

EITI 2007 Workplan and budget

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1. Introduction

1.1 EITI continues to undergo rapid change. The important work of the International Advisory Group (IAG) - developing a governance structure, validation system and priorities for the coming years - was concluded in 2006. At the EITI conference in Oslo in October 2006, the recommendations of the IAG were adopted and the EITI Board was established. The Board held its first meeting at UN Headquarters in December 2006.

1.2 With the Board's decision that the independent EITI Secretariat should be established in Oslo, a transition process began at the end of 2006. While much attention in early 2007 is required for the establishing of the new secretariat, it is critically important for the initiative's credibility that validation procedures, implementation and outreach activities continue to evolve uninterrupted.

1.3 The transition organisation and the new Secretariat will work with the current Secretariat, the Chairman, the Board, the World Bank and other relevant institutions to undertake activities seeking to ensure that EITIs momentum continues.

1.4 This requires a twin-track approach:

- i. **Support to and validation of EITI implementation;** A rapid and effective introduction of the EITI's validation policy is of particular importance. Close collaboration with the World Bank and other organizations contributing to the implementation of the EITI is essential.
- ii. **Strategic policy work; to increase understanding of, and engagement in, EITI;** a priority being to make progress in engagement of key emerging economies.

1.5 Outreach activities, and political initiatives such as the UN General Assembly resolution, should be supported by the secretariat and be given high priority.

1.6 The purpose of this workplan for 2007 is to identify EITI's main priorities and activities. To draw on opportunities that arise, flexibility is also required and this workplan should be regarded as indicative. The plan contains a draft budget for EITI's activities for 2007 at Annex A. Once the new secretariat is fully functioning, it will develop a workplan for 2008 that will be put to the Board for approval before the end of 2007.

1.7 This workplan for 2007 includes indicative resource requirements, expressed as a percentage of a full-time employee's available time. As of the planning and reporting cycle 2008, it is suggested that performance indicators are developed. This workplan has been prepared by the Secretariat, in consultation with the Chairman and Tormod Endresen.

2. Transition of the Secretariat

- 2.1 DFID will host the Secretariat until the new organization in Oslo is able to take over responsibilities.
- 2.2 During the first half of 2007, the Norwegian hosts will:
- i. prepare the legal and financial arrangements for the new organization (first quarter);
 - ii. arrange for a location and prepare other practical matters (first quarter);
 - iii. recruit an intermediary transition team to lead on practical matters in Oslo (first quarter);
 - iv. oversee the initial recruitment process (liaising with the current secretariat and the Board Sub-Committee on selection);
 - the process of recruiting a head of secretariat is likely to take until late April, with a start date for the Head in June 2007;
 - the process of recruiting other staff will start shortly after recruitment of the Head of Secretariat starts; and
 - v. work with the current Secretariat to take on particular work areas of EITI, including, for instance, outreach events (e.g. coordinating EITI session at the Oil and Gas Conference in Baku in June).

Transition and establishment of the new Secretariat - resource requirement

It is estimated that the equivalent of one (100 %) employee working full-time will be required in 2007 for the establishing of the Secretariat, recruitment of staff and on-going management.

3. Validation

3.1 Validation is critical to the credibility of EITI. The Secretariat will work with the Board and its validation Sub-Committee to create an approved list of validators, and with implementing country members to initiate validation, with a particular emphasis in 2007 on implementing country members of the EITI Board.

3.2 Adverts inviting Expressions of Interest (Eoi) from potential validators were placed in the Official Journal of the European Union, The Economist magazine and on the DFID and EITI websites in December 2006, with a deadline of 17 January. 14 Eols were received. A screening by the Validation sub-Group has identified a

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shortlist of candidates to be invited to submit full tenders by the end of March. The final list of validators will be ready by April 2007.

Validation - resource requirements

The Secretariat will continue to manage the Validation process until the third quarter 2007. Under the new Secretariat, the management and coordination of the validation process will amount to **50 %** of one full-time equivalent staff member.

