



The United States Extractive Industries  
Transparency Initiative

# Reconciliation and Reporting Work Group Discussion and Recommendations

March 8, 2016

# Introduction

## Work Group Members

Jim Steward (Lead) (G)    John Harrington (I)  
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## Meetings

1/25, 2/1, 2/5, 2/9, 2/12

## Recommendations



Project-Level Reporting



Sampling



Revenue Streams



Company Materiality



Reporting Template and Guidelines



Margin of Variance

# Project-Level Reporting



## Considerations

- Proposed SEC Dodd-Frank Sec.1504 language defines project as operational activities that are governed by a single contract, license, lease, concession, or similar legal agreement or for multiple such agreements when they are operationally or geographically interconnected
- How does the SEC definition equate to the reporting of DOI revenues, currently at the company-level
- Trade Secrets Act consideration: the MSG has made no determinations related to this act

## Discussion

- **Civil Society's Position:** The work group has the elements necessary for project-level disclosure consistent with Section 5.2e, the definition set out in the December 11, 2015 proposed rules for Section 1504, the EU law, and the Canadian law.
- **Industry's Position:** The final rules for the implementation of Section 1504 have not yet been issued and, therefore, it is unwise to require project-level disclosure on a basis that may change in the coming months. Further, industry has specific issues with the project definition set out in Dec. 11 SEC proposed rules, the EU law, and the Canadian law that are beyond the capacity of the work group to reconcile.

## Recommendation

*“The reconciled payment reporting of the 2016 USEITI 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.’ We were unable to reach a consensus on a project-level reporting definition consistent with Section 5.2e in the necessary timeframe. Therefore, the work group recommends that the 2016 USEITI Report project reporting remain at the company level as was done initially for the 2015 USEITI Report.” (There was no project definition for 2015 USEITI Report).*

# Revenue Streams



## Considerations

- BOEM, BSEE, and BLM Cost Recovery Fees, BLM Rights of Way, and BLM Helium related revenues were scoped out for CY 2013 revenue reconciliation purposes for the 2015 USEITI Report
- Discuss new commodities such as forestry

## Discussion

- The work group discussed the revenue streams to include in the 2016 USEITI Report. The discussion covered the revenue streams currently included in the 2015 USEITI Report, revenue streams that were intentionally excluded from the 2015 USEITI Report, as well as potential new revenue streams (forestry revenue).

## Recommendations

*“The exclusion of the BOEM, BSEE, and BLM Cost Recovery Fees, BLM Rights-of-Way, and BLM Helium revenue is appropriate for the 2016 USEITI Report based upon the same reasons that they were excluded from the 2015 USEITI Report.*

*The work group has agreed that there needs to be further discussion and work done around the inclusion of additional revenue streams for the 2017 USEITI Report. At this time, it is recommended that the Implementation Subcommittee not include any additional revenue streams for the 2016 USEITI Report.”*

# Reporting Template and Guidelines



## Considerations

- Potentially revised DOI Revenue Streams
- Changes in Transactions – mainly ONRR Other Revenues: Direct Billed/Accounts Receivable and others as applicable

## Discussion

- The work group discussed the amount of work, benefits, and transaction associated with ONRR Other Revenues as part of the 2015 USEITI Report.
- The discussion focused on activities to reduce the amount of work associated with reconciling this revenue stream, including changing the Margin of Variance percentage or floor threshold and/or excluding transaction codes that made reconciliation difficult due to billing or payment card issues.

