

Transparency underpinning energy stability

The Extractive Industries Transparency Initiative is the global standard for governance transparency and accountability in the extractive industries. It is now implemented by 44 countries, including major producers like Iraq, Nigeria, Norway and the United States. Several others are preparing to become members, including Colombia, Myanmar and the United Kingdom. The EITI has brought transparency to tax and royalty payments well in excess of US \$1 trillion. Over 400 professionals work full time around the world on the EITI and over 800 people serve on the 44 EITI national commissions.

The EITI and the Joint Organisations Data Initiative complement each other's efforts to improve governance of the oil and gas sector by producing relevant and reliable data. The EITI is about transparency of the fiscal environment and of payments made, the Joint Organisations Data Initiative is about aggregated production volumes. The data they make publicly available feed the markets with useful information that boosts market efficiency.

Reconciliation of revenue and more

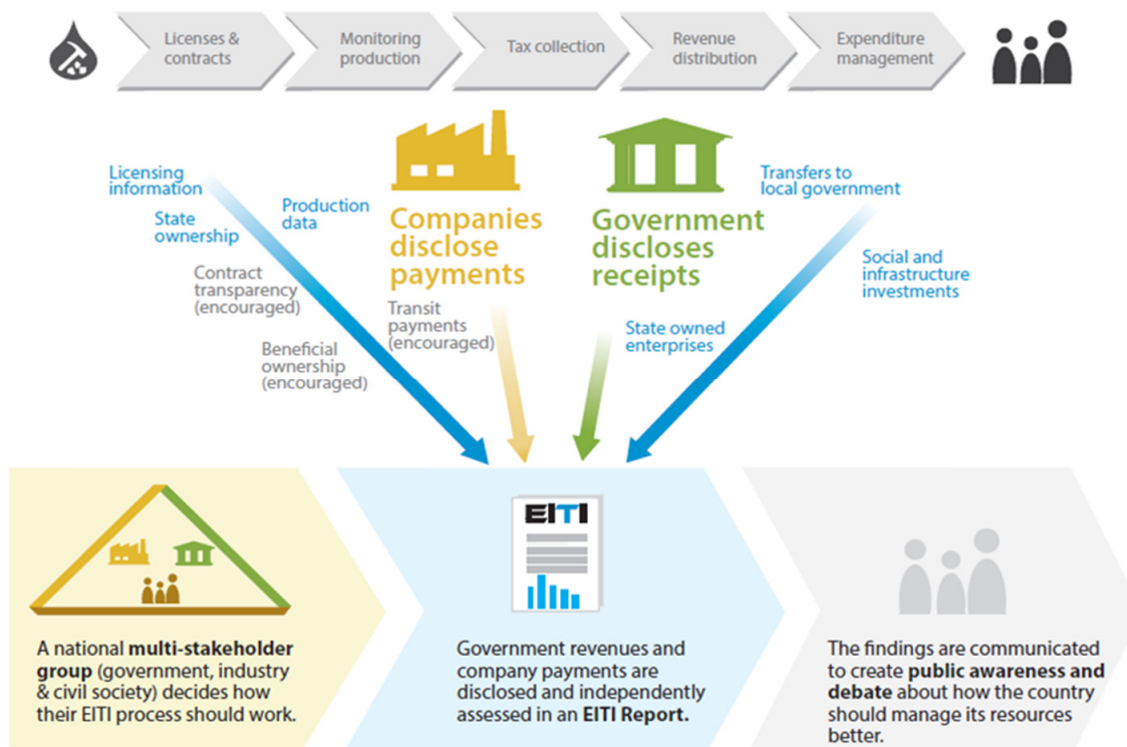
EITI implementing countries publish annually a report that includes the reconciliation of all payments by producers with government receipts. In brief summary, these reports will often have a single table listing the producing companies, the taxes and royalties they pay, the receiving government entities and how much they report that they have received (see example in page 3).

Drawing on early EITI experience and reflecting growing demands for further transparency, the EITI took a big leap forward in May 2013 when the EITI Standard was approved. The Standard revises the mandate of the EITI from revenue transparency to coverage of a wider range of issues along the extractive industries value chain. From now on, EITI Reports must include information on, for example, licenses, production, social payments and sub-national transfers. This will make the reports easier to read, analyse and use.

So far nearly 200 national EITI reports have been published. They have identified missing revenues and weaknesses in legal and fiscal frameworks in, for example, Nigeria. These have led in many countries to reforms and improvements in tax collection and management systems as well as legal reforms. This year, the first reports including more data in line with the 2013 EITI Standard will be published.



