament and that any revenues in excess of the OGA's expenditures is repaid to levy-paying companies (p.68).

Government ownership: The report confirms that the Secretary of State for BEIS is the OGA's sole shareholder (p.68), but does not comment on whether the OGA had any interests in subsidiaries beyond confirming that there is no state participation in the extractive industries (p.13).

Ownership changes: The report confirms that the OGA was established as a not-for-profit government-owned company in October 2016, converted from an Executive Agency of the DECC (p.51)

Loans and guarantees: The report does not comment on the existence of any outstanding loans or guarantees from the state or OGA to any extractives company in 2016, aside from stating that there is no state participation in the extractive industries aside from the OGA's funding of acquisition and interpretation of seismic data, described as a "benefit to industry" (p.13) (see Requirement 6.2).

Stakeholder views

There was consensus among stakeholders consulted that the OGA was not considered a SOE for the purposes of EITI reporting, but rather an independent and self-funded industry regulator. None of the stakeholders consulted considered the EITI Requirements related to SOEs to be applicable in the UK context.

Initial assessment

The International Secretariat's initial assessment is that the requirement was not applicable to the UK in 2016. Requirement 2.6 is applicable "*where state participation in the extractive industries gives rise to material revenue payments*", without explicitly defining state participation only in terms of state ownership of extractives equity. All of the UK's EITI Reports confirm that there is no state participation in the extractive industries and that Requirement 2.6 is not applicable in the UK context. The UK established the OGA as a not-for-profit government-owned company in October 2016, a self-funded autonomous regulator. The OGA does not hold equity in the extractive industries and is not entitled to participate in or retain revenues from the extractive industries it regulates. While revenues collected by the OGA are material and retained from the national budget to fund the independent regulator, the 2016 EITI Report has adequately disclosed and reconciled OGA levy payments and provided a link to where the management of the OGA's funds is described (see Requirements 4.1 and 5.1).

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

EITI provisions	Summary of main findings	International Secretariat's initial assessment of progress with the EITI provisions
Legal framework (#2.1)	<p>The 2016 EITI Report provides an overview of the legal framework and fiscal regimes governing the oil and gas and mining and quarrying sectors, including an overview of the relevant laws and regulations, key government entities with jurisdiction, the degree of fiscal devolution and recent or ongoing reforms. In the International Secretariat's view, the UK has gone beyond the minimum requirement in systematically disclosing all key information on relevant government websites (Oil and Gas Authority, Coal Authority, The Crown Estate, British Geological Survey, Parliament, National Archives, etc.) in accordance with Requirement 2.1.</p>	Satisfactory progress (Beyond)
License allocations (#2.2)	<p>The 2016 EITI Report does not systematically track license awards and transfers involving companies covered in the scope of EITI reporting in the year under review, either in oil and gas or in mining and quarrying. While the report clarifies the lack of oil and gas license awards in 2016, it only implies the existence of transfers without clearly listing them. The only material sub-sectors in mining and quarrying appear to be Minerals Licenses in Northern Ireland as well as terrestrial and marine mining agreements with The Crown Estate. The coal, gold and silver sub-sectors are not strictly material to EITI reporting. While the EITI Report describes the general process for awarding licenses, it does not systematically indicate the technical and financial criteria assessed, nor clarify the statutory process for transferring licenses. The report only refers to an assessment of non-trivial deviations from statutory procedures for license awards and transfers in oil and gas, not mining and quarrying. The public accessibility of detail in the description of TCE's licensing procedures, while more</p>	Meaningful progress

	developed for marine dredging than for land-based minerals on TCE estates, is less comprehensive than for oil, gas or coal.	
License registers (#2.3)	The 2016 EITI Report provides guidance on accessing the register of licenses in oil and gas (from OGA and DfE), in coal (from the Coal Authority) and marine aggregates and marine potash (from TCE). However, the report does not provide guidance on accessing the register of licenses for Mineral Prospecting Licenses by Northern Ireland's DfE, several of which are held by at least one material company in the 2016 EITI Report. In oil and gas, all information mandated under Requirement 2.3.b is publicly accessible for all active licenses, aside from dates of application. In coal, it appears that all information listed under Requirement 2.3.b is accessible upon request from the Coal Authority. The TCE website provides much information on marine aggregates licenses, aside from dates of application, award and expiry, but does not provide information on active marine potash licenses. The lack of publicly-accessible information on silver and gold Option Agreements is less material, since none appear to have been held by companies in the scope of EITI reporting in 2016. The DfE website provides access to much of the required information aside from dates of application, award and expiry.	Meaningful progress
Contract disclosures (#2.4)	The 2016 EITI Report clarifies that there are no contracts in the UK extractive industries, aside from agreements concluded for marine aggregates and marine potash with TCE. The report clarifies the practice of publishing licenses, and the accessibility of published licenses, for most mineral commodities, although there are gaps in terms of Mineral Prospecting Licenses onshore Northern Ireland.	Satisfactory progress
Beneficial ownership disclosure (#2.5)	The UK Government has publicly stated its policy on beneficial ownership disclosure and has taken steps to establish a public beneficial ownership register. In the International Secretariat's view, the UK has	(Beyond)

	gone beyond the minimum requirement in systematically disclosing all key information in accordance with Requirement 2.5.	
State-participation (#2.6)	All of the UK's EITI Reports confirm that there is no state participation in the extractive industries and that Requirement 2.6 is not applicable in the UK context. The UK established the OGA as a not-for-profit government-owned company in October 2016, a self-funded autonomous regulator. The OGA does not hold equity in the extractive industries and is not entitled to participate in or retain revenues from the extractive industries it regulates. While revenues collected by the OGA are material and retained from the national budget to fund the independent regulator, the 2016 EITI Report has adequately disclosed and reconciled OGA levy payments and provided a link to where the management of the OGA's funds is described (<i>see Requirements 4.1 and 5.1</i>).	Not applicable
<p>Secretariat's recommendations:</p> <ol style="list-style-type: none"> 9. To strengthen implementation, the UK may wish to explore options for further improving the accessibility of online information on the legal and fiscal environment for oil and gas, mining and quarrying, perhaps through an online EITI disclosures page. Stakeholders may wish to consider the scope for using EITI reporting as a diagnostic tool for tracking the impact of legal, regulatory and fiscal reforms. 10. In accordance with Requirement 2.2, the UK should disclose information related to the award or transfer of licenses 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. 11. 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. 12. To strengthen implementation, the UK may wish to consider options for more systematic disclosure of agreements peripheral to the operating contracts, such as Decommissioning 		

Deeds, Planning Permits (including Section 106 agreements) and others.

13. To strengthen implementation, the UK may wish to consider using EITI reporting as an annual diagnostic of extractives companies' beneficial ownership disclosures to the Companies House register of persons with significant control (PSC).

3. Monitoring and production

3.1 Overview

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

3.2 Assessment

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

Documentation of progress

Systematic disclosures: The Office of National Statistics publishes annual results for the UK's non-financial business economy, which include sections on the oil and gas, mining and quarrying.²²⁹ For *oil and gas* in particular, the UK Government website provides regular updates on energy trends²³⁰ and the Digest of UK Energy Statistics (DUKES).²³¹ The OGA website hosts a set of interactive maps tools²³² and an Open Data Portal²³³ and the OGA Data Centre.²³⁴ In Northern Ireland, the DfE website provides an overview of licensing opportunities²³⁵ and minerals and petroleum annual reports, albeit only updated to 2010.²³⁶ The industry association Oil and Gas UK website provides publications on a range of industry trends including annual reports on the oil and gas business environment and economics as well as activity surveys.²³⁷

For *mining and quarrying*, the British Geological Survey website²³⁸ publishes annual overviews of the sector, including through the UK Minerals Yearbooks, although these have been published with more than a two-year time-lag. The BGS website also provides factsheets on mineral planning for various commodities, albeit only updated to 2014.²³⁹ For minerals in Northern Ireland, the DfE website provides geological data and reports for mining rights.²⁴⁰ The Coal Authority provides coal mining reports and data²⁴¹ and historical statistical coal data²⁴² on the government website. The Crown Estate website provides annual updates on development in marine aggregates²⁴³, but only refers to land-based mining

²²⁹ Office of National Statistics website, 'Annual Business Survey Statistical bulletins', accessed [here](#) in July 2018.

²³⁰ Gov.uk, 'Collection: Energy trends', accessed [here](#) in July 2018.

²³¹ Gov.uk, 'Digest of UK Energy Statistics (DUKES)', accessed [here](#) in July 2018.

²³² OGA website, 'Interactive maps and tools', accessed [here](#) in July 2018.

²³³ OGA website, 'Oil and Gas Authority Open Data', accessed [here](#) in July 2018.

²³⁴ OGA website, 'Data centre', accessed [here](#) in July 2018.

²³⁵ Northern Ireland DfE website, 'Petroleum licensing', accessed [here](#) in July 2018.

²³⁶ Northern Ireland DfE website, 'Minerals and petroleum annual reports', accessed [here](#) in July 2018.

²³⁷ Oil and Gas UK website, Publications shop, accessed [here](#) in July 2018.

²³⁸ British geological Survey website, 'Minerals Publications', accessed [here](#) in July 2018.

²³⁹ British geological Survey website, 'Mineral Planning Factsheets', accessed [here](#) in July 2018.

²⁴⁰ Northern Ireland DfE website, 'Minerals and Petroleum', accessed [here](#) in July 2018.

²⁴¹ Gov.uk, 'Coal mining reports and data', accessed [here](#) in July 2018.

²⁴² Gov.uk, 'Statistical data set: Historical coal data: coal production, availability and consumption', accessed [here](#) in July 2018.

²⁴³ The Crown Estate website, 'Marine aggregates: downloads and links', accessed [here](#) in July 2018.

licenses for minerals such as sand, gravel, limestone, granite, brick clay, slate and dimension stone²⁴⁴ without describing these mining and quarrying activities. The British Marine Aggregate Producers Association (BMAPA) publishes annual updates on trends in the marine aggregate dredging sector.²⁴⁵ The Marine Management Organisation operates a public register of marine license applications and requests.²⁴⁶ The UK's devolved authorities publish information related marine licenses on their respective websites, including from Natural Resources Wales²⁴⁷, the Scottish Government²⁴⁸ and Northern Ireland's Department of Agriculture, Environment and Rural Affairs.²⁴⁹ The annual reports of each competent authority tend to provide overviews of significant exploration activities in mining and quarrying.

2016 EITI Report: The report provides an overview of the extractive industries, including an overview of the history and economic impact (pp.10-11,13-29), the oil and gas sector (pp.30-39), shale gas (pp.51-52) and the mining and quarrying sectors (pp.53-57). Links are also provided to additional information on sub-sectors from relevant government websites. The report provides overviews of significant exploration activities in oil and gas (pp.35-36), minerals and quarrying (pp.62-67) and coal (p.66).

Stakeholder views

None of the stakeholders consulted expressed any particular opinion about the 2016 EITI Report's coverage of the extractive industries, including significant exploration activities. An independent industry expert noted that UK statistics were particularly reliable in providing the identity and location of all 2000 active mines and quarrying in the country.

Initial assessment

The International Secretariat's initial assessment is that the UK has made **satisfactory progress** towards meeting this requirement. The 2016 EITI Report provides an overview of the oil and gas, shale gas, coal, mining and quarrying sectors, including significant exploration activities. The Secretariat's view is that the UK has made efforts to go beyond the minimum requirements through its systematic disclosures of overviews of the extractive industries, including significant exploration activities.

Production data (#3.2)

Documentation of progress

Systematic disclosures: For *oil and gas*, the Digest of UK Energy Statistics (DUKES) provides annual

²⁴⁴ The Crown Estate website, 'On the land and coast', accessed [here](#) in July 2018.

²⁴⁵ British Marine Aggregate Producers Association (BMAPA) website, 'Reference library', accessed [here](#) in July 2018.

²⁴⁶ Marine Management Organisation website, 'Public register', accessed [here](#) in July 2018.

²⁴⁷ Natural Resources Wales website, 'Marine licensing', accessed [here](#) in July 2018.

²⁴⁸ Scottish Government website, 'Marine licensing in Scotland', accessed [here](#) in July 2018.

²⁴⁹ Northern Ireland's Department of Agriculture, Environment and Rural Affairs website, 'Marine licensing and permits', accessed [here](#) in July 2018.

production volumes and values for coal, oil and gas.²⁵⁰

For *mining and quarrying*, the BGS publishes annual UK Minerals Yearbooks, albeit with a 2.5-year delay. While the 2015 UK Minerals Yearbook is accessible through a direct download link²⁵¹ provided in the 2016 EITI Report, the main MineralsUK website operated by the BGS only lists mineral statistics up to 2014.²⁵² The Minerals Yearbooks provide production volumes and values of minerals produced. The Department for BEIS produces aggregate coal production figures²⁵³, including data series covering 1853-2016²⁵⁴, hosted on the government website. Gov.uk publishes monthly updates on production volumes of construction materials such as cement and clinker, sand and gravel, slate, bricks, concrete building blocks and roofing tiles.²⁵⁵ While production values are not explicitly provided, the data includes monthly reference prices for each of these six commodities.

2016 EITI Report: Production volumes: In *oil and gas*, the 2016 EITI Report provides production volumes of crude oil and natural gas produced in 2016 (p.33).

In *mining and quarrying*, the report provides 2016 production volumes for coal (pp.33,63), construction materials including primary aggregates (crushed rock, sand and gravel) (p.63), cementitious products (p.63), dimension stone (p.63), rock for non-construction use (p.63), industrial sand for non-construction use (p.63), clay (p.63), and industrial minerals including kaolin (p.64), ball clay (p.64), potash (p.65), salt (p.65), gypsum (p.65), fluorspar (p.66) and barytes (p.66). However, the report only provides production volumes for silica sands (p.65) industrial and agricultural carbonates (p.66) for previous years, not for 2016, and states that the only tungsten mine in the UK, in Drakelands, began production in 2015 but does not provide 2016 production volumes.

Production values: In *oil and gas*, the report provides production values for crude oil and natural gas produced in 2016 (p.33).

In *mining and quarrying*, the report provides 2016 production values for coal (p.33) but does not provide values for other mineral commodities produced in 2016. While the report provides export values for one industrial mineral (silica sands) (p.65), it notes that the British Geological Survey (BGS) does not record the value of production for construction materials (p.63).

The supplement to the 2016 EITI Report notes that production data included in the report drew on the best data available to the MSG and explains that the government had recently taken the view that collection and publication of some production data was no longer “cost effective”.²⁵⁶

²⁵⁰ Gov.uk, Digest of UK Energy Statistics (DUKES), accessed [here](#) in July 2018.

²⁵¹ British Geological Survey (February 2016), ‘UK Minerals Yearbook 2015’, accessed [here](#) in July 2018.

²⁵² British Geological Survey, UK Minerals Yearbook, accessed [here](#) in July 2018. And British Geological Survey, ‘United Kingdom mineral statistics’, accessed [here](#) in September 2018.

²⁵³ Gov.uk, ‘Coal Statistics’, accessed [here](#) in July 2018.

²⁵⁴ Gov.uk, ‘Statistical data set: Historical coal data: coal production, availability and consumption’, accessed [here](#) in July 2018.

²⁵⁵ Gov.uk, ‘Building materials and components: monthly statistics’, accessed [here](#) in July 2018.

²⁵⁶ UK EITI (June 2018), ‘UK Extractive Industries Transparency Initiative (UK EITI) report 2016: supplementary information’, accessed [here](#) in September 2018.

Location: The report provides an overview of the location of the oil and gas, mining and quarrying sectors in the UK, including links to relevant maps of extractives activities (pp.25-27). It provides the location of production for coal (p.62), construction minerals (pp.63-64), industrial minerals (pp.64-66), metals minerals (p.66).

Stakeholder views

With regards to production data for non-energy minerals, an independent industry expert confirmed that the government had taken the view that collection and publication of production values (among other minerals data) were no longer cost effective from 2015 onwards. Several stakeholders from government and industry highlighted the cessation of the ONS' annual minerals raised inquiry (AMRI) survey, which had been based on questionnaires to all operators. An industry MSG member clarified that the ONS's AMRI surveys had only covered production volumes, not values. While the end of the AMRI survey did not imply that the government would stop publishing production data, the industry expert noted that there would be a loss of granularity in the data given that it would be based on companies' self-reporting (in collaboration with trade associations), which by definition would not be as comprehensive as the ONS survey even if it would cover the vast majority of UK production. This data would be the basis for the next UK Minerals Yearbook, which would include data for 2016. Yet several industry representatives considered that the government still collected data on production values and could provide data on production values of construction materials that had not been included in the 2016 EITI Report. The industry expert explained that it would be methodologically unsound to use benchmark average annual prices to calculate estimates of the value of production of construction materials. In addition, the representative noted that aggregate production data such as values was considered confidential for mining sub-sectors in which fewer than three companies operated. For instance, there was a high degree of concentration in mining for commodities such as gypsum, kaolin, salt, potash, silica sands and slate, which could hinder the government's ability to disclose production values. Several CSN representatives did not consider that there was significant public interest in production data for minerals used in construction materials. In terms of production data related to gold, an industry expert highlighted the production of 187 troy oz (5.8kg) of gold from the Connonish mine in Scotland, although it was confirmed that the operator, Scotgold Resources, was not a material company in the 2016 EITI Report.

