

## United States EITI Annual Progress Report 2016

### 1. General assessment of year's performance:

*In accordance with requirement 7.4(a)(i), provide a short summary of EITI activities undertaken in the previous year. The multi-stakeholder group may wish to outline how these activities relate to the objectives in the work plan.*

In December 2016, the United States submitted the second USEITI report to the EITI International Board. This highlights the U.S.' commitment to implementing EITI and enhancing transparency and good governance of extractive sector revenues, both domestically and globally.

As part of the ongoing effort, the USEITI Multi-Stakeholder Group (MSG) met three times in 2016, and conducted ongoing work through the USEITI subcommittees: Implementation, Communications, and State and Tribal Opt-In, along with the various working groups of these subcommittees. The MSG meetings were open to the public, with meeting materials posted online two weeks in advance of each meeting, and meeting summary materials posted following each meeting. In addition, members of the public were able to observe and participate in meetings remotely via video presentation and telephone, and they were given opportunities on each day of the meetings to provide public comment to MSG members. Summaries from subcommittee meetings are also posted online.

The MSG and the Independent Administrator (IA) worked closely throughout 2016 to produce the second USEITI report. The IA created project plans for both the reporting and reconciliation and the contextual information portions of the report and helped the USEITI MSG produce its second report. The IA also updated content from the 2015 USEITI Report; created new content for the 2016 Report; and coordinated with the team from the U.S. Government's digital services consultancy, GSA (General Services Administration) 18F, to design and create the 2016 USEITI Report.

The MSG and other members of the USEITI team also conducted public outreach to diverse constituencies, as outlined in the USEITI Communications and Outreach Plan. USEITI's key outreach goals for 2016 included conducting outreach to industry to encourage their involvement in the USEITI process, conducting outreach to states and tribal governments to encourage their participation in USEITI, keeping Congress informed on U.S. implementation efforts, and educating all stakeholders about the benefits of U.S. implementation of EITI.

Building upon its first report in 2015, the USEITI MSG prioritized several key activities in 2016 to strengthen the information presented, further participation in EITI, and increase transparency and public awareness.

In 2016, the USEITI MSG prioritized:

- Encouraging state and tribal participation
- Improving public engagement and outreach
- Increasing industry reporting and reconciliation

The MSG tasked the completion of these goals to its three subcommittees: Implementation, Communications, and State and Tribal Opt-In. The Implementation Subcommittee focused on industry reporting and reconciliation and explored how the U.S. can comply with changes to the EITI Standard in 2016, notably beneficial ownership and mainstreaming revenue reporting. The State & Tribal Subcommittee worked to increase state and tribal participation in USEITI. The Outreach & Communications Subcommittee sought to increase public awareness of, and engagement with, USEITI.

The MSG identified increasing state and tribal participation in USEITI as a goal for 2016 and tasked the State & Tribal Subcommittee with spearheading those efforts. The subcommittee conducted conversations and worked with state and tribal officials, some of whom are members of the MSG and the subcommittee, to encourage them to “opt in” to USEITI. Three additional states chose to opt in: Alaska, Montana, and Wyoming. All three states are among the 18 that the MSG prioritized in 2015 as centers of extractive industries activity in the U.S. The three states provided data on revenues, distribution of those revenues, and legal and fiscal governance of extractive industries, as well as the economic impact of extraction in their states. Additionally, on the 18 prioritized state pages on the USEITI data portal, we increased disclosure of publically available state information. The MSG also furthered local accountability and transparency in this year’s report by updating 12 county case studies that depict the impact of specific extractive industries on local communities.

In an effort to improve public understanding and inform discussions around extractive industries in the United States, USEITI developed new contextual narrative sections for the 2016 USEITI report. In addition to the state opt-in section, the report covers the Abandoned Mine Land (AML) Reclamation Program, U.S. audit and assurance practices and controls, and the Coal Excise Tax.

During 2016, the US Department of the Interior’s Office of Inspector General (OIG) conducted an independent review of the USEITI program. The report was released in May 2017 and can be accessed at: <https://www.doioig.gov/reports/united-states-implementation-extractive-industries-transparency-initiative>.

2016 concluded with submission to the EITI International Board and the public release of the 2016 USEITI Report, available at: <https://useiti.doi.gov/>. The report provides a valuable resource for data and contextual information about extractives industry in the U.S. In addition to the reporting, reconciliation, and contextual aspects of the report, the U.S. government unilaterally disclosed calendar year 2014-2015 revenues paid to and collected by U.S. Department of the Interior bureaus by company, revenue type, and commodity. The online report’s user-friendly, interactive design allows members of the public to easily navigate and access information and data. The report website is also a premier resource for credible data and information on extractive resources published by other federal agencies, such as the Energy Information Administration (EIA) and the U.S. Census Bureau. The report’s data sets and visualizations can also be reused for strategic reporting, re-posting, and sending through social media, thus further informing the debate on the extractives industry.

In 2015, 31 companies reported revenues and 12 companies reported taxes. In 2016, 25 companies reported revenues and 12 companies reported taxes. For 2016, the MSG set 80% of ONRR's revenues as in-scope for reconciliation, the same level as 2015. For the 2016 USEITI report, the MSG decided on a materiality threshold of ~\$37.5 million total annual revenues reported to ONRR by a parent company, including its subsidiaries. The MSG agreed on this threshold because it would allow 80% of ONRR's revenues to be in-scope for the reconciliation. This threshold lowered the number of in-scope companies from 45 to 41. The number of in-scope revenue streams did not change. The period of the reconciliation was calendar year (CY) 2015 (January 1, 2015 through December 31, 2015). While last year's report covered CY 2013, the MSG decided to use CY 2015 data for reporting and reconciliation in the 2016 USEITI report because CY 2014 and CY 2015 data will be unilaterally disclosed on the data portal, and CY 2015 data is closer to the current time period.

The various activities and accomplishments outlined above take important steps to further the U.S. national objectives for implementing the EITI standard, as stated in the 2016 USEITI Work Plan:

- Increase citizen participation;
- Increase collaboration;
- Increase government transparency;
- Enhance public access to information;
- Improve management of public resources; and
- Give the public a more informed voice in U.S. government policymaking.

For example, the MSG's collaborative decision-making process and efforts to bring more stakeholders and state and tribal jurisdictions into USEITI increased collaboration and citizen participation in government policymaking. The launch of the second USEITI report as a user-friendly, easily accessible website is a prime example of how USEITI is increasing government transparency and public access to information. Each step that USEITI takes is a step forward in improving the management of public resources in the United States.

## **2. Assessment of performance against targets and activities set out in the work plan:**

*Provide an assessment of progress with achieving the objectives set out in its work plan (Requirement 1.5), including the impact and outcomes of the stated objectives (requirement 7.4(a)(iv)).*

*The multi-stakeholder group may wish to*

- *List the objectives and targets set out in the work plan, and indicate progress in achieving these.*
- *Outline the activities in the work plan, including a description of whether these activities were fulfilled. Include any further activities that were not foreseen in the work plan but contributed to the wider targets.*

The goals of the USEITI 2016 Work plan are listed below, followed by steps that we have taken toward completing each goal:

**Goal: Review, discuss and decide upon 2015 IA recommendations on the 2016 report's materiality threshold, reconciliation approach, revenue streams, margins of variance, and reporting template.**

Towards the end of 2015, the IA provided the following recommendations around revenue reporting and reconciliation to the USEITI MSG for consideration during 2016:

- As part of defining scoping for the 2016 Report, the MSG could consider defining the timeframe for reporting as the previous calendar year, as opposed to two years back (in other words, the 2016 Report would include calendar year 2015 revenue data instead of 2014 revenue data, as is currently planned). This would make it easier for companies to participate in reporting because older transactions become harder for them to track.
- Lengthen the revenue reporting period and increase outreach to, and communication with, tax professionals in reporting companies in order to increase the likelihood of company participation in corporate income tax reporting.
- Consider alternative options for reconciliation that could satisfy requirements of the EITI Standard with a lower investment of time and cost in the reconciliation process such as using a sample-based reconciliation approach or developing a portal in which reporting companies can confirm whether revenue reported as part of the unilateral disclosure match company records.
- Identify strategies to enhance the likelihood of company reporting, through enhanced communication with companies and other strategies developed jointly by the IA and the MSG.

During 2016, the USEITI MSG made the following decisions with regards to the IA's recommendations:

Project-level reporting: The USEITI MSG decided that reconciled payment reporting in the 2016 USEITI Report should follow the first part of Section 5.2e of the EITI Standard that states: "It is required that EITI data is presented by individual company, government entity and revenue stream." The MSG was unable to reach a consensus on a project-level reporting definition consistent with Section 5.2e in the necessary timeframe. Please see pages 1-2 of the following document for a detailed rationale for the MSG's decision regarding project-level reporting:

<https://www.doi.gov/sites/doi.gov/files/uploads/Reporting%20and%20Reconciliation%20Workgroup%20Recommendations.pdf>.