4. Non-implementation and implementation support

4.1 During the first half of 2007 the Secretariat, working with the Chair, Board and World Bank, will liaise with implementing countries to alert them to the new management arrangements and to the agreed validation methodology. The Secretariat and the World Bank will offer support to the countries which have committed to implement EITI to achieve the four initial stages. The Secretariat will prepare a discussion paper for the Board to decide the de-listing policy for those who do not achieve the four initial stages in an acceptable period of time.

Non-implementation and implementation support - resource requirements

Up to the equivalent of **50 %** of a full-time secretariat employees' available time is considered to be needed to liaise with the World Bank and others, to draft letters on behalf of the Secretariat and the Chairman and undertake other related activities planning and engaging with non-implementing countries and engaging in implementation support.

5. Communication

5.1 During the first half of 2007 the current Secretariat and the World Bank, working closely with the Chairman, will continue to manage EITI communication activities. This includes hosting and maintaining the website, undertaking media related activities and the production of the EITI Newsletter.

5.2 All communications work will be consolidated at the new Secretariat, and be developed in consultation with the Chairman and the Board. The Secretariat should produce a Communications Strategy in the third quarter of 2007.

Communication – resource requirements

The development of a new website, managing the website, producing newsletters, press releases and contributing towards outreach materials will require the equivalent of (**100 %**) of a fulltime employee.

6. Outreach and policy priorities

Overall approach

6.1 The interim organization endeavours to support the Chairman, Board Members and friends of the EITI in outreach activities in accordance with the priorities expressed in the report of the IAG and as decided by the Board. (See Annex B for further information) In broad terms these priorities are:

- i) to engage key potential supporting countries in EITI – with the main target group being major emerging markets including **China, Russia, India and Brazil**; (See Annex C)
- ii) to encourage poorer performing implementing countries towards proper implementation of EITI; and
- iii) to include countries from regions which are currently underrepresented.

6.2 It is also suggested that a fourth category of priority countries is added containing countries close to signing up and whose support and implementation would be highly influential to others, for example Indonesia.

6.3 These criteria should be taken into careful consideration in planning outreach activities. They should be adhered to unless exceptional strategic opportunities present themselves for outreach to other countries.

7. General Assembly Resolution

7.1 Azerbaijan has volunteered to table a United Nations General Assembly Resolution with the aim of adoption within the next session of the UN General Assembly, opening September 2007.

7.2 Two tracks of work are required to ensure the successful adoption of a resolution expressing support for the EITI:

- Drafting of the resolution: agree objective, core components etc. This will be led by the Government of Azerbaijan, working with Board members to achieve a draft supported by all Board Members.
- Outreach: efforts will involve work by all Board members, and particularly represented governments, to promote the resolution, including by e.g. establishing a friends of EITI Group at the UN in New York, engaging with the G77, working with key emerging markets and raising the profile in the EU, US and Japan.

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7.3 The Secretariat will work with the Government of Azerbaijan and the Chairman on a paper to be circulated to the Board in advance of the second Board meeting.

Outreach and policy priorities – resource requirement

The undertaking and planning of outreach activities and providing support of the Chairman's and other's outreach activities is estimated to **250 %** full-time equivalent employee time. As per the attached budget, one member of the Secretariat will be based in Berlin to support the Chairman with writing letters, articles and the planning and follow-up of in-country visits and other outreach activities.

7.4 The effective implementation of the EITI is dependent on a close collaborative relationship between the EITI Secretariat and the World Bank. The Secretariat will in consultation with the Chairman continue to work together with the World Bank on the finalizing of a Memorandum of Understanding between the EITI and the Bank, acting on behalf of the Multi-Donor Trust Fund. This draft MoU will be presented to the Board no later than at the Second Board Meeting.

7.5 The Secretariat will liaise with the World Bank about implementation and outreach activities, such as communications by the Chairman to implementing countries and other efforts seeking to ensure effective implementation.

8. Board

8.1 The Secretariat will work with the Chairman and Board to develop policy, draft papers, prepare agendas, oversee translation of documents and make other practical arrangements for Board meetings.