Initial assessment

The International Secretariat's initial assessment is that the UK has made **meaningful progress** towards meeting this requirement. The 2016 EITI Report provides production volumes for all commodities produced in 2016 aside from silica sands, industrial and agricultural carbonates, and tungsten, and production volumes only for oil, gas and coal. The report states that the government does not record production values for construction materials, but does not refer any MSG discussions on estimates of the value of production. Although it is possible to source annual average prices for certain minerals produced in the UK from government sources, the lack of publicly-available 2016 production volumes and values for certain minerals produced by material companies in the 2016 EITI Report means that the broader objective of transparency in national extractives production cannot be considered to be met. While the supplement to the 2016 EITI Report highlights constraints in the public availability of production data for non-energy minerals, it does not explain the constraints in disclosing an average annual production or sales price for these minerals.

In accordance with Requirement 3.2, the UK should ensure that estimates of production values are publicly disclosed for all minerals produced in the year under review. The UK is encouraged to consider the extent to which estimates prepared based on average benchmarks could ensure that general estimates of the value of production is in the public domain.

Export data (#3.3)

Documentation of progress

Systematic disclosures: For *oil and gas*, the Digest of UK Energy Statistics (DUKES) provides annual export volumes and values for coal, oil and gas.²⁵⁷

For *mining and quarrying*, the BGS publishes UK Minerals Yearbooks, albeit with a 2.5-year delay. The 2015 UK Minerals Yearbook, published in February 2016, provides 2014 export values for 15 mineral commodities.²⁵⁸ However, the Yearbook does not provide export volumes and a number of commodity types are not disaggregated by commodity (e.g. non-ferrous metals). Gov.uk publishes monthly updates on export volumes (but not values) of cement and clinker, and monthly reference prices from which it is possible to estimate export values.²⁵⁹

2016 EITI Report: Export volumes: In *oil and gas*, the 2016 EITI Report provides the 2016 export volumes for crude oil and natural gas for each year in the 2012-16 period (p.23). Additional information including a graph of the destination of UK oil exports are included (p.28).

In *mining and quarrying*, the report provides export volumes for coal (p.23), kaolin (p.64), but not for the other minerals for which export values are provided, such as lignite, iron ores, “non-ferrous metal ores”, “unworked stone, gravel, sands etc”, “mining & quarrying products n.e.c.” (p.21) or aggregates minerals (p.64). Export volumes of silica sands are only provided for 2014, not 2016 (p.65).

Export values: In *oil and gas*, the report provides 2016 export values for crude oil and natural gas (p.23). In *mining and quarrying*, the report provides the value of mineral commodity exports for each year in the 2012-16 period, disaggregated by commodity (coal, lignite, iron ores, kaolin) alongside categories of exports combining several mineral commodities: “non-ferrous metal ores”, “unworked stone, gravel, sands etc” and “mining & quarrying products n.e.c.” (pp.21,64). The value of aggregates minerals and silica sands exports are provided for 2014 (pp.64,65), not 2016.

The supplement to the 2016 EITI Report notes that export data included in the report drew on the best data available to the MSG and explains that the government had recently taken the view that collection and publication of some export data was no longer “cost effective”.²⁶⁰

²⁵⁷ Gov.uk, Digest of UK Energy Statistics (DUKES), accessed [here](#) in July 2018.

²⁵⁸ British Geological Survey (February 2016), ‘UK Minerals Yearbook 2015’, accessed [here](#) in July 2018.

²⁵⁹ Gov.uk, ‘Building materials and components: monthly statistics’, accessed [here](#) in July 2018.

²⁶⁰ UK EITI (June 2018), ‘UK Extractive Industries Transparency Initiative (UK EITI) report 2016: supplementary information’, accessed [here](#) in September 2018.

Stakeholder views

With regards to gaps in the public accessibility of some export data related to non-energy minerals exports, an independent industry expert noted that HMRC did not disclose export data for most mineral exports given the consolidation of many minerals sub-sectors, included for exported commodities such as silica sands, gypsum, salt and potash. Indeed, for sectors where less than three companies operated, the government was barred from publicly disclosing information deemed commercially-sensitive, such as pricing data. Several stakeholders from government and industry explained that it was not methodologically sound to estimate export values using benchmark average prices for a period, given that the vast majority of UK minerals exports included significant value added by the companies. Thus, the UK tended to export construction materials rather than raw minerals such as gypsum for example. An industry MSG member considered that it would have been possible to provide general estimates of export values for construction materials that were missing from the 2016 EITI Report.

Initial assessment

The International Secretariat's initial assessment is that the UK has made **meaningful progress** in meeting this requirement. The 2016 EITI Report provides export volumes and values for oil, gas and coal, but not consistently for mineral commodities such as lignite, iron ores, kaolin, non-ferrous metal ores, unworked stone, gravel, sands, as well as other mining and quarrying products. While the supplement to the 2016 EITI Report highlights constraints in the public availability of export data for non-energy minerals, it does not explain the constraints in disclosing estimates for export values of non-energy minerals.

In accordance with Requirement 3.3, the UK should ensure that export volumes and values are publicly disclosed for every mineral commodity exported annually.

Table 3- Summary initial assessment table: Monitoring and production

EITI provisions	Summary of main findings	International Secretariat's initial assessment of progress with the EITI provisions
Overview of the extractive sector, including exploration activities (#3.1)	The 2016 EITI Report provides an overview of the oil and gas, shale gas, coal, mining and quarrying sectors, including significant exploration activities.	Satisfactory progress (Beyond)
Production data (#3.2)	The 2016 EITI Report provides production volumes for all commodities produced in 2016 aside from silica sands, industrial and agricultural carbonates, and tungsten, and production volumes only for oil, gas and	Meaningful progress

	<p>coal. The report states that the government does not record production values for construction materials, but does not refer any MSG discussions on estimates of the value of production. Although it is possible to source annual average prices for certain minerals produced in the UK from government sources, the lack of publicly-available 2016 production volumes and values for certain minerals produced by material companies in the 2016 EITI Report means that the broader objective of transparency in national extractives production cannot be considered to be met. While the supplement to the 2016 EITI Report highlights constraints in the public availability of production data for non-energy minerals, it does not explain the constraints in disclosing an average annual production or sales price for these minerals.</p>	
Export data (#3.3)	<p>The 2016 EITI Report provides export volumes and values for oil, gas and coal, but not consistently for mineral commodities such as lignite, iron ores, kaolin, non-ferrous metal ores, unworked stone, gravel, sands, as well as other mining and quarrying products. While the supplement to the 2016 EITI Report highlights constraints in the public availability of export data for non-energy minerals, it does not explain the constraints in disclosing estimates for export values of non-energy minerals.</p>	Meaningful progress
<p>Secretariat's recommendations:</p> <ul style="list-style-type: none"> • In accordance with Requirement 3.2, the UK should ensure that estimates of production values are publicly disclosed for all minerals produced in the year under review. The UK is encouraged to consider the extent to which estimates prepared based on average benchmarks could ensure that general estimates of the value of production is in the public domain. • In accordance with Requirement 3.3, the UK should ensure that export volumes and values are publicly disclosed for every mineral commodity exported annually. 		

4. Revenue collection

4.1 Overview

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

4.2 Assessment

Materiality (#4.1)

Documentation of progress

Systematic disclosures: The UK's first EITI Report (2014) initially included three revenue streams in oil and gas (Ring Fence Corporation Tax and Supplementary Charge (RFCT & SC), Petroleum Revenue Tax (PRT) and Petroleum License Fees) and three revenue streams in mining and quarrying (Corporation Tax, extractive-related payments to The Crown Estate and the Coal Authority) in the scope of reconciliation. The second EITI Report (2015) added two types of oil and gas company payments (the OGA Levy and oil and gas company payments to TCE for pipeline easement fees) to the scope of reconciliation. The third EITI Report (2016) combined Advance Petroleum Revenue Tax (APRT) to the reporting of PRT, which included refunds given the zero-rating of PRT in the 2016 Budget.²⁶¹ For coal, mining and quarrying, companies were requested to provide their own estimates of the share of Corporation Tax payments that were related to their upstream extractive activities, which were then reconciled with HMRC disclosures.

The UK's EITI reporting has reconciled payments from 71 material companies for 2014, 60 for 2015 and 58 for 2016. All extractives companies accounting for more than 1% of the reconciled government extractives revenues in 2014 (11 companies) and 2015 (nine companies) were from the oil and gas sector, and accounted for 94.18% and 92.88% of government extractives revenues respectively. Given the significant PRT refunds in 2016, three of the 11 companies accounting for the largest (94.89% combined) (net) extractives payments to government were from the mining and quarrying sector.²⁶²

In terms of *government disclosures* of extractives revenues, the 2005 Commissioners for Revenue and Customs Act includes taxpayer confidentiality provisions that hinder HMRC's ability to disclose disaggregated tax revenue information. In 2015, UKEITI developed a system of open-ended taxpayer confidentiality waivers for companies in the scope of EITI reporting. While the 2016 EITI Report notes that "the majority of companies" signed these waivers (p.72), the precise number of companies that have waived their taxpayer confidentiality rights is unclear from UKEITI Reports.

²⁶¹ UKEITI, 2016 EITI Report, op.cit.,p.69.

²⁶² Based on analysis of UKEITI summary data.

In terms of oil and gas revenues, the UK Government website publishes annual statistics on government revenues from UK oil and gas production²⁶³, which provide aggregate figures for revenues from RFCT, SC and PRT, albeit not disaggregated by company. The OGA annual reports and accounts²⁶⁴ provide figures for aggregate revenue from the OGA levy and for “fees and charges” (combined), albeit not disaggregated by company nor between the various types of fees and charges levied on oil and gas companies.

In terms of mining and quarrying, the Office for Budget Responsibility (OBR) publishes monthly public finance releases²⁶⁵, that provide aggregate figures for common tax revenues including Corporation Tax. This data is presented in open data format and with visualisation tools on the UK Public Revenue website.²⁶⁶ However, the common tax data is consolidated in aggregate figures, and neither disaggregated by company nor disaggregated between extractives and non-extractives components. The Coal Authority’s annual report and accounts²⁶⁷ provide consolidated figures for revenues collected from coal companies, including licensing fees and royalties, albeit not disaggregated by company. The Crown Estate integrated annual report²⁶⁸ provides information on aggregate revenues collected by TCE, albeit not disaggregated by revenue stream or by company.

In terms of *company disclosures* of payments to government, companies that make payments of more than GBP 86,000 in individual payment flows are required to publicly report their payments to government at a project-level under the EU Accounting and Transparency Directives. The Companies House website hosts a register of extractives companies.²⁶⁹ Based on a review of publicly-available payments to governments report, it appears that 34 of the 58 material companies in the 2016 EITI Report were required to publish statutory payments to government reports, either in the UK or in their home jurisdiction (e.g. France, Norway). Of the 34 companies that routinely disclose their payments to the UK government as part of mandatory disclosure requirements, 30 submitted reports to the UK Companies House and four companies²⁷⁰ submitted reports in their home jurisdiction. At the start of Validation (1 July 2018), 27 of the 41 material oil and gas companies in the 2016 EITI Report had published reports on statutory payments to the UK Government (all but one²⁷¹ for 2016 or later), while only one of the 17 material mining and quarrying companies had done so. The 34 companies that had reported under the EU Accounting and Transparency Directives accounted for around 86% of extractives payments to government in 2016 (see Annex B). These statutory payments to government reports under the EU Accounting and Transparency Directives include project-level reporting of taxes and fees paid to government, disaggregated by collecting government entity but not by individual revenue stream (see *Requirement 4.7*).

While EITI reporting is based on a calendar year, companies have the discretion of choosing their own

²⁶³ Gov.uk, ‘Government revenues from UK oil and gas production’, accessed [here](#) in July 2018.

²⁶⁴ The Oil and Gas Authority (OGA) website, OGA annual report and accounts 2016-17, accessed [here](#) in July 2018.

²⁶⁵ Office for Budget Responsibility, ‘Monthly public finances release’, accessed [here](#) in July 2018.

²⁶⁶ UK Public Revenue website, accessed [here](#) in July 2018.

²⁶⁷ Gov.uk, The Coal Authority Annual report and accounts 2016 to 2017, accessed [here](#) in July 2018.

²⁶⁸ The Crown Estate website, Integrated Annual Report, accessed [here](#) in July 2018.

²⁶⁹ Companies House website, ‘Extractives service’, accessed [here](#) in June 2018.

²⁷⁰ Statoil/Equinor in Norway, Total and Engie in France and Maersk in Denmark.

²⁷¹ As of 1 July 2018, Mitsui E&P UK Ltd had only published payments to government reports up to 2015.

financial year for the purposes of their mandatory payments to governments reports. Whereas most oil and gas companies operate on a calendar year for their accounting, the UK Government operates on a fiscal year running from 1 April to 31 March (*see Requirement 4.8*).

2016 EITI Report: Materiality threshold for revenue streams: The 2016 EITI Report describes the evolution in the MSG's approach to selecting material revenue streams over the three EITI Reports to date (p.69). While the inclusion of seven types of payment flows²⁷² in the first (2014) EITI Report is confirmed (p.69), the 2016 EITI Report does not explain the rationale for selecting these revenue flows, e.g. with a quantitative materiality threshold (as a share of total government extractives revenues). Similarly, the 2016 EITI Report notes the inclusion of two more material revenue streams in the second (2015) EITI Report (p.69), albeit without providing justification for their inclusion. For the third (2016) EITI Report, the report notes the inclusion of Advance Petroleum Revenue Tax (APRT), reported together with PRT (p.69), albeit without providing the rationale for this expansion in the scope of reconciliation. The MSG has discussed the selection of revenue streams on several occasions, including on 9 September 2014, 19 May 2015 and 17 May 2016.²⁷³ While the MSG discussed the materiality threshold of GBP 86,000 in payments per individual revenue stream in terms of the selection of material companies, there is no evidence of a discussion of a quantitative materiality threshold (as a share of total government extractives revenues) for the selection of material revenue streams.

In terms of material *oil and gas* revenues, the report confirms that companies were themselves allowed to confirm the split in payments of common tax (of RFCT/SC and of mainstream corporation tax), only reporting the extractives-related payments (p.70). The report also confirms the MSG's decision to require inclusion of any interest or penalty payments as an element of the payment with which they are associated (p.70).

In terms of material *mining and quarrying* revenues, the report explains that planning obligation payments to Local Planning Authorities were excluded from the scope of reconciliation and only unilaterally reported by companies given the lack of central record of planning obligation payments and the low value of total payments in 2016 (GBP 98,012) (p.70). It is also confirmed that other payment streams associated with mining and quarrying, such as the Aggregates Levy to the Exchequer, were excluded from the scope of reporting given that they were considered indirect, rather than direct, taxes (p.62). Although the report indicates that payments to the Coal Authority were within the scope of reconciliation, the government's full unilateral disclosure (pp.11-12) indicate that the Coal Authority reported revenues only from "out of scope" companies, implying that none of the revenues collected by the Coal Authority were deemed to be from material companies.

Descriptions of material revenue streams: The report lists the five material revenue streams²⁷⁴ in oil and

²⁷² Ring Fence Corporation Tax, the Supplementary Charge, Petroleum Revenue Tax (PRT), petroleum licence fees for oil and gas companies; (mainstream) corporation tax and extractive-related payments to TCE and the Coal Authority for mining and quarrying companies.

²⁷³ See MSG meeting minutes on UKEITI webpage, 'Minutes' section, accessed [here](#) in July 2018.

²⁷⁴ Ring Fence Corporation Tax (RFCT) and the Supplementary Charge (SC); Petroleum Revenue Tax (PRT), including any Advance Petroleum Revenue Tax (APRT) repayments received (by field); Petroleum Licence Fees (by licence); the OGA Levy; and Payments

gas (p.69) and the three types of material revenues²⁷⁵ in mining and quarrying (p.70). The material revenue streams are described both for oil and gas (pp.41,42-51) and mining and quarrying (pp.58-62).

Materiality threshold for companies: The report describes the MSG's decision at its July 2017 meeting to align its materiality threshold for selecting companies for EITI reporting with the Reports on Payments to Governments Regulations 2014. This regulation implemented the EU Accounting Directive and set a GBP 86,000 threshold in aggregate payments to government per revenue stream at group level (p.71). This was in line with the MSG's approach to materiality defined in the UK's August 2014 EITI Candidature application²⁷⁶ and confirmed at the MSG's May 2015 meeting.²⁷⁷

In *oil and gas*, the MSG selected the 42 companies identified by HMRC as having made material payments in relation to their upstream activities in 2016, providing a targeted 98% reconciliation coverage of oil and gas payments (p.72).

In *mining and quarrying*, the report highlights the lack of sector-specific taxes on which to base materiality decisions for selecting companies as a key constraint. Adopting the same approach as in 2015, the MSG based its selection of material companies on disclosures of material revenues by TCE (17 companies), the Coal Authority (two companies) and "three additional companies as being the largest companies operating in the aggregates sector" (pp.72-73). The MSG originally selected material mining and quarrying companies (for the 2014 EITI Report) at its May 2015 meeting, where it agreed on selecting companies accounting for a total of over 80% of UK mining and quarrying production in 2014.²⁷⁸

The report notes adjustments to the scope of companies during the reconciliation exercise, with the exclusion of one oil and gas company and three mining and quarrying companies, and the addition of one mining company. The reasons for these adjustments are explained, due to the discovery of additional material payments/repayments during reconciliation (p.75). The adjustments in the number of material companies during reconciliation reduced the number of material companies from 64²⁷⁹ to 61²⁸⁰ (p.75).

Material companies: While the list of 41 material oil and gas companies is provided both in the 2016 EITI Report (pp.78-79) and on the Department for BEIS' website²⁸¹, those two sources²⁸² (p.79) only provide the list of 17 material mining and quarrying companies that reported, rather than the full list of 20 material mining and quarrying companies.

to The Crown Estate in respect of pipelines operated by companies that are engaged in UK extractive activities.