Revenue streams: The MSG considered the revenue streams to include in the 2016 USEITI Report. The discussion covered the revenue streams included in the 2015 USEITI Report, revenue streams that were intentionally excluded from the 2015 USEITI Report, as well as potential new revenue streams (e.g. forestry revenue). Based on this discussion, the MSG decided that the same revenue streams be included in the 2016 Report as were included in the 2015 Report. Please see pages 3-4 of the following document for a detailed rationale for the MSG's decision regarding revenue streams:

<https://www.doi.gov/sites/doi.gov/files/uploads/Reporting%20and%20Reconciliation%20Workgroup%20Recommendations.pdf>.

Reporting template and guidelines: The MSG discussed possible paths to streamline the burden associated with reporting and reconciling revenue streams, particularly the "ONRR Other Revenues" revenue stream. The MSG ultimately could not determine whether any changes would lower the reporting and reconciling burden without reducing the quality of these activities. As such, for the 2016 USEITI Report, no content changes were made to the reporting template and guidelines that were submitted in the 2015 USEITI Report. Please see page 5 of the following document for a detailed rationale for the MSG's decision regarding the reporting template and guidelines:

<https://www.doi.gov/sites/doi.gov/files/uploads/Reporting%20and%20Reconciliation%20Workgroup%20Recommendations.pdf>.

**Company materiality:** The USEITI MSG made three decisions with regards to materiality:

- 1.) The MSG considered the relevant year of data for reconciliation purposes, CY 2014 or CY 2015, and considered the advantages and disadvantages to both, and decided to use CY 2015 data in the 2016 report because it could increase company data availability and diminish the effect of company mergers, acquisitions, and divestures (e.g., which company is responsible for reporting the revenue for reconciliation). CY 2014 data would still be reported by ONRR via unilateral disclosure.
- 2.) The MSG decided to continue using the same method of company determination, specifically by using only ONRR reported revenues (as opposed to considering other revenue streams), as was used for the 2015 report.
- 3.) The MSG decided maintaining the 2015 reporting and reconciliation threshold is an important step to achieve for the 2016 USEITI Report. An 80% threshold was used for the 2015 USEITI report; the MSG decided, based on the company composition of 2015, the decisions of the MSG, and the outcomes of the 2015 report, that an 80% revenue threshold would be appropriate for the 2016 USEITI report, given that in any year the actual dollar threshold in absolute dollars will vary based on market conditions and other factors.

Please see pages 6-8 of the following document for a detailed rationale for the MSG's decision regarding company materiality:

<https://www.doi.gov/sites/doi.gov/files/uploads/Reporting%20and%20Reconciliation%20Workgroup%20Recommendations.pdf>.

**Sampling:** The USEITI MSG considered the use of statistical sampling as a way to streamline the reconciliation process. Based on its exploration of the issue, the MSG decided not to use sampling as the basis for reconciliation in the 2016 report. The MSG directed the IA to use 2016 data to explore the benefits and methodology of sampling that may be used in subsequent USEITI Reports and share those results with the MSG. Please see page 9 of the following document for a detailed rationale for the MSG's decision regarding sampling:

<https://www.doi.gov/sites/doi.gov/files/uploads/Reporting%20and%20Reconciliation%20Workgroup%20Recommendations.pdf>.

**Margin of variance:** The MSG's discussions explored raising the margin of variance percentage or floor thresholds. Through evaluation of actual 2015 USEITI Report reporting and reconciliation data, however, the MSG concluded that reconciliation volume is not very sensitive to changes in the margin of variance percentage or floor thresholds and that order of magnitude adjustments would need to be imposed to have a material effect. As a result, the MSG decided that not to change the margin of variance percentage or floor thresholds for the 2016 USEITI Report. Please see pages 10-11 of the following document for a detailed rationale for the MSG's decision regarding margin of variance:

<https://www.doi.gov/sites/doi.gov/files/uploads/Reporting%20and%20Reconciliation%20Workgroup%20Recommendations.pdf>.

**Goal: Explore means to increase 2016 tax reporting and consider implications of SEC 1504 regulations issued for final public comment in December 2015.**

The MSG took the following key steps to encourage and increase corporate income tax reporting in its 2016 report:

- The Treasury Department and the IA led meeting/webinars with in-scope firms' tax staff (in Houston and Denver, spring 2016). The goal of these meetings was to ensure greater understanding, encourage companies' tax staff to participate in USEITI tax reporting/reconciliation, and reduce the burden on the IA and industry by answering as many questions as possible before reporting and reconciliation began.
- Discussions between industry members and within trade associations following the EITI Conference in Lima were continued. Specifically, trade associations and companies discussed the benefits of participating in USEITI with other in-scope companies, with a focus on participating in income tax reporting.
- The MSG decided to allow companies that were not formally in-scope for USEITI 2016 reporting to voluntarily report and/or reconcile federal corporate income taxes and DOI revenue as part of their corporate citizenship and transparency efforts. This effort was supplementary to EITI reporting requirements.

**Goal: Advance tribal and state opt-in, explore opt-in with one or a few states and tribes as pilots and include tribal case studies in Contextual Narrative.**

USEITI took significant steps to advance tribal and state opt-in during 2016. These steps included:

- Defining a methodology for selecting tribes to opt into USEITI. The methodology consists of the following four questions: 1.) Does the tribe overlap with an MSG-prioritized state? 2.) Is the tribe represented on the MSG or in STRAC? 3.) Does the tribe make extractive data publicly available? 4.) Has the tribe shown a willingness to be transparent?
- Defining a process to pilot the state opt-in process, including: integrating new participants, assessing currently available data, testing contextual narrative templates with stakeholders, and developing the state and tribal additions.
- Piloting the state opt-in process with the State of Montana.
- Developing a state and tribal opt-in template based on the Montana model and distributing this template to states and tribes opting into USEITI to provide them with guidance about revenue reporting for participation in USEITI while also allowing them the opportunity to suggest additional commodities and revenue streams that are locally significant.
- In addition to Montana, achieving opt-in from the states of Alaska and Wyoming.
- Engaging with the Blackfeet Tribe around possible opt-in to USEITI.
- Securing membership on the MSG from the following three tribes: the Blackfeet Nation, the Choctaw Nation, and the Eastern Shoshone & Northern Arapaho Tribes.
- Determining that tribes cannot be considered "subnational entities" under EITI standards. Tribes are sovereign entities and own their mineral resources. When the federal government collects revenue on these lands, it does so as a trustee and directs all of it back to the tribes. This trust responsibility prohibits the federal government from releasing data or compelling the tribes to release it.

**Goal: Implement project level reporting for unilateral disclosure by DOI by December 2016.**

The federal government decided to maintain its unilateral disclosure of revenue data at the company level until SEC rule 1504 is finalized, at which point it would move to project-level reporting to the extent allowable by US law.

The federal government also mooted, for the MSG's consideration, the potential for the government to move forward with lease-level unilateral disclosure, a step beyond the unilateral disclosure of calendar year 2013-2015 revenues at the company, revenue stream, and commodity levels.



**Goal: Discuss a process for the inclusion of forestry in future USEITI reports.**

The MSG discussed considerations around introducing additional commodities, including forestry, to the scope of USEITI. A representative from the US Bureau of Land Management (BLM) made a presentation at the March 2016 MSG meeting about the Bureau's forest and woodland public land management program. This discussion set up the MSG to consider the addition of a "special highlight on forestry" to the contextual narrative portion of the 2017 USEITI report in early 2017.

**Goal: Explore a process for company project level reporting and reconciliation post the SEC final rule.**

On June 27, 2016 a significant step towards transparency was achieved when the Securities and Exchange Commission (SEC) announced it adopted rules to require resource extraction issuers to disclose payments made to governments for the commercial development of oil, natural gas or minerals. The rules, mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act Section 1504, were intended to further the statutory objective to advance U.S. foreign policy interests by promoting greater transparency about payments related to resource extraction. The regulation would substantially assist the implementation of USEITI. It defined "project" at the contract level and required the reporting of taxes. The SEC also, by separate order, determined that compliance with USEITI was "substantially similar" to the regulation, such that participation with USEITI, with some exceptions, would satisfy the requirements of the rule. The rules would become effective in 2018 with company reporting to begin in 2019.

The draft rule was discussed at a high level at the June 27-28 MSG meeting, with participants noting that:

- The definition of "project" in the SEC rule appears to have been drafted to align closely with EU and Canadian regulations.
- Throughout the rule, the SEC references the EU and Canadian regulations, as well as EITI and USEITI, in an apparent effort to align with these other entities.
- It seems that USEITI would be working at cross-purposes of this emerging consensus if it were to define "project" distinctly from these precedents.

The next MSG meeting was held on November 16-17, 2016, following US presidential and congressional elections in early November. Based on the election results and associated concerns about the future prospects of the SEC's rule for Section 1504, the MSG did not pursue further discussion about developing a process for company project level reporting and reconciliation at this meeting.

