

Minutes
USEITI State and Tribal Opt-in Subcommittee
Teleconference with State Regulators
Friday, February 6th

Agenda

- I. Introduction
- II. Brief Overview of EITI
- III. Update on Recent EITI Activities
- IV. Anticipated Role of the States
- V. Opportunities for Engagement
- VI. Next Steps

Introductions

Interstate Mining Compact Commission (IMCC) Executive Director Greg Conrad started off the conference call by welcoming participants and taking a roll call of the state representatives present on the call.

State participants on the call included Ed Fogels and Tom Crafford of Alaska, Steve Hohmann of Kentucky, Van Charlton and Jake Ford of Montana, Dennis Roller of North Dakota, Bob Randall, Brenda Peterson, and Sussi Erikson of Colorado, and John Doyle, Lewis Halstead, and Russ Hunter of West Virginia.

Subcommittee/MSG members on the call included Danielle Brian and Mia Steinle of POGO, Johanna Nesseth Tuttle of Chevron, Veronica Slajer of Northstar Group, Jerry Gidner and Chris Mentatsi of DOI, Greg Conrad and Ryan Ellis of IMCC, Mike Matthews of the state of Wyoming, Marina Voskanian of the state of California, and Pat Field of CBI. Each of the Subcommittee members introduced themselves and explained their affiliation with USEITI. Mr. Conrad described IMCC's role as a representative of the state governments to the MSG and talked more specifically about IMCCs involvement to date.

Brief Overview of EITI / Recent EITI activities

Mr. Conrad began by providing a general overview of EITI's purpose, processes, and implementation in the U.S. Mr. Conrad discussed the international EITI standards, the candidacy/compliance process, the multi-stake holder group (MSG) approach and structure, and the basic requirements of the standards. Mr. Conrad then described how USEITI pertains to the states, discussing in particular the 'subnational' payments requirement of the EITI standards and the adapted implementation of that requirement granted by the International EITI Board for the first two U.S. report years. Mr. Conrad discussed the MSG's efforts to comply with the subnational requirement and create a meaningful account of extractives activities at the state level while preventing undue

burden on the states. He then discussed some of the strategies being pursued by the MSG to involve the states on a voluntary basis, such as informal consultations to enable USEITI to rely on information and reporting mechanisms that already exist, as well as the potential for a voluntary “opt-in” process down the road.

Johanna Tuttle of Chevron provided an industry perspective on EITI, both internationally and in the context of the U.S. Ms. Tuttle briefly described her experience with EITI over the last ten years and discussed its purposes and benefits. Ms. Tuttle discussed why EITI is important and potentially beneficial in the US, especially in terms of increasing access to data on extractives industries. Ms. Tuttle went on to describe how USEITI differs from EITI in other countries in that USEITI is not mandated by law and therefore requires voluntary cooperation of companies and other parties to succeed.

Jerry Gidner of DOI then provided a federal government perspective on USEITI. He described DOI’s role in tracking oil and gas revenue in the US and described the way that USEITI came to be and how the responsibilities for its implementation are shared between various facets of the federal government. He explained that DOI is committed to being as transparent as possible and recommended that the participants view DOI’s new data portal, which will interact with EITI reporting.

Danielle Brian of POGO gave a civil society perspective. Ms. Brian explained that civil society represents a very wide set of stakeholders who are meant to represent the public and includes academics, labor unions, NGOs, investment advisers, and others. The main goal of these groups’ participation is to ensure that USEITI is meaningful to the public. Ms. Brian went on to discuss some of the exciting possibilities that USEITI holds for the public’s increased understanding of extractives activities in the US. In terms of recent EITI activities, Ms. Brian reported that the subcommittee would like to start featuring state data information for discussion by the MSG at upcoming meetings.

Anticipated Role of the States / Opportunities for Engagement

Mike Matthews of Wyoming then began a discussion of ways that the states can engage with EITI more specifically. Mr. Matthews laid out 3 basic possibilities, 1) appointing a point of contact, 2) participating in USEITI, and 3) state opt-in to USEITI. A point of contact would be the most basic form of engagement and would mean simply that the state has identified an individual to touch base with the MSG. This point of contact could hopefully help the MSG and Independent Administrator (IA) identify publicly available sources of data as well as other individuals in the state who might be willing to provide additional subject matter expertise on extractives activities within the state. Option 2, “participating in USEITI”, would involve more formal consultation between the state and the MSG through the appointment of an individual to act as a representative of the state. The individual would have a formal voice at the USEITI MSG meetings, enabling them to more directly advise the MSG on how to most accurately understand and characterize extractives activities in the state. The third option of an “Opt-in process” is not fully fleshed out, but would likely involve the creation of a state-specific profile in the USEITI report, which would act as a one-stop-shop for access to data about the state’s extractives

industries. In an opt-in process, the state would participate in shaping what the state report looks like. Mr. Matthews reiterated that the overall purpose of engaging with the states is to enhance communication and allow for dialogue as the MSG considers how to proceed with inclusion of state data, and that all of the aforementioned options would endeavor to minimize any burden on the state by utilizing existing data and reporting processes to the extent possible.