²⁷⁵ Corporation Tax; Payments to the Coal Authority (Licensing fee and royalty); Payments to The Crown Estate (TCE).

²⁷⁶ UKEITI (August 2014), UK EITI Candidature Application, accessed [here](#) in June 2018, p.16.

²⁷⁷ UKEITI (June 2016), 2015 annual activity report, accessed [here](#) in June 2018, pp.10-11.

²⁷⁸ UKEITI (June 2016), 2015 annual activity report, accessed [here](#) in June 2018, p.10.

²⁷⁹ 42 oil and gas and 22 mining and quarrying.

²⁸⁰ 41 oil and gas and 20 mining and quarrying.

²⁸¹ Department for BEIS website, 'Data on reconciled extractive payments by oil and gas companies by revenue stream in 2016', accessed [here](#) in June 2018.

²⁸² Department for BEIS website, 'Data on reconciled extractive payments by other mining and quarrying companies by revenue stream in 2016', accessed [here](#) in June 2018.

Material company reporting: The report confirms that three mining and quarrying companies (of 20 material mining and quarrying companies and 61 material companies) did not submit reporting templates (p.75), albeit without listing the names of non-reporting companies. The report only provides an assessment of the three companies' share of the number of material companies (95%), rather than their share of government extractives revenues (p.75). While the report provides full unilateral government disclosure of revenues from "out of scope" companies (pp.11-12), this aggregates revenues from both companies below the materiality threshold and the three non-reporting material mining and quarrying companies. It is thus not possible to estimate the materiality of payments from the three non-reporting material companies, either in aggregate or per company.

The report also highlights that "a number of companies" had reported their 2016 payments to government under the EU Accounting and Transparency Directives and provides a link²⁸³ to the database of such filings (p.80), albeit without specifying the number of material companies that had filed such reports.

Material government entities: The report lists the four government entities²⁸⁴ included in the scope of reporting (p.71).

Government reporting: The report does not explicitly comment on whether all four material government entities reported all extractives revenues, although the reconciliation results indicate that HMRC, OGA and TCE submitted reporting templates (pp.78-79). While these reconciliation results do not indicate reporting by the Coal Authority, the government's full unilateral disclosure (pp.11-12) indicate that the Coal Authority reported revenues from "out of scope" companies, implying that none of the revenues collected by the Coal Authority were deemed to be from material companies.

Discrepancies: The report describes the MSG's materiality threshold for investigating discrepancies of 1% or GBP 10,000, whichever was lower (p.75). While the report provides an explanation for the discrepancies between revenue figures from EITI Reports and HMRC statistics (pp.69-71), it does not provide an explanation for the discrepancies identified during the EITI reconciliation itself. However, it appears that final net unreconciled discrepancies were below the materiality threshold for investigating discrepancies. The reconciliation results indicate net aggregate unreconciled discrepancies of GBP 12,000 in oil and gas and GBP 7,000 for mining and quarrying, with discrepancies presented in aggregate per company, not disaggregated by revenue stream (pp.78-79). The report presents only the final net unreconciled discrepancies, not the detail of initial reporting and adjustments during the reconciliation process.

Full government disclosure: The report provides the government's unilateral disclosure of total revenues collected during calendar-year 2016 for Corporation Tax (pp.11,17), including RFCT/SC and mainstream Corporation Tax paid by mining and quarrying companies (pp.11-12), PRT (pp.11,17), petroleum license fees (pp.11,20), Coal Authority license fees (p.20), Coal Authority rents, royalties and rights (pp.11,20), TCE-collected marine aggregate dredging licence and terrestrial minerals fees (pp.11,20) OGA levy

²⁸³ Companies House website, 'Extractives service', accessed [here](#) in June 2018.

²⁸⁴ Her Majesty's Revenue and Customs (HMRC); The Oil and Gas Authority (OGA); The Crown Estate (TCE); and The Coal Authority.

(pp.11,51). The reporting of RFCT/SC, payments to TCE and payments to the Coal Authority are reported in aggregate, not disaggregated by individual revenue stream (see *Requirement 4.7*).

The report notes that “relatively minor” additional payments were reported by government entities for material companies whose payments were below the agreed materiality thresholds and for non-reporting material companies and included in the aggregate government revenue tables provided in the executive summary (p.79).

Stakeholder views

Materiality: With regards to the selection of material companies and government entities, a government representative confirmed the absence of payments by the oil and gas company onshore Northern Ireland to the DfE, as confirmed in the supplement to the 2016 EITI Report. The IA confirmed that material companies in the 2016 EITI Report were selected based on data from HMRC, OGA, TCE and the CA and consisted of companies having made payments of more than GBP 86,000 per individual revenue stream to either of the four government entities. The IA stated categorically that all companies making material extractives-related payments to the government had been included in the scope of reconciliation.

There appeared to be differences of opinion between different stakeholders consulted regarding the materiality threshold for selecting revenue streams for reconciliation. None of the industry representatives consulted appeared to be aware of the possibility of setting a quantitative materiality threshold for the selection of revenue streams for reconciliation, as distinct from a materiality threshold for selecting companies. The IA confirmed that material companies were required to report payments that were more than GBP 86,000 in aggregate payments per revenue stream. A government official highlighted the challenge of selecting material revenue streams on the basis of their share of government revenues, given that taxes such as PRT registered negative net income to the government in 2016. The official noted risks of defining a quantitative materiality threshold for selecting revenue streams, which could run the risk of excluding revenues like PRT that the MSG agreed should be within the scope of reconciliation. The IA confirmed that material companies were asked to report “any other significant payment” in addition to the material revenue streams in scope. A MSG member explained that the MSG had agreed to include payments to TCE in the scope of reconciliation in the second EITI Report given the introduction of the similar OGA levy. Several industry representatives expressed dissatisfaction at the exclusion of the “aggregates levy” from the scope of reconciliation, although they confirmed that the MSG had agreed to exclude it in preparing the first EITI Report (covering 2014). While this decision had been taken on the basis that the aggregates levy was considered an indirect payment from companies, they considered that its exclusion led to the under-estimation of the aggregates sector’s contribution to the economy. A government official explained that the MSG had agreed that the ‘aggregates levy’ was an indirect transactional tax on sales of aggregates, rather than a form of tax on extraction or profits. Nonetheless, there was consensus among all stakeholders consulted that the 2016 reconciliation covered all payments and revenues whose omission or misstatement could significantly affect the comprehensiveness of the EITI Report.

Omissions: Several government representatives consulted noted that while participation from oil and gas companies had been consistently high, engagement tended to be weaker from larger companies with

only marginal operations in mining and quarrying but that still made material payments to government. It was noted that a few companies were persistent non-participants in EITI reporting. One MSG member noted the infrequent attendance of TCE at MSG meetings, even if TCE did not hold an MSG seat, with inconsistencies in the individuals representing the entity and weaknesses in its reporting. It was noted that while TCE had reported revenues from 'out-of-scope' companies in the 2015 EITI Report, it had reported no such revenues in its full unilateral disclosure in the 2016 EITI Report, which was potentially linked to the frequent rotation of TCE attendees at MSG meetings. With regards to the non-identification of non-reporting companies and their individual payments to government, the IA explained that the MSG had directed it not to "name and shame" non-reporting companies and thus not to disclose their names in the 2016 EITI Report. A government official confirmed that HMRC disclosed the names of all material companies to the IA. However, due to reputational concerns, HMRC had only decided to disclose these names to the IA on the condition that companies' names would only be disclosed in the EITI Report if and when they submitted confidentiality waivers to HMRC. He noted that HMRC would have to reassess the practice if the MSG decided to include the names of non-reporting companies in the final EITI Report.

Confidentiality waivers: A government official considered that the system of confidentiality waivers for EITI purposes was working effectively. While all oil and gas companies had submitted an open-ended waiver ahead of the 2016 EITI Report, the official noted that some mining and quarrying companies had not yet submitted waivers, hindering the government's ability to disclose tax information for these companies. The IA confirmed that all but one material companies in the 2016 EITI Report had signed taxpayer confidentiality waivers to allow HMRC to disclose their tax payments. A government official noted that the wording of the confidentiality waivers specifically waived confidentiality provisions for the purposes of HMRC's disclosures to the IA, rather than broader provisions enabling HMRC to disclose the waiver's tax information publicly.

Discrepancies: The IA and several government officials explained that initial discrepancies pre-reconciliation in tax payments data were always significant, but were largely resolved during adjustments. While the MSG had adopted a threshold of GBP 10,000 or 1% of each revenue stream per company for investigating discrepancies, the IA explained that reporting companies were always eager to resolve all discrepancies regardless of their materiality. Several stakeholders consulted highlighted errors in reporting 2016 payments and revenues. A government representative noted that the OGA had omitted by oversight one license fee payment of GBP 0.5m for 2016, although this had not been identified during reconciliation. The representative had subsequently realised the oversight and the MSG intended to publish the additional data point. A CSN representative noted that BHP Billiton had reported its full Corporation Tax payments rather than only the RFCT and SC payments in the 2016 EITI Report, without adequate notes in the report explaining this error.

There was considerable discussion about the complementarities and differences between EITI reporting and companies' mandatory payments to governments reports. Several government officials and CSN representatives highlighted a September 2018 study by PWYP²⁸⁵ comparing EITI data with mandatory reporting data, noting that it indicated discrepancies between the two that could be explained through consultations with companies. Several industry representatives highlighted differences in reporting parameters between EITI reporting and payments to government reports, which caused discrepancies in

²⁸⁵ Publish What You Pay (PWYP) UK (September 2018), 'New PWYP UK study explores UK EITI and mandatory payments data variances', accessed [here](#) in September 2018.

payments reported through the two channels.

Initial assessment

The International Secretariat's assessment is that the UK has made **satisfactory progress** towards meeting this requirement. The 2016 EITI Report includes a definition of the quantitative materiality threshold for selecting companies to be included in reconciliation, with the justification for thresholds documented in MSG meeting minutes. While the report did not define a quantitative materiality threshold for selecting revenue streams for reconciliation, there was consensus among all stakeholders that all payments and revenues whose omission or misstatement could significantly affect the comprehensiveness of the EITI Report had been reconciled. The MSG approved the materiality threshold for payments and for companies. All but three material companies and all government entities reported comprehensively all material payments and revenues in the 2016 EITI Report and full unilateral government disclosures was provided. While the materiality of payments from the three non-reporting material mining and quarrying companies was not explicitly assessed separately from payments from companies below the materiality threshold in the 2016 EITI Report, the IA's assessment that the comprehensiveness of reconciled financial data was satisfactory supports the assessment that the broader objective of revenue transparency has been achieved.

To strengthen implementation, the UK is encouraged to ensure that the list of material companies in the scope of EITI reporting is clearly defined and that the IA's assessment of the materiality of omissions is publicly documented to support its assessment of the comprehensiveness of annual EITI reporting.

In-kind revenues (#4.2)

Documentation of progress

Systematic disclosures: Not applicable.

2016 EITI Report: The 2016 EITI Report confirms the lack of in-kind revenues in the UK extractives sector (p.71), albeit without providing a justification for this assessment.

Stakeholder views

There was consensus among stakeholders consulted who expressed a view on the issue that there were no in-kind revenues in either oil and gas or mining and quarrying in the UK context.

Initial assessment

The International Secretariat's initial assessment is that this requirement was not applicable in the UK in 2016. While the 2016 EITI Report only states that there were no in-kind revenues in the UK extractives sector, there was consensus among stakeholders consulted that Requirement 4.2 was not applicable in the UK in 2016.

Barter and infrastructure transactions (#4.3)

Documentation of progress

Systematic disclosures: Not applicable.

2016 EITI Report: The 2016 EITI Report confirms the lack of barter arrangements and infrastructure provisions in the UK extractives sector (p.71), albeit without providing a justification for this assessment.

Stakeholder views

There was consensus among stakeholders consulted who expressed a view on the issue that there were no barter arrangements or infrastructure provisions in line with Requirement 4.3 in the UK extractive industries in 2016.

Initial assessment

The International Secretariat's initial assessment is that this requirement was not applicable in the UK in 2016. While the 2016 EITI Report only states that there were no in-kind revenues in the UK extractives sector, there was consensus among stakeholders consulted that Requirement 4.3 was not applicable in the UK in 2016.

Transport revenues (#4.4)

Documentation of progress

Systematic disclosures: Not applicable.

2016 EITI Report: The 2016 EITI Report confirms the lack of transportation revenues in the UK extractives sector (p.71), albeit without providing a justification for this assessment.

Stakeholder views

There was consensus among stakeholders consulted who expressed a view on the issue that there were no government transport revenues related to the extractive industries in line with Requirement 4.4 in the UK in 2016.

Initial assessment

The International Secretariat's initial assessment is that this requirement was not applicable in the UK in 2016. While the 2016 EITI Report only states that there were government transport revenues in the UK extractives sector, there was consensus among stakeholders consulted that Requirement 4.4 was not applicable in the UK in 2016.

Transactions between SOEs and government (#4.5)

Documentation of progress

Systematic disclosures: Not applicable.

2016 EITI Report: The 2016 EITI Report confirms the lack of state participation in the extractive industries (p.13). The description of the OGA as a not-for-profit government-owned company since October 2016 (p.51) is addressed under Requirement 2.6. As such, revenues collected by the OGA (e.g. OGA levy) are treated under Requirement 4.1.

Stakeholder views

There was consensus among stakeholders consulted who expressed a view on the issue that there were no state-owned enterprises in the UK extractive industries in 2016 and thus that Requirement 4.5 was not applicable in the UK in 2016.

Initial assessment

The International Secretariat's initial assessment is that this requirement was not applicable in the UK in 2016. The 2016 EITI Report confirms the lack of state participation in the UK extractive industries in 2016.

Subnational direct payments (#4.6)

Documentation of progress

Systematic disclosures: The latest UKEITI Report (2016) included unilateral disclosures of Section 106 payments, reported by mining and quarrying companies. Under Section 106 of the 1990 Town and Country Planning Act, mining and quarrying companies are required to make payments to local authorities relating to the granting of planning permission for mining operations to cover local road and infrastructure improvements for instance (p.20). Although mining and quarrying companies are required to make mineral planning and environmental permit fee payments to local authorities in Wales, Scotland and England as well as fees associated with mining licenses in Northern Ireland, these revenue streams have not been included in the scope of reconciliation to date.

2016 EITI Report: The 2016 EITI Report describes the devolution of mineral planning and environmental permitting to Mineral Planning Authorities in Wales, Scotland, England and Northern Ireland (p.56,57-58) and the devolution of responsibility to Northern Ireland's DfE for onshore Mineral Prospecting Licenses (MPLs) (pp.59,61) and onshore oil and gas licenses (pp.40,41). It confirms the existence of direct payments to subnational governments in the context of planning obligation payments to Local Planning Authorities, which were excluded from the scope of reconciliation. The report presents the unilateral disclosure of in-kind off-site infrastructure contributions under Section 106 agreements, which are categorised as forms of mandatory social expenditures (*see Requirement 6.1*).

While the report describes the devolution of regulatory powers to the DfE in onshore Northern Ireland

(pp.40,41,59,61), with associated direct subnational payment streams, the selection of material revenue streams described under Requirement 4.1 implies that none of the direct subnational payments to Northern Ireland's DfE were considered material in line with the MSG's general approach to materiality (pp.69,71). The supplement to the 2016 EITI Report states that there were no "recurrent annual rental fee for petroleum licences in Northern Ireland", which explained why payments to the DfE were not included in the scope of reconciliation.²⁸⁶

Stakeholder views

The IA confirmed that it had understood that Northern Ireland had not collected any revenues related to its licensing of minerals or oil and gas activities in 2016 as part of its data collection for the 2016 EITI Report. The IA confirmed its understanding of the supplementary 2016 EITI Report's statement to mean that Northern Ireland did not collect any extractives-related revenues, noting the absence of any extractives-related revenues recorded in the 2016-17 annual report by Northern Ireland's Department for the Economy.²⁸⁷

There was consensus among stakeholders consulted that company direct payments to Local Planning Authorities were not considered material by the MSG. A government representative confirmed that Northern Ireland's DfE did not collect annual rental fees from the sole oil and gas operator operating under its jurisdiction, since license fees were settled at the time of license application and there had been no commercially-viable oil and gas deposits identified onshore Northern Ireland to date. The representative explained that there was no specific imposition collected by the Northern Ireland government from companies operating in mining and quarrying. Rather, these companies were subject to common taxes such as Corporation Tax paid to HMRC.

Initial assessment

The International Secretariat's initial assessment is that Requirement 4.6 was not applicable to the UK in the year under review (2016). The 2016 EITI Report confirms the existence of direct subnational payments to Local Planning Authorities (LPAs) and it can be inferred that these were excluded from the scope of reconciliation given that they were not considered material. While the report only explicitly confirms the lack of material direct subnational payments related to oil and gas to Northern Ireland's DfE, not related to mining, there was consensus among stakeholders consulted that the DfE did not collect material revenues linked to mining and quarrying in 2016.

To strengthen implementation, the UK is encouraged to provide a clearer public confirmation of the lack of material direct subnational payments related to both oil and gas as well as mining and quarrying as a means of clarifying the lack of applicability of Requirement 4.6.

²⁸⁶ UK EITI (June 2018), 'UK Extractive Industries Transparency Initiative (UK EITI) report 2016: supplementary information', op.cit..

²⁸⁷ Northern Ireland Department for the Economy (June 2017), 'Department for the Economy Annual Report 2016-17', accessed [here](#) in October 2018, p.114.