### 3. Assessment of performance against EITI requirements

*Provide an assessment of progress in meeting and/or maintaining compliance with each of the EITI requirements (requirement 7.4(a)(ii)). This should include any actions undertaken to prepare for implementation of the EITI Standard, including addressing issues such as revenue management and expenditure (5.3), transportation payments (4.4), discretionary social expenditures (6.1), ad-hoc sub-national transfers (5.2), beneficial ownership and progress against the roadmap (2.5), and contracts (2.4). The multi-stakeholder group may wish to conduct a requirement-by-requirement assessment using the table below, or use the pre-validation assessment tools to conduct a self-assessment of compliance with the EITI requirements. These tools are available here (add links and further details when these are updated)*

*The multi-stakeholder group may also consider peer reviewing progress in compliance with the EITI requirements with another EITI implementing country. This can be done by getting in touch with the peer country directly or with support from the International Secretariat.*

<b>Requirements:</b>	<b>Progress made against requirement in 2016:</b>
1.1 - Government engagement	<p>On September 20, 2011, while in New York for the United Nations General Assembly, President Barack Obama gave an address to the Open Government Partnership, where he committed to implement the EITI in the U.S.:</p> <p>“We’re continuing our leadership of the global effort against corruption, by building on legislation that now requires oil, gas, and mining companies to disclose the payments that foreign governments demand of them. Today, I can announce that the United States will join the global initiative in which these industries, governments and civil society, all work together for greater transparency so that taxpayers receive every dollar they’re due from the extraction of natural resources.”</p> <p>In October 2015, the Administration issued the third U.S. Open Government National Action Plan, which includes a wide range of actions to strengthen, deepen the U.S. commitment to an open government that is transparent and accountable. The National Action Plan commits the U.S. to continue to “work toward fully complying with the EITI standard, including publishing the first United States EITI report in 2015, and to achieve EITI compliance no later than 2017.”</p> <p>On October 25, 2011, the White House announced the appointment of the Secretary of the Interior (Secretary) as the senior U.S. official responsible for successful U.S. implementation of EITI. The Secretary delegated USEITI implementation responsibilities to the Assistant Secretary for Policy, Management and Budget to serve as National Coordinator and Chair of the MSG. The Deputy Assistant Secretary for Natural Resources Revenue Management, Paul Mussenden, who reports to the Assistant Secretary, was appointed Deputy National Coordinator and alternate Chair for USEITI and is tasked with the day-to-day management of USEITI implementation.</p> <p>Senior government officials from federal agencies (Department of the Interior,</p>



	<p>Department of the Treasury), states and inter-state bodies (State of Wyoming, State of California, Interstate Oil and Gas Compact Commission), and tribal governments (Blackfoot Nation, Choctaw Nation, Eastern Shoshone &amp; Northern Arapaho Tribes) all participated in MSG meetings in 2016. Please see Section 9 of this progress report for a detailed breakdown of government official participation.</p>
1.2 – Company engagement	<p>Companies are fully, actively, and effectively engaged in the USEITI process. More than ten different companies, along with three industry associations, represent the extractive industry sector on the USEITI MSG. These representatives are active participants in leading subcommittees and work groups and in participating in deliberations and decision-making. Please see Section 9 of this progress report for a detailed breakdown of industry participation.</p>
1.3 – Civil society engagement	<p>Civil society organizations are fully, actively, and effectively engaged in the USEITI process. More than fifteen different civil society organizations represent the civil society sector on the USEITI MSG. These representatives are active participants in leading subcommittees and work groups and in participating in deliberations and decision-making. Please see Section 9 of this progress report for a detailed breakdown of civil society participation.</p>
1.4 – Multi-stakeholder group	<p>The U.S. Government conducted outreach and established an MSG in 2012 consisting of eight representatives each from the industry and civil society sectors, along with alternates, and five representatives from the government sector, thereby leaving seats open for state and tribal representatives to join the government caucus. Since that time, two state representatives and three tribal representatives have joined the MSG.</p> <p>In 2016, there were three MSG meetings and three open nomination periods for individuals to represent stakeholder constituencies from government, civil society, and industry to fill current MSG member and alternate vacancies and to create a roster of candidates in case of future vacancies.</p> <p>During 2016, the MSG approved updated Terms of Reference for itself. These updated terms are intended to be more forward-looking than the previous ToR, which was drafted and agreed-upon at the inception of the MSG. The ToR includes provisions regarding the MSG’s role, responsibilities, and rights; the MSG’s role around approving work plans, EITI reports, and annual progress reports; and the MSG’s internal governance and procedures. The final, approved version of the 2016 ToR is available online at: <a href="https://www.doi.gov/sites/doi.gov/files/uploads/msg_updated_useiti_terms_of_reference_06282016.pdf">https://www.doi.gov/sites/doi.gov/files/uploads/msg_updated_useiti_terms_of_reference_06282016.pdf</a>.</p> <p>In August 2016, The Secretary of the Interior gave public notice in the Federal Register of the renewal of the United States Extractive Industries Transparency Initiative (USEITI) Federal Advisory Committee (Committee) to advise the</p>

	<p>Department on the implementation of the Extractive Industries Transparency Initiative, which requires governments to publicly disclose their revenues from oil, gas, and mining assets and for companies to make parallel disclosures regarding payments. (Federal Register /Vol. 81, No. 157 /Monday, August 15, 2016 /Notices).</p>
<p>1.5 – Work plan</p>	<p>The U.S. national objectives for implementing the EITI standard are rooted in the fundamentals of the Open Government Partnership, predicated on nobody having a monopoly on wisdom; the importance of civil society and the private sector having significant inputs into the decision making that governments do; and predicated on a philosophy that we have a responsibility to advance the interests of our citizens. The national objectives are to:</p> <ul style="list-style-type: none"> <li>• Increase citizen participation.</li> <li>• Increase collaboration.</li> <li>• Increase government transparency.</li> <li>• Enhance public access to information.</li> <li>• Improve management of public resources.</li> <li>• Give the public a more informed voice in shaping natural resource development.</li> </ul> <p>In addition to reconciliation, the U.S. has, as part of its EITI process, provided additional data where meaningful and feasible. These disclosures are intended to provide an unprecedented level of detail about revenue collections and reporting, demonstrating a robust and credible transparency framework. This additional data includes a publicly sourced narrative and unilateral disclosure of government revenue collection records.</p> <p><i>Consultation with key stakeholders, and endorsement by the MSG:</i>          The Work Plan Work Group, a sub-unit of the Implementation Subcommittee, developed and regularly updates the work plan. The work group is made up of members from all three sectors represented on the MSG. The USEITI MSG reviews the work group’s recommended work plan at each MSG meeting, revises it as needed, and endorses the updated work plan.</p> <p>The work plan is structured around measurable and time-bound activities to achieve the agreed objectives.</p> <p><i>Capacity constraints:</i>          There were no significant capacity constraints identified during 2016 in government agencies, companies, and civil society that would be an obstacle to effective EITI implementation.</p> <p><i>Scope of EITI reporting:</i>          The commodities deemed to be within the scope of USEITI and included in the 2016 USEITI report are oil, gas, coal, other leasable minerals, non-fuel minerals (such as hard rock, sand, and gravel), geothermal, solar, and wind. From this list, payments to the U.S. Department of the Interior for oil, gas, coal, other leasable</p>

minerals, and non-fuel minerals, where they meet the materiality definition agreed upon by the MSG, are independently reconciled. Payments (or payment information) from all in-scope commodities are unilaterally disclosed by the Department of the Interior. In the March 2016 MSG meeting, the MSG began discussions about forestry resources and other hard rock minerals for potential inclusion in the future USEITI reports. Government and company disclosure and third party reconciliation compare data from companies on their payments to the government with data from the government on revenues collected from the companies. The USEITI Second Annual Report in 2016 included a reconciliation of U.S. Department of the Interior revenues, such as rents, royalties, bonuses, and fees collected by the Bureau of Land Management (BLM), Office of Natural Resources Revenue, and the Office of Surface Mining Reclamation and Enforcement (OSM) for in-scope commodities within a reporting materiality threshold. The materiality threshold that the MSG has established balances the scale of reconciliation and the feasibility of compliance with the value of the collected data. The reconciliation process for 2016 reconciled approximately 80% of all revenues within the scope that DOI received.

*Legal or regulatory obstacles:*

There are a variety of legal obstacles to EITI implementation in the U.S., and plans to deal with these obstacles were included in the USEITI Candidacy Application. A summary of these obstacles and plans is as follows:

- **Potential legal obstacle 1:**

The Trade Secrets Act (TSA) governs the types of information that the U.S. government can disclose. So long as MSG proposals for defining company or project-level reporting are consistent with the TSA, DOI may disclose reported revenues at a company or project level to a third-party reconciler, and the information can then be made public.

**Plan to address obstacle 1:**

The second USEITI report, published in December 2016, followed the first part of Section 5.2e of the EITI Standard that states: “It is required that EITI data is presented by individual company, government entity and revenue stream.” With the U.S. Securities and Exchange Commission still deliberating about the rules under Section 1504 of the Dodd-Frank Act, the Company and Project Level Reporting Workgroup did not reach agreement about a definition for “project” in 2016.

- **Potential legal obstacle 2:**

Potential legal constraints were identified with respect to tax reporting: 1.) 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 applies; 2.) The Privacy Act of 1974 only allows the Internal Revenue Service (IRS) to gather information that is used for tax administration purposes. If the IRS were to collect information or develop new systems and processes for EITI, these actions would need to support tax administration objectives consistent with the Privacy Act.

