

The Extractive Industries Transparency Initiative – why transparency matters to all

Jonas Moberg

Tokyo

26 January 2010

www.eiti.org

Pressure/attention

Investigative reporting

Code/standard

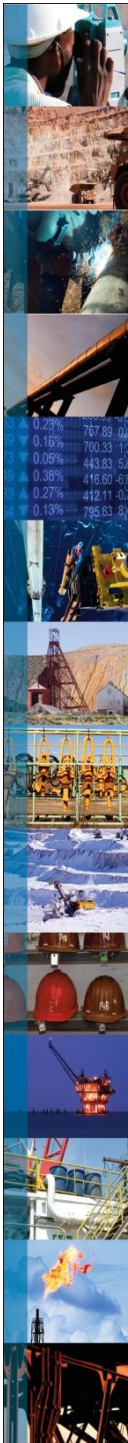
Facilitation

Implementation

Business case for action

Negotiation

Quality Assurance



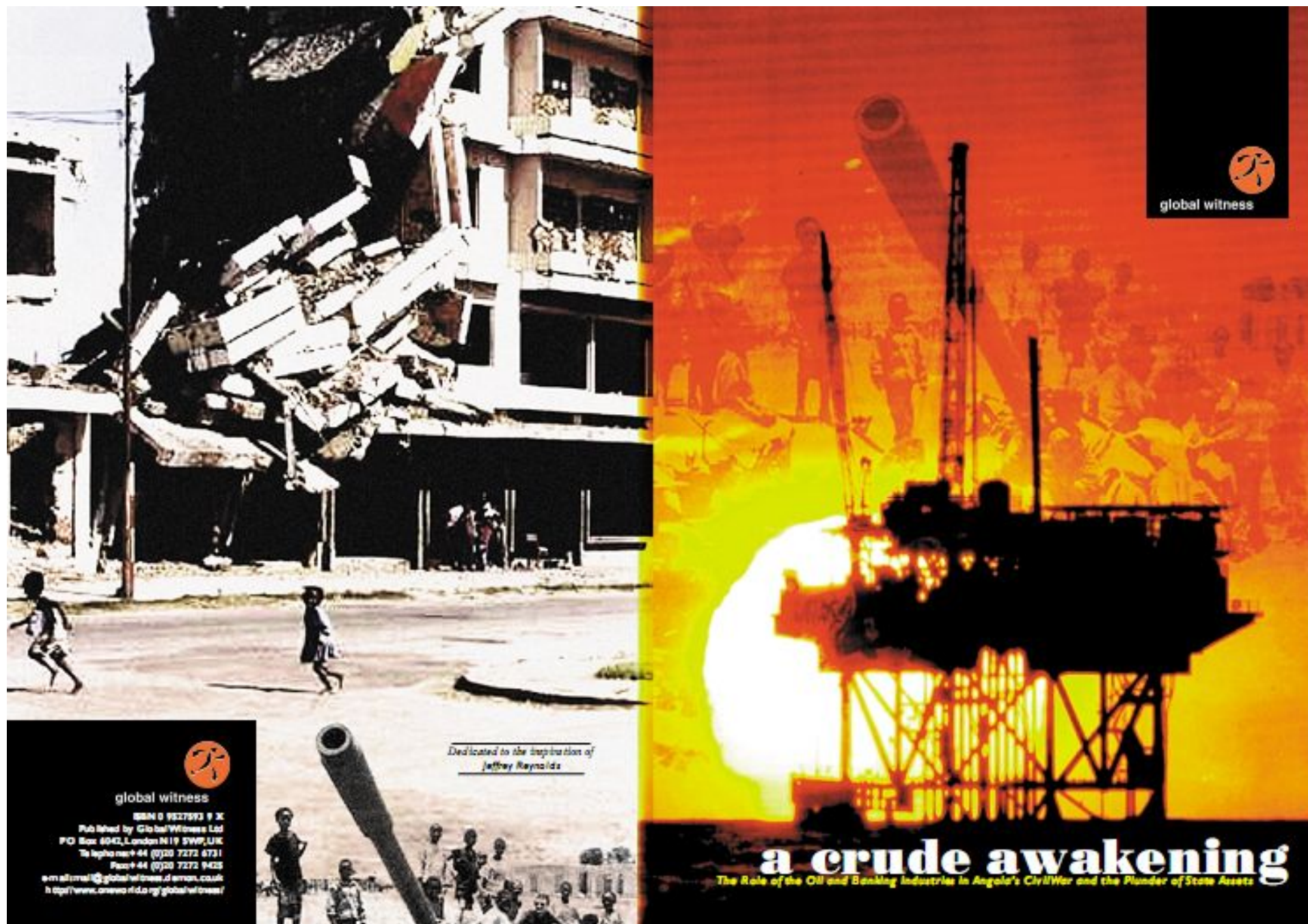
The Paradox of Plenty

Oil Booms and Petro-States
TERRY LYNN KARL

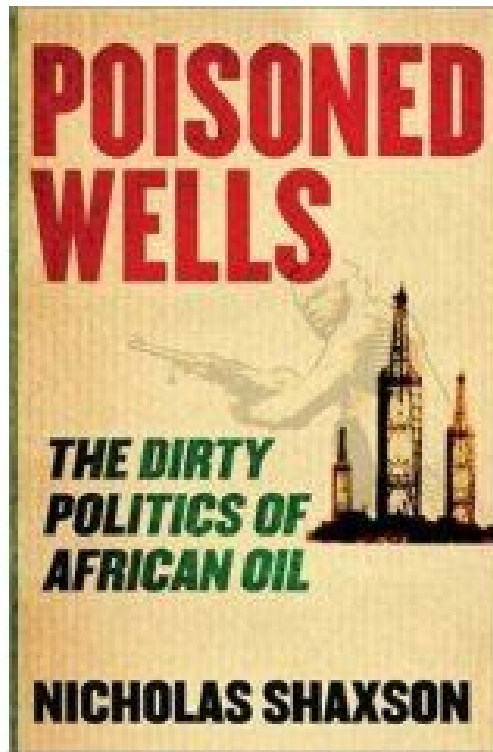
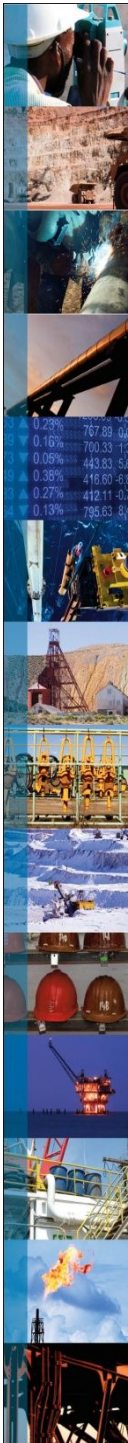