Level of disaggregation (#4.7)

Documentation of progress

Systematic disclosures: In terms of government disclosures, the UK Government website publishes annual figures for oil and gas revenues²⁸⁸, common tax (e.g. Corporation Tax) revenues²⁸⁹ and OGA-collected revenues²⁹⁰, which provide consolidated figures for collected revenues, albeit not disaggregated by company nor by revenue stream for revenues collected by OGA. The Coal Authority²⁹¹ and TCE²⁹² annual reports and accounts provide information on the value of consolidated revenues collected by each of the two government entities, albeit not disaggregated by company or by revenue stream. In terms of company disclosures, the statutory payments to governments reports required from 34 of the 58 material companies in the 2016 EITI Report present payments to government disaggregated by project, revenue stream and government entity.

2016 EITI Report: The 2016 EITI Report presents the reconciliation results disaggregated by company, revenue stream and government entity, aside from mining and quarrying revenues collected by TCE and Ring-Fenced Corporation Tax / Supplementary Charge (RFCT/SC) that are presented in aggregate form (pp.78-79). These results are also available in HTML and open data (.csv) format on the government's data portal.²⁹³ While the disclosure of the Coal Authority's revenues is presented in aggregate, not per revenue stream²⁹⁴, it appears all Coal Authority revenues reported (totalling GBP 0.44m) were only from "out-of-scope" companies (p.11). However, the reporting template in Annex 2 indicates that the Coal Authority was requested to report royalty separately from license fees for the 2016 EITI Report, while TCE was only required to report revenues per license, but aggregated as "payments to TCE" (p.88).

The lack of disaggregation of revenues collected by TCE by stream is a concern, given that the report states that TCE collects at least four types of revenues²⁹⁵ (pp.60-61). In addition, while the report describes RFCT and SC as two distinct forms of imposition (pp.43-44), the two revenue flows are presented in aggregate both in the government's full unilateral disclosure of revenues (pp.11-12) and in the results of reconciliation (pp.78-79).

In terms of project-level reporting, the report confirms that rental fees and PRT (in oil and gas) and all payments to TCE (in oil and gas as well as mining and quarrying) were reported on a per-project basis (pp.41-42,79-80). While the report confirms the MSG's decision that PRT be reported on a per-project basis (i.e. by field), it explains that in practice many companies pay the liability for a number of fields in one payment, covering numerous projects. Thus, to accommodate the MSG's decision, HMRC agreed to

²⁸⁸ Gov.uk, 'Government revenues from UK oil and gas production', accessed [here](#) in July 2018.

²⁸⁹ Office for Budget Responsibility, 'Monthly public finances release', accessed [here](#) in July 2018.

²⁹⁰ Oil and Gas Authority (OGA) website, OGA annual report and accounts 2016-17, accessed [here](#) in July 2018.

²⁹¹ Gov.uk, The Coal Authority Annual report and accounts 2016 to 2017, accessed [here](#) in July 2018.

²⁹² The Crown Estate website, Integrated Annual Report, accessed [here](#) in July 2018.

²⁹³ Gov.uk, Extractive Industries Transparency Initiative: payments report 2016, accessed [here](#) in June 2018.

²⁹⁴ The report states that the Coal Authority collects at least four types of revenue flows (p.59): license fees, royalty, fees for agreements to access or pass through the Authority's coal estate, and payments for coal rights under options for lease. At least two of these would be likely to be paid by material companies.

²⁹⁵ Rent and production royalty, dead rent and license fees.

provide a breakdown of the cash payments received by company and by field to the IA (p.70). The results of project-level reporting are available on the government's data portal for petroleum licence fees²⁹⁶, petroleum revenue tax²⁹⁷, oil and gas pipeline fees to TCE²⁹⁸ and mining and quarrying payments to TCE.²⁹⁹

Stakeholder views

Per revenue stream: There was considerable discussion surrounding the lack of disaggregation of mining and quarrying payments to TCE and RFCT/SC in oil and gas. A government MSG member explained that the MSG had taken Requirement 4.1.b to mean that each bullet point, e.g. "Licence fees, rental fees, entry fees and other considerations for licences and/or concessions", represented a single revenue stream, rather than separate types, for the purposes of EITI reporting. Several government representatives noted that each of the revenue streams individually would have been unlikely to be material, but material when aggregated for TCE. Several MSG members consulted noted the lack of any demand for the disaggregation of these revenues from any member of the MSG. Several CSN representatives expressed general satisfaction at the level of disaggregation of payments and revenues in the UK's EITI Reports, albeit raising concerns over the lack of disaggregation by revenue stream in payments to TCE and the Coal Authority, of which they had only recently become aware. One CSO highlighted the reference to this lack of disaggregation in PWYP UK's comparison of EITI reporting with mandatory payments to government reporting.³⁰⁰

Payments to TCE: There were differences of opinion with regards to the lack of disaggregation of payments to TCE. The IA considered that reconciled payments consisted of only one revenue stream, "rental receipts", and noted its understanding that TCE had not collected royalty in 2016. A public-sector representative with direct knowledge of TCE's revenues stated categorically that TCE was only entitled to levy royalty from mining and quarrying companies. However, other government stakeholders considered that TCE was likely to collect several types of revenues from mining and quarrying companies operating in its jurisdiction. One representative described the types of revenues collected by TCE in relation to land-based mineral leases, which included different types of rents (e.g. surface rental) and royalties. All stakeholders consulted who expressed a view confirmed that TCE was only requested to report revenues in aggregate for each company, not disaggregated per revenue stream. Several industry MSG members did not recall discussions on the MSG related to the disaggregation of revenues collected by TCE or CA.

RFCT/SC: While CSN representatives confirmed that RFCT and SC were two different revenue streams, they noted that the civil society constituency had never argued for their disaggregation in EITI reporting. A government official explained that oil and gas companies made payments three times a year for their tax liabilities, although these were usually lump sum payments including RFCT, SC and mainstream

²⁹⁶ Department of BEIS website, 'Data on payments of petroleum licence fees by licence in 2016 (as reported by OGA)', accessed [here](#) in June 2018.

²⁹⁷ Department of BEIS website, 'Data on payments of petroleum revenue tax by field in 2016 (as reported by HMRC)', accessed [here](#) in June 2018.

²⁹⁸ Department of BEIS website, 'Data on project-level extractive-related payments to The Crown Estate by oil and gas companies in 2016', accessed [here](#) in June 2018.

²⁹⁹ Department of BEIS website, 'Data on project-level extractive-related payments to The Crown Estate by mining and quarrying companies in 2016', accessed [here](#) in June 2018.

³⁰⁰ PWYP UK (September 2018), 'Comparing UK EITI and Mandatory Payments to Governments Data for 2016', accessed [here](#) in September 2018, p.6, footnote 21.

Corporation Tax. Given that companies were allowed to reallocate their tax payments between the different payment streams up to 24 months after the end of the fiscal year, there were often restatements of the split between RFCT, SC and mainstream Corporation Tax. The official, an MSG member, thus noted that a final accurate disaggregation of RFCT and SC would not have been possible within the timeframe of EITI reporting (i.e. within two years of the end of the year under review) as any split would rely on estimates pending the final statement of liabilities. Another government representative emphasised that all data on government websites providing disaggregated data for RFCT and SC represented only estimates, not actual values, and considered that it was not possible to publish values for RFCT as disaggregated from SC. The IA confirmed that all figures breaking down RFCT from SC would be estimates of the split and subjective pending submission of the Corporate Tax return some 18 months after the due date of the first tax payment. Representatives of CSN consulted did not consider the lack of disaggregation of RFCT from SC in the UK's EITI reporting a significant problem.

A government representative noted that while HMRC did not use to disaggregate its collections of RFCT/SC from PRT prior to the first UKEITI Report, it had requested companies to account for the two separately in their payments from 2015 onwards. Several CSN representatives expressed satisfaction at the disaggregation of PRT from RFCT/SC in preparing the first EITI Report.

Payments to the CA: While the IA confirmed that reconciled payments to the Coal Authority included both license fee and royalty, and were reported separately in the templates, it did not consider that the aggregation of the two revenue streams as “payments to CA” in the published report was problematic given that they accounted for only around 0.1% of reconciled revenues and came from non-material companies. Despite the reporting templates indicating that the Coal Authority was requested to report revenues disaggregated by stream, there was some confusion across different stakeholders over whether the Authority had been requested to report all revenues in aggregate, or per revenue stream. Several government representatives considered that each revenue stream individually would have been below the materiality threshold of GBP 86,000 for selecting companies. A government representative confirmed that while companies made payments to the Coal Authority in lump sum, both companies and the Coal Authority kept a breakdown of payments per revenue stream in their accounts.

Disaggregation by project: Several government and CSN representatives consulted highlighted the reporting of oil and gas payments consistently on a project-level since the start of reporting as an early achievement of the UK's EITI implementation. One government representative noted challenges in disaggregating PRT by field, which had impact EITI project-level reporting.

Initial assessment

The International Secretariat's initial assessment is that the UK has made **satisfactory progress** in meeting this requirement. The 2016 EITI Report and UK EITI data available online presents reconciled financial data disaggregated by company, revenue stream and government entity, for all revenues in scope of reconciliation aside from payments to The Crown Estate and Ring-Fenced Corporation Tax / Supplementary Charge (RFCT/SC). The report describes four types of revenues collected by TCE, but only presents the results of reconciliation aggregated. However, stakeholder consultations indicated that TCE collected only one revenue stream from mining and quarrying in the scope of EITI reporting, implying that

TCE revenues were effectively disaggregated by stream in the 2016 EITI Report. Although the results of reconciliation of RFCT/SC, among the largest revenue streams in scope of reconciliation, are presented in aggregate in the 2016 EITI Report, there was consensus amongst stakeholders consulted that it would not have been possible to provide final figures disaggregating the two until up to 24 months after the end of the UK fiscal year, and thus beyond the timeframe set out in Requirement 4.8. There is evidence and consensus during consultations that the MSG approved the aggregation of RFCT/SC for EITI reporting purposes. Payments to the Coal Authority, while not disaggregated in the 2016 EITI Report, were not in scope of reconciliation. There is also evidence of UK EITI going beyond the minimum requirement by implementing project-level reporting for taxes and fees levied on a per-project basis, including those levied by TCE, since the start of its EITI reporting. Thus, on balance, the International Secretariat's view is that the broader objective of disaggregation in revenue disclosures has been fulfilled.

To strengthen implementation, the UK is encouraged to ensure that reconciled financial data published through the EITI is consistently disaggregated by company, government entity and revenue stream.

Data timeliness (#4.8)

Documentation of progress

Systematic disclosures: In terms of government disclosures, the UK Government website publishes annual figures for oil and gas revenues³⁰¹, common tax (e.g. Corporation Tax) revenues³⁰² and OGA-collected revenues³⁰³ within six months of the end of the fiscal year. The Coal Authority³⁰⁴ and TCE³⁰⁵ annual reports and accounts are published within a year of the end of the fiscal year under review. In terms of company disclosures, the statutory payments to governments reports required from 34 of the 58 material companies in the 2016 EITI Report are expected to be published within six months of the end of the fiscal year covered.

EITI Reports: The 2016 EITI Report was published on 30 April 2018³⁰⁶, within the second to the last complete accounting period. The EITI Reports covering 2014 and 2015 were published on 15 April 2016³⁰⁷ and 31 March 2017³⁰⁸ respectively.

The report describes challenges in converting government data from fiscal 2016 (covering April-March) to calendar 2016 data (p.15-16) and consistently refers to cash-based reporting for calendar-2016 (pp.17,20,21,22,48,74), implicitly confirming the MSG's approval of the reporting period as being 1 January – 31 December 2016.

³⁰¹ Gov.uk, 'Government revenues from UK oil and gas production', accessed [here](#) in July 2018.

³⁰² Office for Budget Responsibility, 'Monthly public finances release', accessed [here](#) in July 2018.

³⁰³ Oil and Gas Authority (OGA) website, OGA annual report and accounts 2016-17, accessed [here](#) in July 2018.

³⁰⁴ Gov.uk, The Coal Authority Annual report and accounts 2016 to 2017, accessed [here](#) in July 2018.

³⁰⁵ The Crown Estate website, Integrated Annual Report, accessed [here](#) in July 2018.

³⁰⁶ Gov.uk (30 April 2018), 'Extractive Industries Transparency Initiative: payments report, 2016', accessed [here](#) in June 2018.

³⁰⁷ Gov.uk (15 April 2016), 'Extractive Industries Transparency Initiative: payments report, 2014', accessed [here](#) in June 2018.

³⁰⁸ Gov.uk (31 March 2017), 'Extractive Industries Transparency Initiative: payments report, 2015', accessed [here](#) in June 2018.

Stakeholder views

Timeliness: Several stakeholders from all constituencies emphasized that the relative lack of public interest in EITI data was partly due to the timeliness of reporting, given that EITI data was generally two years out of date by the time of publication. A senior government official highlighted plans to publish 2018 data in 2019 and annual EITI Reports within months of the end of the year thereafter, integrating updates to the non-financial (contextual) information more frequently online. Several CSN and industry representatives welcomed plans for timelier EITI reporting.

Reporting year: While most the stakeholders consulted could not clearly explain the reasons for the UK's EITI reporting being based on a calendar year rather than the fiscal year (April-March) of the UK Government, one government representative explained that this had been to align reporting with the 2014 payments to governments regulations.³⁰⁹ In addition, he noted that most oil and gas companies operated on a calendar year, as did the non-financial information required under the EITI. An auditor noted the challenge of calculating OGA revenues for a calendar year, given that it only returned unspent funds to levy-paying companies at the end of the fiscal year (March).

Initial assessment

The International Secretariat's initial assessment is that the UK has made **satisfactory progress** towards meeting this requirement. The UK has consistently published EITI Reports on an annual basis, with data no older than the second to last complete accounting period.

To strengthen implementation, the UK is encouraged to pursue its efforts to publish timelier EITI data to ensure a higher relevance and usefulness to public debate.

Data quality (#4.9)

Documentation of progress

Systematic disclosures: Government accounts are audited by the National Audit Office and reviewed by Parliament's Public Accounts Committee.³¹⁰ The NAO's "Whole of Government Accounts" are published annually on the NAO website³¹¹, within six months of the end of the fiscal year covered. For extractives companies, the 2006 Companies Act and the 2012 Companies and Limited Liability Partnerships (Accounts and Audit Exemptions and Change of Accounting Framework) Regulations provide the statutory requirements for external audits of company accounts.³¹² Annual accounts are required to be audited for all companies other than those with annual turnover of under GBP 10.2m, assets worth less than GBP 3.26m or less than 50 employees on average. Annual returns of all material companies are available

³⁰⁹ The Reports on Payments to Governments Regulations 2014, accessed [here](#) in September 2018.

³¹⁰ Parliament, Public Accounts Committee, accessed [here](#) in July 2018.

³¹¹ National Audit Office, 'Audit of Financial Statements', accessed [here](#) in July 2018.

³¹² See Companies House, Company accounts guidance, accessed [here](#) in July 2018.

through the Companies House register.³¹³

EITI Reports: Terms of Reference for the Independent Administrator: The MSG originally formed a sub-group on the Independent Administrator (IA) in July 2014, as the UK was preparing its EITI Candidature application.³¹⁴ The sub-group presented a draft of the ToR to the MSG at its 27 January 2015 meeting, where MSG members suggested final edits and agreed to approve the amended ToR by circular.³¹⁵ The 2016 EITI Report confirms that the IA's work was undertaken in line with the ToR agreed by the MSG in January 2015 (p.77). The ToR for the 2016 EITI Report is generally consistent with the standard ToR agreed by the EITI Board (as of 2016), although the ToR was amended to ensure the intellectual property of the EITI Report rested with the MSG, not the Department for BEIS. The MSG also agreed to amend the ToR to codify its responsibility for drafting the contextual (non-financial) sections of the 2016 EITI Report, with the IA responsible for edits and layout.

Appointment of the Independent Administrator (IA): Meeting five times in all, the sub-group on the IA agreed in September 2014 to use an established government framework allowing a fast-track process as a procurement exercise run centrally and advertised in the Official Journal of the European Union (OJEU) for the procurement of the IA.³¹⁶ The Department for Business, Innovation & Skills (BIS) and UK SBS agreed to use the 'Consultancy One framework, LOT 5.2 (Other assurance and advice)' for contracting the IA³¹⁷, which set a ceiling on the contract value at GBP 240,000.³¹⁸ This resulted in the pre-qualification of nine companies under LOT 5.2.³¹⁹ The MSG agreed to contract the IA for a three-year period, with annual ToR. The procurement took place in the first quarter of 2015³²⁰, with a deadline for bids set on 11 February 2015³²¹, and the three-year contract was concluded on 1 May 2015.³²² The contracting agent for the IA is the Department of BIS, on behalf of the MSG.³²³ The IA sub-group was subsequently disbanded.

Contextual (non-financial) information: The MSG decided to form a sub-group, chaired by civil society, to draft the non-financial sections of the first (2014) EITI Report.³²⁴ In early 2015, the MSG agreed that the contextual information be a standing agenda item at MSG meetings.³²⁵ The sub-group met eight times in 2015 to draft sections of the 2014 EITI Report³²⁶, two times in 2016 for updates in the 2015 EITI Report³²⁷,

³¹³ Companies House, Corporate register search, accessed [here](#) in September 2018.

³¹⁴ UKEITI (August 2014), UK EITI Candidature Application, accessed [here](#) in June 2018, p.12. And UKEITI (June 2015), 2014 annual activity report, accessed [here](#) in June 2018, p.6.

³¹⁵ UKEITI (January 2015), Minutes of the MSG's 27 January 2015 meeting, accessed [here](#) in June 2018, pp.5-6.

³¹⁶ UKEITI (June 2015), 2014 annual activity report, accessed [here](#) in June 2018, p.8.

