

FACTSHEET

as of November 2018

Project-level reporting in the extractive industries

Tracking payments by project from companies to government

Project-level reporting – releasing detailed data

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.

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

[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.gfintegrity.org/transfer-pricing-labyrinth/>

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.

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."

Source: <https://www.equinor.com/en/how-and-why/sustainability/transparency.html>

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.

"**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."

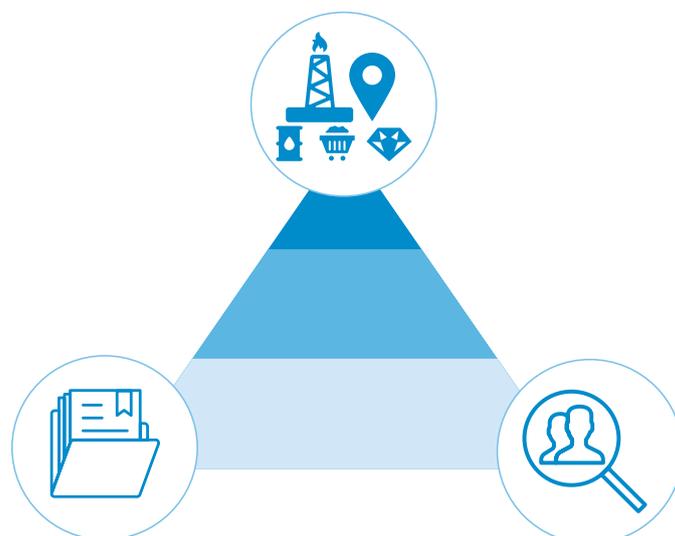
– Johnny West, OpenOil

Find out more: <https://eiti.org/blog/financial-modelling-next-step-in-eiti-reconciliations>.

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.



Impact to date

In 2017 the EITI assessed the reports¹ of 45 implementing countries to understand how many reported by project.²

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.

1 <https://eiti.org/document/projectlevel-reporting-practices-in-eiti>

2 <https://eiti.org/BD/2017-14>

Blogs, resources and other links

Blog: *EITI and project by project reporting*: <https://eiti.org/blog/eiti-project-by-project-reporting>

Guidance note 29 Project-level reporting, including reporting template: <https://eiti.org/GN29>

Blog: *Project-level reporting – let's get granular*: <https://eiti.org/blog/project-level-reporting-lets-get-granular>

Project-level reporting practices of the EITI: <https://eiti.org/document/projectlevel-reporting-practices-in-eiti>

Standard Terms of Reference for Independent Administrator services, including project-level reporting: <https://eiti.org/document/standard-terms-of-reference-for-independent-administrator-services-including-projectlevel>

EITI Board decision on project-level reporting requirement: <https://eiti.org/BD/2017-14>

Example of project-level payment disclosure by an extractive company

Company: EITI Petroleum Ltd							
	TAXES	FEES	ROYALTIES	LICENSE FEES	BONUSES	PRODUCTION ENTITLEMENTS	TOTALS
NON-PROJECT PAYMENTS							
Non-project payments	12 849 000	990 000					13 839 000
PROJECT-LEVEL PAYMENTS							
Project 1			5 000 000		200 000		5 200 000
Project 2			304 000	50 000			354 000
Project 3			15 200 000	500 000		100 000	15 800 000
TOTALS	12 849 000	990 000	20 504 000	550 000	200 000	100 000	35 193 000

Project-level reporting in EITI implementing countries