Board support – resource requirement

The current Secretariat will continue to provide Board support during the 2nd quarter and, possibly also during the 3rd quarter. It is estimated that the equivalent of **130 %** of one staff member is required for the future organization to support board-related activities. It is recognized that there is considerable overlap of this Board support, management of the Secretariat and outreach activities undertaken by the Secretariat. Again, a more detailed workplan should be developed at the end of 2007, once the composition of the new Secretariat is clear.

9. Funding-related activities

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9.1 The Secretariat will support the Board and its Finance Sub-Committee to agree a proposal for future funding of the Board and Secretariat. This proposal will be put to the Board no later than at the second Board meeting. The Secretariat will then facilitate the receipt of contributions from the stakeholders. To this end, the

9.2 Secretariat will develop materials, targeted funding requests and seek to ensure that timely contributions are made.

Funding-related activities – resource requirements

Ensuring that adequate funding is available for the Secretariat will require the equivalent of **20 %** of a full time employee's available time. Should the Board decide on elaborate funding arrangements, for instance requiring contributions from every stakeholder, further resources may be required.

10. Resource requirements – summary

- Transition and Management	100 %
- Non-implementation	50 %
- Validation	50 %
- Communication	100 %
- Outreach, representations including	
- support of chairman	250 %
- Board support, including policy development	130 %
- Funding-related activities	20 %

Total equivalent of 700 % of one full-time employee,
ie. 7 employees, including one person based in Berlin.

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Annex A

1. Preliminary Budget

1.1 The current budget arrangement, with DFID providing financial, staff and other resources will continue until March 31. From April 1, the main cost centre will be held in Oslo (initially by the Ministry of Foreign Affairs, on behalf of EITI), although DFID may continue after April 1 to fund some DFID-related activities according to current arrangements. Transfer of the Norwegian support for 2007 will be done before April 1. All estimates are in USD. As most costs will be in NOK, reservations have to be made for significant changes to the exchange rate.

2. Total estimated costs April 2007- December 2010 USD 10 500 000.

Estimated costs	2007 (9 Months)	2008	2009	2010
Staff related costs				
Secretariat Staff 1)2)	620 000	1 500 000	1 500 000	1 500 000
Travel costs Chairman and Secretariat staff	50 000	100 000	100 000	100 000
Administration costs				
One-off establishing costs 3)	250 000			
Board meetings	40 000	60 000	60 000	60 000
Office costs – Oslo 4)	150 000	260 000	260 000	300 000
Chairman's support 5)	50 000	100 000	100 000	100 000
Projects/consultants	100 000	100 000	100 000	100 000
Outreach costs				
Conferences 6)	150 000	300 000	200 000	300 000
Communications materials, website	60 000	100 000	100 000	100 000
Outreach travel	100 000	200 000	200 000	200 000
Outreach meeting costs	100 000	100 000	100 000	100 000
Contingency	100 000	100 000	100 000	100 000
Total	1 720 000	2 960 000	2 860 000	2 960 000

- i. The Secretarial staff cost estimate is based on that the average starting date for the seven staff being 1 August. A more detailed salary and compensation plan for all staff is to be developed by Tormod Endresen in consultation with the selection committee and the Chairman, to be ready no later than 8 April.

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- ii. The Chairman requests that one professional secretariat staff member is primarily based in Berlin, tasked with assisting him in the execution of his duties.
- iii. One-off costs include legal fees, recruitment support and transition team costs.
- iv. The pledge from Norway includes the provision of free office space. It is foreseen that administrative, human resource and internal accounting support will be provided at a cost of 10 per cent of total secretariat budget. Office costs also includes an allowance of 15 000 for miscellaneous office costs.
- v. This includes cost of office, communications and for a short-term part-time coordinator.
- vi. The projected cost of conferences in 2007 includes a planned meeting in Geneva in conjunction with the UN Global Compact Summit, the possibility of an expert meeting focused on mining companies and an EITI-hosted meeting in Beijing or Shanghai.

Annex B

1. Outreach priorities and agenda 2007

1.1 The priorities outlined in section 6 of the Workplan are:

- i. to engage key potential supporting countries in EITI – with the main target group being major emerging economies including China, Russia, India and Brazil;
- ii. to encourage the poorer performing implementing countries towards proper implementation of EITI; and
- iii. to include countries from regions which are currently underrepresented.