³¹⁷ UKEITI (June 2015), 2014 annual activity report, accessed [here](#) in June 2018, p.8.

³¹⁸ UKEITI (June 2017), 2016 annual progress report, accessed [here](#) in June 2018, p.15.

³¹⁹ Baker Tilly, BDO, Deloitte, Ernst & Young, KPMG, Moore Stephens, NTT Data, PA Consulting Services and PWC.

³²⁰ UKEITI (June 2015), 2014 annual activity report, accessed [here](#) in June 2018, p.9.

³²¹ UKEITI (January 2015), Minutes of the MSG's 27 January 2015 meeting, accessed [here](#) in June 2018, p.5.

³²² UKEITI (June 2016), 2015 annual activity report, accessed [here](#) in June 2018, p.8.

³²³ UKEITI (January 2015), Minutes of the MSG's 27 January 2015 meeting, accessed [here](#) in June 2018, p.6.

³²⁴ See for instance UKEITI (January 2015), Minutes of the MSG's 27 January 2015 meeting, accessed [here](#) in June 2018, p.6.

³²⁵ UKEITI (June 2016), 2015 annual activity report, accessed [here](#) in June 2018, pp.8-9.

³²⁶ UKEITI (June 2016), 2015 annual activity report, accessed [here](#) in June 2018, pp.8-9.

³²⁷ UKEITI (June 2017), 2016 annual progress report, accessed [here](#) in June 2018, p.5.

and four times (formally) in 2017 for the 2016 EITI Report.³²⁸

Agreement on the reporting templates: The MSG originally approved reporting templates for the UK's first (2014) EITI Report together with the inception report in mid-June 2015.³²⁹ The MSG subsequently approved revised reporting templates for the 2015 EITI Report in July 2016 and for the 2016 EITI Report in July 2017.³³⁰ The 2016 EITI Report provides a link³³¹ to the reporting templates (also included in Annex 2, pp.85-91)) and instructions, which included step-by-step guide, beneficial ownership guide and confidentiality waiver (p.73).

Review of audit practices: The report provides a cursory summary of government audit and assurance procedures, noting that the NAO is statutorily required to audit government accounts, which are also scrutinised by the Public Accounts Committee (p.68). While the report does not explicitly confirm that the NAO had audited government accounts for 2016 at the time of preparation of the 2016 EITI Report, it provides a general link³³² to the main NAO website (p.68), from which it is possible to access NAO annual report and accounts³³³ and reports on annual accounts of revenue-collecting entities.³³⁴

However, the report does not provide an overview of statutory audit and assurance procedures for extractives companies, aside from reference to the fact that “a number of companies” in the scope of EITI reporting had reported their 2016 payments to governments, including to the UK's, under the EU Accounting and Transparency Directives, alongside a link³³⁵ to the database (p.80). While the report does not confirm that all extractives companies in the scope of reporting had audited financial statements for the year under review, the annual returns and updates on company filings on the Companies House register provide the means for independent verification.³³⁶

Assurance methodology: The 2016 EITI Report details the MSG's approach to ensuring the reliability of reconciled financial data, on the basis of papers about audit and accountancy requirements for companies (Companies Act and Overseas Companies Regulations) as well as on the statutory requirements for government agencies (p.73). The MSG reviewed relevant papers at its September 2015 meeting³³⁷, where it agreed that no additional audit and assurance should be requested for either government or company EITI reporting. However, company reporting templates were required to include sign-off from senior management (p.73). The reporting templates in Annex 2 of the report include the content of the management sign-off, which reveals that management attested that that the information in the templates reflected an accurate record of the relevant transactions during 2016, without reference to

³²⁸ UKEITI (June 2018), 2017 annual progress report, accessed [here](#) in June 2018, p.5.

³²⁹ UKEITI (May 2015), Minutes of the MSG's 19 May 2015 meeting, accessed [here](#) in June 2018, pp.6-7.

³³⁰ UKEITI MSG meeting minutes for 2016-17, accessed [here](#) in September 2018.

³³¹ Gov.uk, 'Guidance: Extractive Industries Transparency Initiative', accessed [here](#) in September 2018.

³³² National Audit Office website, accessed [here](#) in September 2018.

³³³ See for instance National Audit Office website, 'NAO Annual Report and Accounts 2016-17', accessed [here](#) in June 2018.

³³⁴ See for instance National Audit Office website, 'Her Majesty's Revenue & Customs Annual Report and Accounts 2016-17', accessed [here](#) in June 2018.

³³⁵ Companies House website, 'Extractives service', accessed [here](#) in September 2018.

³³⁶ Companies House, Corporate register search, accessed [here](#) in September 2018.

³³⁷ UKEITI (June 2016), 2015 annual activity report, accessed [here](#) in June 2018, p.11.

audited financial statements (pp.85-91). For government, the report explains that the MSG accepted that government accounting rules applied and that data reported would be agreed with the IA “in most instances” (p.73).

The report also provides an informative account of the IA’s work (pp.74-75,77), including a description of the MSG’s approach to overcoming constraints from the confidentiality provisions of the Commissioners for Revenue and Customs Act 2005 (pp.71-72). The report confirms that the deadline for final data collection was set at 9 April 2018 (p.9) and that EITI reporting was on a cash-accounting basis for calendar year 2016 (p.74), as reflected in the UK’s August 2014 EITI Candidature application.³³⁸

Confidentiality: The report confirms that mechanisms were put in place to ensure the confidentiality of financial information pre-reconciliation (p.73). It states that the IA’s work was undertaken in accordance with IAS applicable to related services (ISRS 4400 Engagements to perform agreed upon procedures regarding Financial Information) (pp.76-77). Confidentiality provisions for EITI reporting were discussed at the MSG’s initial meeting with the IA, Moore Stephens, in May 2015.³³⁹

Reconciliation coverage: The report confirms that the final reconciliation coverage was 98.79% in oil and gas (p.72). While the report does not provide an explicit reconciliation coverage for mining and quarrying revenues, it explains that there is no specific tax regime for the minerals sector, implying that there is no separate identification of taxes paid on extractives activities (p.72). Nonetheless, it is possible to calculate a reconciliation coverage as a share of payments to TCE, based on TCE’s unilateral disclosure of payments under material revenue streams from non-material companies (p.11). The report clarifies that TCE’s disclosure of revenues from “out-of-scope” companies includes payments both from non-reporting material companies and non-material companies (p.12).

Assurance omissions: The report confirms that all reporting companies included duly signed reporting templates and that the IA agreed on the data reported by government (p.73).

Data reliability assessment: The report includes the IA’s conclusion that the final assessment of the overall comprehensiveness and reliability of reconciled financial data from companies and government agencies was satisfactory (p.74). The report also highlights limitations in the IA’s work with a standard caveat that reconciliation procedures were not designed to constitute an audit or review, meaning that the IA did not express any assurance on the transactions beyond the explicit statements set out in the report (p.77).

Sourcing of information: All information in the 2016 EITI Report appears to be clearly and consistently sourced.

Summary tables: Summary tables of the UK’s EITI data have been produced for each of the three EITI Reports published to date, published both on the UKEITI page of the Gov.uk website³⁴⁰ and on the UK

³³⁸ UKEITI (August 2014), UK EITI Candidature Application, accessed [here](#) in June 2018, p.17.

³³⁹ UKEITI (May 2015), Minutes of the MSG’s 19 May 2015 meeting, accessed [here](#) in June 2018, p.7.

³⁴⁰ UK EITI webpage, Reports section, accessed [here](#) in June 2018.

country page of the EITI website.³⁴¹

Recommendations: While the 2016 EITI Report does not provide an overview of the MSG's follow-up on past EITI recommendations, UK EITI has other mechanisms to track and publicly account for its follow-up on past recommendations (see Requirement 7.3). A list of three recommendations is provided in the report, focused on discrepancies in reconciliation, encouragement to explore scope for automated online disclosures by government agencies and companies, and the late submission of templates for the 2016 EITI Report (pp.81-82).

Stakeholder views

IA procurement: There was general satisfaction among stakeholders consulted over the procurement and performance of the IA. Several industry MSG members praised the IA's proactive and rigorous follow up with all material companies. While they noted that the IA had provided more guidance through workshops for oil and gas companies than for solid minerals companies, they considered that the guidance included with reporting templates had been sufficient. A government official commended the IA, noting that it had consistently followed up with reporting entities to resolve initial discrepancies and worked within the constraints of the UK's taxpayer confidentiality provisions. There was some confusion over the reasons for the presentation of reconciliation results in only the final net form, without the detail of initial disclosures and adjustments during reconciliation. Several CSN representatives criticised the lack of detail on adjustments in the published EITI Reports, with only final net discrepancies presented. While they confirmed that the IA did undertake a comprehensive reconciliation of payments and revenues, they considered that the published data should have detailed pre-reconciliation discrepancies and adjustments in the same way as the IA's work in other EITI-implementing countries. However, the IA indicated that it had proposed to present pre-reconciliation data, adjustments and final reconciled data but that the MSG had directed it to only present the final reconciled data in the 2016 EITI Report.

Reporting templates: MSG members consulted confirmed that the MSG approved reporting templates as part of their annual scoping discussions, although reporting entities off the MSG noted that they were not consulted in the design of reporting templates, although they expressed no concerns over the design of the templates. One government representative noted that the Coal Authority had made suggestions for possible revisions to its reporting template, in light of the decline in the broader UK coal industry, during data collection for the 2016 EITI Report.

Audit practices: An auditor explained that the government was implementing IFRS15 related to standards for financial reporting in 2018, in line with the international schedule for the transition to these standards. The auditor confirmed that reforms of UK audit standards for public accounts were decided by HM Treasury through the Government Financial Reporting Manual. Several CSN representatives noted that the MSG had yet to start assessing the robustness of private-sector audit and assurance practices, despite allegations of inadequate oversight of certain companies' alleged profit-shifting. The IA confirmed that it had undertaken a review of company and government audit and assurance practices in preparing the 2015 EITI Report but that it had not reviewed practices in the subsequent year.

³⁴¹ EITI website, UK country page, accessed [here](#) in June 2018.

Cash vs accrual: None of the stakeholders consulted could provide a definite explanation of the reasons for conducting EITI reporting on a cash-accounting basis, when both companies and government held accrual-based accounts. The IA noted that the MSG had decided to base EITI reporting on cash-accounting for a calendar year prior to procurement of the IA for the first EITI Report. An auditor explained that while financial reporting by agencies such as OGA was conducted on a cash-accounting basis, given that it related to income received in the year under review, all government accounts were prepared on an accrual-accounting basis. One government representative explained that the MSG may have simply assumed that cash-based reporting was the simplest way to reconcile individual transactions, as well as to align EITI reporting with the payments to governments regulations of 2014, also based on cash accounting.³⁴² An auditor considered that it would be possible to base the annual EITI reconciliation on an accrual-accounting basis. A different government official noted while it would have technically been possible to undertake EITI reconciliation on an accrual-accounting basis, this would have delayed EITI reporting to up to 24 months after the end of the year under review. In addition, the government's accrual-accounting figures for tax payments would rely on company self-reporting to HMRC, which would make discrepancies in the reconciliation unlikely.

Methodology: The IA confirmed that it had discussed quality assurances for EITI reporting with the MSG's sub-group on contextual information ahead of the 2015 EITI Report and that these had been approved by the MSG but not reassessed in preparing the 2016 EITI Report. It was confirmed that the IA and MSG had not consulted with the NAO ahead of agreeing quality assurances for EITI reporting. While the IA stated that it would have preferred attestations from more senior company representatives, it expressed satisfaction with the assurances agreed. The IA explained that it had agreed an attestation for EITI reporting templates that referred to the same accounting systems that were the basis for audits rather than audited financial statements themselves, given the mismatch between calendar-year EITI reporting based on cash-accounting on the one hand and accrual-based audited financial statements that were based on differing calendar years. An auditor considered this approach reasonable and confirmed that the NAO would have had to conduct additional checks to be able to certify government EITI reporting templates, with little added value in the view of stakeholders consulted. Several industry MSG members expressed satisfaction at the quality assurances agreed by the MSG for EITI reporting.

An auditor considered that government entities could include disclosures of data required under the EITI Standard in their statutory annual accounts, without prior approval. However, it was noted that such disclosures could be included as part of the income account and thus audited, but this would be based on accrual-accounting for the UK fiscal year. Alternatively, these entities could include EITI disclosures in the first part of their annual reports, but these would not be subject to audit.

Reconciliation coverage: The IA confirmed that the final reconciliation coverage could be calculated per material revenue stream based on the aggregate reconciled data and full unilateral government disclosure provided in the 2016 EITI Report (p.11).

Comprehensiveness and reliability: The IA stated categorically that no payment was excluded from the scope of reconciliation whose omission would have materially affected the comprehensiveness of the EITI Report. While the IA conceded that a GBP 0.5m license fee payment had been omitted through

³⁴² The Reports on Payments to Governments Regulations 2014, accessed [here](#) in September 2018.

oversight both by the OGA and by the paying company, the omission did not give it cause for concern over potentially material omissions from reconciliation. Several government officials expressed satisfaction over the comprehensiveness and reliability of reconciled EITI data, considering that the effective reconciliation of initial discrepancies provided evidence of the comprehensiveness of the reconciliation.

Initial assessment

The International Secretariat's initial assessment is that the UK has made **satisfactory progress** towards meeting this requirement. The reconciliation of payments and revenues has been undertaken by an IA, appointed by the MSG, and applying international professional standards. The IA and the MSG agreed ToR for the production of the 2016 EITI Report consistent with the standard ToR and agreed upon procedures issued by the EITI Board, and applied this ToR and procedures in practice. The final report provides a clear statement from the IA on the comprehensiveness and reliability of the (financial) data presented, including an informative summary of the work performed by the IA, the means to calculate the final coverage of the financial reconciliation and the limitations of the assessment provided.

To strengthen and streamline implementation, the UK may wish to work with companies in the scope of EITI reporting to ensure routine reporting of payments to government as required under the EITI Standard through statutory public disclosures.

Table 4- Summary initial assessment table: Revenue collection

EITI provisions	Summary of main findings	International Secretariat's initial assessment of progress with the EITI provisions
Comprehensiveness (#4.1)	The 2016 EITI Report includes a definition of the quantitative materiality threshold for selecting companies to be included in reconciliation, with the justification for thresholds documented in MSG meeting minutes. While the report did not define a quantitative materiality threshold for selecting revenue streams for reconciliation, there was consensus among all stakeholders that all payments and revenues whose omission or misstatement could significantly affect the comprehensiveness of the EITI Report had been reconciled. The MSG approved the materiality threshold for payments and for companies. All but three material companies and all government entities reported comprehensively all material payments and revenues in the 2016 EITI Report and full	Satisfactory progress

	unilateral government disclosures was provided. While the materiality of payments from the three non-reporting material mining and quarrying companies was not explicitly assessed separately from payments from companies below the materiality threshold in the 2016 EITI Report, the IA's assessment that the comprehensiveness of reconciled financial data was satisfactory supports the assessment that the broader objective of revenue transparency has been achieved.	
In-kind revenues (#4.2)	The International Secretariat's initial assessment is that this requirement was not applicable in the UK in 2016. While the 2016 EITI Report only states that there were no in-kind revenues in the UK extractives sector, there was consensus among stakeholders consulted that Requirement 4.2 was not applicable in the UK in 2016.	Not applicable
Barter and infrastructure transactions (#4.3)	The International Secretariat's initial assessment is that this requirement was not applicable in the UK in 2016. While the 2016 EITI Report only states that there were no in-kind revenues in the UK extractives sector, there was consensus among stakeholders consulted that Requirement 4.3 was not applicable in the UK in 2016.	Not applicable
Transport revenues (#4.4)	The International Secretariat's initial assessment is that this requirement was not applicable in the UK in 2016. While the 2016 EITI Report only states that there were government transport revenues in the UK extractives sector, there was consensus among stakeholders consulted that Requirement 4.4 was not applicable in the UK in 2016.	Not applicable
Transactions between SOEs and government (#4.5)	The International Secretariat's initial assessment is that this requirement was not applicable in the UK in 2016. The 2016 EITI Report confirms the lack of state participation in the UK extractive industries in 2016.	Not applicable
Subnational direct payments (#4.6)	The 2016 EITI Report confirms the existence of direct subnational payments to Local Planning Authorities (LPAs) and it can be inferred that these were excluded from the scope of	Not applicable

	reconciliation given that they were not considered material. While the report only explicitly confirms the lack of material direct subnational payments related to oil and gas to Northern Ireland's DfE, not related to mining, there was consensus among stakeholders consulted that the DfE did not collect material revenues linked to mining and quarrying in 2016.	
Level of disaggregation (#4.7)	The 2016 EITI Report and UK EITI data available online presents reconciled financial data disaggregated by company, revenue stream and government entity, for all revenues in scope of reconciliation aside from payments to The Crown Estate and Ring-Fenced Corporation Tax / Supplementary Charge (RFCT/SC). The report describes four types of revenues collected by TCE, but only presents the results of reconciliation aggregated. However, stakeholder consultations indicated that TCE collected only one revenue stream (royalty) from mining and quarrying in the scope of EITI reporting, implying that TCE revenues were effectively disaggregated by stream in the 2016 EITI Report. Although the results of reconciliation of RFCT/SC, among the largest revenue streams in scope of reconciliation, are presented in aggregate in the 2016 EITI Report, there was consensus amongst stakeholders consulted that it would not have been possible to provide final figures disaggregating the two until up to 24 months after the end of the UK fiscal year, and thus beyond the timeframe set out in Requirement 4.8. There is evidence and consensus during consultations that the MSG approved the aggregation of RFCT/SC for EITI reporting purposes. Payments to the Coal Authority, while not disaggregated in the 2016 EITI Report, were not in scope of reconciliation. There is also evidence of UK EITI going beyond the minimum requirement by implementing project-level reporting for taxes and fees levied on a per-project basis, including those levied by TCE, since the start of its EITI reporting.	Satisfactory progress
Data timeliness (#4.8)	The UK has consistently published EITI Reports on an annual basis, with data no older than the second to last complete accounting period.	Satisfactory progress

Data quality (#4.9)	The reconciliation of payments and revenues has been undertaken by an IA, appointed by the MSG, and applying international professional standards. The IA and the MSG agreed ToR for the production of the 2016 EITI Report consistent with the standard ToR and agreed upon procedures issued by the EITI Board, and applied this ToR and procedures in practice. The final report provides a clear statement from the IA on the comprehensiveness and reliability of the (financial) data presented, including an informative summary of the work performed by the IA, the means to calculate the final coverage of the financial reconciliation and the limitations of the assessment provided.	Satisfactory progress
<p>Secretariat's recommendations:</p> <ul style="list-style-type: none"> • To strengthen implementation, the UK is encouraged to ensure that the list of material companies in the scope of EITI reporting is clearly defined and that the IA's assessment of the materiality of omissions is publicly documented to support its assessment of the comprehensiveness of annual EITI reporting. • To strengthen implementation, the UK is encouraged to provide a clearer public confirmation of the lack of material direct subnational payments related to both oil and gas as well as mining and quarrying as a means of clarifying the lack of applicability of Requirement 4.6. • To strengthen implementation, the UK is encouraged to ensure that reconciled financial data published through the EITI is consistently disaggregated by company, government entity and revenue stream. • To strengthen implementation, the UK is encouraged to pursue its efforts to publish timelier EITI data to ensure a higher relevance and usefulness to public debate. • To strengthen and streamline implementation, the UK may wish to work with companies in the scope of EITI reporting to ensure routine reporting of payments to government as required under the EITI Standard through statutory public disclosures. 		