EITI Extractive Industries Transparency Initiative

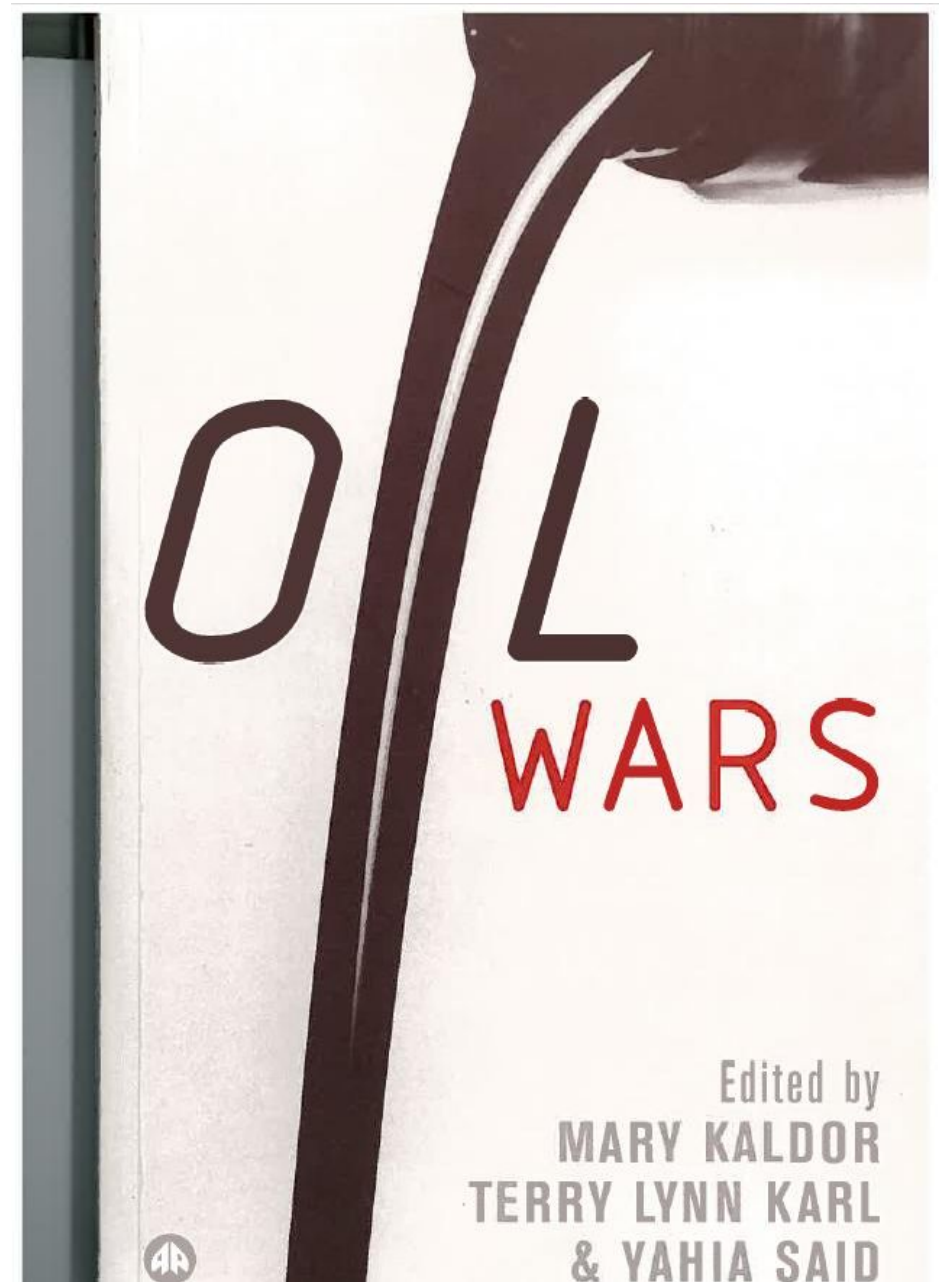
1997



December 1999



Petrol is the best
vector of corruption



JUNE 11, 2009



The Legacy of The Six-Day War

Forty years later, why real peace remains elusive

Baltic Boom: Inside an Economic Miracle

That's Deep

A freewheeling chat with the stars of *Ocean's Thirteen*



TIME



Africa's Oil

The world is looking to West Africa for its next big energy bet. But oil can be a curse as much as a blessing. This time, which will it be?



www.time.co





The Economist

The curse of oil

The paradox of plenty

One day soon poor countries may actually benefit from their natural resources



Reuters

Dec 20th 2005

From *The Economist* print edition

Making oil transparent

The good news is that international initiatives are starting to shine a cold light on the murky business of oil. Tony Blair is promoting the Extractive Industries Transparency Initiative (EITI), a voluntary effort involving governments and oil majors.



FT.com
FINANCIAL TIMES

Reports

FT Home > Reports > Africa: Oil & Gas 2008

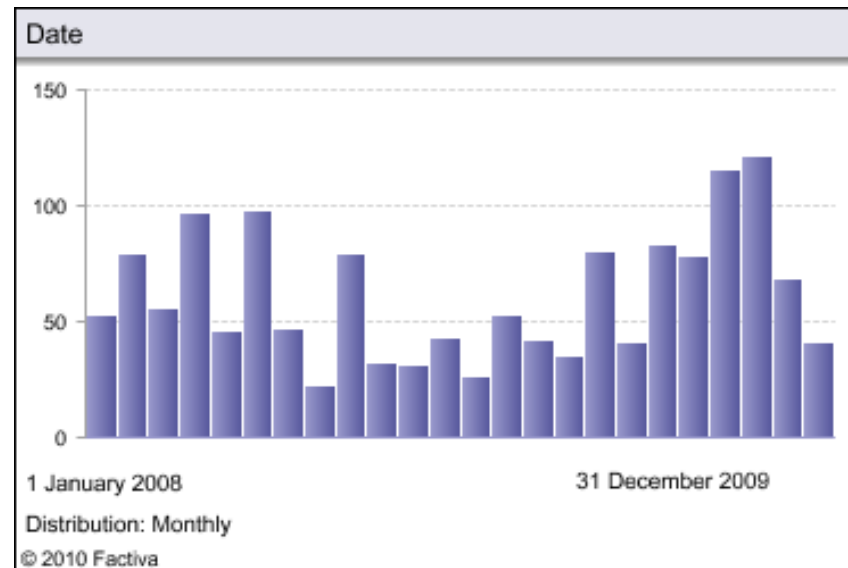
From clash to cash

By Tom Burgis and Martin Sandbu

Published: January 7 2010 02:00 | Last updated: January 7 2010 02:00

There are exceptions. Norway, Botswana and Chile have harnessed oil, diamonds and copper for national development, giving hope that other countries too may succeed. In 2002 Tony Blair, then UK prime minister, launched the Extractive Industries Transparency Initiative, with dozens of governments, mining companies and oil groups pledging to declare payments and revenues.

Chart of original media articles mentioning
“Extractive Industries Transparency Initiative”
from 1 Jan 2008 - 31 Dec 2009:





The New York Times

LETTERS

Helping Africa in the Fight Against Corruption

Published: June 13, 2009

To the Editor:

Re "[Battle to Halt Graft Scourge in Africa Ebbs](#)" (front page, June 10):

While it is indeed discouraging that the fight against corruption is faltering in much of Africa, there is at least one bright spot: the Extractives Industry Transparency Initiative, begun in 2003 to promote responsible and honest management of oil and mineral revenues, which are too often a source of corruption.

Given the natural resource wealth of the continent, it is encouraging that 21 of the 29 EITI candidate countries are African.

As my staff recently noted in a study, "[The Petroleum and Poverty Paradox](#)," this is one way that the international community can support anticorruption reformers in Africa. I have urged the Obama administration to take a more active role in supporting extractive industry transparency.