Question and Answer Session

At this point discussion was opened up to thoughts and questions from the states. Van Charlton of Montana started off by giving some examples of data that is tracked by his state and asked for more information on what data would be desired from the states. Subcommittee members discussed what types of information would be useful for EITI and how that information would be gathered. It was also stated that the MSG would like to leverage the robust auditing process already in place in the state by explaining in the report how those processes operate. Mr. Charlton reported that Montana could walk the Subcommittee through some of its established processes, like the collection of severance taxes and returned federal royalties and the laws governing the way those monies are expended. Mr. Charlton stated that the most difficult aspect at this point seems to be providing information at the producer or company level and also pointed out that many states use different fiscal years, which would be an added difficulty. Subcommittee members responded that having Montana explain the various processes that are already in place in the state would be a very valuable contribution to the EITI effort and also assured state participants that confidentiality of producer level data is an ongoing concern for USEITI's efforts.

Ed Fogels of Alaska was called upon to provide thoughts from his state's point of view. Mr. Fogels reported that much of the information being discussed is already available through Alaska's annual "revenue sourcebook" and explained that most of Alaska's revenue is generated by extractives industries. Mr. Fogels said that he was not clear on the process for gathering information from companies however, and expressed concern that most of this information is confidential. Tom Crafford of Alaska echoed Mr. Fogel's comment and asked how analysis of the revenue reported would be conducted. The Subcommittee members responded by explaining that the data already available from Alaska is all that the state would be asked to provide, and that data will be collected from companies under separate procedures through the Independent Administrator. On the question of analysis, Ms. Brian of POGO explained that EITI would not be doing its own analysis of how revenue is handled in Alaska, but would simply report on the processes in place. At this point, discussion turned to the fact that some states have substantially greater portions of federal land and how this might affect revenue reporting in the states. Subcommittee members noted that these discussions are ongoing within the MSG.

Steven Hohmann of Kentucky reported that his state is still working on formulating a response to the letter sent to the Governors letter. Mr. Hohmann stated that Kentucky is very comfortable with its current level of transparency and asked about the state

resources that might be required for Kentucky to participate, which is their major concern. The Subcommittee members responded by clarifying that the Independent Administrator would do the actual collection and compilation of data and that the state would only be asked to identify what data exists and where. The hope is to require minimal time spent by state personnel. It was also pointed out that the Independent Administrator would be attempting to gather much of this information regardless of whether the state is available to help, but that states could take the opportunity to weigh in on how their data is characterized.

John Doyle of West Virginia expressed the concern that a lot of data collected by state agencies is proprietary and inquired about how companies are contacted to request such proprietary information. He noted that his state has strict agreements in place precluding the release of confidential data. The Subcommittee members affirmed that protecting confidentiality is a paramount concern for the MSG. It was noted that the states would only be asked to provide data that is already publicly available, meaning no proprietary data, and that Industry representatives to the MSG in particular have been carefully monitoring issues surrounding confidentiality of data, especially because USEITI is a voluntary initiative.

Dennis Roller of North Dakota was called on to provide thoughts from his state's perspective. He said that North Dakota understands the EITI process and is still determining what if any level of involvement will suit them. He reported also that North Dakota has a lot of publicly available information, but that much of it is not available on line.

Brenda Peterson of Colorado was called upon for her state's perspective. She said that Colorado is listening and is currently in the process of looking at the information made publicly available by Colorado.

Next Steps

Ms. Brian thanked all the participants for their time and interest. She suggested possibilities for next steps including follow-up phone calls, possibly with individual states, as well as in-person EITI briefings for states at conferences of state regulators that are already planned, such as STRAC.

Mr. Charlton of Montana suggested that a one-on-one call between Montana and members of the Opt-in subcommittee would be a good opportunity for the state to walk the subcommittee through all of the various data that is publicly available from the state. It was agreed that the Opt-in Subcommittee would set up this call with Montana in the near future.

Mr. Conrad closed out the call by summing up the discussed next steps. The subcommittee will pursue calls with individual states to learn more about the specifics of how they regulate and account for their extractives industries and manage relevant data. Additional calls with interested states will be planned for the future to discuss

opportunities for more expanded engagement by the states, including how an opt-in process might operate. It was requested that minutes of the call be sent to the state participants.