Plus countries close to signing up and whose support and implementation would be highly influential to others, for example Indonesia.

1.2 In line with these, the Secretariat in consultation with the Chair proposes the following as an initial set of outreach activities during 2007. As strategies on for example, the BRICs, support to poor performing countries and engagement with under-represented regions develops, the Secretariat will put further proposals to the Board.

2. Outreach to large emerging economies including Brazil, Russia, India and China (BRIC)

2.1 The Secretariat has developed a position paper on engaging BRICs in EITI, attached at annex C. Based on this paper the Secretariat makes suggestions, below, for the Board to consider in terms of priority setting.

2.2 Overall, this is a significant and evolving agenda. The Secretariat suggests therefore that the Board discusses and agree priorities for **the next year** with a view to reviewing progress and changing circumstances **on a six monthly basis**.

2.3 Given the impact that securing China's support to EITI is likely to have both in terms of the overall initiative and the encouragement that this might give to others to join (Brazil in particular), the Secretariat suggests that China remain the priority focus for pro-active efforts over the coming months. Some targeted activities with Brazil are also proposed, with awareness raising in India and outreach through company links. The Secretariat suggests that outreach to Russia for the time being should respond to opportunities which arise. In addition, some of the overall engagement mechanisms should be pursued, such as support for possible German conference on EITI later in the year, the UNGA Resolution on EITI, and production of country specific EITI Communications materials. On this

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basis, we would suggest the following priority activities over the coming year (with reference to Annex C):

- i. Board Members provide the Chair with expressions of interest to join China Working Group. China Working Group convenes by end April to agree TOR and priority next steps, including considering the merits of hosting 2008 EITI conference in Beijing;
- ii. Board considers establishing a Working Group on Brazil - encouraging implementing country membership to lead on dialogue with Brazilian Government on support for EITI;

2.4 Non-Board member supporters of EITI with particular regional interests, should also be invited to join the groups. Working Groups could consider developing simple country engagement strategies, which might cover the following:

- identification of relevant companies and government institutions
 - supporting companies, governments, investors and civil society organisations that have particular interest in the country concerned.
 - the levers and arguments of particular relevance for the country concerned.
 - Preferred outreach actions, including high-level visits and political representation, in-country workshops, thematic conferences, adapted and translated materials and meetings to stimulate peer-to-peer learning.
- i. Chair visits Brazil for meetings with Lula on EITI;
 - ii. Secretariat follows up links with the state-owned Oil and Natural Gas Corporation (ONGC) Videsh Ltd (OVL) - ONGC Videsh Board considers Working Group on India;
 - iii. Board agrees to support UNGA resolution as means of engagement with MEEs as a whole, and supports Azerbaijan's efforts in this direction;
 - iv. EITI supports the German Government in preparations for the Global conference on transparency in the extractive sectors in late 2007 – as a means of engaging with the major emerging economies - and makes this a priority action in its outreach plan. (*In practice this means dedicating Secretariat time to support organisational arrangements; choice of location; decisions on agenda; sourcing of speakers; outreach to potential attendees*);

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- v. Secretariat builds on country-specific, targeted EITI marketing materials such as the Fact Sheet developed for Chinese (and Indian) Government and Industry engagement;
- vi. Board/Secretariat considers how links with G20 and IBSA might be enhanced to encourage greater BRIC engagement in EITI;
- vii. On Russia, Secretariat maintains watching brief on Sakhalin II discussions – especially regarding EBRD role.

3. Activities Already Underway

3.1 The Chairman is establishing a working group to consider and plan for a **Chinese** initiative. Board members will be invited to join this working group. Chris Patten and Huguette Labelle have also expressed interest in supporting EITI-efforts in China. It is foreseen that an EITI-meeting may be organized in Beijing during the fourth quarter 2007. The Chairman is also considering how to best profile the EITI during the **German presidency of both the G8 and the EU**. His invitation to the German Ministry for Foreign Affairs to co-host an outreach G8/EITI seminar in Berlin on April 12 has been accepted. This meeting may have a particular focus on **China**. The Norwegian Prime Minister Jens Stoltenberg is visiting Beijing in February and it is envisaged that engagement in EITI will be discussed in the bilateral consultations. The African Development Bank will host its annual general meeting in Shanghai on May 14-16 and the Chairman has been invited to make a keynote address and EITI to collaborate on a workshop.