Richard G. Lugar
Ranking Member
Senate Foreign Relations Committee
Washington, June 10, 2009

Freakonomics

The Hidden Side of Everything



May 26, 2009, 11:19 AM

Navigating the Natural Resource Curse

By DWYER GUNN

Will a charter actually do anything? There might be some lessons gleaned from the experience of the [Extractive Industries Transparency Initiative](#) (EITI), which was proposed by the British government in 2002 and is now widely supported by governments and industries.

Resource-rich governments that commit to the EITI agree to implement increased transparency measures. The EITI board announced this week that Albania, Burkina Faso, Mozambique, and Zambia will join the 26 candidate countries already committed to implementing the EITI protocols. The jury is still out on the effectiveness of the EITI in candidate countries, but [preliminary results](#) are encouraging.

Perhaps more importantly, the EITI is already shifting attitudes in resource-rich developing countries. Collier writes of sitting in a meeting of West African ministers as they discussed resource-revenue governance. The EITI served as a concrete rallying point for both reformist countries and for reformers in reluctant countries.



Le Monde.fr

EITI Extractive Industries Transparency Initiative

Peter Eigen, président d'une ONG pour la transparence : "La corruption n'apporte rien sur le long terme"

LE MONDE | 10.12.09 | 15h05

Lutter contre cette *"malédiction des matières premières"* suppose d'introduire la transparence des transactions. Tel est l'objectif de l'Initiative pour la transparence des industries extractives (ITIE), une ONG fondée en 2002, basée à Berlin et présidée par M. Eigen.

L'idée est simple : amener les compagnies pétrolières ou minières à publier le montant des impôts et redevances qu'elles paient aux Etats, et ces derniers, à afficher leurs revenus. La confrontation entre ces données est censée mettre au jour les fraudes et les paiements suspects.



Dr Peter Eigen, Chairman of the EITI,
interviewed by Jonathan Charles on the BBC news
programme HARDtalk, November 6, 2009.

**Governance
failure**

Pressure/attention

Investigative reporting

Code/standard



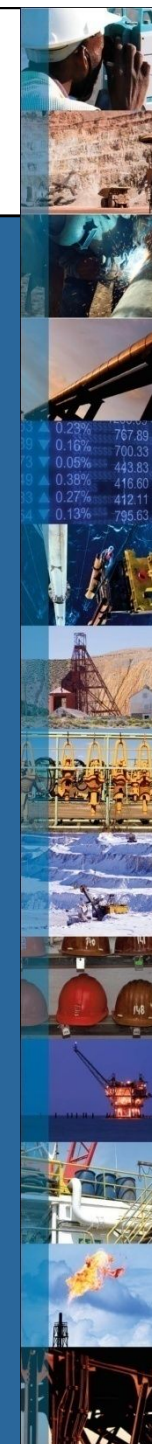
Facilitation

Implementation

**Business case
for action**

Negotiation

**Quality
Assurance**



How the EITI works



Companies
Disclose
Payments

Government
Discloses Receipt of
Payments

Independent
Verification of
Tax & Royalty
Payments
EITI Report”

Government Spending

Award of
licenses
&
contracts

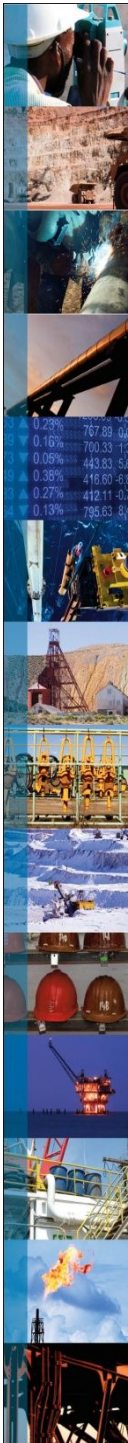
Regulation
&
monitoring
of
operations

Revenue
distribution
&
management

Implementation
of sustainable
development
policies

Oversight by a
Multi-Stakeholder
Group

The EITI provides a Forum for dialogue and a Platform for broader reforms



EITI in 2010



- o **30 Implementing Countries** across Africa, Asia, Latin America, Middle East and Central Asia
- o **45 major international oil, gas, and mining companies**
- o **80 institutional investors** with collective assets of over \$16 trillion
- o **100s of civil society groups and networks** – e.g. Publish What You Pay, Open Society/Revenue Watch Institute, Transparency International
- o **Supporting Countries**, including Japan, Australia, Canada, France, Germany, the Netherlands, Norway, the UK and the US

The EITI Board

EITI
International Secretariat
Oslo

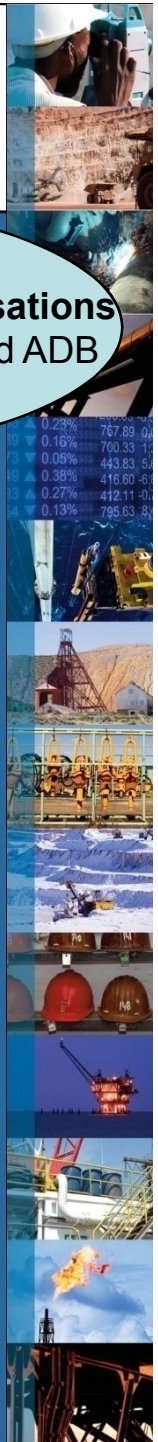
EITI Implementing countries
30 countries

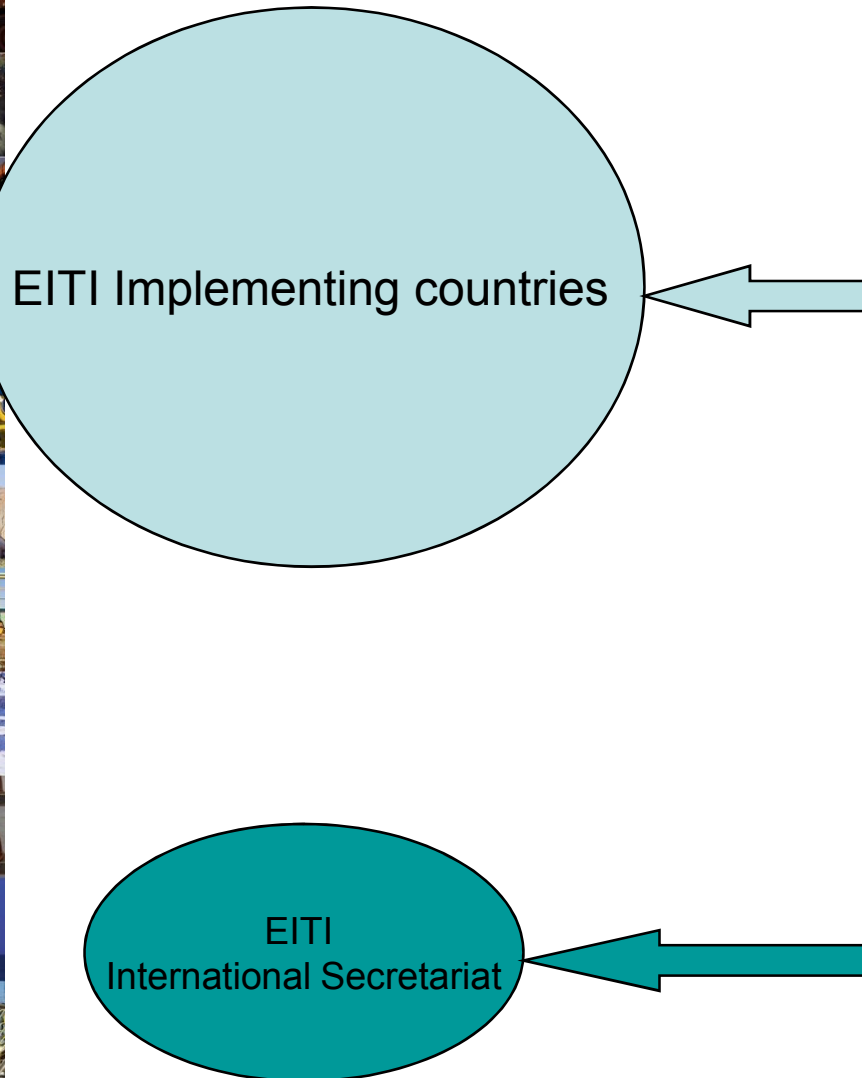
Supporting countries and organisations
including the World Bank, AfDB and ADB

