

USEITI Implementation Subcommittee
Wednesday, February 10, 2016
11:00am – 12:30pm
Meeting Summary

Meeting Agenda

11:00 Welcome and Introductions
11:10 IA Update
11:20 Subcommittee and Workgroup Updates
 -Tax Reporting Work Group - Curtis
 -Online Advisory Workgroup - Chris
 -Reconciliation and Report Workgroup - Jim
11:45 Scope Options for Consideration - Greg
12:15 Walk-ons/Next Steps
12:30 End

The 2016 EITI Global Conference is being held in Lima , Peru on February 23-24. A U.S. Delegation will be attending the Conference including the MSG Co-chairs and the Deputy Assistant Secretary of Interior. The U.S. will have a staffed booth at the conference which will display posters, the USEITI Fact sheet, USB Flash Drives with the Report, and a virtual tour of the Data Portal.

IA Update

The contextual narrative was presented to the Subcommittee a few weeks ago. The IA is currently focused on AML Fund and Coal Excise taxes.

Deloitte is working with 18F and the HIVE to configure a demo using AML fees on March 4th. The time is to be determined. The demo is 3-fold and designed to capture the following:

1. 18F will share findings from usability research regarding the current online report
2. Discussion and development of “metrics” to help determine if the online report is meeting goals
3. Initial review and design session of new contextual narrative visualizations (definitely AML Fund and potentially state information)

Subcommittee and Workgroup Updates

Tax Workgroup:

The Workgroup has met and in the context of trying to increase tax reporting among companies there will be a tax session held at both company webinars in Houston and Denver with invites sent to the tax staff from reporting companies.

One suggestion is to also have peer-to-peer discussions with high level leadership within the in-scope companies so companies who have reported can share their experiences with those companies who haven't yet reported taxes.

Another suggestion is to have an opt-in option available for companies who aren't in-scope but would like to participate in tax reporting.

The Workgroup will reconvene the following discussions on tax reporting after the LIMA Conference: 1. Among USEITI MSG Industry Members so they can share their company's perspective 2. Within Trade Associations Committees to ensure USEITI and tax reporting is on their meeting agendas. This issue will also be raised by the Industry sector with the International Board at the LIMA Conference.

The Workgroup would like to also find a way to pinpoint the aggregated tax receipts. In order to do this, companies need to be willing to confirm tax i.d. numbers.

The Tax Workgroup will prepare a summary of recommendations for presentation at the March MSG meeting. The Subcommittee will review the summary at the next Subcommittee meeting on February 17th.

Online Advisory Workgroup:

The Online Advisory Workgroup meets bi-weekly and at the last meeting 18F presented a reconciliation visualization. The Industry sector was concerned the visualization was not representative of a successful reconciliation with small discrepancies and doesn't allow the user to understand the robust controls the U.S. has in place. Based on this feedback 18F re-worked this visualization and the revision will be presented to the Subcommittee at the next meeting on February 17th.

18F is now working on a Disbursement visualization in which the U.S. will try to get feedback at the Lima Conference. Judy will facilitate a workshop at the Data Bootcamp and seek feedback during that session. Judy will talk about user centered design and usability testing. She will use the draft Disbursement visualization as a workshop project to allow Workshop participants to explore usability testing.

Reconciliation and Report Workgroup:

The Reconciliation and Report Workgroup has been meeting twice per week over the past few weeks. Hopefully by next week (Feb 17th) they will have final recommendations for the full Subcommittee to consider for presentation to the MSG. The Workgroup provided a summary of their discussions and decisions which is attached to this summary. Please see the attachment for details.

A point was brought up that regarding Project-level reporting that we are still waiting for the decision on Dodd Frank Section 1504. We also need to be mindful of the scope of ONRR's contract with Deloitte which accounts for project-level reporting at the company level. ONRR

has committed to getting data out at the lowest level possible and will continue to work with 18F to do so.

As far as adding additional revenue streams to the 2016 Report, the Workgroup is recommending that Implementation Subcommittee not include any additional revenue streams for the 2016 USEITI report.

A recommendation was made that there would be no change to the Reporting Template and Guidelines. If we change the baseline in 2016 there would be no meaning metric to use for measuring participation.

A recommendation was made for the 2016 USEITI Report to keep the same margin of variances and floor thresholds that were included in the 2015 USEITI Report.

A recommendation was made to unilaterally disclose CY2014 and CY2015 data which is targeted to be uploaded to the USEITI Data Portal before the March MSG Meeting. Only 2015 data would be reconciled. As far as taxes are concerned, it is okay to use 2015 data for individual tax payments, but the aggregate tax data would not be available for 2015. Curtis will need to confirm this. He is anticipating that the aggregate data for 2014 will be available around the October 2016 timeframe.