## Recommendation

*“For the 2016 USEITI Report, no substantial changes will be made to the Reporting Template and Guidelines that were submitted in the 2015 USEITI Report.” (Note: The USEITI Reporting Template Guidelines will be revised to address new Direct Billed/Account Receivable items due to system changes, policies, etc.).*

# Sampling



## Considerations

- The IA's sampling recommendation/example for CY2015 revenues:
  - For a \$50 million threshold (35 companies), the minimum sample size would be 7 companies
  - For a \$20 million threshold (60 companies), the minimum sample size would be 12 companies
  - Strata and actual sample size would be adjusted based on the judgement and guidance of the subcommittee/MSG

## Discussion

- Overall, the idea of sampling is a worthwhile discussion topic, but the level at which the sample is to be drawn has not yet been determined.
  - One workgroup member suggested that we might “dip our toe” in sampling in the 2016 report to determine its usefulness to the process.
- The IA proposed further discussion around sampling should take place that identifies an appropriate sample size which will be based on appropriate sampling guidelines and professional judgement.

## Recommendation

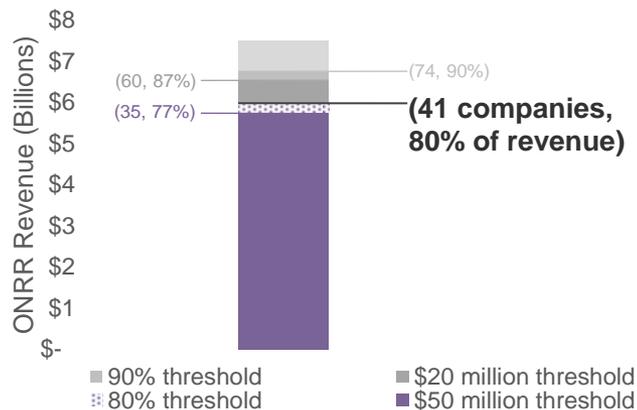
*“The Reporting and Reconciliation Work Group does not recommend sampling as the basis for reconciliation for the 2016 report. However, the IA will use 2016 data to explore the benefits and methodology of sampling that may be used in subsequent USEITI reports and share those results with the work group and Implementation Subcommittee.”*

# Company Materiality



## Considerations

- Continue to use only ONRR revenue (\$7.5 B in CY15)



## Discussion

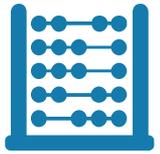
- The work group discussed the relevant year of data for reconciliation purposes, CY 2014 or CY 2015, and considered advantages and disadvantages to both. The work group recommended CY 2015 data because it could increase company data availability and diminish the effect of company mergers, acquisitions, and divestures (e.g., which company is responsible for reporting the revenue for reconciliation).
- The work group also discussed the threshold for determining in-scope companies. The work group considered the EITI Standard, past discussions and MSG decisions, and references to applicable law.

## Recommendations

*“Using CY 2015 data for reporting and reconciliation as part of the 2016 USEITI Report is appropriate based on the fact that CY 2014 and CY 2015 data will be unilaterally disclosed on the Data Portal.”*

*“Companies should be considered in-scope and their submitted payments will be reconciled if they are part of the top 80% of revenue reported to ONRR for CY 2015. This will include 41 companies with a revenue threshold of ~\$37.5 million or more reported to ONRR in CY 2015.”*

# Margin of Variance



## Considerations

- Discuss cost vs. benefit of reconciling ONRR Other Revenues and BLM Permit Fees
  - Total ONRR Other Revenues (CY 2013) was \$59,171,106
  - Total BLM Permit Fees (CY 2013) was \$25,429,599
- Discuss Margin of Variance changes for all in-scope Revenue Streams for reconciliation

## Discussion

- Discussions included raising the Margin of Variance percentage or Floor Thresholds.
- Evaluation of actual 2015 USEITI Report reporting and reconciliation data showed that reconciliation volume was not very sensitive to changes in the Margin of Variance or Floor Thresholds and that order of magnitude adjustments would need to be imposed to have material effect.
- For the BLM Permit Fees revenue stream, the government identified new information fields (collection date and well/property identifier), which should help resolve issues that occurred during the 2015 USEITI Report revenue reconciliation process.

## Recommendation

*“No changes be made to the Margin of Variance percentages and Floor Thresholds.”*