The EITI Standard



Why countries implement the EITI – good governance for better markets

Producing countries implement the EITI for a wide variety of reasons. Countries face different challenges and in order to be meaningful, EITI implementation needs to link with other reforms and national priorities. There are some common goals that bring countries to implement the EITI:

- **The EITI is a way of building trust.** A better understanding of how the sector is managed and governed creates a sense of trust and stability that is necessary to reduce investment risk. The reliable and timely data published in EITI Reports informs public debate on the real contributions of the extractive industry, and multi-stakeholder dialogue builds trust among groups. Making reliable information available to the public and bringing stakeholders together to discuss and clarify concerns helps to manage the expectations created by oil and gas discoveries.
- **The EITI facilitates more informed debate and better management of the extractive industries.** Even in countries where information is widely available and governance structures are strong, gathering data in one report and presenting it in an accessible way provides added value to citizens, companies and governments alike. The fact that countries like the United States are now implementing the EITI shows that revenue transparency is relevant for resource-rich countries of all sizes and income levels.
- **The EITI is good for business.** The EITI can help minimise the risks for corruption and attract quality foreign direct investment. Once a country decides to implement the EITI, all producing companies have to report, thereby creating a level playing field. There is a growing recognition that good governance leads to improved recovery rates. In badly governed producing countries, the government and its regulatory bodies and the producing companies may be more interested in relatively short-term maximising of production and profits, rather than taking a longer term view that requires more

investment but ultimately leads to improved recovery rates. Transparency of contracts and revenue payments contribute towards long-term planning.

Reported payments drawn from Norway's 2012 EITI Report

Licensee/operator	Sum Licensee/operator	Sum Government	Discrepancy		Resolved	Unresolved
			Licensee	Government		
4Sea Energy AS	-22 382	-22 762	380	-	380	-
A/S Norske Shell	10 359 157	10 341 612	17 545	-	17 545	-
Bayerngas Norge AS	-18 710	-18 710	-	-	-	-
Bayerngas Produksjon Norge AS	4 779	4 779	-	-	-	-
BG Norge AS	-582 350	-589 625	7 275	-	7 275	-
BP Norge AS	33 370	33 305	65	-	65	-
Brigde Energy Norge AS	-38 733	-38 891	158	-	158	-
Capricorn Norge AS	-47 810	-47 810	-	-	-	-
Centrica Energi NUF	1 852 737	1 852 737	-	-	-	-
Chevron Norge AS	187 193	187 193	-	-	-	-
Concedo ASA	-121 800	-122 270	470	-	470	-
ConocoPhillips Skandinavia AS	15 435 137	15 436 034	-897	-	-897	-
Core Energy AS	176 068	176 068	-	-	-	-
Dana Petroleum Norway AS2)	-79 295	-77 620	-1 675	-	-1 675	-
Det Norske Oljeselskap ASA	-1 429 915	-1 429 916	1	-	1	-
DONG E&P Norge AS	2 642 755	2 642 755	-	-	-	-
E&P Holding AS	-7 985	-7 985	-	-	-	-
E.ON E&P Norge AS	-365 295	-365 272	-23	-	-23	-
Edison International Norway Branch NUF	-137 190	-137 362	172	-	172	-
Eni Norge AS	9 264 035	9 264 035	-	-	-	-
EnQuest Norge AS			-	-	-	-
Enterprise Oil Norge AS	1 179 842	1 179 842	-	-	-	-
Explora Petroleum AS	-14 518	-14 519	1	-	1	-
ExxonMobil Expl. and Prod. Norway AS2)	32 517 005	32 517 725	-	-720	-720	-
Faroe Petroleum Norge AS	157 527	157 583	-56	-	-56	-
Fortis Petroleum Norway AS	-84 686	-84 686	-	-	-	-
Front Exploration AS	-377 604	-379 675	2 071	-	2 071	-
GDF SUEZ E&P Norge AS	2 707 265	2 707 073	192	-	192	-
Hess Norge AS	-10 218	-12 791	2 573	-	2 573	-
Idemitsu Petroleum Norge AS	1 437 624	1 437 624	-	-	-	-
Infragas Norge AS	487 678	487 678	-	-	-	-
Lotos Expl. and Prod. Norge AS	-50 878	-50 878	-	-	-	-
Lukoil Oil Company	-	-	-	-	-	-
Lundin Norway AS	2 329 677	2 323 280	6 397	-	6 397	-
Maersk Oil Norway AS	-708 813	-707 208	-1 605	-	-1 605	-
Sum	76 673 667	76 641 343	33 044	-720	32 324	-

