

EITI - THE NORWEGIAN ANNUAL ACTIVITY REPORT 2014

1. Background

Leaders from a group of governments, companies and civil society came together a little more than ten years ago and agreed that the “prudent use of natural resource wealth should be an important engine for sustainable economic growth that contributes to sustainable development and poverty reduction”.

EITI’s principles are that “public understanding of government revenues and expenditure over time could help public debate and inform choice of appropriate and realistic options for sustainable development”.

Norway became an EITI candidate in 2009 and delivered our first EITI-report the same year. The country has been compliant with EITI requirements since March 2011. Compliance means that Norway has published satisfactory EITI Reports and has a functioning EITI process to oversee the level of transparency and accountability. The reports from the Norwegian multi stakeholder group (MSG) have described the activities that are relevant for implementation of EITI in Norway.

Each country owns its own EITI process and sets its own objectives. The new EITI standard approved in 2013 has further strengthened the process and encourage more information about the extractive industry sector in each country.

The MSG should have a national approach. The Norwegian MSG has focused on developing a high quality report containing the relevant information about revenues and companies’ payments to the government. The EITI-reports have all confirmed payments published in other sources like i.e. the state account. The Norwegian MSG has now raised the question if it's meaningful to continue the reporting and reconciliation of payments. The way ahead and alternatives to the reporting are being discussed.

A vital part of EITI is the disclosure of information. The EITI Standard will require countries to disclose production figures, the ownership of license holders and

government participation in the extractive sector. The Standard encourages countries to disclose ultimate beneficial ownership as well as production contracts.

Information about the Norwegian petroleum related activities have been available to the public since the discovery of oil and gas 45 years ago. One important source of information has been the Petroleum Register published by Norwegian Petroleum Directorate (NPD) (<http://www.npd.no/en/news/News/2013/The-Petroleum-Register-on-the-NPDs-Fact-Pages/>) and Facts Reports published by The Norwegian Ministry of Petroleum and Energy in cooperation with Norwegian Petroleum Directorate. This spring the Facts Reports were replaced by a new more user-friendly website (www.norskpetroleum.no) where readers can learn more about Norwegian petroleum history, current activity and framework conditions. Data from NPD is synchronised daily. The Government is also preparing for an updated electronic and public available shareholder register register of companies registered in Norway. Further, Norwegian companies in the extractive industry sector and forest industry will according to new regulations implemented January 2014, have to disclose payments to governments in third countries (country by country reporting)

The public debate in Norway is not about transparency in revenues and expenditures, but more about the activity level, opening new acreage for exploration, and with high focus on safety and the environment. Implementing the new EITI Standards will not change significantly the public's access to information or the public debate.

The Norwegian multi stakeholder group is appointed by the King in Council for a period of 2 years in line with EITI requirements. A new MSG was appointed in June 2014 after each sub-group within the MSG had nominated their candidates and the whole MSG agreed on the composition of the group.

Multi stakeholder group work on EITI in 2014

The multi stakeholder group's main activity in 2014 was preparing and finalizing the sixth Norwegian EITI-report The sixth report was carried out in accordance with the new EITI Standard. The MSG also finished the nomination process for appointment of a new MSG. The contract with the Administrator ended in

2014 and the MSG took active part in preparing the tender for a new contract and the selection process afterwards. A new contract was signed between Deloitte and the Ministry of Petroleum and Energy. The Norwegian MSG has discussed if a continuation of reporting and reconciliation is the best way forward.

The multi stakeholder group held one meeting during 2014. Members of the group used emails to exchanged information and make required decisions.

The Ministry of Petroleum and Energy published the EITI-report on its website. Companies and governmental entities who had been reporting were provided the report.

Norsk olje & gass (the Norwegian Oil and Gas Association) informed their members about EITI and the report. The data from the EITI-report have been made available on the Norwegian MSG's web site (www.eiti.no)in Excel format. The data has also been made available on a public web site (www.data.norge.no) where people are invited to share data.

Reporting and reconciliation of the 2013 data has been the main priority of MSG in 2014 as the report was the first under the new EITI-standards. A draft report was sent to the MSG in November and a MSG meeting was held 10. December to discuss the report. The Administrator, Deloitte Norge, presented the main conclusions and in which area the report might not be in compliance with the new EITI-standards. The following EITI Requirements was mentioned by the Administrator and discussed by the MSG;

- EITI Requirement 4.1.b dividend from Statoil
- EITI Requirement 3.6 SOEs Disclosure of Quasi fiscal expenditure such as payments for social services
- EITI Requirement 4.1 e and d infrastructure and barter arrangements and social expenditure
- EITI Requirement 3.5 value of production and export by commodity
- EITI Requirement 3.9 b iii) date of application and award and 3.12 Contracts

Ad EITI Requirement 4.1 The MSG pointed to the fact that Statoil is listed at the Oslo Stock Exchange. Dividend is paid per share and the information is publicly available. It's reported among other places in the state account as well as on Statoil's website. The EITI-report publish Statoil dividend in its report but the number is not reconciled.

Ad EITI Requirement 3.6: The MSG concluded this is not relevant to Statoil. It is a company listed on at the stock exchange, operating as a commercial company and subject to the same laws and regulations as all (oil and gas) other companies active in Norway.

EITI Requirement 4.1 d and e: The MSG concluded this is not relevant to Norway. Our understanding of this requirement is that only payments related to contract/license obligations shall be reported. Norwegian production licenses do not have such obligations. Further, expenditures related to sponsorships (NGOs, sport, culture etc.) are numerous, each immaterial and they are volunteer not contractual.