3.2 The German Government is in contact with the Chairman and the Secretariat about the planning – as part of the G8 presidency - of **a major international conference** on revenue transparency scheduled for the end of 2007.

3.3 The Secretariat and the Chairman are collaborating with the German Government in preparation of the European **Union-Africa Energy Forum**, to be hosted in Berlin on March 5 and 6. The chairman is scheduled to make a keynote address and one session will have focus on the EITI.

3.4 The Chairman is seeking a meeting with President Luiz Inácio Lula da Silva and the senior management of Petrobras and CVRD with the aim of obtaining Brazil's commitment EITI.

3.5 On **South Africa, Russia and India**, the Chairman and the Secretariat will convene telephone conferences with the Chairman and Board members with a particular interest in each of these countries to discuss opportunities for engagement. On Russia, for example, the Secretariat is in contact with the Moscow office of the Carnegie Foundation, which is committed to supporting the implementation of the EITI in Russia. The Intergovernmental Forum on Mining,

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Minerals, Metals and Sustainable Development is holding its annual meeting in Moscow on September 11 and 12 and the Secretariat is considering the possibility of a side meeting on EITI.

4. To encourage poorer performing implementing countries towards proper implementation of EITI and to include countries from regions which are currently under-represented.

4.1 Outreach opportunities in **South East Asia** include the Asia Mining conference on March 26-30 in Singapore and the 3rd International Conference on Sustainable Development Indicators in the Minerals Industry (SDIMI) on June 17-20, also in Singapore. The Government of Australia is considering how to engage in support of EITI and the Secretariat is in the first quarter exploring with the World Bank and the Australian Government and interested companies and NGOs outreach priorities in the region.

4.1 On **Latin America**, the Secretariat is preparing a visit by the Chairman in March to Colombia, where President Uribe in bilateral consultations with senior US representatives has expressed a strong interest to join the EITI and to Peru – a country that the World Bank and several Board members have expressed interest in an outreach opportunity aimed at renewed engagement. A visit by the Chairman to Brazil is also planned for 2007.

4.2 On **Congo-Brazzaville** – the Secretariat will continue to work with the Board on exerting pressure on the Government to ensure that the harassment of Board member Christian Manueso and his colleagues ends.

4.3 The Chairman is on February 1 and 2 contributing at the Big Table meeting organized by the Economic Commission for **Africa** on Natural Resource Management.

5. Global and other outreach activities

5.1 The Norwegian Government, including its Embassy in Baku, is in collaboration with the Secretariat and the World Bank preparing a regional EITI session at the Caspian Oil and Gas Show in Baku June 4-8.

- **Global Compact Summit Geneva July**

5.2 The second Global Compact Summit takes place in Geneva on July 5 and 6. It is foreseen that approximately 1000 business leaders, government officials and representatives from civil society will attend. The EITI has been invited to organize a side meeting immediately after the Summit. Given that such a meeting potentially could be important in rallying support for the **UN General Assembly resolution**, the Secretariat will in February submit a proposal to the Board outlining the purpose, target group and possible agenda for such a meeting.

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- **Launch of the Oslo secretariat**

5.3 A series of meetings, including an EITI Board meeting are planned to coincide with the opening of the Secretariat. It is tentatively suggested that this takes place 26-28 September. The secretariat will in collaboration with Tormod Endresen and the Chairman submit a proposal to the Board during the second quarter. The Secretariat is assisting UNCTAD's preparation of this year's World Investment Report, which will have resource extraction as particular theme and the report may be launched in Oslo by UNCTAD and EITI acting together.

- **Mining Conference**

5.4 The possibility of organizing an EITI conference with particular focus on the **Mining** sector. Such a conference could possibly be co-hosted with ICMM. The President of Liberia, Ellen Sirleaf Johnson and the Nigerian Government have also expressed an interested in hosting such a conference in Liberia.