**Plan to address obstacle 2:**

For the first two USEITI reports, the MSG requested that companies report the sum of all corporate income tax payments/refunds made in a calendar year by or on behalf of all of the companies included in the annual consolidated federal income tax return. In addition, the MSG encouraged companies to participate in reconciliation of their corporate income tax payments. With the U.S. Securities and Exchange Commission still deliberating about the rules under Section 1504 of the Dodd-Frank Act, the MSG opted to maintain the same approach to tax reporting and reconciliation for the 2016 USEITI Report as was used in 2015.

- **Potential legal obstacle 3:**

Rule 4.6 of the 2016 EITI Standard requires implementing countries to report on subnational revenues and payments from oil, gas, and mining. There are, however, significant practical barriers resulting from the size and complexity of the state extractive sector.

**Plan to address obstacle 3:**

USEITI reporting in the USEITI 2016 Report exceeded Rule 4.6's requirements by reporting 100% of extractives-specific revenues that the federal government collects and transfers to subnational entities, as the law requires. In addition, USEITI reporting partially complied with Rule 4.6's requirement to disclose material extractive revenues that subnational entities directly collect through a two-phased approach: under Phase I of USEITI's implementation of Rule 4.6, publically-available information about subnational entities extractives revenue collection was included in the 2016 USEITI Report; Phase II of Rule 4.6 implementation involves encouraging subnational entities to fully participate in USEITI through a voluntary "opt-in" process for future reports.

**Potential legal obstacle 4:**

The U.S. has a unique legal and political relationship with Native American Tribes and Alaska Native entities, as provided by our Constitution, Indian treaties, court decisions, executive orders, and federal statutes. As such, tribes must independently decide whether and how to participate in USEITI.

**Plan to address obstacle 4:**

The MSG intends to continue outreach with tribal governments and communities and will seek their input on whether and how to design a process for tribes to voluntarily participate and opt-in to reporting with tribal data. In the interim, USEITI reporting regarding revenues from tribal lands has been and will be limited to the unilateral and unreconciled disclosure of the aggregate revenues collected on behalf of the tribes, which the U.S. Department of the Interior (DOI) publishes annually under existing authorities.

At the November MSG meeting, the MSG decided to submit a request (on or before January 1, 2017) for extending Adapted Implementation to the EITI International Board in light of the barriers to getting all states

	<p>involved in USEITI. The document also notes that tribes are not subnational governments in the U.S. and USEITI does not believe they fall under the scope of EITI.</p> <p><i>Domestic and external sources of funding and technical assistance:</i> Per the USEITI Advisory Committee Charter, ONRR provides the financial support for the Committee. The committee charter specifies available funding of \$775,000 annually. This estimated amount includes funding for:</p> <ul style="list-style-type: none"> <li>• MSG Committee meetings.</li> <li>• Travel of MSG members to MSG meetings.</li> <li>• Use of a process facilitator to support the collaborative nature of the international EITI requirements.</li> <li>• Production of the USEITI report.</li> <li>• The cost associated with the Independent Administrator, as the international EITI requirements mandate.</li> </ul> <p>The committee charter is available at: <a href="https://www.doi.gov/sites/doi.gov/files/migrated/eiti/FACA/upload/2014-SIGNED-USEITI-Charter-8_13_14.pdf">https://www.doi.gov/sites/doi.gov/files/migrated/eiti/FACA/upload/2014-SIGNED-USEITI-Charter-8_13_14.pdf</a>.</p> <p><i>Be made widely available to the public:</i> Regularly-updated versions of the USEITI work plan are available at the U.S. government’s website for the USEITI process: <a href="http://www.doi.gov/EITI">http://www.doi.gov/EITI</a>.</p> <p><i>Be reviewed and updated annually:</i> The work plan is updated by the Work Plan Work Group, a subunit of the Implementation Subcommittee of the USEITI MSG, on a continual basis and at least as often as the holding of quarterly MSG meetings. At the November 2016 MSG meeting, the MSG provisionally approved the 2017 Work Plan with approval of final changes to the Work Plan made by the USEITI MSG Co-Chairs.</p> <p><i>Include a timetable for implementation that is aligned with the reporting and Validation deadlines:</i> The timetable for implementation included in the work plan is consistent with the reporting and validation deadlines that the EITI board established. USEITI submitted its first report to the Board in December 2015 and its second report to the Board in December 2016.</p>
<p>2.1 - Legal framework and fiscal regime</p>	<p>The 2016 USEITI Report provided a national overview of the legal framework (statute, regulation, policy) for the U.S. fiscal regime by commodity, including such items as fair market value determination for lease sales, royalty and tax rates, tax expenditures, and revenue policy provisions (royalty relief and other deferred revenues, such as the percentage depletion allowance). The 2016 Report highlighted changes to relevant laws, rules, and reports that have been made since the publication of the USEITI 2015 Report. In particular, the 2016 USEITI report described the latest status of the rulemaking process under Section 1504 of the Dodd-Frank Act and other laws, as appropriate.</p>

	<p>The 2016 USEITI Report also provided a national overview of the types of legal frameworks and fiscal regimes in the states that the MSG has identified as important for each commodity (including any exemptions for certain commodities). Relevant fiscal regulatory processes and pathfinders (links) to the states that have been identified as important for each commodity (including exemptions for certain commodities) were provided and focused on the states that the MSG prioritized.</p> <p>The 2016 USEITI Report also provided a general description of the federal fiscal and legal regime in the tribal context, including the flow and control of revenues, the approval process for extractive industry agreements on tribal land, and the processes that the federal government uses to track production and track and manage revenues, federal databases used to track production and revenues, and the kinds of information held in these databases. The report described the U.S. trust responsibility and confidentiality/proprietary constraints on tribal data.</p> <p>The 2016 USEITI Report included information about the legal frameworks and fiscal regimes in the three states that opted into USEITI in 2016: Alaska, Montana, and Wyoming. Future USEITI reports will also provide details for additional state or tribes that opt into participation in USEITI.</p>
<p>2.2 – License allocations Register of licenses and allocation of licenses</p>	<p>For oil and gas development on federal lands, the 2016 USEITI Report provided details about oil and gas leasing laws and regulations. The report links to the Bureau of Land Management’s onshore oil and gas leasing information at <a href="http://www.blm.gov/mt/st/en/prog/energy/oil_and_gas/leasing.html">http://www.blm.gov/mt/st/en/prog/energy/oil_and_gas/leasing.html</a> and the Bureau of Ocean Energy Management offshore oil and gas leasing information at <a href="http://www.boem.gov/Leasing/">http://www.boem.gov/Leasing/</a>.</p>
<p>2.3 – Register of licenses</p>	<p>The 2016 USEITI Report includes links to information on leasing and licenses from federal agencies. For example, the Bureau of Ocean Energy Management link provides offshore oil and gas lease sale information identifying the area, tract, company name, bid amounts and accepted bids (<a href="http://www.boem.gov/GOMR-Historical-Lease-Sale-Information/">http://www.boem.gov/GOMR-Historical-Lease-Sale-Information/</a>).</p> <p>The USEITI Report documented and explained the legal and practical barriers that exist in the United States to comprehensively disclosing license information and included a gap analysis of publicly available information and efforts to improve these systems where registers do not exist or are incomplete.</p> <p>The USEITI Report also provided an overview of DOI efforts to improve disclosure and transparency around the extractives industry. For example, the report includes links to regulatory reform efforts as a result of the Deepwater Horizon oil spill (<a href="http://www.boem.gov/Regulatory-Reform/">http://www.boem.gov/Regulatory-Reform/</a> and <a href="http://www.boem.gov/Reforms-since-the-Deepwater-Horizon-Tragedy/">http://www.boem.gov/Reforms-since-the-Deepwater-Horizon-Tragedy/</a>) and the National Commission on the BP Deepwater Horizon Oil Spill and Offshore</p>



	Drilling.
2.4 – Contracts	<p>The 2016 USEITI Report disclosed publically available contracts and licenses that provide the terms attached to the exploitation of oil, gas, coal, other leasable minerals, non-fuel minerals (such as hard rock, sand, and gravel), geothermal, solar, and wind.</p> <p>In addition, the report documented the government’s policy on disclosure of contracts and licenses that govern the exploration and exploitation of oil, gas, and minerals. The report also discussed possible reforms in this policy.</p>
2.5 – Beneficial ownership	<p>The USEITI Report described applicable federal and state laws that aim to prevent preferential treatment for private companies by federal or subnational government entities regarding leasing, terms, etc. These include conflict-of-interest laws, financial disclosure laws, competitive tendering, etc. The report also described U.S. laws and regulations regarding disclosing ownership of privately held companies.</p> <p>In addition, in May 2016, the U.S. Government announced new rules to increase transparency and disclosure requirements that will enhance law enforcement’s ability to detect, deter, and disrupt money laundering, terrorist finance, and tax evasion. Final U.S. Treasury Department regulations on “Customer Due Diligence” will enhance transparency and protect the integrity of the financial system by requiring financial institutions to know and keep records on who actually owns the companies that use their services. In addition, the Obama Administration has released draft legislation that would increase transparency into the “beneficial ownership” of companies formed in the United States by requiring that companies know and report their true owners.</p> <p>At the November 2016 MSG meeting, the USEITI MSG approved and agreed to submit the USEITI Beneficial Ownership Roadmap to the EITI International Secretariat. A link to the roadmap is available at:  <a href="https://www.doi.gov/sites/doi.gov/files/uploads/draft_bo_roadmap_10-30-16_clean.pdf">https://www.doi.gov/sites/doi.gov/files/uploads/draft_bo_roadmap_10-30-16_clean.pdf</a>.</p>
2.6 – State participation	State participation in the extractive industries does not give rise to material revenue payments in the United States as there are no domestic state-owned enterprises (SOEs) operating in the US extractives sector.
3.1 - Exploration	<p>The 2016 USEITI Report provided an overview of exploration activities and emerging trends, each in-scope commodity, and each commodity at national and subnational scales.</p> <p>Sector summaries provided an explanation of terminology and an overview of reputable data sources in a way that is designed for ordinary citizens who lack knowledge about the extractives industries and about governance systems for the extractives industries.</p>

