FACTSHEET
as of November 2018

Project-level reporting in the extractive industries

Policy in brief

Company taxes and payments related to oil, gas and minerals exploitation are often levied by project. Government entities also frequently monitor revenues by project in their systems. The EITI is making project-level disclosures mandatory for its 51 implementing countries’ reports covering 2018 and onwards. This data will provide more granular information on the government revenues collected from each individual extractive project. Project-level payment data is relevant information to local communities, governments and investors alike. It enables companies to demonstrate the economic contribution they are making in relation to specific projects, and the communities they affect.

The EITI’s requirements are part of a growing international trend in transparency in the extractive industries. Several countries, including the 27 European Union member states and Canada, have introduced legislation requiring oil, gas and mining companies based in their jurisdictions to disclose project-level payments to each government entity in the countries where they operate.

Project-level reporting in EITI

Requirement 4.7 of the EITI Standard stipulates that “… Reporting at project level is required, provided that it is consistent with the United States Securities and Exchange Commission rules and the forthcoming European Union requirements.”

Three benefits for governments

1. Project-level reporting allows governments to review payments from individual extractive projects and compare them to the legal or contract terms through financial modelling. Currently, most countries ask companies to publish the aggregated figures for all their activities or projects, also called by entity, which makes detailed analysis difficult.

2. Project data can help tax administrations address tax avoidance and evasion by shedding light on pricing arrangements and transfer pricing manipulation.

3. Project-level reporting can strengthen countries’ position when negotiating contracts. Disclosing company payments by individual extractive operation can help address information asymmetry in contract negotiations, as everyone has the same granularity of information.

Transfer pricing manipulation may occur when two related parties trade a commodity with each other at a price that differs significantly from the market value, in order to minimise or avoid taxation. Find out more: https://www.gfiintegrity.org/transfer-pricing-labyrinth/

Tracking payments by project from companies to government

Project-level reporting – releasing detailed data

Background

Project-level reporting, also called “project-by-project” reporting, means that companies disclose payments by project, for example, royalties paid on gold production at a specific mine. Having access to this data allows citizens and government officials to assess whether the government receives what it ought to from each individual extractive project. That’s because payments can be compared with the terms set out in the laws or contracts governing the project.
Project-level reporting in EITI (continued)

Three benefits for companies

1. It can help create a level-playing field for companies by ensuring data is publicly available across each individual project. Combined with beneficial ownership disclosures, project-level reporting can also facilitate companies’ due diligence procedures when considering new joint ventures or mergers and acquisitions.

2. Project-level reporting helps companies demonstrate the economic contribution they are making in relation to specific projects and the communities they affect.

3. It can aid companies in meeting international reporting requirements under Canadian, EU or national legislation. It will avoid duplication of efforts, making reporting cheaper.

Three benefits for civil society and communities

1. Communities and civil society organisations (CSOs) can use project data to hold governments and companies to account. For example, they can compare what companies actually pay to the government with other project-level data, to ensure the terms stipulated in contracts and licenses (their legal terms) are followed.

2. Project-level reporting makes it easier to track cash-flows from a company to the community. It enables civil society and communities to assess whether a project benefits the local communities. The public can hold the direct beneficiaries in their communities to account, once equipped with full information regarding local contributions.

3. Some large projects involve several companies. Project-level data on joint ventures enables communities to identify and focus their attention towards the right parties responsible for the payments.

The transparency triangle

Contract transparency and beneficial ownership in combination with project-level reporting

Analysing the economic and social impact of a project works best when combining various forms of data. In addition to knowing how much companies are paying, one should also find out who is benefiting and under what terms. Therefore, project-level EITI reporting will be most effective when combined with beneficial ownership data and publicly-disclosed contracts.

Equinor’s position on payments to governments reporting

“We welcome initiatives to strengthen revenue transparency legislation, including project-by-project disclosure of payments. […] For Equinor, it is important that revenue transparency regulation applies globally, is effective, and creates a levelled playing field for all companies, communities and governments.”


“Financial modelling, in the EITI context, could be thought of as ‘next level reconciliation.’ Modelling goes a stage further than comparing figures: it analyses the terms of a contract, and the economics of the project.”

– Johnny West, OpenOil

Impact to date

In 2017 the EITI assessed the reports of 45 implementing countries to understand how many reported by project. Three countries fully disaggregated data by project: Indonesia, Philippines and Trinidad and Tobago. The disaggregated revenues were for individual Product Sharing Contracts/Agreements (PSCs/PSAs) between governments and resource extraction companies. The reported payments were consistent with the EU’s approach to project-level reporting.

An additional 25 countries partially reported by project. This means that EITI data was disaggregated for some projects or revenue streams, but not all. Three of these countries included a definition of the term ‘project’, but the disclosures were only by project for some sectors, companies or revenue streams. The remaining 17 EITI countries did not report by project.

All multi-stakeholder groups in EITI countries are currently working to disclose financial data by project. This is required for data covering 2018 and onwards. Please see EITI’s guidance note on project-level reporting for more information.

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Example of project-level payment disclosure by an extractive company

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<thead>
<tr>
<th>Company: EITI Petroleum Ltd</th>
<th>TAXES</th>
<th>FEES</th>
<th>ROYALTIES</th>
<th>LICENSE FEES</th>
<th>BONUSES</th>
<th>PRODUCTION ENTITLEMENTS</th>
<th>TOTALS</th>
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<tr>
<td><strong>NON-PROJECT PAYMENTS</strong></td>
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<td>Non-project payments</td>
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<td></td>
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<td></td>
<td>13 839 000</td>
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<tr>
<td><strong>PROJECT-LEVEL PAYMENTS</strong></td>
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<td>5 200 000</td>
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<td></td>
<td>304 000</td>
<td>50 000</td>
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<td>500 000</td>
<td></td>
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<td>15 800 000</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
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<td>990 000</td>
<td>20 504 000</td>
<td>550 000</td>
<td>200 000</td>
<td>100 000</td>
<td>35 193 000</td>
</tr>
</tbody>
</table>
Project-level reporting in EITI implementing countries

- **Yes.** Includes project-level reporting
- **Partial.** Includes some degree of project-level reporting
- **No.** Does not include project-level reporting