Civil society organisations
hundreds, often through Publish What You Pay

Supporting companies
45, including most of the world's largest

**Supporting
institutional investors**
16trillion US in Management





Activities of supporting companies:

Companies operating in EITI implementing countries:

- Participation in EITI reporting
- Participating in implementation
- Financial support to EITI International Secretariat
- Participates in the governance of the EITI, through eg the Board

Non-operators:

- Global political support
- Financial support to EITI International Secretariat

There is no added reporting requirement for companies that support the EITI.



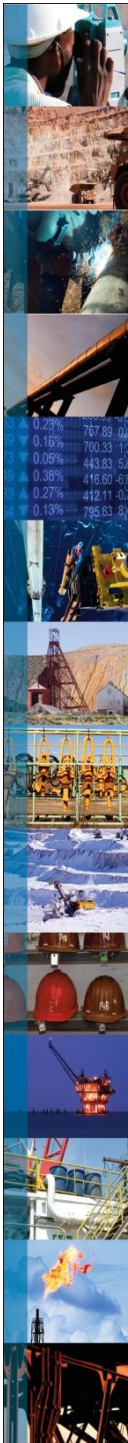
- Issue government announcement
- Commit to work with all stakeholders
- Appoint implementation leader
- Compose and publish workplan

- Establish multi-stakeholder committee
- Engage industry and civil society
- Remove obstacles to implementation
- Agree reporting templates
- Select and approve neutral EITI administrator
- Ensure full industry participation
- Ensure company and government accounts are properly audited

- Disclose payments and revenues to administrator
- Receive report from administrator
- Identify and explain discrepancies
- Recommend improvements

- Disseminate EITI report
- Review lessons learned and repeat

Country undertakes external validation



Implementing Countries



Second Aggregated Report

**Table 6: Reconciliation of Mining benefits payments and Government receipts-
2004**

MINING BENEFIT Payment/Receipt	Aggregated Receipts by Government of Ghana (cedis)	Aggregated payments by Mining Companies (cedis)	Deviation
Mineral royalty	207,322,703,217	207,243,473,096	79,230,121
Property rate	2,108,084,985	2,108,084,985	0
Corporate tax	5,006,425,416	5,006,425,416	0
Dividends	31,458,724,553	31,458,724,553	0
Ground Rent	0	0	0
Mineral right Licence	0	0	0
TOTAL	245,895,938,171	245,816,708,050	79,230,121

C. MINING SECTOR

Taxes/Revenue	African Aura Resources		ArcelorMittal Liberia		AmLib United Minerals	
	COMPANY	GOL	COMPANY	GOL	COMPANY	GOL
Excise Tax					196.00	196.00
ECOWAS Trade Levy			322,977.00	506,273.00	8,729.00	6,857.00
Pre-shipment Inspection (PSI)/GOL's Share					1,387.00	
Customs user fees			400,000.00	400,000.00		9,562.00
Customs						32,058.00
Import Levies				3,764.00	38,771.00	10,070.00
County contribution					23,400.00	
Land Rental			200,000.00	200,000.00	167,677.00	
Stumpage Fees						110.00
Export Tax						5,970.00
Community Contributions/receipts			6,994,521.00	6,994,521.00		
Signature fees/signing bonus			15,000,000.00	15,000,000.00		
Corporate Registration			900.00	900.00		
Fines for customs offenses			21,183.00	21,183.00		
Scientific Research Fund			143,561.00	143,561.00		
Administration Fees				5,795.00		3,385.00
Exploration Fees	27,791.00	27,791.00			15,000.00	117,902.00
Vehicle License Fees		881.00	23,048.00	23,048.00		3,612.00
Business Registration Fees		900.00				
Personal Income	54,176.00	44,166.00	582,547.00	597,591.00	104,288.00	
Vehicle Drivers License Fees				1,410.00		
Withholdings on rent and lease				6,500.00		
Others						8,730.00
TOTAL	81,967.00	73,738.00	23,688,737.00	23,904,546.00	361,448.00	198,452.00

Norway published its 1st Report on Jan 21, 2010

Deloitte.

Extractive Industries Transparency Initiative Reconciliation of cash flows from the petroleum industry in Norway



Translation from the original
Norwegian version
December 2009

3. Reconciliation of reported payments

3.1 Reconciliation of totals

Initially, we received reporting from 59 licensees and governmental agencies. Out of these, 7 of the licensees did not have any amount to report, 58 licensees reported on petroleum tax, 5 reported on CO₂ tax, 10 reported on NOX tax, and 18 reported on area fee. A total of 4 licensees reported on other payments. Table 2 presents aggregated cash flows as reported. A disaggregated breakdown summary by company is presented in appendix 1.

Table 2: Aggregated cash flows from the petroleum industry

Aggregated payments	Initial reporting TNOK	Resolved discrepancies TNOK	Without reporting from counterpart TNOK	Adjusted reporting TNOK
Licensees	798 815 042	1 579 803	-5 143	400 489 731
Government	466 777 742	567	14 392	400 485 701
Discrepancy	-1 659 700	1 679 436	-15 535	-

Initially the licensees reported payments of TNOK 398 815 042 to the Government. The payments reported by the licensees were TNOK 1 659 700 lower than the payments reported by the Government.

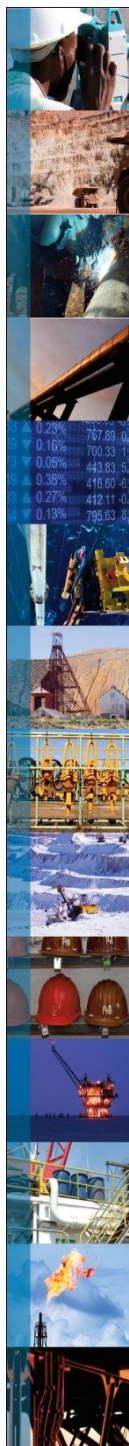
- Of this, TNOK 1 659 700 has been explained through the reconciliation work.
- The column "Without reporting from counterpart" includes amounts reported by licensees or Government, however no reporting from the counterpart has been obtained. This amount includes:
 - TNOK 5,143 of "Other payments" to Government reported by licensees. Reporting from Government has not been obtained for these payments in 2009.
 - TNOK 14,392 in net payments from Government to companies that are not reported as required to report based on NEI. The amount can be split into tax refund from the Government, TNOK 33,770, paid to 4 companies that are no longer licensees, and therefore, no reporting have been obtained. Further, the Government has reported NO₂ fee, TNOK 13,375, received from 10 companies that are not licensees and not required to report based on the NEI.
- There are no unresolved discrepancies after adjustment, for payments where information is fully reported by one of the parties for the reasons explained above.