5. Revenue management and distribution

5.1 Overview

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

5.2 Assessment

Distribution of revenues (#5.1)

Documentation of progress

Systematic disclosures: The UK Government publishes full details of its income and expenditure (outturn figures, estimates and forecasts).³⁴³ This includes details of revenues that are recorded in the national budget. The OGA annual reports and accounts³⁴⁴ provide descriptions of the management of revenues collected by the OGA. The UK's government public-sector finance statistics are based on national accounts concepts and rules primarily derived from the European System of Accounts 2010 (ESA 2010), in turn based on the international System of National Accounts 2008 (SNA 2008). The ONS describes the differences between the UK's national revenue classifications and the IMF's Government Finance Statistics (GFS) Manual 2014 on its website.³⁴⁵

2016 EITI Report: The 2016 EITI Report confirms that extractives revenues are not hypothecated to specific types of expenditures, with one exception for allocations of a share of seaward petroleum licence income to the Northern Ireland Government (p.68), implying that all extractives revenues are collected by the central government are recorded in the national budget. However, the report also confirms that the OGA levy is retained by the OGA to fund its operations, with any excess returned to companies, and provides a link³⁴⁶ to the OGA annual report for 2016-17 (p.68).

The report details plans to establish a Shale Wealth Fund, which would receive up to 10% of tax revenues from shale gas production, with consultations over the project opened in October 2016 (p.52). The report quotes forecasts from the 2016 Autumn Statement that the Shale Wealth Fund would provide up to GBP 1bn in additional resources to local communities, with communities involved in determining how the funds were to be spent in their areas (p.52).

The report does not refer to national or international revenue classification systems. However, the report includes an explanation of differences in revenues reported in the 2016 EITI Report and official HMRC statistics (pp.19-20).

³⁴³ See for instance Gov.uk, Autumn Budget 2017, accessed [here](#) in July 2018.

³⁴⁴ Oil and Gas Authority (OGA) website, OGA annual report and accounts 2016-17, accessed [here](#) in July 2018.

³⁴⁵ Office of National Statistics (July 2018), 'Looking ahead – developments in public sector finance statistics: 2018', accessed [here](#) in September 2018.

³⁴⁶ Oil and Gas Authority (July 2017), OGA Annual Report and Accounts 2016-17, accessed [here](#) in June 2018.

Stakeholder views

Stakeholders consulted did not express any particular views on the 2016 EITI Report's coverage of the traceability of extractives revenues to the national budget or the management of off-budget revenues. Several government representatives noted that all majority of extractives revenues were recorded in the national budget, aside from OGA levy.

Initial assessment

The International Secretariat's initial assessment is that the UK has made **satisfactory progress** in meeting this requirement. The 2016 EITI Report confirms that all extractives revenues are recorded in the national budget, aside from revenues collected by the Oil and Gas Authority. Guidance is provided on accessing reports on the OGA's management of off-budget revenues.

To strengthen implementation, the UK may wish to consider using EITI reporting to create greater awareness of reforms in national revenue classification systems.

Sub-national transfers (#5.2)

Documentation of progress

Systematic disclosures: Section 2 of the 1968 Miscellaneous Financial Provisions Act includes provisions for the statutory transfer of a share of seaward petroleum licence income to the Northern Ireland Government, defining the specific revenue-sharing formula as in line with Northern Ireland's share of the total UK population.³⁴⁷ While the 1968 Miscellaneous Financial Provisions Act does not provide an explicit source for population statistics to be used for the revenue-sharing calculations, the ONS provides regular updates on UK population estimates, including Northern Ireland's share of the total.³⁴⁸ The OGA annual reports and accounts³⁴⁹ provide figures for the value of petroleum license fee revenues collected by OGA in specific UK fiscal years (2015-16 and 2016-17) as well as the value of calculations of Northern Ireland's share of petroleum license fee revenues according to calculations in line with the revenue-sharing formula.³⁵⁰ Northern Ireland's audited annual Public Income and Expenditure Account provide the value of actual subnational transfers of a share of petroleum license fees transferred to northern Ireland in specific UK fiscal years.³⁵¹ The Public Income and Expenditure Accounts are audited by the Comptroller and Auditor General for Northern Ireland, with its report included in the published accounts.³⁵² There are minor discrepancies between the value of transfers according to the formula in the 2016-17 OGA annual report (GBP 1.7m in 2015-16 and GBP 1.6m in 2016-17) and the value of actual transfers in Northern Ireland's 2016-17 Public Income and Expenditure Accounts (GBP 1.718m in 2016-17 and GBP 1.571m in 2015-16), although these could be due to the rounding up of figures in the OGA

³⁴⁷ Miscellaneous Financial Provisions Act 1968, Section 2, accessed [here](#) in September 2018.

³⁴⁸ Office of National Statistics website, 'Population estimates', accessed [here](#) in September 2018.

³⁴⁹ Oil and Gas Authority (OGA) website, OGA annual report and accounts 2016-17, accessed [here](#) in July 2018, p.100.

³⁵⁰ Oil and Gas Authority (OGA) website, OGA annual report and accounts 2016-17, accessed [here](#) in July 2018, p.100.

³⁵¹ E.g. see Northern Ireland's Public Income and Expenditure Account for the year ended 31 March 2017, accessed [here](#) in September 2018, p.11.

³⁵² Northern Ireland's Public Income and Expenditure Account for the year ended 31 March 2017, op.cit., pp.6-7.

report.

2016 EITI Report: The 2016 EITI Report confirms that extractives revenues are not hypothecated to specific types of expenditures, with one exception for allocations of a share of seaward petroleum licence income to the Northern Ireland Government (p.68). The report describes this type of transfer as the allocation of a population-based share of income from seaward petroleum licences to Northern Ireland's Government, as required by section 2 of the 1968 Miscellaneous Financial Provisions Act (p.68). While the report categorises this type of transfer as an earmarked revenue rather than a subnational transfer, its definition as a share of oil and gas revenues transferred from the national government to a subnational government entity appears consistent with that in Requirement 5.2.a.³⁵³

The report describes the formula for calculating allocations of a share of seaward petroleum licence income to the Northern Ireland Government, although it does not provide the source of population statistics used for calculating Northern Ireland's subnational transfers in 2015-16 or 2016-17. While it provides the value of executed transfers to Northern Ireland in 2015-16 and 2016-17 (p.68), it does not refer to any work by the MSG or IA to assess the existence of any discrepancies between the transfer amount calculated in accordance with the revenue-sharing formula and the actual amount transferred between the central government and the Northern Ireland Government in 2016. There are small discrepancies between the value of executed subnational transfers to Northern Ireland recorded in Northern Ireland's Public Income and Expenditure Account (of GBP 1.718m in 2016-17 and GBP 1.571m in 2015-16) and the 2016 EITI Report (of GBP 1.738m in 2016-17 and GBP 1.6m in 2015-16).³⁵⁴

Stakeholder views

Government stakeholders confirmed that the revenue-sharing formula was enshrined in the 1968 Miscellaneous Financial Provisions Act but expressed uncertainty over the source of population statistics used for calculating revenue shares in a particular year. A government representative and the IA confirmed that the OGA was responsible for undertaking calculations of transfers of petroleum license fees to Northern Ireland, which were subsequently transferred by HM Treasury. Several government and civil society stakeholders confirmed that the MSG had not explicitly assessed the existence of any deviations between the value of subnational transfers to Northern Ireland according to the revenue-sharing formula and the value of executed transfers in 2015-16 and 2016-17. One government representative considered that the lack of explicit reference to any discrepancies between calculated and executed subnational transfers in the 2016 EITI Report indicated that there were no such discrepancies. A government representative noted that it would not have been possible to present the value of subnational transfers to Northern Ireland on a calendar-year basis, given that it was linked to government accounts that were based on the UK fiscal year. With regards to discrepancies between the value of executed transfers recorded in the 2016 EITI Report and Northern Ireland's public accounts, several government representatives and the IA considered that these were minor and noted that Northern Ireland's public accounts took precedence on other publications in cases of discrepancies.

³⁵³ Requirement 5.2.a states: "Where transfers between national and sub-national government entities are related to revenues generated by the extractive industries and are mandated by a national constitution, statute or other revenue sharing mechanism..."

³⁵⁴ Northern Ireland's Public Income and Expenditure Account for the year ended 31 March 2017, accessed [here](#) in September 2018, p.11.

Initial assessment

The International Secretariat's initial assessment is that the UK has made **satisfactory progress** in meeting this requirement. The 2016 EITI Report categorises legally-mandated transfers of oil and gas license fee revenues from the national government to the Northern Ireland Government as a form of earmarked extractives revenue. Given that Requirement 5.2.a relates to situations “*where transfers between national and sub-national government entities are related to revenues generated by the extractive industries and are mandated by a national constitution, statute or other revenue sharing mechanism*” however, it can be inferred that these transfers to Northern Ireland represent subnational transfers. While the 2016 EITI Report describes the revenue-sharing formula, albeit without guidance on the source of population statistics used for revenue-sharing calculations, and the value of executed transfers in 2015-16 and 2016-17, it does not explicitly assess the existence of discrepancies between the values of calculated and executed transfers. However, the OGA annual report provides the value of transfers calculated according to the revenue-sharing formula while Northern Ireland's public accounts provide the value of executed transfers, allowing the public to assess the existence of discrepancies. There was consensus among stakeholders consulted that data on subnational transfers to Northern Ireland could not have been presented on a calendar-year basis given their alignment with the UK fiscal year (April-March).

To strengthen implementation, the UK is encouraged to undertake a more explicit assessment of the materiality of subnational transfers prior to data collection and to ensure that an explicit assessment of discrepancies between calculated and executed subnational transfers be publicly-accessible.

Additional information on revenue management and expenditures (#5.3)

Documentation of progress

Systematic disclosures: The UK Government publishes comprehensive budget and public-sector audit documents, including HM Treasury's Budget Statements³⁵⁵, NAO audit reports on public accounts³⁵⁶ as well as publications of Parliament's Public Accounts Committee.³⁵⁷ In terms of extractives commodities pricing information, the Digest of UK Energy Statistics (DUKES)³⁵⁸ provides pricing information for oil and gas, while BGS publications³⁵⁹ and the UK Government website³⁶⁰ provide pricing information for mineral commodities.

2016 EITI Report: The 2016 EITI Report confirms that extractives revenues are not hypothecated to specific types of expenditures (p.68), aside from subnational transfers of a share of seaward petroleum licence income to Northern Ireland (*see Requirement 5.2*). The report provides an overview of the budget-making process, including links to relevant documents related to government accounts (p.68). Narrative overviews and graphs of UK fossil fuel production and energy demand over the 1996-2017 period are also provided (pp.27-29).

³⁵⁵ See for instance Gov.uk, Autumn Budget 2017, accessed [here](#) in July 2018.

³⁵⁶ National Audit Office, 'Audit of Financial Statements', accessed [here](#) in July 2018.

³⁵⁷ Parliament, Public Accounts Committee publications, accessed [here](#) in July 2018.

³⁵⁸ Gov.uk, Digest of UK Energy Statistics (DUKES), accessed [here](#) in July 2018.

³⁵⁹ British Geological Survey, UK Minerals Yearbook, accessed [here](#) in July 2018.

³⁶⁰ Gov.uk, 'Building materials and components: monthly statistics', accessed [here](#) in July 2018.

Stakeholder views

Stakeholders consulted did not express any particular views on the public availability of information on the budgetary and audit processes or production and revenue projections either in the public domain or in the 2016 EITI Report.

Initial assessment

Reporting on revenue management and expenditures is encouraged but not required by the EITI Standard and progress with this requirement will not have any implications for a country's EITI status. It is encouraging that the MSG has made some attempt to including information on the budget-making process as well as production and revenue projections in the 2016 EITI Report.

Table 5 - Summary initial assessment table: Revenue management and distribution

EITI provisions	Summary of main findings	International Secretariat's initial assessment of progress with the EITI provisions
Distribution of revenues (#5.1)	The 2016 EITI Report confirms that all extractives revenues are recorded in the national budget, aside from revenues collected by the Oil and Gas Authority. Guidance is provided on accessing reports on the OGA's management of off-budget revenues.	Satisfactory progress
Sub-national transfers (#5.2)	The 2016 EITI Report categorises legally-mandated transfers of oil and gas license fee revenues from the national government to the Northern Ireland Government as a form of earmarked extractives revenue. Given that Requirement 5.2.a relates to situations " <i>where transfers between national and sub-national government entities are related to revenues generated by the extractive industries and are mandated by a national constitution, statute or other revenue sharing mechanism</i> " however, it can be inferred that these transfers to Northern Ireland represent subnational transfers. While the 2016 EITI Report describes the revenue-sharing formula, albeit without guidance on the source of population statistics used for revenue-sharing calculations, and the value of executed transfers in 2015-16 and 2016-17, it does not	Satisfactory progress

	explicitly assess the existence of discrepancies between the values of calculated and executed transfers. However, the OGA annual report provides the value of transfers calculated according to the revenue-sharing formula while Northern Ireland's public accounts provide the value of executed transfers, allowing the public to assess the existence of discrepancies. There was consensus among stakeholders consulted that data on subnational transfers to Northern Ireland could not have been presented on a calendar-year basis given their alignment with the UK fiscal year (April-March).	
Information on revenue management and expenditures (#5.3)	It is encouraging that the MSG has made some attempt to including information on the budget-making process as well as production and revenue projections in the 2016 EITI Report.	
<p>Secretariat's recommendations:</p> <ul style="list-style-type: none"> • To strengthen implementation, the UK may wish to consider using EITI reporting to create greater awareness of reforms in national revenue classification systems. • To strengthen implementation, the UK is encouraged to undertake a more explicit assessment of the materiality of subnational transfers prior to data collection and to ensure that an explicit assessment of discrepancies between calculated and executed subnational transfers be publicly-accessible. 		

6. Social and economic spending

6.1 Overview

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

6.2 Assessment

Social expenditures (#6.1)

Documentation of progress

Systematic disclosures: The UK's Local Government Association provides an overview of Section 106³⁶¹ payments to local authorities, including links to relevant legislation and regulations.³⁶² While several Local Planning Authorities' websites provide the full text of planning agreements, which include Section 106 agreements defining the types of off-site in-kind infrastructure contributions agreed for specific companies, it is unclear whether all Local Planning Authorities systematically publish these agreements. It appears that some Local Planning Authorities publish details of expenditures under Section 106 agreements³⁶³, although this practice seems inconsistent across all Local Authorities and such publications appear ad hoc.

2016 EITI Report: The 2018 EITI Report states that Section 106 payments to local authorities, related to the granting of planning permission for mining operations, are the only payments currently mandated by Government "that could possibly constitute social expenditures by extractives companies" (p.20). Of these Section 106 payments, the report describes "in-kind" infrastructure provisions, which are either of benefit to the company only (on-site) or to the host community (off-site), and confirms that only off-site infrastructure provisions were included in the scope of EITI reporting (p.61).

The report explains that companies were requested to unilaterally disclose the value of these "planning obligation payments", due to the lack of central record of such payments and the low value of total payments in 2016 (p.70). The report provides the value of payments reported under this category, GBP 98,012 in 2016 (p.70), which can be calculated as representing 0.16% of total government revenues from mining and quarrying, based on the government's full unilateral disclosure (p.12). However, the report does not disaggregate the value of these mandatory social expenditures by company or project, nor provide the nature of such in-kind contributions nor define the identity of beneficiaries.

³⁶¹ So-called after Section 106 of the Town and Country Planning Act 1990 in England and Wales. The equivalent legal requirements in Scotland and Northern Ireland are section 75 of the Town and Country Planning (Scotland) Act 1997 (as amended by the Planning etc. (Scotland) Act 2006) and Article 40 of the Planning (Northern Ireland) Order 1991.