3.2 – Production	The 2016 USEITI Report disclosed production data for calendar year and fiscal year 2015, the year covered by the USEITI Report, including production volumes and revenues broken down by states/regions and product types.
3.3 – Exports	The 2016 USEITI Report disclosed export data for calendar year 2015, the year covered by the USEITI Report, including total export volumes and export revenues federally and by state.
4.1 – Comprehensive disclosure of taxes and revenues	<p>Government and company disclosure and third-party reconciliation in the 2016 Report compared data from companies on their payments to government with data from government on revenues collected from companies. The report included a reconciliation of U.S. Department of the Interior revenues, such as rents, royalties, bonuses, and fees that Bureau of Land Management (BLM), Office of Natural Resources Revenue (ONRR), and Office of the Special Trustee for American Indians (OST) collect for in-scope commodities within a reporting materiality threshold.</p> <p>For the 2016 USEITI report, the MSG requested that companies report the sum of all corporate income tax payments/refunds made by or on behalf of all of the companies included in the annual consolidated federal income tax income return. In addition, the MSG encouraged companies to participate in reconciliation of their corporate income tax payments.</p> <p>Payments to DOI for oil, gas, coal, other leasable minerals, and non-fuel minerals, where they met the materiality definition that the MSG agreed upon, were independently reconciled for the 2016 USEITI Report. DOI also unilaterally disclosed payments (or payment information) from all in-scope commodities.</p> <p>The materiality threshold that the MSG established balanced the scale of reconciliation and feasibility of compliance with the value of the collected data. The reconciliation process was intended to start at a level that would reconcile approximately 80% of ONRR-collected natural resources revenues.</p> <p>Based on the materiality threshold that the MSG defined for reconciliation in the 2016 USEITI report, ONRR identified 41 companies for inclusion in the reconciliation. For the 2016 USEITI report, the MSG decided on a materiality threshold of ~\$37.5 million total annual revenues reported to ONRR by a parent company, including its subsidiaries. The MSG agreed on this threshold because it would allow 80% of ONRR’s revenues to be in-scope for the reconciliation. In the 2016 USEITI Report, 25 out of 41 in-scope companies participated in reporting and reconciliation of \$4.83 billion in non-tax revenues paid to the U.S. federal government. There were zero unresolved variances.</p> <p>Also in the 2016 USEITI Report, 12 out of a maximum of 38 applicable companies reported -\$308 million in corporate income taxes. These include all federal corporate income tax payments made to the IRS by a C-corporation and</p>

	<p>any tax refunds paid out by the IRS to the company. Amounts reported reflect a net amount of actual tax payments and tax refunds made or received during CY 2015, regardless of the period of activity to which the taxes relate. Additionally, the amount reported reflects total tax payments based on all of a company's income activities, not just those activities on federal lands. For in-scope companies that are not C-corporations, this revenue stream is not applicable.</p> <p>The MSG determined that all DOI bureaus that receive extractive-related revenues from companies meeting the materiality threshold are in-scope, and their revenues were included for reporting and reconciliation. Based on these criteria, the MSG identified the following government entities as in-scope for the USEITI reconciliation:</p> <ul style="list-style-type: none"> <li>• DOI bureaus, including: <ul style="list-style-type: none"> <li>○ Office of Natural Resources Revenue (ONRR)</li> <li>○ Bureau of Land Management (BLM)</li> <li>○ Office of Surface Mining Reclamation and Enforcement (OSMRE)</li> <li>○ Bureau of Safety and Environmental Enforcement (BSEE)</li> <li>○ Bureau of Ocean Energy Management (BOEM)</li> </ul> </li> <li>• Treasury Department agencies, including: <ul style="list-style-type: none"> <li>○ Internal Revenue Service (IRS)</li> </ul> </li> </ul> <p>These entities provided the data on the revenues collected from company payments for disclosure and reconciliation in the USEITI report. Even though the IRS is listed here, this agency cannot provide any data to USEITI for disclosure or reconciliation, due to federal privacy laws. However, seven companies did authorize the IRS to release data to the IA for reconciliation. The reconciliation yielded zero discrepancies.</p> <p>The MSG also determined that all payments that DOI received for in-scope commodities would be reported separately in a unilateral disclosure. ONRR published an initial online unilateral disclosure report in December 2014 as part of the release of a new online USEITI data portal and this unilateral disclosure was updated to include all DOI bureaus with the release of both the 2015 USEITI Report and 2016 USEITI Report.</p>
4.2 – Sale of the state's share of production or other revenues collected in-kind	There is no sale of the state's share (SOEs) of production or other revenues collected in-kind in the United States federal government.
4.3 – Infrastructure provisions and barter arrangements	Infrastructure provisions and barter arrangements do not give rise to material revenue payments in the United States.
4.4 – Transportation revenues	Revenues from the transportation of oil, gas, and minerals are not material in the extractive sector in the United States. As such, the USEITI Report did not disclose the revenues received from transportation activity.
4.5 – Transactions	Transactions related to state-owned enterprises do not give rise to material

related to state-owned enterprises (SOEs)	revenue payments in the United States.
4.6 – Sub-national payments	<p>As described in the USEITI request for adapted implementation, state participation in USEITI reporting is encouraged through a voluntary “opt-in” process, and publicly available state-level extractive industry data are disclosed in USEITI reports.</p> <p>In May 2015, the USEITI MSG provided the EITI Secretariat with a document titled “USEITI Update to the International Secretariat: Subnational Payments” that provided a three-tier plan for the inclusion of subnational payments in USEITI (EITI Standard Requirement 4.2(d)). The USEITI MSG formed the State and Tribal Opt-in Subcommittee to investigate the question of how USEITI can most effectively treat complicated subnational revenue streams and, more specifically, to design an “opt-in” approach for the engagement of subnational entities (as described in the U.S. Candidacy Application).</p> <p>The MSG identified increasing state and tribal participation in USEITI as a goal for 2016 and tasked the State &amp; Tribal Subcommittee with spearheading those efforts. The subcommittee conducted conversations and worked with state and tribal officials, some of whom are members of the MSG and the subcommittee, to encourage them to “opt in” to USEITI. Three additional states chose to opt in: Alaska, Montana, and Wyoming. All three states are among the 18 that the MSG prioritized in 2015 as centers of extractive industries activity in the U.S. The three states provided data on revenues, distribution of those revenues, and legal and fiscal governance of extractive industries, as well as the economic impact of extraction in their states.</p>
4.7 – Level of disaggregation	<p>The USEITI MSG decided that reconciled payment reporting in the 2016 USEITI Report should follow the first part of Section 4.7 of the EITI Standard that states: “It is required that EITI data is presented by individual company, government entity and revenue stream.” The MSG was unable to reach a consensus on a project-level reporting definition consistent with Section 4.7 in the necessary timeframe.</p> <p>The 2016 Report discloses federal non-tax revenues from natural resource extraction on federal land in 2015 by commodity, revenue type, and company.</p>
4.8 – Data timeliness	<p>USEITI submitted its first report in December 2015 and submitted its second report in December 2016.</p> <p>The first USEITI Report, published in December 2015, covered calendar year 2013 data. The second USEITI Report, published in December 2016, covered calendar years 2014-2015 data; only 2015 revenue data was reconciled.</p> <p>The MSG delegated the issue of determining the accounting period that the USEITI Report will cover to the Taxes and Accounting Period Workgroup of the Implementation Subcommittee. The workgroup recommended that the MSG</p>