The discrepancies are further analyzed for revenue stream in section 3.2 below.

3.1.1 Transfer of payments to the Government Pension Fund- Global

Net cash flow from the petroleum industry is transferred to the Government Pension Fund- Global (the Pension Fund). The fund is managed by the Central Bank of Norway on behalf of the Ministry of Finance. The purpose of the Government Pension Fund- Global is to support government savings to finance pension expenditure and underlying long-term considerations in the use of Norway's petroleum resources.

For information purposes we have included a reconciliation of the four reported cash flows according to EITI against the cash flows to be transferred to the Pension Fund, as presented in "National Accounts for 2008-2009" Statistics Norway for 2008, published on April 24, 2009. The transfers to the Government Pension Fund- Global appear in the state accounts of 2008 table 3.2 "Resultatregnskap for Statens pensjonsfond – Global". Note that the figures in table 3 below are in NOK million.



Norway's report is disaggregated

Appendix 1: Total reported payments per company

Licensee	Sum Licensee	Sum Government ¹	Discrepancy	Resolved	Unresolved
4Sea Energy AS	-	-	-	-	-
Aker Exploration AS	-188,955	-188,984	31	31	-
Aldinx Oil Norge AS	210,015	249,078	-	-	-
AS Norske Lne	8,712,005	8,712,811	285	285	-
Bayerim Norge AS	-42,695	31,609	-	-	-
Bayerim Production Norge AS	-287,436	287,196	-	-	-
BG Norge AS	-740,318	740,290	-13	13	-
BP Norge AS	1,830,115	4,777,308	57,716	57,708	-
Brage Energy AS	135,115	-109,615	400	400	-
Cetrice Resources (Norway) AS	-64,109	67,259	-	-	-
Chokkon Norge AS	356,496	366,557	-77	77	-
Comenco ASA	15,651	-17,590	953	939	-
ConocoPhillips Skotland AS	9,358,977	13,357,523	11,367	11,367	-
Dana Petroleum Norge AS	-1,088	31,587	1	1	-
Douglas Oilfields ASA (incl. NOU Energy)	-876,791	624,867	-1,824	1,827	-
Discover Petroleum AS	-47,196	47,195	-1	1	-
DONG E&P Norge AS	35,212	-	1,444	1,444	-
Edison International Sou	31,639	-31,039	-	-	-
Eni Norge AS	10,280,114	10,280,039	-	-	-
Enbridge Oil Norge AS	915,164	975,184	-	-	-
E.ON Runtan Norge AS	116,755	116,755	-	-	-
Exxon Mobil Exploration & Production Norway AS	45,288,944	45,264,110	24,714	25,714	-
Exxon Mobil Production Norway Inc	-	-	-	-	-
Fjord Petroleum Norge AS	-45,557	-45,544	-	-	-
Geopetroleum Norge AS	300,238	-300,217	14	14	-
Geopetroleum Norge AS	32,943	-32,343	-	-	-
Isa Norge AS	940,071	918,166	5,533	5,533	-
Jerstad Petroleum Norge AS	1,741,914	1,733,314	-	-	-
Kraka Exploration and Production Norge AS	-	-	-	-	-
Lundin Norge AS	-1,066	235,811	110,878	330,878	-
Marek Oil Norway AS	129,395	129,370	25,473	26,473	-
Marek Oil & Gas Norge AS	1,998	-7,648	690	690	-
Marathon Petroleum Norge AS	28,757	-28,933	576	676	-
Merk Exploration Norge AS	211,152	-213,603	510	510	-
Norsk AEC AS	5,455	5,455	-	-	-
North Energy AS	14,414	14,714	-	-	-
Norwegian Energy Company ASA	258,479	288,479	-	-	-
OKV Norge AS	17,119	-	-	-	-
ONGV Norge AS	5,302	-3,302	-	-	-

Licensee	Sum Licensee	Sum Government ¹	Discrepancy	Resolved	Unresolved
Debra AS	155,426,129	155,426,129	-	-	-
Petra-Canada Norge AS	-160,608	160,608	-	-	-
Premier Oil Norge AS	-106,423	106,423	-	-	-
Rapport Exploration SA	9,875	-5,874	-	-	-
Rockdown ASA	-173,600	-175,007	1,407	1,467	-
RWT Norge AS	195,675	355,600	66	66	-
Sage Petroleum Norge AS	-10,522	15,577	-	-	-
Skagen 44 AS	-12,372	-14,470	2,048	2,048	-
State Energy AS	-16,700	16,700	-	-	-
Spring Energy Exploration AS	-	-	-	-	-
Spring Energy Norway AS	-	-	-	-	-
Statilloy Petroleum AS (incl. Statilloy ASA)	125,114,385	127,516,188	2,401,802	2,481,800	-
Stena Petroleum Exploration AS	66,915	67,958	-1,041	-1,040	-
Tullow Energy Norge AS	1,473,183	1,498,747	-25,538	-25,555	-
Total E&P Norge AS	16,753,855	26,757,171	6,885	6,685	-
VNG Norge (Consent) AS (incl. Indefinite)	81,707	81,707	-	-	-
VNG Norge AS	55,405	55,400	-	-	-
Winterhall Norge AS	168,134	-187,85	258	258	-
Winterhall Norge AS (incl. Rous Energy AS)	155,400	-495,380	-30	20	-
Wise Oil & Gas AS	-65,872	-65,822	-	-	-
Winterhall Norge AS	-	-	-	-	-
Noble Energy Europe Ltd	-	336	336	336	-
Norpipe Oil AS	17,331	17,330	1	1	-
Norpipe Gas AS	380,958	351,874	29,129	29,129	-
Petroleum Resources Ltd (UK)	-	-1,190	1,190	1,190	-
Marek Oil (UK) Limited	-	950	950	950	-
total Norge AS	-	5,603	5,585	5,585	-
Solve Energy UK Ltd	-	21,861	21,861	21,861	-
Shell International Pipelines Inc	479,062	455,466	24,596	24,496	-
Stone Energy Norge AS	-	-10,383	10,383	10,383	-
Stratton Petroleum Company	21,111	8,525	12,586	12,586	-
Other companies - not licensed ²	-	19,378	19,378	19,378	-
Sum	369,815,547	430,474,712	-1,629,700	1,559,710	-

¹ Government includes the Government of Norway, the Norwegian Sea Continental Shelf Directorate and the Norwegian Petroleum Directorate.
² Other companies include companies that are not licensed to operate in the Norwegian Continental Shelf.
³ Reporting on the companies that are not licensed to operate in the Norwegian Continental Shelf is based on the data provided by the companies.
⁴ Other companies - not licensed² includes companies that are not licensed to operate in the Norwegian Continental Shelf.

Lessons to be shared

4. Lessons learned from the first year of reporting

Irrespective of how much planning started out, the first reconciliation is likely to encounter issues or problems in any country that were never envisaged in the planning stage. Debitte has summarised its experiences from the first year of implementation below.