- **EITI Conference 2008**

5.5 The planning for the **EITI conference in 2008** will be initiated the third quarter 2007. The planning of the conference will, in part, be influenced by the international conference on revenue transparency in the extractive sector that the German G8 presidency is planning for the end of 2007.

Annex C

Position Paper on Emerging Economies: Brazil, Russia, India, China, and EITI

This paper has been compiled by DFID and the EITI Secretariat to further understanding of engagement, and the potential for engagement, by some major emerging economies in EITI. Recommendations emerging from the paper can be found in Annex B to the Workplan, on Outreach.

1. The Need to Focus on Emerging Economies Engagement in EITI

1.1 The need for full involvement in EITI by non-OECD hosted oil, gas and mining companies has been raised by a number of EITI implementing countries as the most important determinant in the success of the initiative.. In addition, OECD-hosted companies concerned to ensure a level-playing field and at the impact non-transparent business practices may have on the overall business climate in the countries in which they operate, have stressed the importance of a concerted effort to bring non-OECD companies into EITI. Making progress on engaging the Major Emerging Economies (MEEs) is the main demand of industry stakeholders; and a significant demand of NGOs. (This paper focuses on the position of China, Brazil, India, and Russia. The current state of play with each of these countries on EITI is set out below under Background.)

1.2 Consumption of natural resources in the emerging economies is growing rapidly. (China, for example, accounted for about 40% of the growth in oil demand over the last 4 years). Associated with this, host companies from these economies are increasingly active in exploration and production in the extractive industries in resource-rich countries. China has activities in Gabon, Chad, Nigeria, Angola, Sudan, as well as in Kazakhstan. India is active in Sudan. Brazil, through the state owned but commercially run Petrobras, has exploration and production agreements on the coast of six countries in Africa: Angola, Nigeria, Equatorial Guinea, Tanzania, Mozambique, and Libya. Its operations in Latin America include Venezuela, Ecuador, Colombia, Bolivia, Peru, Argentina and Mexico. Russian oil companies are very active in former-CIS countries.

2. Type of Engagement from the MEEs

2.1 Support to EITI would not necessarily require the emerging economies to implement it themselves. Brazil, India and China for example, are not target countries for EITI as they are not 'resource-rich', and other supporting countries, (such as the UK) have not implemented EITI themselves. The focus initially, should therefore be on attempting to persuade MEE Governments to make public

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declarations of support to EITI in resource-dependent countries, and to encourage their companies to participate in EITI in the countries in which they operate.

3. Levers/Incentives

3.1 Security of supply is a major concern to China, Russia and India in particular. The acquisition of energy resources is seen in terms of the competition to secure access to a finite resource. There is a scope to present the potential mutual benefit from encouraging long-term investment in production – thus facilitating supply stability – and the role of EITI as a part of this longer-term energy strategy. There is increasing recognition at an international level of the link between transparency and security of supply – the EU for example has made reference to this (and the importance of EITI) in the Action Plan based on its new Energy Security Policy. The UK is including discussion of EITI under Energy Security in its High Level discussions with China on Energy. As more countries sign up to and begin implementing EITI, the evidence base for, and understanding of how EITI can help to improve stability of supply should improve.

3.2 A further incentive for greater company involvement from the MEEs is their desire to become major multinational players, with the same status as IOCs such as BP, Chevron and Shell. This will involve them improving their own corporate governance and risk management procedures, and, to some extent, improving their international reputations by taking on the same kinds of commitments and measures as OECD companies, such as support for the OECD Guidelines for Multinational Enterprises, and standards on transparency.

4. Current Activities Include:

4.1 Support for a UN General Assembly resolution on EITI (See separate Board Paper from the Government of Azerbaijan and EITI Secretariat).

4.2 Country-Specific targeted Information Materials for MEEs. Series of brochures and Fact Sheets aimed at non-OECD companies and consumer countries which make the case for Government and Company support to EITI – for example the fact sheet already produced for and used in dialogue with China and India.

4.3 G8 Channels: - Engagement of MEEs in EITI is on the German agenda for the G8 and so there are opportunities over the next few months to make the most of this route. (In October the G20 issued a statement of support for EITI – and with Chinese and Indian, membership of this group it would be worthwhile exploring what approaches might be made via G20 channels.)