³⁶² Local Government Association website, 'S106 obligations overview', accessed [here](#) in September 2018.

³⁶³ See for instance Litchfield District Council website, 'Section 106', accessed [here](#) in September 2018.

Stakeholder views

An independent industry expert explained that Section 106 agreements were negotiated directly between companies and local planning authorities, but were not specific to extractives activities and were required for all planning permissions for onshore activities. While confirming that these agreements specified the required expenditures under Section 106, the expert was not aware of whether these Section 106 agreements were publicly-accessible, even if he considered that these could not be considered confidential. Several industry MSG members confirmed that the MSG had agreed to consider Section 106 payments for in-kind infrastructure works to represent mandatory social expenditures. They confirmed that Section 106 agreements were publicly accessible, given that they were part of planning agreements, but that there was no centralised register of planning agreements as these were held by the local planning authorities. An industry expert confirmed that Section 106 expenditures on infrastructure were usually provided in kind, rather than in cash. It was explained that the most common type of Section 106 in-kind infrastructure expenditures consisted of road improvement works. The expert considered that greater clarity on the deemed value of Section 106 in-kind infrastructure expenditures would be helpful for public debate at the local level. Several CSN representatives confirmed the lack of central database for planning agreements in the UK and confirmed that none of their constituents nor the MSG had sought to request either Section 106 agreements (as part of planning permits) or Section 106 payments from Local Planning Authorities hosting material companies. However, one CSN representative considered that Section 106 agreements were accessible from Local Planning Authorities, in some cases from their websites.

Several industry MSG members considered that a majority of annual payments for Section 106 in-kind infrastructure were below GBP 86,000 and thus noted that many companies may not have reported them, since the MSG considered that payments below the GBP 86,000 threshold were not required to be reported. The IA confirmed that data on “planning obligation payments” in the 2016 EITI Report (p.70) worth GBP 98,012 represented Section 106 off-site in-kind infrastructure payments reported by a single material company, Tarmac Holdings Ltd. However, the IA confirmed that it had not requested details on the identity of the beneficiary nor the nature of this in-kind infrastructure payment. Several industry MSG members confirmed that the EITI reporting templates had not required companies to report the deemed value of Section 106 in-kind infrastructure expenditures despite the MSG’s categorisation of these payments as mandatory social expenditures. A government official considered that, in hindsight, Section 106 payments should probably be not have been deemed material.

Initial assessment

The International Secretariat’s initial assessment is that the UK has made **meaningful progress** towards meeting this requirement. While the 2016 EITI Report appears to confirm the MSG’s view that mining companies’ provisions of off-site in-kind infrastructure, as part of local planning agreements, constitute a form of mandatory social expenditures. However, while the 2016 EITI Report provides the aggregate value of mandatory social expenditures reported by one company, it does not provide the nature of in-kind mandatory social expenditures nor confirm the identity of the beneficiary(ies).

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.

SOE quasi fiscal expenditures (#6.2)

Documentation of progress

Systematic disclosures: Not applicable.

2016 EITI Report: The 2016 EITI Report does not comment on the existence of any quasi-fiscal expenditures by the OGA in 2016, aside from stating that there is no state participation in the extractive industries (p.13). However, the report notes the OGA’s acquisition and interpretation of seismic data, described as a “benefit to industry” (p.13).

Stakeholder views

An MSG member confirmed that the OGA did not undertake any quasi-fiscal expenditures, confirming that it was the Treasury that had paid for the OGA’s acquisition of seismic data, which was provided to all companies free of charge. The member highlighted that the 2016 EITI Report had stated that “the government” had funded this work (p.13), pointing to press releases indicating the Treasury’s funding of two GBP 20m seismic studies³⁶⁴ and a GBP 5m exploration fund.³⁶⁵

Initial assessment

The International Secretariat’s initial assessment is that Requirement 6.2 is not applicable to the UK in the period under review (2016). While the 2016 EITI Report does not explicitly comment on the lack of quasi-fiscal expenditures linked to extractives revenues, it clarifies the lack of state participation in the extractive industries. Although the report refers to the OGA’s acquisition and interpretation of seismic data for the benefit of industry, these expenditures were funded by the government and recorded in the national budget.

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

Documentation of progress

Systematic disclosures: In terms of *GDP* contribution, the Office for National Statistics (ONS) publishes quarterly and annual low-level aggregates of UK output gross value added (GVA)³⁶⁶ on a constant and current price basis, which include the absolute and relative contribution of the mining and quarrying

³⁶⁴ OGA (November 2017), ‘New Government-funded ‘Frontier’ exploration data now available’, accessed [here](#) in September 2018.

³⁶⁵ OGA (September 2017), ‘OGA welcomes further government support for exploration’, accessed [here](#) in September 2018.

³⁶⁶ Office for National Statistics, ‘UK gross domestic product (output approach) low-level aggregates’, accessed [here](#) in July 2018.

sector (including fossil fuels).

In terms of *government revenues* contribution, HMRC publishes monthly tax revenue information³⁶⁷ on a cash basis, while the ONS publishes tax revenue information³⁶⁸ on an accruals basis for the UK fiscal year.

In terms of *export* contribution, the ONS publishes monthly balance of payments data for trade in goods³⁶⁹, which provide the value of extractives exports annually for the 1998-2018 period. It is possible to calculate the relative contribution of the extractives to exports using the value of total exports provided in the ONS charts.

In terms of *employment* contribution, the ONS publishes quarterly national and regional labour market statistics³⁷⁰ and the Business Register and Employment Survey (BRES)³⁷¹, which include information on the mining and quarrying sectors, including their major sub-sectors.

There is information in the public domain about the location of extractives activities in the UK. The OGA provides interactive online maps and portals of oil and gas developments.³⁷² The BGS provides online interactive maps for minerals in the UK.³⁷³

2016 EITI Report: The 2016 EITI Report states that UK statistics cover all extractives activities, including mining support services, in the categorisation of “mining and quarrying” (p.14). It is noted that mining support services relate almost entirely to extraction of petroleum and natural gas, in value terms (p.15).

Share of GDP: The report provides the gross value-added of the extractive industries in nominal terms and relative to total GDP for each year in the 2012-16 period (p.14).

Government revenues: Noting that some government revenue data is presented on a financial year basis by necessity, since the UK fiscal calendar is April-March (p.15), the report provides the contribution of extractives to total government revenues in nominal and relative terms (pp.17,21). This includes cash-based receipts for HMRC and accrual-based revenues for ONS. The report provides an overview of the reasons for net negative income from the oil and gas sector, taking RFCT/SC and PRT together (pp.18-19). The report also provides an explanation for discrepancies between values reported by EITI and HMRC for RFCT/SC and PRT revenues, noting that HMRC data is published on a preliminary basis (pp.19-21).

Exports: The report provides the value of total mining and quarrying exports (including oil and gas) for each year in the 2012-16 period, in both nominal terms and relative to total exports (p.21).

Employment: The report provides estimates of employment in the extractive industries in nominal terms

³⁶⁷ Gov.uk, ‘HMRC Tax Receipts and National Insurance Contributions for the UK’, accessed [here](#) in July 2018.

³⁶⁸ Office for National Statistics, ‘Public sector current receipts: Appendix D’, accessed [here](#) in July 2018.

³⁶⁹ Office for National Statistics, ‘Publication tables, UK trade in goods, CPA (08)’, accessed [here](#), and ‘

³⁷⁰ Office for National Statistics, ‘UK labour market: March 2018’, accessed [here](#) in June 2018.

³⁷¹ Office for National Statistics, ‘Industry (2, 3 and 5 - digit SIC) - Business Register and Employment Survey (BRES): Table 2’, accessed [here](#) in July 2018.

³⁷² Oil and Gas Authority website, ‘Interactive maps and tools’, accessed [here](#) in July 2018.

³⁷³ British Geological Survey, MineralsUK, ‘Minerals Information Online’, accessed [here](#) in July 2018.

and relative to total employment, sourced from the ONS and UK labour market statistics (pp.24-25). Additional figures are provided for the contribution of the oil and gas sector, including support services, to total employment, in nominal terms and as a share of total employment (pp.38-39).

Location: The report provides an overview of the location of the extractive industries in the UK based on three indicators (gross value-added, gross trading profits and employee compensation) (pp.25-27).

Stakeholder views

A government representative noted that the oil and gas GVA graph in the 2016 EITI Report (p.13) had included estimates for 2016 production that were subsequently revised downwards, and noted that the OGA had published an updated graph and data on its website.³⁷⁴ Several government representatives expressed scepticism over the accuracy of certain ONS statistics, such as employment data.

Initial assessment

The International Secretariat's initial assessment is that the UK has made **satisfactory progress** towards meeting this requirement. The 2016 EITI Report provides estimates of the extractive industries' contribution, in absolute and relative terms, to GDP, government revenues, exports and employment, identifying the location of production.

Table 6- Summary initial assessment table: Social and economic spending

EITI provisions	Summary of main findings	International Secretariat's initial assessment of progress with the EITI provisions
Social expenditures (#6.1)	The 2016 EITI Report appears to confirm the MSG's view that mining companies' provisions of off-site in-kind infrastructure, as part of local planning agreements, constitute a form of mandatory social expenditures. The 2016 EITI Report provides the aggregate value of mandatory social expenditures reported by one company, but it does not provide the nature of in-kind mandatory social expenditures nor confirm the identity of the beneficiary(ies).	Meaningful progress
SOE quasi fiscal expenditures (#6.2)	While the 2016 EITI Report does not explicitly comment on the lack of quasi-fiscal expenditures linked to extractives revenues, it clarifies the lack of state	Not applicable

³⁷⁴ OGA website, EITI webpage, accessed [here](#) in September 2018.

	participation in the extractive industries. Although the report refers to the OGA's acquisition and interpretation of seismic data for the benefit of industry, these expenditures were funded by the government and recorded in the national budget.	
Contribution of the extractive sector to the economy (#6.3)	The 2016 EITI Report provides estimates of the extractive industries' contribution, in absolute and relative terms, to GDP, government revenues, exports and employment, identifying the location of production.	Satisfactory progress
<p>Secretariat's recommendations:</p> <ul style="list-style-type: none"> 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. 		

Part III – Outcomes and Impact

7. Outcomes and Impact

7.1 Overview

This section assesses implementation of the EITI Requirements related to the outcomes and impact of the EITI process.

7.2 Assessment

Public debate (#7.1)

Documentation of progress

From the outset, one of the MSG's key objectives was to "ensure information is readily accessible and presented to the public in a clear manner". In December 2015, the MSG agreed a Communications Plan³⁷⁵. The communications objectives are:

- To raise the profile of UK EITI using a range of communication channels.
- To inform and increase public understanding of the impact of the extractives industry on the UK.
- To present information in a useful way taking advantage of existing data to encourage debate and enhance accountability.
- To coordinate and document consultations that MSG members have with their wider constituencies on promoting EITI.
- To develop the communications plan which will be agreed by the MSG and detail how the MSG will communicate with stakeholders and members of the public.
- To raise awareness within industry, civil society and government of the UK EITI and the role they play.

The EITI Reports that have been published to date are clear and comprehensive. The 3rd EITI Report provided an expanded narrative on the social and economic aspects of the extractives sector in the UK. There are been some efforts to promote the reports (especially through launch events). Otherwise, communication efforts appear to be limited to making information publicly accessible on well-functioning websites.

The MSG has agreed a policy on the access, release and reuse of EITI data. In January 2017, the MSG

³⁷⁵ UK EITI (2015) Communications Plan.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/484744/Updated-EITI_Communications_Plan- Dec-April_2016-1.pdf

approved an open data policy for UK EITI³⁷⁶. The MSG agreed that each UK EITI report and associated data should be published on UK Government websites. The policy aims to ensure that all UK EITI data is published in a standardised, open format, which is machine-readable and can be accessed by all through the data.gov website. UK EITI data was published on data.gov.uk³⁷⁷.

Stakeholder views

The majority of stakeholders noted that the EITI had not had a significant impact on the public's understanding of the extractives. Most stakeholders considered that the timeliness of EITI reporting, with data published a year and a half after government figures, was a concern. However, several government and industry representatives highlighted the value of 'final' EITI figures, given that government (e.g. HMRC) figures tended to be revised up to 18-24 months after the end of the fiscal period.

There has been some use of EITI data, primarily by industry and civil society. Oil and Gas UK has drawn on EITI figures in its submissions to Parliament. Several articles in the British press (e.g. BBC, Financial Times) have also used specific EITI data points. There is less evidence of use of EITI data from the mining industry. Civil society has drawn on EITI data, most recently in comparing company reporting to UKEITI with mandatory payments to governments reports.³⁷⁸ Yet the UK's EITI reporting has not yet established itself as a key gateway to information on the extractive industries.

There is scope for the EITI to contribute more to the public's understanding in key areas such as oil and gas decommissioning, prospects for shale gas, mining and quarrying companies' Section 106 payments.

Initial assessment

The International Secretariat's initial assessment is that the UK has made satisfactory progress in meeting this requirement. UK EITI has ensured that the EITI Report is comprehensible and accessible to the general public. The reports have brought together information on the regulation and governance of the sector that is otherwise scattered. There have been limited efforts to promote this work beyond Report launch events, and there is limited evidence to suggest that the EITI has contributed to public debate.

The controversy regarding civil society engagement on the MSG has undoubtedly detracted from efforts to explore opportunities to increase the use of EITI data. It is recommended that a reconstituted 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.

³⁷⁶ UK EITI (2017) Open Data Policy

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/584959/UK_EITI_Open_Data_policy_paper.pdf

³⁷⁷ <https://data.gov.uk/dataset/1ce0afa8-fade-4333-9983-32b3cb4a87e3/uk-extractive-industries-transparency-initiative-eiti>

³⁷⁸ PWYP (September 2018), 'News: New PWYP UK study explores UK EITI and mandatory payments data variances', accessed [here](#) in September 2018.

Data Accessibility (#7.2)

Documentation of progress

In accordance with the MSG's open data policy, the EITI data is published on data.gov.uk in a range of file formats. The UK EITI has also completed summary data files for the four EITI Reports that have been published to date³⁷⁹.

Stakeholder views

There is limited demand for EITI data, not least since a considerable amount of information is already publicly available. Oil, gas and mining companies incorporated in the United Kingdom or listed on the London Stock Exchange (LSE) publish reports on payments to governments each year under UK law. Payment reporting covers payment types as published under the EITI. While these are not disaggregated to the levels required by the EITI Standard, they are more up to date and cover every country where each company operates. The UK EITI Reports collate a wide range of information relating to the UK. In accordance with the 2016 EITI Standard, they reconcile company and government disclosures. The resulting information is of interest to relatively small and specialised audiences.

Initial assessment

The provisions of Requirement 7.2 are encouraged and are not considered when assessing compliance with the EITI Standard.

Lessons Learned and follow-up on recommendations (#7.3)

Documentation of progress

The MSG has considered the recommendations from the IA from each EITI Report. The 2017 annual progress report³⁸⁰ provides an overview of the MSG's responses to the recommendations from the 3rd EITI Report. These focus on the reporting and reconciliation process. Specifically, the MSG noted that a number of discrepancies arose due to:

- Some licensees reported payments that were not licence fees or the OGA levy;
- Some participants incorrectly reported payments related to Research and Development Expenditure payments, which fall outside the reconciliation scope;
- some payments and repayments of interest and APRT were omitted.

The MSG subsequently reviewed the reporting templates and guidance notes for the 4th EITI Report. The MSG also considered instances of late and non-submission of templates from companies, and the cost of

³⁷⁹ <https://drive.google.com/drive/folders/OB361RU22DTPfs2RYRmRicWhEWUE>

³⁸⁰ UK EITI (2018) UK EITI Annual Progress Report 2017.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/720851/uk-eiti-progress-report-2017.pdf

EITI implementation. The discussions are well documented in the MSG minutes.

In July 2018 the MSG commenced discussions regarding EITI mainstreaming³⁸¹. The annual progress noted: “we will be looking at ways to make better use of digital formats when publishing that next report and reviewing the scope to ‘mainstream’ more of the data in future years”. Otherwise, there is limited evidence to suggest that the MSG has discussed wider issues relating to the outlook for the UK's oil, gas and mineral industries, and the opportunities to use the EITI process and platform to strengthen governance.

Stakeholder views

As noted previously, stakeholders noted that there is limited demand for EITI data, not least since a considerable amount of information is already publicly available prior to the publication of the EITI Reports. Stakeholders also noted that the controversy regarding civil society engagement on the MSG had detracted from efforts to explore opportunities to discuss the outlook for EITI implementation.

Initial assessment

The International Secretariat's initial assessment is that the UK has made satisfactory progress in meeting this requirement. The MSG has ensured that there has been adequate follow up of the recommendations from EITI Reporting, including identifying, investigating and addressing the causes of discrepancies. The MSG discussions on EITI mainstreaming are timely, and should inform future discussions about the future of EITI implementation.

Outcomes and impact of implementation (#7.4)

Documentation of progress

The MSG has published a series of annual progress reports documenting the MSG's activities and progress in preparing EITI Reports. These address the majority of the requirements as outlined in Requirement 7.4. The most recent report includes a section on the “strengths or weaknesses identified in the EITI process”, although this section focusses exclusively on the follow-up from EITI Reporting (see above). There is limited evidence to suggest that the MSG has reviewed the outcomes and impact of EITI implementation on natural resource governance. In fact, a pre-validation assessment conducted in 2018 acknowledges that “no substantial work carried out on this as yet”.