4.1 Reporting templates

Debitte has received several questions related to the reporting templates:

- The reporting templates were issued in paper to the various reporting entities. Several entities have requested an electronic version that could be edited. The entities prefer an excel template to be prepared to facilitate the reporting.
- One licensee asked for an English version of the instructions and templates.

Since this was the first year of reporting, questions have also been raised as to what to include in the reporting template. These questions have to a large extent been solved by referring to the detailed guidance to the NEITI.

4.2 Reporting deadlines

As it was the 1st year of reporting, the entities did not receive detailed instructions about the EITI reporting until July 15th, 2009. Despite the extended deadline to August 17th, 2009, several companies informed us that they would not be able to report within the deadline. Summer vacation was the main reason given. The last company reported on September 1st, 2009.

4.3 Confidential information

During the process, questions arose regarding whether the confidentiality rules in the Customs Act and the Tax Assessment Act precluded the Norwegian Tax Administration and the Oil Customs reporting based on the NEITI regulation § 4. Based on considerations prepared by the Ministry of Energy and Petroleum to the Ministry of Finance (ref. appendix 11), the Ministry of Finance has concluded that the confidentiality rules should not prevent the entities from reporting. The clarification process resulted in delays in the reporting from the governmental bodies in question. The latest reporting was received on September 29th, 2009. The Ministry of Energy and Petroleum has indicated that they will prepare a proposal to change the Petroleum Act in order to make the NEITI regulation more visible directly in the Petroleum Act. We support this suggestion and recommend finalising this prior to next year's reporting.

4.4 Uncertainty related to the reporting

The guidance to NEITI gave limited details about the reporting from Petrom, the Central bank of Norway and StatoilHydro's reporting of the payments from marketing and selling the state's petroleum. Questions arose with respect to what and how these entities should report. A solution was found for 2008. However, we recommend that future reporting is discussed and that separate templates are developed for the 2009 reporting. In particular, it should be clarified whether StatoilHydro and Petrom should report both incoming and outgoing payments. The level of details in the reporting should also be specified. Additionally, further clarification is needed on whether both Petrom and StatoilHydro are required to report payments relating to the sale of the state's petroleum.

4.5 Which entities are included in the reporting

The Government has required cash flows received from petroleum tax and NO_x tax from more companies than those included by NEITI to report. These are companies that are no longer licensees on NCS, or drilling companies with NO_x tax liability which are not an operator or licensee. In total, the government reports tax refund of TNOK 23,770 and NO_x tax of TNOK 19,378 for these companies. Regarding the 2008 reporting, a decision on not to obtain reporting from these companies was made. A further clarification on this matter should be made prior to the reporting for 2009.

4.6 Other payments

NEITI § 3 states that "all reporting entities" should also report all other payments made to the government or government of localities. This item is included in order to capture payments that are not necessarily required by law. Uncertainties concerning what to include as "Other payments" have arisen. In the comments to the NEITI it is stated that the licensees are not required to report administration fees for seismic examinations, exploration permits and extraction permits, ref. Regulation of June 27th, 1997 no. 653 regarding Petroleum Activities, §§ 5 and 9 respectively. Some of the licensees still have reported such fees. None of the governmental bodies have reported other payments. In addition, there has been uncertainty associated with including net profit interest payments from the companies to the state in the reporting. Prior to the reporting for 2009, it is recommended that the guidelines are even more detailed on this matter, also when it comes to reporting other payments from the government.

4.7 Signatures

Based on the instructions, the reporting templates should be signed by the company's Chief Executive Officer. Debitte has not checked that it is the Chief Executive Officer that actually has signed the templates, however we have noticed that some of the templates have been signed by someone other than the Chief Executive Officer.

4.8 Discrepancies

There have been some repetitive categories of discrepancies. These can be categorised according to:

Petroleum tax:

- companies included taxes outside the scope of the Petroleum Taxation Act (i.e. onshore tax)
- companies included taxes paid to foreign authorities
- timing differences – companies reported tax expenses rather than taxes paid, or the payment date was close to year end and the company and the Norwegian Tax Administration had indicated the payments on a different year in the accounts
- companies did not include interest paid
- company reporting initially omitted some payments on its funds

CO₂ tax:

- companies did not include interest paid, while The Norwegian Petroleum Directorate included interest paid
- company reporting initially omitted some payments

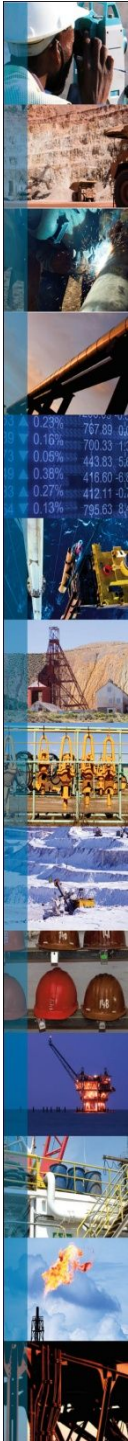
Area fees:

- company reporting initially omitted some payments
- timing difference – companies reported expenses rather than paid area fees
- companies did not include interest paid, while The Norwegian Petroleum Directorate included interest paid

NO_x tax:

- companies initially omitted some payments
- companies included interest paid, while Oil Customs did not include interests paid
- 10% tax on omitted interest paid

We recommend that the EITI reporting guidelines for 2009 consider the experiences from 2008 to make sure that the guidance is even more detailed when it comes to the content of the reporting.



Ellen Johnson Sirleaf
President of Liberia

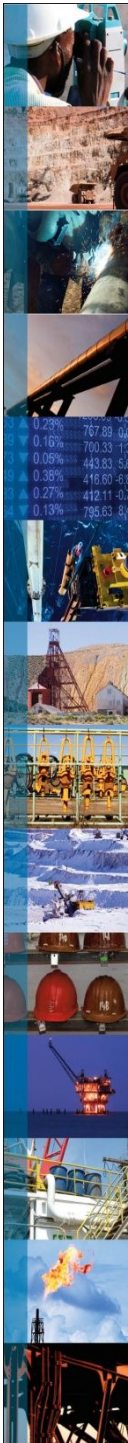


“The Liberia EITI is one of the institutional pillars of integrity **anchoring and sustaining the reform agenda of Liberia.”**

“By promoting better management and use of public resources and discouraging corruption, LEITI ... is **critical to poverty reduction** and social development in Liberia.”