	<p>adopt the calendar year as the accounting period for EITI reporting. The MSG formally adopted the calendar year as the accounting period for reporting at the September 2014 MSG meeting.</p>
4.9 – Data quality and assurance	<p><i>Audit standards</i></p> <p>The 2016 USEITI Report highlights the credible, independent audit process that exists in the United States. Companies and government agencies are each legally responsible for reporting accurate, verifiable payment data. Controls and standards help companies report correct data on the first attempt, and reports are verified after submission. Independent audits of financial statements, transactions, and systems also help ensure compliance with internal and external standards.</p> <p><i>Independent Administrator</i></p> <p>In August 2014, Deloitte was selected to perform the work of the Independent Administrator (IA) for the USEITI program in a manner consistent with the Terms of Reference (TOR) adopted by the MSG.</p> <p>The MSG endorsed the appointment of Deloitte &amp; Touche, LLC, as the IA during the MSG meeting on September 9, 2014. At the December 2014 MSG Meeting, both the IA and the MSG agreed upon the Independent Administrator’s TOR.</p>
5.1 – Distribution of extractive industry revenues	<p>The 2016 USEITI Report described the distribution of revenues from the extractives industry. The report included links to budget projections and structure, including contributions from the extractives industry and statistics on oil and gas revenues and the effect on the overall economy. The report referenced national revenue classification systems and international standards, including those of the International Monetary Fund (IMF), the Organization for Economic Cooperation and Development (OECD), and the IRS.</p>
5.2 – Subnational transfers	<p>Transfers between national and sub-national government entities related to the extractive industries do not give rise to material revenue payments in the United States. However, after collecting revenue from natural resource extraction, the Office of Natural Resources Revenue (ONRR) distributes that money to different agencies, funds, and local governments for public use. The 2016 USEITI Report discloses fiscal year 2015 disbursements to states and counties.</p>
5.3 – Revenue management and expenditures	<p>The 2016 USEITI Report provided information about how the U.S. Government Accountability Office and the Office of the Inspector General are responsible for ensuring accountability for responsible and efficient use of revenues from the extractives industry. In addition, a link to the budget of the U.S. government was included. Information was also provided pertaining to how oil and gas revenues are used for government programs/public services in the United States.</p> <p>The report includes an info-graphic of federal revenue disbursements by fund.</p>

	<p>For natural resource revenues from federal offshore locations, 27% of revenues from within 8(g) boundaries goes to the state from which the revenues originate; \$150 million goes to the Historic Preservation Fund; up to \$900 million goes to the Land and Water Conservation Fund; some goes to the federal agency that manages the area; and the remainder goes to the U.S. Treasury. For natural resource revenues from onshore federal lands, for most parts of the country, 49% goes to the state from which the revenues originate; 40% goes to the Reclamation Fund; some goes to the agency that manages the land; and 11% goes to the U.S. Treasury. For revenues from Alaska, 88.2% goes to the state. For revenues from Indian Country, 100% of revenues are returned to the tribes or individual Indian mineral owners. The public, through this visualization, is able to understand each of the special funds, the amounts of disbursements, and specifics about projects funded.</p> <p>The 2016 USEITI Report provided information that details the budgeting and auditing process for the United States government.</p> <p>The MSG’s approach for the 2016 Report included looking at the federal government and MSG-prioritized states and counties for extractives revenue as a percentage of total government revenues and in terms of trends over 10 years. For MSG-selected counties, the report provided a factual description of revenue sustainability, including U.S. Geological Survey / Energy Information Administration “proven” reserves and fiscal impacts related to public services and infrastructure (for instance, transportation/roads, water, reclamation, emergency services, etc.). The report explained the definition and the limitations of “proven” reserve estimates.</p> <p>The report included information on resource management and natural reserve assessments in the United States.</p> <p>The report also included information about future forecasts, such as World Bank forecasts, EIA short-term energy outlooks, and forecasts for commodity prices.</p>
6.1 – Social expenditures by extractive companies	<p>Social expenditures by companies are not mandated by law or contract in the United States.</p> <p>The 2016 USEITI Report illustrates the types of social expenditures made by extractive industry companies, along with other local benefits engendered by this economic activity, particularly in the county case studies.</p>
6.2 – Quasi-fiscal expenditures	<p>State participation in the extractive industries does not give rise to material revenue payments in the United States.</p>
6.3 – The contribution of the extractive sector to the economy	<p><i>Size of the extractive sector</i></p> <p>The 2016 USEITI Report disclosed the size of the extractives industries in absolute terms and as a percentage of gross domestic product (GDP), by commodity, at each of the following scales: national, federal, tribal, and</p>



subnational (when publically available). The availability of data varies from state to state and county to county.

For illustrative purposes, the report showed the two highest-grossing government revenue counties or county clusters (including all federal, state, and county revenues) for each of oil, gas, coal, copper, iron ore, and gold (twelve counties or county clusters in total), as well as the revenue/production data in each of those counties over the last 10 years. These counties and county cluster profiles will be carried over to subsequent USEITI reports to illustrate trends.

The 2016 USEITI report provided an estimate of informal sector activity.

#### *Total government revenues generated*

The 2016 USEITI Report disclosed the extractives industry's public revenues by commodity, including royalties, bonuses, fees, and other payments. For the 2016 Report, it was not be feasible to disclose tax revenue by commodity, as this information is generally not publicly available. Where revenues are associated with more than one commodity or activity (such as corporate income taxes), revenues were reported at a more aggregate level. Extractives industry revenues were also reported as a percentage of total government revenues.

#### *Exports*

The 2016 USEITI Report disclosed exports from the extractives industry in absolute terms and as a percentage of national exports.

#### *Employment*

The 2016 USEITI Report disclosed the following information about employment in the extractives industry:

- Direct employment (job numbers) in the extractives industry in absolute terms at the national level, in states that the MSG prioritized, and in the twelve counties/county clusters identified by government revenues/commodities, and MSG-prioritized tribal lands, to the extent that this data is available.
- Direct employment (job numbers) in the extractives industry as a percentage of total employment at the national level, in states that the MSG prioritized, and in the twelve counties/county clusters identified by government revenues/commodities, and MSG-prioritized tribal lands, to the extent that this data is available.

Direct employment data, defined as per the description of key extractive industry job types/categories, are defined by U.S. government sources (U.S. Census and Bureau of Labor Statistics).

#### *Regions*

The 2016 USEITI Report provided a complete breakdown of energy production by state.

7.1 – Public debate	<p>As part of its communications and outreach efforts, the MSG implemented a communications plan for the release of the 2016 USEITI Report.</p> <p>Key audiences for communications efforts included:</p> <ul style="list-style-type: none"> <li>• Reporting companies</li> <li>• Payor companies</li> <li>• Congress</li> <li>• News media/trade press</li> <li>• The general public</li> <li>• Non-profit organizations</li> <li>• Academics</li> <li>• State governments</li> <li>• Local governments</li> <li>• Tribal governments and native groups</li> <li>• The extractive industry, in general</li> </ul> <p>As part of its communications around the publication of the 2016 USEITI Report, the MSG:</p> <ul style="list-style-type: none"> <li>• Distributed the report in hard copy and through the USEITI Data Portal.</li> <li>• Made sure that the EITI Report is comprehensible.</li> <li>• Conducted outreach events.</li> <li>• Disseminated letters and press releases to key stakeholders, including a communications package.</li> </ul> <p>The MSG also leveraged the release of the first USEITI report to encourage state governments and tribes to opt into participating in USEITI.</p>
7.2 – Data accessibility	<p>The MSG made the first and second USEITI reports machine-readable and coded and tagged data files.</p> <p>In addition, the MSG:</p> <ul style="list-style-type: none"> <li>• Produced brief summary reports.</li> <li>• Summarized and compared the share of each revenue stream to the total amount of revenue that accrues to each respective level of government.</li> <li>• Designed the online report to make relevant information publicly accessible and user-friendly.</li> </ul>
7.3 – Discrepancies and recommendations from EITI Reports	<p>The USEITI MSG has diligently considered the IA’s feedback and recommendations and has taken steps to respond and improve its process and outcomes. A detailed account of these recommendations and resulting MSG actions is provided under question #4 “Overview of the multi-stakeholder group’s responses to the recommendations from reconciliation and Validation,” below.</p>

7.4 - Review the outcomes and impact of EITI implementation	The MSG is committed to publishing annual progress reports, including this document. All three sectors represented on the USEITI MSG had an opportunity to review and provide input for this annual report. In particular, the USEITI Co-Chairs and the members of the Implementation Subcommittee of the MSG reviewed drafts of the report.
---	--

#### 4. Overview of the multi-stakeholder group's responses to the recommendations from reconciliation and Validation, if applicable:

*In accordance with requirement 7.4 (a)(iii), provide an overview of the multi-stakeholder group's responses to and progress made in addressing the recommendations from reconciliation and Validation in accordance with requirement 7.3. The multi-stakeholder group is required to list each recommendation and the corresponding activities that have been undertaken to address the recommendations and the level of progress in implementing each recommendation. The MSG might wish to draw on the overview of progress with EITI reporting related recommendations compiled by the Independent Administrator. Where the government or the multi-stakeholder group has decided not to implement a recommendation, it is required that the multi-stakeholder group documents the rationale in the annual progress report.*

*The multi-stakeholder group may also wish to identify how the work plan has been updated to incorporate the recommendations.*

In the 2015 report, the IA made six recommendations to enhance USEITI, which can be read in full in last year's Executive Summary at <https://useiti.doi.gov/about/report/>. Work on each of the six recommendations has progressed in 2016.