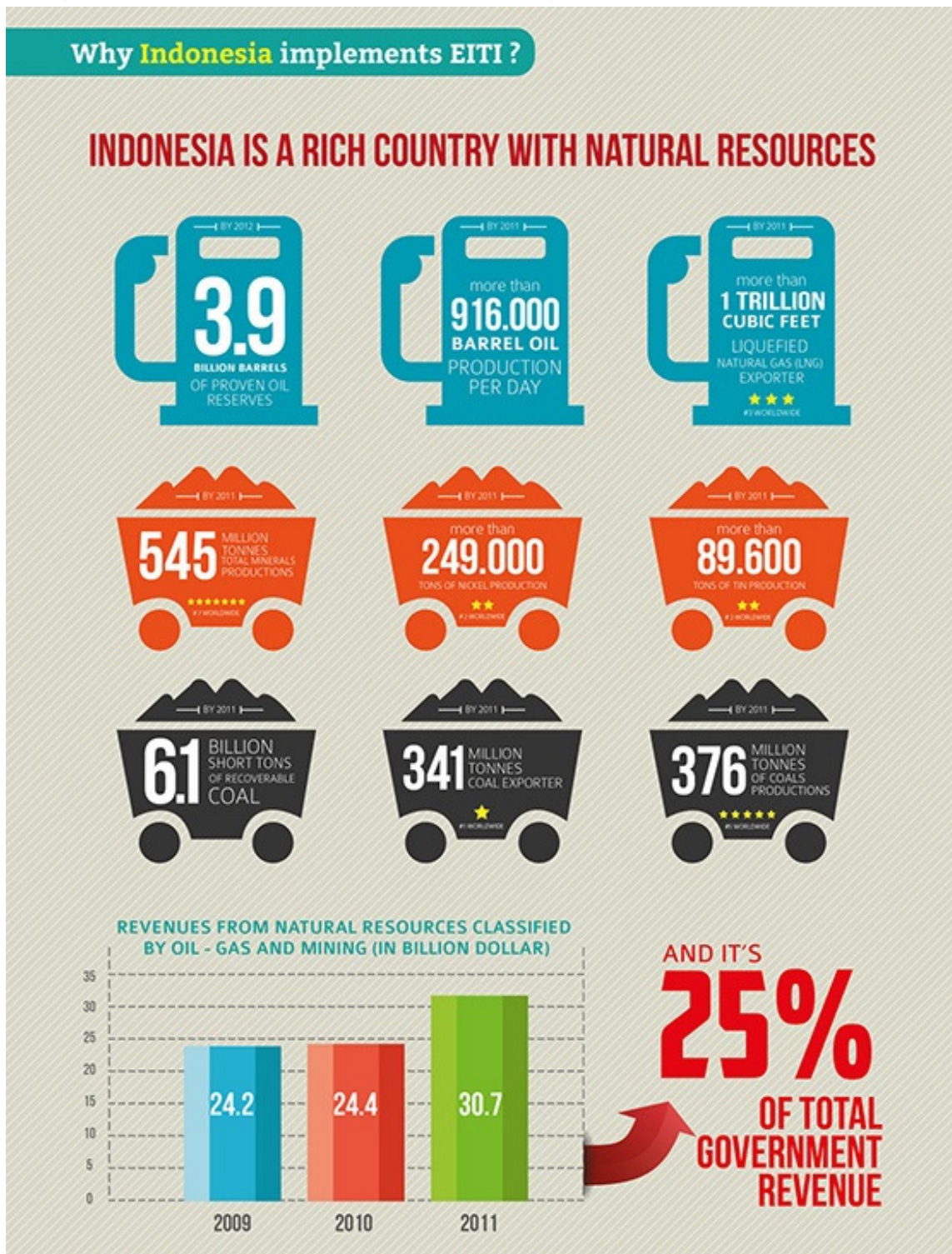
Improving trust in energy markets

In ten years, the EITI has evolved into a global standard with wide support from governments, civil society, companies and international institutions. 85 of the world's largest companies support the EITI. Amongst them is also a growing number of national oil companies, including Statoil, Pemex and Petrobras. The EITI has gained support because all stakeholders have seen benefits from being part of the process. This has helped to create an expectation of transparency in the extractive sector which was previously too often opaque and murky.

There remain, however, challenges in translating expectations into practice, among them making EITI reporting timelier. Stakeholders have during the last couple of decades campaigned for more transparency. Whilst a lot of information is still hard to access and understand and in some countries only most limited information is available, practices are changing. Contracts and license information are becoming public, payments are reported by company and increasingly by project, and transparency is becoming a reality.

The geography of energy is in constant flux, and challenges –social, environmental, technological and economic – have reached a new scale. Energy resources have enormous potential to improve the lives of billions of people, if governed well. This requires that those billions have the chance to understand and monitor their development.

Using EITI data: an example of communicating the EITI



For more information on the EITI, please see:

The EITI website: www.eiti.org
The EITI Standard: www.eiti.org/document/standard
Contact the EITI International Secretariat at secretariat@eiti.org
See also: IEF 2014 Official Publication