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4.4 High level Bilateral engagement: - eg on Energy Security as mentioned above. There is scope to present the mutual benefit from encouraging long-term investment in production – encouraging supply stability.

4.5 Sustainable Development Dialogues (SDD) – (UK bilateral discussions with MEEs on a range of CSR and sustainability issues). The Indian Government has agreed to have discussions on EITI as part of the SDD discussions under CSR. Although a potentially long-term route it is one opening for getting discussions going.

5. Background on Individual MEEs

China

5.1 Increasing demand for oil, gas and mineral resources has led China to focus investment increasingly in politically-unstable resource-rich countries. For example the Government of China has provided large, effectively condition-free loans in Angola, secured against future revenue flows from oil; Chinese companies have recently won bids in Sierra Leone, Gabon, Kazakhstan, Chad and Nigeria;

5.2 The Secretariat suggests China should be the primary focus of efforts on engagement. As noted above, China accounted for about 40% of the growth in oil demand over the last 4 years. Given its increasing global influence, securing Chinese support for EITI may also be the most influential “trigger” in bringing in other MEEs, such as Brazil (see below).

Progress with Dialogue on EITI

5.3 Peter Eigen as Chair of EITI Board has established a Working Group on China which Board Members with an interest in China are invited to join. It is proposed that Huguette Labelle (Chair TI Board) participates along with Chris Patten, who has offered his support of EITI engagement with China. AngloAmerican, BP, ExxonMobil and Shell are amongst the companies that are committed to EITI and that have considerable business interests in China, and may like to play a role on the Working Group.

5.4 In May, the African Development Bank is holding its Annual Meetings in Shanghai. The Bank is taking an increasing interest in extractive industries Governance, and has offered to convene an EITI session at the Annual Meeting. The next EITI Conference is due to take place in 2008 and could - pending progress being made towards Chinese EITI-support - take place in China.

5.5 The German Government has flagged engagement with other potential supporting countries on EITI on the agenda for their G8 Presidency and we understand may propose an international conference on transparency in the extractive industries for later in 2007. The UK is strongly supporting this line and

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encouraging emphasis on the emerging economies. The UK has had discussions with the three major Chinese oil companies Petrochina, Sinopec and CNOOC, as well as with representatives from the Shell office in Beijing. These emphasised the need to engage the NDRC Energy Bureau, as the key centre for determining energy policy. There has also been strong US pursuit of this objective.. Recent UK dialogue with the Chinese Ministry of Foreign Affairs, including with the Assistant Minister for Africa, has been promising – with senior officials indicating that China could "see the merits of the EITI approach andthat this was something that China might move towards joining at the next G8 Summit". The Assistant Minister for Africa also indicated that he would welcome the inclusion of EITI on the agenda for official talks between the UK and Africa. Progress with the National Development and Reform Commission has been more difficult, but building on positive discussions with the Foreign Ministry, DFID have secured inclusion of EITI on the agenda for the high level UK/China Energy dialogue under the Energy Security heading. The Norwegian Prime Minister has also raised EITI in recent bilateral discussions.

Brazil

5.6 Petrobras the Brazilian State-owned but commercially run company is currently present in 23 countries. It has exploration and production agreements on the coast of six countries in Africa: Angola, Nigeria, Equatorial Guinea, Tanzania, Mozambique, and Libya. Petrobras commenced its activities in Angola in 1979, and is a historical partner of Angolan authorities and communities, undertaking humanitarian, social support, professional qualification and labour training for the country's oil industry. In Latin America, Petrobras has operations in Venezuela, Ecuador, Colombia, Bolivia, Peru, Argentina and Mexico.

Progress with Dialogue on EITI

5.7 Petrobras has been engaged with EITI for some time. The company participated as an observer to the International Advisory Group (IAG), and are now an Alternate to PEMEX, which holds one of the company seats on the board. Despite the role Petrobras has played, engagement directly by the Government of Brazil has remained limited.