2015 IA Recommendation	2016 Progress
<b>Scoping:</b> At the beginning of the 2016 reporting period, the MSG should thoroughly scope reporting companies, revenue streams, and commodities to be included in the 2016 USEITI report.	The MSG agreed on 12 in-scope revenue streams, 41 in-scope companies, and seven in-scope commodities.
<b>Reporting Entity Communication:</b> The MSG should consider additional outreach and communication channels regarding the USEITI reporting and reconciliation process. Specifically, the 90-day reporting period for the 2016 USEITI should extend to 120 days, with communication prior to that period. Webinars focused on tax reporting and reconciliation should be conducted (in addition to those on revenue reporting) for tax professionals at reporting companies and include U.S. Treasury and Internal Revenue Service (IRS) participation.	The MSG and the IA communicated with companies four times prior to the beginning of the reporting period, including four webinars that separately covered revenue and tax reporting and reconciliation. The webinars included U.S. Treasury participation and were held in Houston, Texas, and Denver, Colorado, with companies also able to participate online. Additional individual email outreach occurred as well. Industry peer-to-peer outreach through the American Petroleum Institute and the Independent Petroleum Association of

<p><b>Sample Approach for Data Reconciliation:</b> The MSG should consider alternative options for reconciliation that could satisfy the requirements of the EITI Standard with a lower investment of time and cost in the reconciliation process. Specifically, the IA should support the MSG in developing options for consideration by the EITI International Secretariat, including a sample-based reconciliation approach and the development of a portal in which reporting companies can confirm whether revenues reported as part of the unilateral disclosure match company records.</p>	<p>America supplemented MSG and IA efforts.</p> <p>The IA prepared a proposal for sampling, which was reviewed by the Implementation Subcommittee. The Implementation Subcommittee explored the sampling proposal, discussed alternate approaches, and recommended to the MSG that companies should continue to report in full for 2016 given USEITI had only one year of experience with reporting and reconciliation thus far.</p>
<p><b>Enhanced, Phased Rollout for the Online Report:</b> The MSG should increase the percentage of the contextual narrative that lives solely online, as well as create a phased rollout for future online content updates, preferably on a quarterly basis. Moving additional content online would allow for a more engaging and accessible presentation of the contextual narrative information.</p> <p>The MSG could implement awareness campaigns framed around quarterly updates to the online report, which could generate increased public engagement.</p>	<p>While the 2016 contextual narratives are summarized in the executive summary, the full USEITI contextual narrative content resides online. This emphasis on online content has been paired with the efforts of the Outreach &amp; Communications Subcommittee, which has worked to build awareness of the portal and its content. Additionally, content has been rolled out throughout the year—a practice that will continue.</p>
<p><b>Increased State, Local, and Tribal Contextual Narrative Content:</b> The MSG should increase state, local, and tribal contextual narrative content to provide citizens with the information most relevant to them and their local communities. In particular, the MSG should include information about legal and fiscal frameworks to portray different approaches to managing natural resources and extraction.</p>	<p>The State &amp; Tribal Subcommittee led efforts focused on increasing state and tribal participation, as well as increasing the information on state, local, and tribal governance of extractive industries in the contextual narrative. The IA created new contextual narrative sections covering legal frameworks, production, and fiscal frameworks (including revenue and distribution), along with the economic impact of extractive industries in those states that opted into USEITI during 2016: Alaska, Montana, and Wyoming. These sections enable comparisons between different states. Additionally, the 2016 online report includes updated information for the 12 county case studies covered in the 2015 USEITI report.</p>
<p><b>Determine Steps to Increase Company Reporting:</b> The MSG, with support from the IA, should discuss, consider, decide, and act upon steps to increase participation by companies in the USEITI reporting and reconciliation process for DOI revenues and corporate income taxes.</p>	<p>The MSG took a number of steps aimed at understanding and addressing barriers to participation and improving communication. Gaps were identified in communication at the executive level and in the tax departments of in-scope companies. As such, the U.S. government (the “Government”) distributed letters to the CEOs of all</p>

participating companies. The IA and MSG sought to identify tax contacts for each company and conducted webinars and presentations at industry events focused on tax professionals.
--

## 5. Any specific strengths or weaknesses identified in the EITI process:

*Provide a narrative account of efforts to strengthen EITI implementation, including any actions to extend the detail and scope of EITI reporting or to increase engagement with stakeholders (requirement 7.4(a)(v)).*

*The multi-stakeholder group may wish to include information about*

- how the scope of EITI reporting has been expanded to meet the objectives set out in the work plan;*
- efforts to ensure that the EITI Report contributes to increased public awareness in particular regarding the fiscal contribution of the extractives industry and how those revenues are allocated and spent;*
- efforts to build awareness and support, and to build capacity of the stakeholders; and*
- any weaknesses identified in the EITI process and any actions to address these.*

The USEITI process featured the following strengths in 2016:

- The MSG Co-Chairs worked very well together and exercised leadership in providing clear direction for the work groups and for the MSG and in their general approach and tone towards USEITI.
- The work groups were a strength in terms of their collaboration, hard work, and problem-solving orientation; and they facilitated decision making by the MSG by providing consensus-based recommendations to the larger body.
- Different sectors of the USEITI MSG were willing to revisit their assumptions about the intended scope of the USEITI report in response to requests for broader scope.
- Many members of the MSG took on responsibility for USEITI's work and put in a great deal of effort and time.
- The MSG employed evidence-based decision-making and evidenced a pragmatic orientation.
- The Office of Natural Resources Revenue (ONRR) provided data early for companies to review, which facilitated the reconciliation process.
- The USEITI Secretariat's hard work and organization was critical for the success of the process.
- Staff members of organizations with representatives on the MSG provided strong support.
- The Independent Administrator team from Deloitte worked diligently and contributed effectively.
- The neutral facilitation firm, the Consensus Building Institute, kept the USEITI process moving forward and helped the sectors reach agreement on contentious issues.

The USEITI 2016 Report featured the following key successes:

- The revenue reconciliation process demonstrated that the data included in the government's unilateral disclosure is accurate.
- The information included in the contextual narrative about the robustness of revenue collection and auditing mechanisms in the United States articulates why the U.S. Report achieved 100% reconciliation.

- The County Narratives could be very useful for stakeholders in resource-intensive communities and add an interesting dimension to the report.
- The USEITI Report unites production data for federal oil and gas, and other minerals, in one place.
- The USEITI Report presents data about the economic impact of the extractives industries in 18 key states.
- With the exception of corporate income taxes, the 2016 Report come very close to fully meeting the requirements of the EITI Standard.
- The USEITI Report uses infographics to help illustrate complex information.
- USEITI's rich, interactive, web-based report sets a gold standard for other countries.

With the publication of its 2016 Report, USEITI has built on its work since 2013 in synthesizing information about the extractives industries from disparate publicly available data and contextual information sources, modernizing the presentation of this data, and making it all easily available to the public in a user-friendly, interactive format. Furthermore, by creating an inviting entry point to learning about the extractive industries, the USEITI Report provides an easy and welcoming pathway for users to access additional data that is available through diverse government websites.

USEITI has expanded the scope of EITI reporting through the use of unilateral disclosure. Under this mechanism, the MSG has determined that the U.S. Department of the Interior (DOI) will report all payments that it receives for in-scope commodities as a complement to company reporting and reconciliation. As part of the release of the 2016 USEITI Report, DOI included calendar year 2014 and 2015 revenue data disaggregated by company.

USEITI also expanded the scope of EITI reporting in its 2016 Report by updating information about the two highest-grossing government revenue counties or county clusters (including all federal, state, and county revenues) for each of oil, gas, coal, copper, iron ore, and gold (twelve counties or county clusters in total), as well as the revenue/production data in each of those counties over the last 10 years. These counties and county cluster profiles will be carried over to subsequent USEITI reports to illustrate trends.

In addition, in an effort to improve public understanding and inform discussions around extractive industries in the United States, USEITI developed new contextual narrative sections for the 2016 USEITI report. In addition to the state opt-in section, the report covers the Abandoned Mine Land (AML) Reclamation Program, U.S. audit and assurance practices and controls, and the Coal Excise Tax.

Pursuant to the U.S. commitment to the principles underlying EITI and the Open Government Partnership, USEITI released the 2016 USEITI Report, available at: <https://useiti.doi.gov/>, in December 2016. The report provides a valuable resource for data and contextual information about extractives industry in the U.S. In addition to the reporting, reconciliation, and contextual aspects of the report, the U.S. government unilaterally disclosed calendar year 2014-2015 revenues paid to and collected by U.S. Department of the Interior bureaus by company, revenue type, and commodity. The online report's user-friendly, interactive design allows members of the public to easily navigate and access information and data. The report website is also a premier resource for credible data and information – all published under an open license – on extractive resources published by other federal agencies, such as the Energy Information Administration (EIA) and the U.S. Census Bureau. The report's data sets and visualizations can also be reused for strategic reporting, re-posting, and sending through social media, thus further informing the debate on the extractives industry.



The MSG's communications focus for December 2016, when it released the second USEITI report, was to achieve a concrete demonstration of a new level of transparency in the United States regarding the extractives industry's revenues that is credible, substantive, easily understood, engages the public, increases collaboration across sectors, enhances international credibility, and furthers understanding of the extractives industry in the United States. In support of the publication of its second report in December 2016, the USEITI MSG has conducted the following types of outreach activities:

- Distribute the report in hard copy and online.
- Ensure that the EITI Report is comprehensible.
- Conduct outreach events.
- Disseminate letters and press releases to key stakeholders, including a communications package.

