

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (EITI)

Key points

- The EITI is a UK Government sponsored initiative to promote transparent reporting by governments of aggregate revenues derived from mineral resource extraction
- The principle of the EITI is consistent with the philosophy of BG Group's Business Principles and approach to business
- We support the EITI and are working with governments to design and trial revenue transparency schemes
- EITI-related schemes should recognise the commercial context: taking account of contractual and legal obligations. Any proposals must respect confidentiality
- The key to successful implementation will be partnership between companies, government and stakeholders

Background

The stated objective of the EITI is "to increase transparency over payments and revenues in the extractives sector in countries heavily dependent on these resources." The Initiative aims to encourage governments, extractive companies, international organisations, non-governmental organisations (NGOs) and other interested parties to work together to promote transparency of payments and revenues.

The EITI was launched by Tony Blair at the World Summit on Sustainable Development in Johannesburg, September 2002. Since then the G-8 group of nations has given broad support. The UK Government remains the main driving force behind the Initiative. The Department for International Development (DfID) is now the lead department.

Current situation

Under the EITI a set of principles and an action plan have been agreed but these are light on detail. Current EITI participants have committed to work together to develop systems to increase payment transparency.

At Evian in June, the G-8 agreed an action plan that included piloting a voluntary initiative to increase transparency of revenue flow and payments between participants in the extractive industry sector. While the G-8 Declaration did not refer to the EITI specifically, it did support the concepts of the Initiative. The Declaration further proposed that extractive sector payments and revenues should be reported to an independent third party (eg IMF or World Bank) and published only in aggregate by country.

The EITI Principles agreed include the acceptance of commercial realities and the published "Aims" anticipate guidelines that will apply on a country-by-country basis. There is scope that the rules or guidelines adopted will not apply to non-participating governments. Initially development is likely to proceed along the lines of the G-8 proposal, but there is considerable chance that the substance of the scheme will change.

Many oil and gas and mining companies support the Initiative, as do governments of some resource-rich countries.

Companies include:

AngloAmerican, Areva, BG Group, BHP Billiton, BP, Chevron Texaco, ConocoPhillips, De Beers, ExxonMobil, Newmont, NNPC, Repsol YPF, RioTinto, Shell, SOCAR, Sonangol, Statoil, Total.

Governments include:

Azerbaijan, Belgium, Democratic Republic of Congo, Equatorial Guinea, France, Germany, Ghana, Indonesia, Italy, Japan, Kazakhstan, Mozambique, Netherlands, Nigeria, Norway, Sierra Leone, Timor-Leste, Trinidad and Tobago, United Kingdom, United States (Canada & Russia support the concepts through the G-8 declaration).

The EITI is seen by many as a response to an NGO campaign intended to encourage extractive companies to "Publish What You Pay" (PWYP). NGOs have expressed support for the EITI but seek results and have not abandoned the PWYP approach. Oil and gas industry associations, of which BG Group is a member, are actively working to assist in making the EITI Principles operational. Several large investors and investor groups/analysts also support the EITI.

Timor-Leste, Azerbaijan, Ghana, Trinidad and Tobago, DRC, Indonesia and Nigeria committed to have follow-up discussions on the Initiative domestically. Some may become pilot countries which will design and trial revenue transparency schemes.

Implications for BG Group

BG Group has been involved in the EITI discussions from its beginnings in February 2003. We delivered

a statement of support at the UK Government's conference on the Initiative in June 2003. The Statement is available on our corporate website.

The impact of the EITI on BG Group is dependent on how the Initiative proceeds; the scope of the transparency regime that develops, in terms of payments covered and geographical reach, is particularly important.

The desired outcome for the Group is that the EITI is a success with a critical mass of resource-rich countries and peer companies participating. We will seek to work with the industry, stakeholders and governments to design and test revenue transparency schemes.

Any transparency regime developed should recognise commercial realities and country-specific factors. Disclosure of payments should apply only where both companies and government have agreed the terms of disclosure.

Conclusion

The transparency of government revenues can greatly aid the fight against corruption and expropriation of natural resource wealth.

BG Group supports the EITI and believes that it, and other similar schemes, can offer material benefits to participating countries and their populations.

BG Group will seek to work with governments and the oil and gas industry in countries where we operate to develop and trial transparency schemes.

Other information available

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