

# The Extractive Industries Transparency Initiative and the U.S. Implementation Journey

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Audit of Extractive Industries  
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# Why did we Consider Joining?

September 2011 – the U.S. and seven other governments launched the global Open Government Partnership (OGP)

- \* Commitment to improve **governance** and increase **citizen participation**.
- \* Country Action Plans - promote **transparency**, fight **corruption**, energize **civil society**, and **leverage new technologies**.
- \* A key initiative in the 1st, 2nd and 3rd **U.S. OGP National Action Plans**, is the commitment to implement the Extractive Industries Transparency Initiative (EITI).

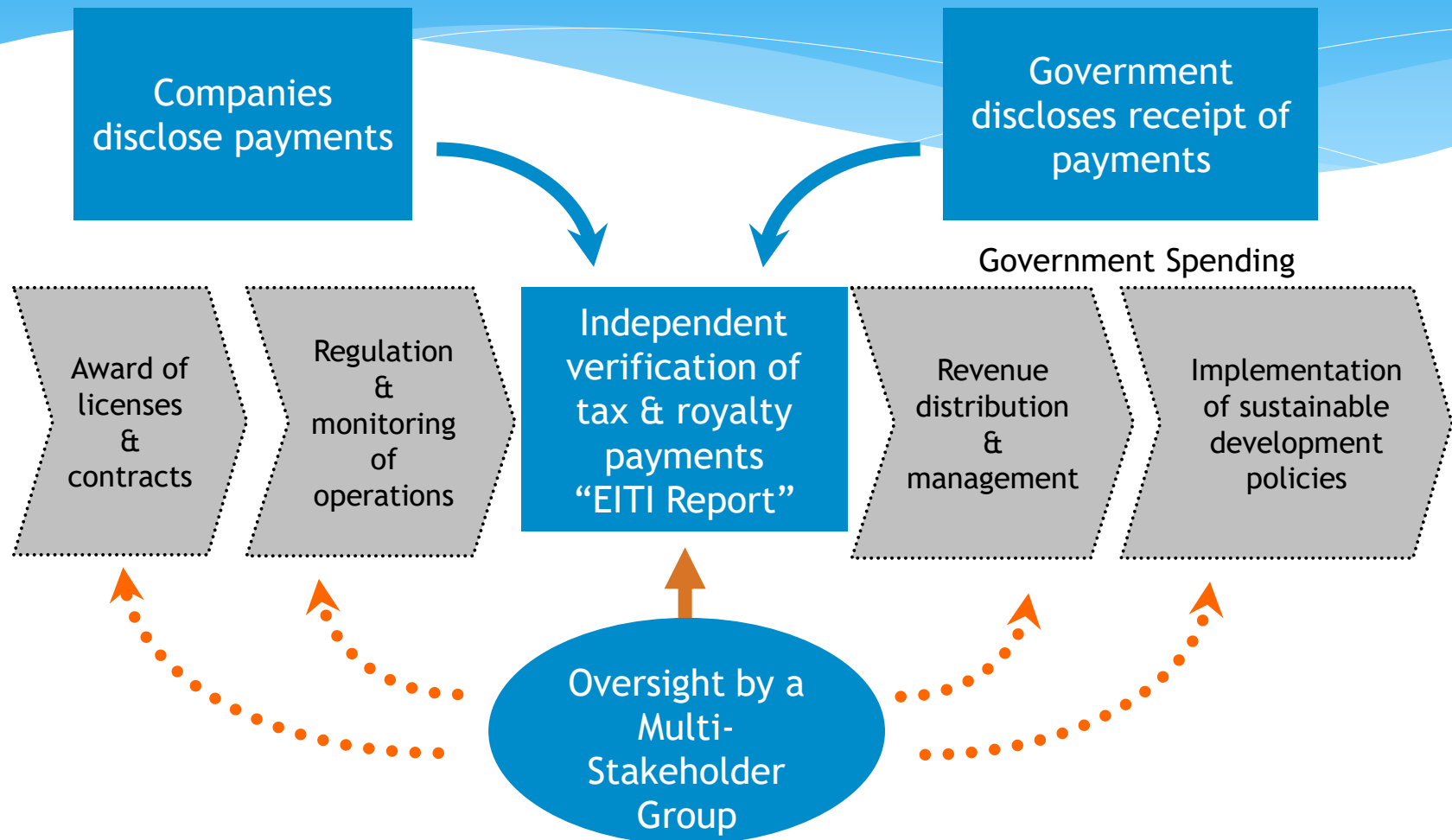
# What is EITI?