EITI Requirement 3.5 The MSG concluded that public available information in this area is already satisfying. For the purpose of EITI dividing payments by commodity is not relevant. Companies on the Norwegian Continental Shelf market and sell their own equity oil and/or gas. Tax payments are based on the company's net income and does not divide between fields or commodities. Companies do not pay royalties.

EITI Requirement 3.9 b iii and 3.12). Available at the Petroleum Register is extensive information about each production license and licensee i.e. when the production license was awarded, working program, operator, etc. The award of a production license is according to a standard license agreement Contract (which is available at the Ministry of Petroleum and Energy's website

https://www.regjeringen.no/globalassets/upload/oed/pdf_filer_2/og/utvinningstillatelse.pdf)
The MSG concluded that already available information was extensive and satisfying.

Further, according to The EITI Guidance note; Annual Activity Report this report *should include any actions undertaken to prepare for implementation of the EITI Standard, including addressing issues such as **revenue management and expenditure (3.7-3.8)**, **transportation payments (4.1.f)**, **discretionary social expenditures (4.1.e)**, **ad-hoc subnational transfers (4.2.e)**, **beneficial ownership (3.11)** and **contracts (3.12)***. The requirements marked in bold have not been included in the MSG's activities because they've not been seen as relevant in a Norwegian context. As regard **revenue management and expenditure (3.7-3.8)** all the state's revenues from petroleum activities and gas sector are transferred into The Government Pension Fund – Global. The expected return from the fund can be spent over the fiscal budget. There are no specific **transportation payments** to the Government. Companies pay taxes based on their net income whether revenues come from selling oil and gas and/or pipeline tariffs. All income streams are treated the same and included in the reporting. There are no **ad-hoc subnational transfers**. Regarding **beneficial ownership** the Governnet is currently working on establishing an electronic register of ownership of Norwegian companies which will be open to the public.

MSG approved the report. The report was published at <http://www.eiti.no> early January 2014. A printed version in both Norwegian and English is available. The MSG agreed not to organize any specific event in relation to the release of the report.

After the 5th EITI-report and where none of them had any unexplained discrepancies the MSG agreed there is little value in continuing with these reports. The civil society group presented a position paper to the MSG by early summer 2014. The subject was debated at the MSG meeting later the same year without a conclusion. The process continued into 2015.

The mining sector is not included in the Norwegian EITI-report due to lack of materiality in the country. The MSG had however expressed an interest in learning more about the mining sector in Norway. At a MSG meeting in 2014 Norsk Bergverksindustri (an association of the Norwegian mineral resource based industry) gave a presentation about the mineral and mining sector as well as their view on including this sector in the EITI reporting. The MSG maintained their previous decision not to include Norwegian mining industry in the EITI-reporting.

The MSG's work plan for 2014, including cost, is available on the EITI web site. The reporting templates are available on the web as well.

Follow-up of validation team recommendations and/or recommendations.

Regulations of 26.6.2009 (856) are guiding the work in the MSG. The multi stakeholder group has agreed on the terms of reference and made them available on the website.

The companies' chief executive director (CEO) had to sign the EITI submission according to the initial requirements. The multi stakeholder group has agreed to accept that companies' chief financial officer (CFO) can sign the report. Companies are also required to enclose an auditor's statement to ensure that they have produced and delivered an audit report without any comments from the auditor with relevance for the EITI.

Norway has had an open and transparent system since the early 1970s. Relevant information was available to the public. Parliament had frequent discussions on the oil and gas policies and strategies.

Media had from the early years – and still has - wide coverage of the sector due to its major role in the Norwegian economy. Members of the MSG contribute to the debate through their different organizations.

The Norwegian EITI website was established early 2011. It contains information relevant to the Norwegian implementation of EITI, as well as links to relevant information of the domestic upstream oil and gas activities. The website contains general EITI information and explanation and/or links to where information is available.

Minutes from MSG meetings are available on the EITI website.

Reporting process and templates have been discussed both within in the MSG and with the reporting entities and is under constant review. The ambition has been from the beginning to deliver simple and efficient, but sufficient reporting.

The Norwegian MSG has delivered five EITI-reports without any unexplained differences in reported numbers by companies and government.

It confirms Norway has in place a system of high standards of transparency and accountability.

The multi stakeholder group has discussed the benefits of continuing the current EITI-reporting since the information is publically available without the EITI report. The report has limited value for the Norwegian public, but may have some value as a reference for stakeholder groups in other EITI implementing countries.

The Norwegian EITI report has found its format. It is difficult to see how it can be further simplified and at kept at the same disaggregated level.

Reconciliation of the data is the most time consuming part of the work. The group has discussed using the Bureau of Statistic Norway to do the work, but the bureau does not focus on the disaggregated level required by EITI and it is difficult to see how the Bureau or other agencies will use less time.

One of the multi stakeholder group's objectives has been to find a fair balance between the different interests group; civil society, trade unions, oil companies and the ministries.

The most relevant Ministries are members of the group, and these members represent the government and secure the full depth of political engagement in the process. The oil industry has nominated their candidates, as has civil society organizations and the trade unions.

The multi stakeholder group has not seen a need for a separate EITI secretariat. The Ministry of Petroleum and Energy has functioned as the secretariat. It has worked well. Most of the work related to the Norwegian implementation of EITI have to be done by the Ministry, independent to how the secretariat function is organized.

The multi stakeholder group will continue to discuss the best way to meet and implement the new EITI standards in Norway.