July 2009, when signing the new LEITI law

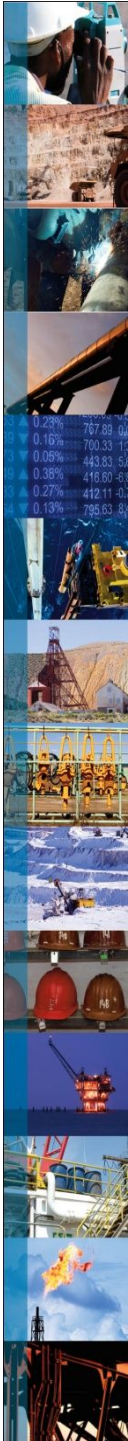




Why companies implement the EITI



- Secure supplies
- Contribute towards a sound business climate
- Investors and employees
- Limit possible involvement in corruption
- Reputational risk mitigation
- Please hosting government
- Build trust with local communities
- low cost



Energy security through transparency

- Secretary of State Hilary Clinton
- Senator Richard Lugar

**The
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MARCH 15TH-21ST 2008

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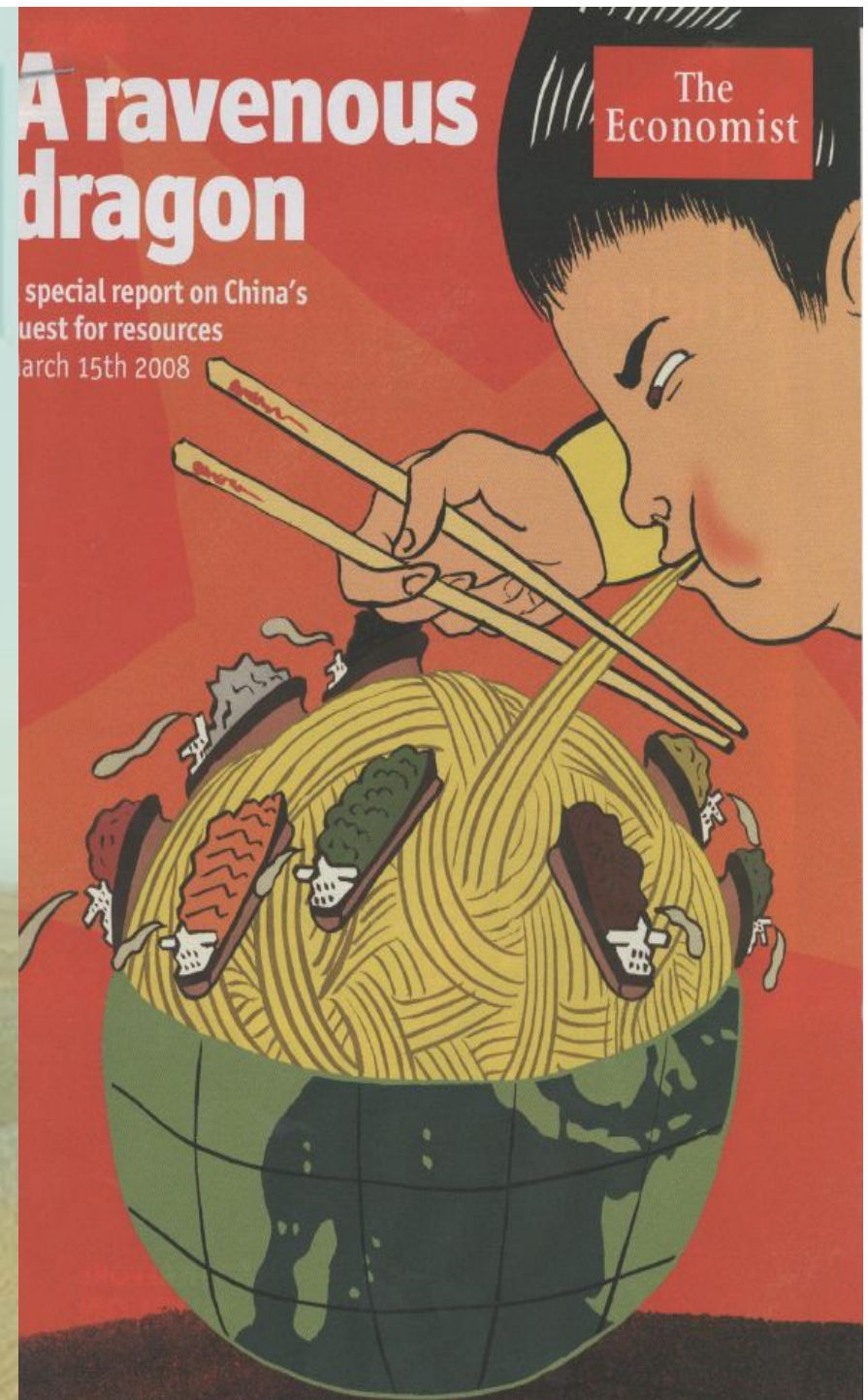
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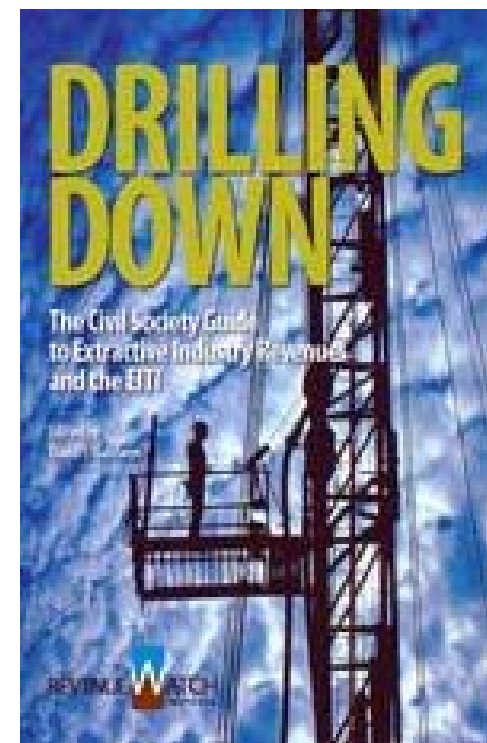
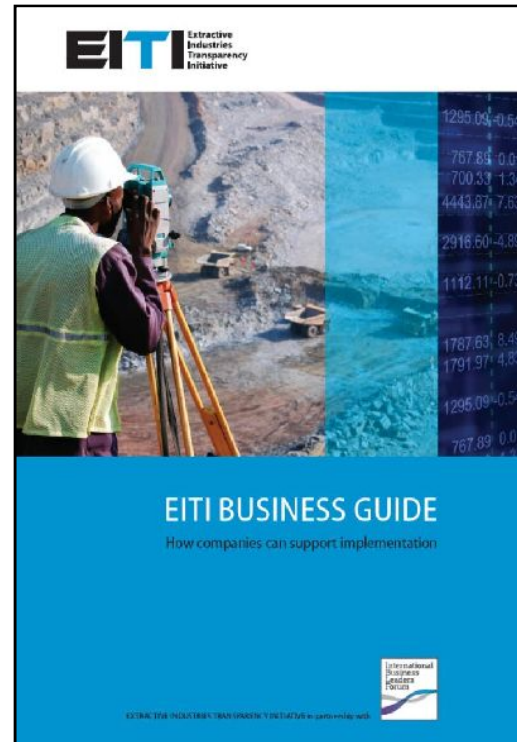
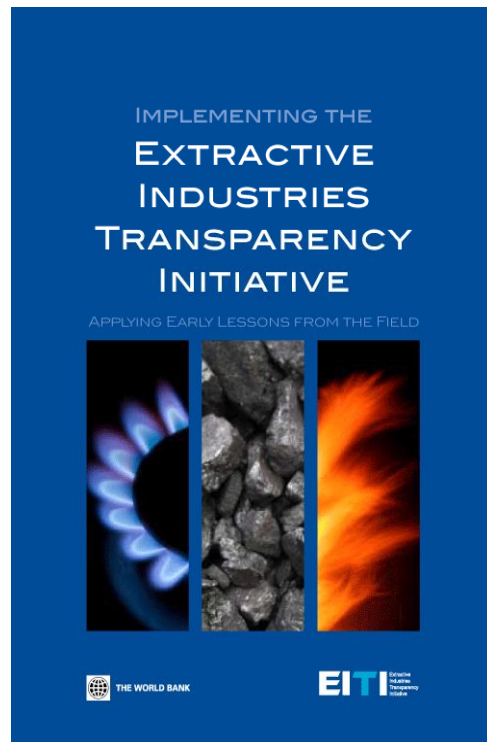
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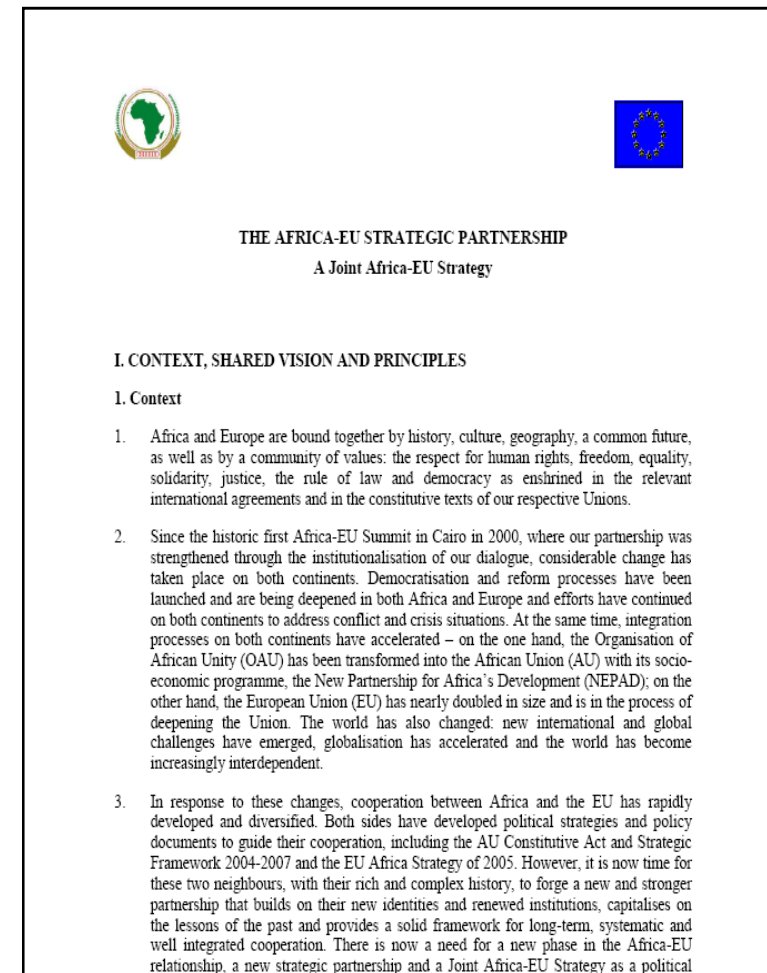
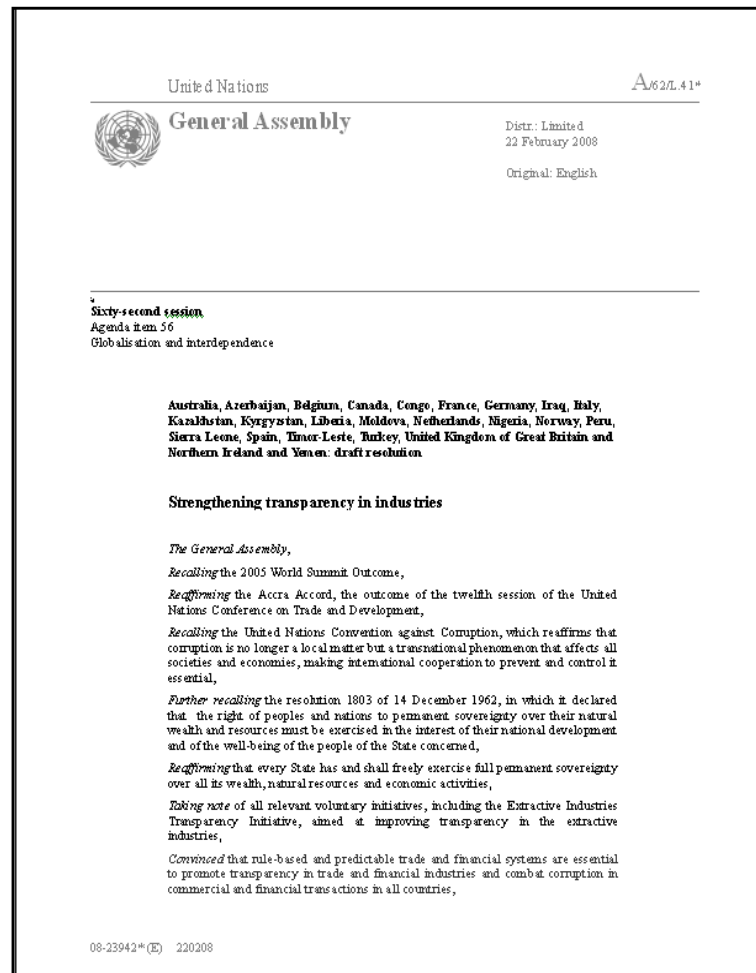
EITI Implementation Guides