The Extractive Industries Transparency Initiative (EITI) is a **global standard** to promote **open and accountable management** of natural resources. It seeks to strengthen government and company systems, **inform public debate**, and **enhance trust**.



In each implementing country it is supported by a coalition of **governments, companies** and **civil society** working together to oversee the process.

# How Does EITI Work?



The EITI provides a forum for dialogue and a platform for broader reforms

# U.S. EITI Implementation is Unprecedented

- \* We have thousands of companies in the extractives sector;
- \* We have a federal system with state and tribal governments;
- \* We have a mixture of public, state and private lands where extraction occurs; and
- \* We have a population of more than 300 million active and vocal citizens with very diverse points of view.

# Domestic Benefits

- \* Make federal extractives **revenue data more easily accessible and comprehensible**
- \* Increase **public trust**
- \* Demonstrate the substantial **contributions** of extractive companies **to the federal government and economy** as a whole; and
- \* Inform the **public policy** dialogue

# USEITI Context

## Subject to existing laws and regulations

- ❑ **Trade Secrets Act & Federal Oil and Gas Royalty Management Act** (FOGRMA) of 1982, prohibit the Federal government from releasing company pricing information; Federal employees subject to criminal penalties.
- ❑ Section 6103 of the **Internal Revenue Code** (IRC) provides that tax returns and tax return information are confidential and prohibited from disclosure, unless an exception identified in the IRC is applicable; Federal employees subject to civil and criminal penalties.

# USEITI Scope

- **Revenue streams:** include rents, royalties, bonuses and fees and penalties collected by DOI and Federal tax revenues paid to the Department of Treasury, IRS.
- **Materiality threshold** for company reporting and reconciliation: 1<sup>st</sup> report - \$50 million or approximately 80% of the revenues collected by ONRR; the 2nd report, \$20 million, or approximately 90% of the revenues collected by ONRR.
- **DOI unilaterally discloses all reported revenues** aggregated at the company level (to the extent allowable by law) and by commodity and revenue stream. For 2016 - \$5.6 Billion and 2,100 payments made by 651 companies.



# USEITI Successes

- We built effective partnerships with our civil society and industry stakeholders and transformed our approach to participatory government to one that is more inclusive and transparent.
- U.S. leadership played a crucial role in endorsement of EITI by the G-7, the G-20, and the United Nations Security Council.
- DOI launched an interactive, open source, open code Resource Revenue Online Data Portal which allows for easy access to data about extractive industries in the US (<https://useiti.doi.gov/>). The portal is the new global standard in revenue governance transparency.
- All variances from both the 2015 and 2016 Independent reconciliation have been explained. There are zero unexplained discrepancies.

# USEITI Challenges

## Primary challenges for compliance

- 100% Voluntary company reporting;
- Congress disapproved the SEC June 2016 regulations implementing §1504 of the Dodd-Frank Wall Street Reform and Consumer Protection Act requiring companies to report their payments;
- Project-level reporting; and
- No institutional framework for beneficial owner disclosure of the corporate entity(ies) that bid for, operate or invest in extractive assets.

# USEITI – Lessons Learned

- \* **Domestic benefits vs. global benefits** - Leadership; enhanced trust; enhanced energy security by a more transparent and level playing field.
- \* Countries use the EITI as **a tool to identify and address weaknesses** in the management of their natural resources. Sometimes the domestic benefits are elusive.
- \* In spite of the dedication of a lot of people acting in good faith and a **well developed and mature governance system** of revenue data standards, audits, and assurances, the U.S. **faces challenges** implementing and complying with the standard.
- \* U.S. has met 7 of 8 EITI requirements and has been unable to obtain **full disclosure** of extractive resource payments **from companies**, thus preventing the required yet **redundant IA reconciliation** to Government receipts.

# Take - Aways

- ❑ It is a platform to **build trust and confidence**; it can be a platform for long-term **reform**; and it has been successful in creating higher **expectations**.
- ❑ Does it fight **corruption**? Even if a country is found making satisfactory or meaningful progress, it does not indicate whether there is corruption in the country or not. It simply means that the country has put into practice significant aspects of all EITI Requirements and thus has sufficient **mechanisms of public disclosure** of natural resources.
- ❑ Not a silver bullet, but **one tool** in the toolbox.
- ❑ There are success stories, but there also remain challenges ensuring the link between **transparency → accountability → good governance**.



Thank you