Stakeholder views

The Validation Guide notes that Validation should “comment on any consultations undertaken by the MSG toward giving all stakeholders an opportunity to provide feedback on the EITI process and the impact of the EITI, and have their view reflected in the annual activity report” (7.4.b). Stakeholders noted that the controversy regarding civil society engagement on the MSG had detracted from efforts to explore opportunities to increase the use of EITI data and discuss the outlook for EITI implementation. Several

³⁸¹ UK EITI (2018) “Terms of Reference: EITI systematic disclosure feasibility study, UK”. July 2018
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/731918/eiti-msg-systematic-disclosure-study-tor.pdf

MSG members consulted noted that the MSG had yet to consider the impact of EITI implementation to date, noting that they considered Validation the opportunity to take stock of the outcomes and impact of implementation to date.

Initial assessment

The International Secretariat's initial assessment is that the UK has made meaningful progress in meeting this requirement. The annual progress reports published by the MSG are generally adequate. However, these lack a thorough examination of the EITI effectiveness and impact.

In accordance with Requirement 7.4.a.v, the reconstituted 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.

Table 7 - Summary initial assessment table: Outcomes and impact

EITI provisions	Summary of main findings	Validator's recommendation on compliance with the EITI provisions
Public debate (#7.1)	UK EITI has ensured that the EITI Report is comprehensible and accessible to the general public. The reports have brought together information on the regulation and governance of the sector that is otherwise scattered. There have been limited efforts to promote this work beyond Report launch events, and there is limited evidence to suggest that the EITI has contributed to public debate.	Satisfactory progress
Data accessibility (#7.2)	In accordance with the MSG's open data policy, the EITI data is published on data.gov.uk in a range of file formats. The UK EITI has also completed summary data files for the four EITI Reports that have been published to date.	
Lessons learned and follow up on recommendations (7.3)	The MSG has ensured that there has been adequate follow up of the recommendations from EITI Reporting, including identifying, investigating and addressing the causes of discrepancies.	Satisfactory progress
Outcomes and impact of implementation	The annual progress reports published by the MSG are generally adequate. However, these lack a thorough examination of the EITI effectiveness	Meaningful progress

#7.4)	and impact.	
<p>Secretariat's recommendations:</p> <ul style="list-style-type: none">• In accordance with Requirement 7.4.v, 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.		

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

Impact

The UK's implementation of EITI to date has focused on establishing the mechanisms of EITI reporting and tackling challenges of multi-stakeholder oversight at the expenses of critical self-examination of the objectives and impact of implementation in the UK context. Primarily focused on its own internal governance since 2016, the MSG has not yet taken a step back to consider the broader context for its implementation and the value added of EITI reporting. Successive annual progress reports since 2015³⁸² have noted the MSG's commitment to continuous improvements (primarily of the reporting process), rather than highlighting broader impacts and opportunities in line with the objectives of the UK's EITI implementation.

Recognition: The clearest outcome of the UK's domestic EITI implementation has been in the international recognition of its leadership in transparency. The early stages of implementation were also the time of Parliament's enactment of payments to government legislation and the government's pledge to establish a public beneficial ownership register at the London Anti-Corruption Summit. As part of this drive, the UK's EITI implementation has provided international leadership and led to a rise in demand for technical assistance both from DfID and BEIS.

Constructive engagement: There were signs of constructive engagement and trust building in the early stages of EITI implementation in 2013-15, as the three constituencies worked together on addressing technical challenges to the initial stages of EITI reporting (e.g. taxpayer confidentiality, disaggregation of revenues). However, as tensions emerged related to civil society organization and representation in the EITI, the MSG's discussions became dominated by constituency nominations and engagement issues, at the expense of substantive issues related to extractive industry governance. As different sections of civil society questioned each other's legitimacy, the fledgling trust and collaboration gave way to allegations of conflicts of interest and co-option.

Economic contributions: According to several industry representatives consulted, one of the key outcomes of EITI implementation to date has been to collect all extractives information in one report and to more clearly demonstrate the economic contribution of the extractive industries. While mining industry representatives considered that the economic importance of quarrying continued to be under-valued given the lack of coverage of the "aggregates levy" in EITI reporting, they noted that MSG members' understanding of the various contributions of the industry had gradually developed as part of their oversight of EITI reporting. While most stakeholders consulted thought that the economic contribution of the oil and gas sector was already well understood given the ample provision of public data from Oil and Gas UK and the OGA, several stakeholders from civil society and government considered that cash-based EITI reporting more clearly highlighted the impact of tax refunds on the government's extractives cash-

³⁸² UKEITI (June 2016), 2015 annual activity report, op.cit., p.23; UKEITI (June 2017), 2016 annual activity report, op.cit., p.13; and UKEITI (June 2017), 2016 annual activity report, op.cit., p.13.

flow position in a particular calendar year.

Public understanding: The vast majority of stakeholders consulted considered that the EITI Report had not had an impact on the public's understanding of the extractives. Most stakeholders considered that the timeliness of EITI reporting, with data published a year and a half after government figures, was a concern. However, several government and industry representatives highlighted the value of 'final' EITI figures, given that government (e.g. HMRC) figures tended to be revised up to 18-24 months after the end of the fiscal period.

There has been some use of EITI data, primarily by industry and civil society. Oil and Gas UK has drawn on EITI figures in its submissions to Parliament. Several articles in the British press (e.g. BBC, Financial Times) have also used specific EITI data points. There is less evidence of use of EITI data from the mining industry. Civil society has drawn on EITI data, most recently in comparing company reporting to UKEITI with mandatory payments to governments reports.³⁸³ Yet the UK's EITI reporting has not yet established itself as a key gateway to information on the extractive industries.

There is scope for the EITI to contribute more to the public's understanding in key areas such as oil and gas decommissioning, prospects for shale gas, mining and quarrying companies' Section 106 payments.

Strengthening government systems: There is no evidence of reforms in government systems as a result of EITI implementation, beyond the disaggregation of RFCT/SC from PRT payments in government data. While not explicitly stated in the UK's objectives for implementation, reforms in government systems were an implication of the government's commitment to open data. In this sense, the EITI has not led to any substantive reforms in government systems, in large part due to the robustness of existing oversight mechanisms. Yet some gaps in the public availability of some mining- and quarrying-related EITI data remain.

Re-examination of the scope of EITI reporting and broader objectives of implementation, combined with systematic disclosures of key EITI data, would help the MSG ensure that the mechanics of implementation are commensurate with the use and impact of EITI reporting.

Sustainability

Funding: The government has entirely funded the costs of its EITI implementation to date, through the Department of BEIS. A government official noted that the government intended to provide funding to ensure timelier EITI reporting, with the intention of publishing the 2018 EITI Report in early 2019.

Institutionalisation: While there is no legal backing to EITI in the UK, the government's commitment to open data and national payments to government legislation ensure that both companies and government will continue to disclose the majority of information required by the EITI Standard.

³⁸³ PWYP (September 2018), 'News: New PWYP UK study explores UK EITI and mandatory payments data variances', accessed [here](#) in September 2018.

Annexes

Annex A - List of MSG members and contact details

June 2018

Champion

- Vacant

Chair

- Matthew Ray - Department for Business, Energy and Industrial Strategy (BEIS)

Industry members

- Dr Patrick Foster - Mining Association of the UK & Camborne School of Mines, University of Exeter
- Matthew Landy - Statoil
- Jacqui Akinlosotu – ENI
- John Bowater - Aggregate Industries

Civil society members

- Lorraine Allanson
- Norbert Mbu Mputu
- Vacant
- Vacant

Government members

- Martyn Rounding - HM Revenue and Customs (HMRC)
- Mike Earp - Oil & Gas Authority (OGA)
- Joe Perman - Scottish government
- Jeff Asser - Department for Business, Energy and Industrial Strategy (BEIS)

Alternate members - civil society

- Vacant
- Martin Brown
- Eddie Holmes

Alternate members - government

- Rhona Birchall - Department for International Development (DfID)
- Thomas Thornton-Kemsley - HM Treasury (HMT)
- James Marshall - HM Revenue and Customs (HMRC)
- Martin Quinn - Department for the Economy in Northern Ireland

Alternate members - industry

- Howard Forti – ExxonMobil
- Jerry McLaughlin - Mineral Products Association
- Romina Mele-Cornish - Oil and Gas UK
- Martin Kirkham – Chevron

June 2015**Chair**

- Marie-Anne Mackenzie - Department for Business, Innovation and Skills (BIS) - Chair

Industry members

- Dr Patrick Foster - Mining Association of the UK & Camborne School of Mines, University of Exeter
- Andrew Enever - Shell
- Stephen Blythe - Independent consultant
- John Bowater - Aggregate Industries

Civil society members

- Miles Litvinoff - Publish What You Pay UK
- Eric Joyce - UK Civil Society Representative
- Brendan O'Donnell - Global Witness
- Danielle Foe - UK Civil Society Representative

Government members

- Mike Earp - Oil & Gas Authority (OGA)
- Alan Tume - HM Revenue and Customs (HMRC)
- Jenna Williamson - Scottish Government

Regular observers at MSG meetings who can fully participate:

- Jerry McLaughlin - Mineral Products Association
- Claire Ralph - Oil and Gas UK

Alternate members - civil society

- Colin Tinto- Global Witness
- Joseph Williams - Natural Resource Governance Institute
- Martin Brown - UK Civil Society Representative
- Eddie Holmes - UK Civil Society Representative

Alternate members - industry

- Donovan Ingram - ExxonMobil

Validation of the United Kingdom: Report on initial data collection and stakeholder consultation

Annex B – Materiality calculations for the 2016 EITI Report

Material companies in the 2016 EITI Report	Sector	Report under EU Directives on Companies House?	Report elsewhere (Company website or offshore)?	Latest year reported	2016 payments (GBP)	Share of total	Cumulative share of total	Link to disclosures
1 Nexen Petroleum UK Ltd	Oil & Gas	Yes		2017	232909663	60.37%	60.37%	https://extractives.companieshouse.gov.uk/company/01051137
2 ENI UK Ltd	Oil & Gas	No	Yes	2017	25469875.3	6.60%	66.97%	https://www.eni.com/en_IT/sustainability/integrity-human-rights/transparency-of-payments.page
3 Marathon Oil UK LLC	Oil & Gas	Shetlands Ltd		2016	24418148	6.33%	73.30%	https://extractives.companieshouse.gov.uk/company/04105025
4 Perenco UK Ltd	Oil & Gas	Yes		2016	17474185	4.53%	77.83%	https://extractives.companieshouse.gov.uk/company/04653066
5 Aggregate Industries UK Ltd	Mining & Quarrying	Yes		2016	13750488	3.56%	81.39%	https://extractives.companieshouse.gov.uk/company/00245717
6 ConocoPhillips UK Ltd	Oil & Gas	Yes		2016	6891189.71	1.79%	83.18%	https://extractives.companieshouse.gov.uk/company/00524868
7 Statoil UK Ltd	Oil & Gas	No	Yes	payments in Norway	5033546	1.30%	84.48%	https://www.equinor.com/en/how-and-why/sustainability/transparency.html
8 Engie E&P UK Ltd	Oil & Gas	No	Yes	Engie reports worldwide payments to governments in France	3278465	0.85%	85.33%	http://www.worldreginfo.com/rd/wdoc.aspx?file=ENGIE/1/DEA9F08F-BD23-49EE-9B33-D1F242B5A7ED/389123_Rapport_sur_les_paiements_aux_gouvernements_20.pdf
9 Total E&P UK Ltd	Oil & Gas	No	Yes	Total reports worldwide payments to governments in France	2718558.49	0.70%	86.04%	https://www.total.com/fr/actionnaires/publications-et-informations-reglementees/informations-reglementees/rapport-paiements-gouvernements
10 Ithaca Energy UK Ltd	Oil & Gas	Yes		2016	1697924	0.44%	86.48%	https://extractives.companieshouse.gov.uk/company/SC272009
11 EnQuest PLC	Oil & Gas	Yes		2017	171909	0.04%	86.52%	https://extractives.companieshouse.gov.uk/company/07140891
12 Suncor Energy UK Ltd	Oil & Gas	Yes		2016	0	0.00%	86.52%	https://extractives.companieshouse.gov.uk/company/00972618
13 Tullow Oil PLC	Oil & Gas	Yes		2016	-476136	-0.12%	86.40%	https://extractives.companieshouse.gov.uk/company/03919249
14 JX Nippon E&P UK Ltd	Oil & Gas	Yes		2018	-1109018	-0.29%	86.11%	https://extractives.companieshouse.gov.uk/company/03288689
15 Premier Oil PLC	Oil & Gas	Yes		2016	-1270798	-0.33%	85.78%	https://extractives.companieshouse.gov.uk/company/SC234781
16 Dana Petroleum Ltd	Oil & Gas	Yes		2016	-1922428.8	-0.50%	85.28%	https://extractives.companieshouse.gov.uk/company/03456891
17 Chevron North Sea Ltd	Oil & Gas	Yes		2016	-3787760	-0.98%	84.30%	https://extractives.companieshouse.gov.uk/company/01546623
18 Ithaca SPL Ltd (formerly Summit Petroleum Ltd)	Oil & Gas	Ithaca Energy (UK) Ltd		2016	-4054060	-1.05%	83.25%	https://extractives.companieshouse.gov.uk/company/SC272009
19 Mitsui E&P UK Ltd	Oil & Gas	Yes		2015	-4714320	-1.22%	82.03%	https://extractives.companieshouse.gov.uk/company/07652477
20 Endeavour Energy UK Ltd	Oil & Gas	Yes		2016	-4752777	-1.23%	80.80%	https://extractives.companieshouse.gov.uk/company/05030838
21 Centrica Energy E&P	Oil & Gas	Yes		2017	-9052767	-2.35%	78.45%	https://extractives.companieshouse.gov.uk/company/03033654
22 BHP Billiton Petroleum	Oil & Gas	Yes		2017	-15962525	-4.14%	74.31%	https://extractives.companieshouse.gov.uk/company/03196209
23 Maersk Oil North Sea UK Ltd	Oil & Gas	No	Yes	AP Moller Maersk reports worldwide payments to government in Denmark	-40636395	-10.53%	63.78%	https://www.maersk.com/front-page-requirements/tax-principles
24 Repsol Sinopec Resources UK Ltd	Oil & Gas	Yes		2016	-67581384	-17.52%	46.26%	https://extractives.companieshouse.gov.uk/company/00825828
25 Apache Corporation	Oil & Gas	Apache North Sea Production Ltd		2016	-80888493	-20.97%	25.30%	https://extractives.companieshouse.gov.uk/company/07720972
26 Royal Dutch Shell PLC	Oil & Gas	Yes		2017	-117225735	-30.38%	-5.09%	https://extractives.companieshouse.gov.uk/company/04366849
27 CNR International	Oil & Gas	CNR International (UK) Investments Ltd		2016	-154919875	-40.15%	-45.24%	https://extractives.companieshouse.gov.uk/company/01293529
28 BP UK Group	Oil & Gas	BP Plc		2017	-157345132	-40.78%	-86.02%	https://extractives.companieshouse.gov.uk/company/00102498
29 TAQA Bratani Ltd	Oil & Gas	No	No	TAQA's Canada subsidiary reports under ESTMA	13250077	3.43%		https://www.taqaqlobal.com/investors/corporate-governance

Source: EITI International Secretariat calculations based on the 2016 EITI Report and mandatory 'payments to government' reports.

Annex C – Cost of EITI Reports

EITI Reports	Independent Administrator name	Total
2014-2016 EITI Reports	Moore Stephens	GBP 240,000

Source: UK EITI annual activity and progress reports.

Annex D - List of stakeholders consulted

Government / Public sector

Matthew Ray, Deputy Director, Department for Business, Energy and Industrial Strategy (BEIS) and Chair of the UK EITI MSG

David Leitch, Department for Business, Energy and Industrial Strategy (BEIS) and UK EITI National Coordinator

Mike Nash, Department for Business, Energy and Industrial Strategy (BEIS) and member of the UK EITI Secretariat

Mike Earp, Senior Economist and Fiscal Analyst, the Oil and Gas Authority (OGA)

Helen Day, Permitting and Licensing Manager, the Coal Authority

Andrew Bloodworth, Science Director for Minerals & Waste, the British Geographical Survey

James Osborne, Director BEIS and Regulators Financial Audit, and Rob Walker, Assistant Auditor, National Audit Office

James Marshall, HM Revenue and Customs (HMRC)

Martin Quinn, – Department for the Economy (DfE), Northern Ireland

Nick Everington, Portfolio Manager - Marine Minerals, The Crown Estate

Matthew Gibbs, The Crown Estate

Malcolm Burns, Head of Rural, The Crown Estate

John Pears, Consultant and Crown Mineral Agent, Wardell Armstrong LLP

Industry

Romina Mele-Cornish, Fiscal policy Manager, Oil & Gas UK

John Bowater, Deputy Chief Executive Officer and Chief Financial Officer, Aggregate Industries

Dr Patrick Foster, Mining Association of the UK & Camborne School of Mines, University of Exeter

Jerry McLaughlin, Executive Director of Economics & Public Affairs, Mineral Products Association

Civil Society

Eric Joyce, EICS

Joseph Williams, Senior Officer and Advocacy Manager, Natural Resource Governance Institute (NRGI)

Lorraine Allanson, Civil Society MSG member

Miles Litvinoff, Coordinator of Publish What You Pay (PWYP) UK

Norbert Mbu Mputu, Civil Society MSG member

Simon Clydesdale, Campaign Leader for Oil, Gas and Mining, Global Witness

Independent administrators

Tim Woodward, Partner, Public Sector Group, Moore Stephens

Hédi Zaghouni, IFI Team, Moore Stephens

Ben Toorabally, IFI Head of Office, Public Sector Group, Moore Stephens

Annex E - List of reference documents

(References verified as of October 2018)

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Government

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