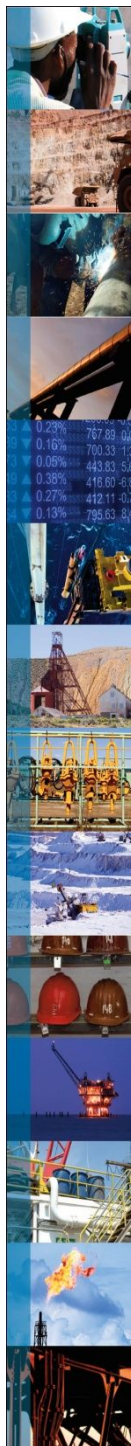




...and video.

The EITI has been politically endorsed by many Governments and in many forums





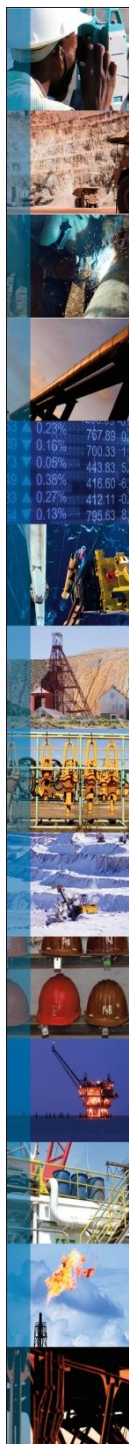
Lessons

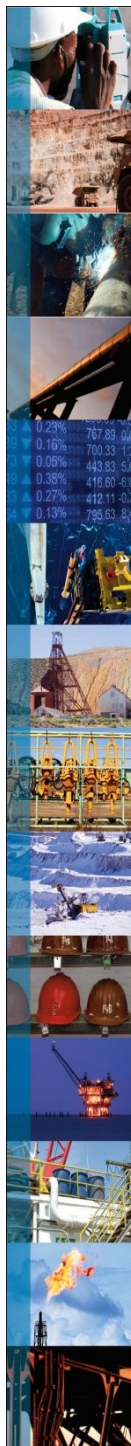


- It can be a platform for long-term reform
- From transparency to accountability
- To fight corruption maybe
- To build trust and confidence
 - definitely

Looking ahead

- Depth – implementation quality
- Width – continued progress with large emerging economies





www.eiti.org

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