USEITI has engaged in a number of activities to build awareness and support about USEITI. Target audiences include:

- Reporting companies
- Payor companies
- Congress
- News media/trade press
- The general public
- Non-profit organizations
- Academics
- State governments
- Local governments
- Tribal governments and native groups
- The extractives industry, in general

In 2016, the MSG used the following methods of communication to build awareness and support of USEITI:

- Letters to key constituencies, including reporting companies, tribes, and state governors
- Fact sheets containing both general information and tailored information for specific audiences
- Press releases, for example, around the release of the USEITI 2016 Report
- Press conferences, for example, around the release of the USEITI 2016 Report
- Notices in the Federal Register
- Briefings, for example, to Members of Congress and their staff
- Personal outreach, for example, to tribes
- Meetings with key stakeholder groups
- Presentations at meetings or conferences; four conferences, targeting both states and tribes
- Websites, including the USEITI website, to post materials to keep stakeholders abreast of the MSG's work and other developments, and the USEITI 2016 Report website

## 6. Total costs of implementation:

*The multi-stakeholder group may wish to include information about costs of implementation. This could include a comparison of outturn costs with the work plan costs, broken down by contributor and budget lines. It could also include information about the number of staff in the national secretariat.*

The table below presents the anticipated budgets for various items related to the implementation of USEITI in 2016, as well as information about how actual expenses have compared to the budgeted amounts for each line item.

	<b>FUNDING 2016</b>	<b>OVER / UNDER / WITHIN</b>
<b>COMMUNICATION, OUTREACH AND ENGAGEMENT:</b>		
Regular MSG Meeting	\$90K-\$120K	UNDER
Facilitator Support	\$120K-\$150K	WITHIN
State and Tribal Outreach Meetings	\$90K-\$120K	UNDER
Conduct Public Outreach	\$40K-\$110K	UNDER
Conduct Subnational and Tribal Outreach	\$40K-\$110K	UNDER
<b>PRODUCE INTIAL USEITI REPORT: INCREASE GOVT TRANSPARENCY, ENHANCE PUBLIC ACCESS TO INFORMATION</b>		
Independent Administrator	\$900K-\$1.088 mil	WITHIN
<b>Total</b>	<b>\$1.28mil- \$1.558mil</b>	<b>WITHIN</b>

In addition to the direct costs indicated above, the U.S. Government has dedicated three equivalent full-time employees to the USEITI Secretariat for supporting the MSG and the implementation of USEITI. In addition, representatives from multiple government agencies are supporting the USEITI initiative as MSG members, advisors, and subject matter experts.

**7. Any additional comments:**

None at this time.

**8. Has this activity report been discussed beyond the MSG?:**

*In accordance with requirement 7.4.b, all stakeholders should be able to participate in the production of the annual activity report and reviewing the impact of EITI implementation. Civil society groups and industry involved in EITI, particularly, but not only those serving on the multi-stakeholder group, should be able to provide feedback on the process and have their views reflected in the annual activity report.*

*This is an opportunity for MSGs to improve ownership of their process and to ensure that the EITI becomes more firmly rooted in broader country reform processes. Countries may wish to outline any broader exercises involving other stakeholders including civil society and companies, and how they were invited to feedback on the process and ensure that their views were reflected in the review.*

All three sectors represented on the USEITI MSG had an opportunity to review and provide input for this annual report. In particular, the USEITI Co-Chairs and the members of the Implementation Subcommittee of the MSG reviewed drafts of the report.

**9. Details of membership of the MSG during the period** (including details of the number of meetings held and attendance record):

Many professionals representing the MSG have made valuable contributions to the United States in supporting the implementation of USEITI. We would like to acknowledge their hard work and dedication. The following list provides a full account of membership in the USEITI MSG in 2016, including those who joined and departed the MSG during the year, as well as their attendance at 2016 MSG meetings.

Civil Society Sector	Appt. Type	Organization	Jan 2016	Mar 2016	Jun 2016	Nov 2016
Rebecca Adamson	Primary	First Peoples Worldwide	x			
Danielle Brian	Primary Co-Chair	Project on Government Oversight	x	x	x	x
Paul Bugala (org. change 11/2016)	Primary	George Washington University	x	x	x	x
Michael LeVine	Primary	Oceana	x	x		x
Lynda Farrell	Primary	Pipeline Safety Coalition				x
Keith Romig, Jr.	Primary	United Steelworkers	x	x	x	
Michael Ross (org. change 06/2016)	Primary	Revenue Watch Institute/Natural Resources Governance Institute	x		x	
Veronica Slajer	Primary	North Star Group	x	x	x	x
Betsy Taylor	Primary	VA Polytechnic Institute and State University		x		x
Neil Brown	Alternate	The Lugar Center	x	x		
Jennifer Krill	Alternate	Earthworks	x			

Jana Morgan	Alternate	Publish What You Pay	x			x
Isabel Munilla	Alternate	Oxfam America	x			x
Daniel Dudis	Alternate	Public Citizen		x	x	x
Zorka Milin	Alternate	Global Witness		x		x
David Chambers	Alternate	Center for Science in Public Participation			x	

Industry Sector	Appt. Type	Organization	Jan 2016	Mar 2016	Jun 2016	Nov 2016
Phil Denning	Primary	Shell Oil Company	x	x	x	x
Michael Gardner	Primary	Rio Tinto	x	x	x	
Veronika Kohler	Primary Co-Chair	National Mining Association	x	x	x	x
Johanna Nesseth Tuttle	Primary	Chevron	x	x	x	x
Cartan Sumner	Primary	Peabody Energy	x			
John Harrington	Primary	Exxon Mobil Corporation		x	x	x
Susan Ginsberg	Primary	Independent Petroleum Association of America		x		x
Michael Blank	Primary	Peabody Energy				x
Stella Alvarado (Appointed to Primary from Alternate 06/2016)	Alternate/ Primary	Anadarko Petroleum	x	x	x	x
Chris Chambers	Alternate	Freeport-McMoRan Copper & Gold Inc.	x	x	x	
Nick Cotts	Alternate	Newmont Mining	x	x		
Aaron Padilla	Alternate	American Petroleum Institute	x	x	x	x
David Romig	Alternate	Freeport-McMoRan Oil & Gas	x	x		x
Nicholas Welch	Alternate	Noble Energy Inc.		x		
Edwin Mongan	Alternate	BHP Billiton Petroleum				x

<b>Government Sector</b>	<b>Appt. Type</b>	<b>Organization</b>	<b>Jan 2016</b>	<b>Mar 2016</b>	<b>Jun 2016</b>	<b>Nov 2016</b>
Curtis Carlson	Primary	Department of the Treasury	x	x	x	x
Greg Gould	Primary Co-Chair	Department of the Interior	x	x	x	x
Julie Lenoir	Primary	Black Feet Nation	x			
Mike Matthews	Primary	State of Wyoming – Department of Audit/Mineral Audit Division	x	x	x	x
C. Michael Smith	Primary	Interstate Oil & Gas Compact Commission		x		x
Claire Ware	Primary	Eastern Shoshone & Northern Arapaho Tribes		x		
Jim Steward	Alternate	Department of the Interior	x	x	x	x
Bruce Barnett	Alternate	Choctaw Nation	x			
Marina Voskanian	Alternate	California State Lands Commission	x			

In addition to the USEITI MSG members, many other individuals made valuable contributions to USEITI. Listed below are the individuals who made presentations or led discussions at MSG meetings in 2016 as well as individuals who made public comments.

**Presentations and Significant Contributions Made by Non-MSG members:**

<b>January 2016 MSG Meeting</b>	<b>March 2016 MSG Meeting</b>	<b>June 2016 MSG Meeting</b>	<b>November 2016 MSG Meeting</b>
Kris Sarri, DOI	Kris Sarri, DOI	Kris Sarri, DOI	Kris Sarri, DOI
Judy Wilson, DOI	Paul Mussenden, DOI	Judy Wilson, DOI	Paul Mussenden, DOI
Isabelle Brantley, Deloitte	Judy Wilson, DOI	Paul Mussenden, DOI	Judy Wilson, DOI
Alex Klepacz, Deloitte	Isabelle Brantley, Deloitte	Chris Mentasti, DOI	John Cassidy, Deloitte
	John Cassidy, Deloitte	Sarah Platts, Deloitte	Luke Hawbaker, Deloitte
	Alex Klepacz, Deloitte	Luke Hawbaker, Deloitte	Alex Klepacz, Deloitte
	Luke Hawbaker, Deloitte	Alex Klepacz, Deloitte	John Mennel, Deloitte
	Sarah Platts, Deloitte	John Mennel, Deloitte	Sarah Platts, Deloitte

	Kurt Schultz, Deloitte	John Cassidy, Deloitte	Kent Shultz, Deloitte
	Jonas Moberg, EITI International Secretariat	Kurt Schultz, Deloitte	Michelle Hertzfeld, GSA 18F
	Sam Bartlett, EITI International Secretariat	Jen Smith, Deloitte	Corey Mahoney, GSA 18F
		Andrew Varnum, Deloitte	Mary Warlick, US Department of State

**Public Comments Made:**

January 2016	March 2016	June 2016	November 2016
			Henry Salisman (Navajo Nation)

Approved by MSG Co-Chairs:



Greg Gould - Government Sector



Danielle Brian – Civil Society Sector



Veronika Kohler – Industry Sector

Date:

6/22/17