5.8 The UK Government has made diplomatic representation at various levels – including Ministerial letters and in-country engagement by DFID and the British Embassy with both the Ministry of Mines and Energy, and the Ministry of Foreign Affairs

5.9 Brazil is increasingly a global policy leader in a number of areas and welcomes recognition of that role as well as support to play it. Recent bilateral dialogue (eg. UK/Brazil) suggest Brazil is more likely to be positively influenced towards EITI by the views of African partner governments, than by countries such as the UK. Comments on EITI from the Foreign Ministry included that supporting countries were not 'representative'. We understand this may have been a

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reference specifically to China and India as much as to the fact that the participating countries are all OECD members. It is possible that progress with China could also influence Brazil's position. On a broader basis, India, Brazil and South Africa have created IBSA, the importance of which was referenced frequently by interlocutors. This may create another entry point.

Russia

5.10 Russia maintains economic influence as a major energy supplier: the world's largest gas exporter and second-largest oil exporter. Proposed pipelines from eastern Siberia to the Pacific would open up important markets in the US, China and Japan. Its position as a near monopoly buyer of Turkmenistan and Kazakhstan oil and a key energy supplier to some other countries of the CIS, strengthens its political influence in the region.

Prospects for Dialogue on EITI

5.11 The overall prospect of progress with EITI is currently limited. Despite statements of support by the G8 as a whole, the Russian Government has shown little interest in EITI. A delegation attended the 2005 London Conference as observers and their companies are signatories to the Kazakhstan and Azerbaijan MoU, but there has been no unequivocal support from either the Russian Government or companies for EITI. Russian oil companies are very active in former-CIS countries.

5.12 A recent event on EITI in Moscow run by the Carnegie Foundation was well attended by international stakeholders and there was attendance by some Government officials – although led to no further indication of support for EITI.

5.13 One possible route for leverage is through negotiations on Sakhalin II, which EBRD may possibly support.. Should the shareholders in Sakhalin II seek financial support from EBRD there may be scope for EBRD to press for EITI support in the negotiations of any lending. For the time being, however, it remains to be seen whether EBRD will be involved with this at all given GasProm's intention to take a majority share.

India

5.14 As with China, the Increasing competition for oil, gas and mineral resources has led India to focus investment in politically-unstable resource-rich countries. The Government of India has for example, recently invested more than \$1 billion in Sudan to acquire 25% stakes of the 5A/5B oil projects there. India uses 4% of the world's energy (one third of China's consumption). It imports nearly 70% of its oil needs, half from Africa. Energy security is a top priority for the Government. Its search for oil and gas overseas is largely through the state-owned Oil and Natural Gas Corporation (ONGC) and Videsh Ltd (OVL), which has overseas assets worth

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\$10 billion. OVL operates in 15 countries globally (though most of their profit comes from five projects in Colombia, Sudan, Russia (Sakhalin), Vietnam and Syria. It has also been involved in the recent bidding round in Nigeria – and has involvement in Sao Tomé. OVL partner with both IOCs (including Shell and Exxon) and with NOCs (eg *SNPC and Petrobras*).

5.15 In Africa, OVL's main interests are in Nigeria and Sudan. It is investing \$6 billion in Nigeria in power plants? and roads, in return for stakes in oil fields; and in Sudan, OVL is in two consortia (with Petronas, Malaysia), and they may be joined by Reliance, one of India's largest companies.

Progress with Dialogue on EITI

5.16 Recent analysis by DFID India suggests that efforts to engage India in EITI should be focused on awareness raising, and responding to Indian Government/Private Sector approaches. The Head of the EITI Secretariat recently discussed possible Indian support for EITI with the Director of OVL, who was supportive of the idea that (i) EITI could be an opportunity for the company to improve their transparency credentials; and (ii) EITI could help to create a level playing field which would end the unfair penalisation of companies which did not pay bribes. These two elements would be a useful core of future dialogue.

5.17 .One opportunity to bring discussions to a senior level in Government of India is emerging through the (UK/India) Sustainable Development Dialogues. Under the Corporate Social Responsibility heading, it is being agreed the dialogues will cover transparency in the extractive sectors, and the UK Government is pursuing this with specific reference to EITI.