The workgroup has also recommended that 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 million or more reported to ONRR in CY 2015. Company names will be released to the Industry Sector and the Industry Sector can decide when the list will be made public.

No decision has been made on the Sampling Methodology and the Workgroup will continue discussing whether or not to recommend Sampling.

The Reporting and Reconciliation Workgroup has agreed on a recommendation that the inclusion of new information fields for the BLM Permit Fees should resolve many of the reconciliation issues that occurred as part of the 2015 USEITI Report reconciliation process and added to the amount of time necessary to complete the reconciliations. As such, it is recommended that no change be made to the BLM Permit Fees on the reporting template and guidelines.

The workgroup has also agreed on a recommendation that for the 2016 USEITI Report, that companies will have additional knowledge from one year of participation, which may alleviate the reconciliation workload associated with the ONRR Other Revenues revenue stream. As such, it is recommended that no change be made to the ONRR Other Revenues on the reporting template and guidelines. A note should be added to the 2016 USEITI Report that significant time was observed as part of the 2015 USEITI Report, and if the same occurs in 2016, that direct billed activity should be removed from the ONRR Other Revenues for reconciliation purposes.

Scope Considerations Proposal:

Keith Romig was not available today to review his proposal of the considerations for scope. The Subcommittee is asked to please review these materials and be prepared to have a discussion at the next MSG Meeting. Please keep in mind that no new county narratives beyond the current 12 county narratives can be added to the 2016 Report.

A few additional items to note, Hydropower will require a lot of research for an industry that is just now starting up. There are also complexities around gold, silver, and copper that the MSG will need to consider. These complexities continue through accounting administrative reasons. The level of effort in time and money may have been underestimated in the proposals.

Walk-ons/Next Steps

Next Subcommittee Meetings – February 17, 2016 (note change in time to 10am EST) and March 2, 2016

Meeting Materials for MSG Meeting Posted – February 23, 2016

EITI Global Conference – February 24-25, 2016

Presentations for the March MSG Meeting due to Kim Oliver – March 3, 2016

Next MSG Meeting – March 8-9, 2016

List of Attendees:

Aaron Padilla, API
Alex Klepacz, Deloitte
Chris Mentasti, DOI
Claire Ware, Eastern Shoshone & Northern Arapaho Tribes
Curtis Carlson, Treasury
Greg Gould, DOI
Isabel Munilla, Oxfam America
Isabelle Brantley, Deloitte
Jennifer Heindl, DOI
Jennifer Goldblatt, DOI
Jerold Gidner, DOI
Jim Steward, DOI
John Cassidy, Deloitte
John Mennel, Deloitte
Judith Wilson, DOI
Kevin Chen, Deloitte
Kim Oliver, DOI
Mia Steinle, POGO
Mike LeVine, Oceana
Nathan Brannberg, DOI
Nicholas Cotts, Newmont Mining
Paul Bugala, George Washington University

Phil Denning, Shell
Robert Kronebusch, DOI
Samuel Sharp, DOI

ATTACHMENT

Reporting and Reconciliation Workgroup

Discussion and Issues Listing Prior to March MSG Meeting

Project-level Reporting

- **Proposed SEC Dodd-Frank Sec. 1504 language will define 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 SEC definition equate to the reporting of DOI revenues – currently at Company level**
- **Trade Secrets Act implications when going lower than company level**

Discussion:

There continues to be ongoing discussions about project-level reporting for the 2016 USEITI Report. During the meeting, CSO representatives presented an outline of the context for USEITI project-level reporting that pointed out the support for consistency in definitions between the EITI Standard, the SEC's December 11 proposed rules, the EU and Canadian laws, and comments to the SEC submitted by several companies. These are referenced in *USEITI Project-Level Reporting Context 013116a.docx*. Discussion has included the language that has been proposed by the SEC, an implementation timeline for any language that is approved by the SEC, and the pros and cons of adding project-level reporting for the 2016 USEITI Report ahead of SEC rules.

Decisions:

Further discussion is required before a recommendation can be made to the Implementation Subcommittee.

Review CY2015 ONRR, BLM, and OSMRE Revenue Stream Components

- **BOEM, BSEE, and BLM Cost Recovery Fees, BLM Rights-of-Way, and BLM Helium related revenues were scoped out for CY2013 revenue reconciliation purposes**
- **Discuss new Commodities such as Forestry**

Discussion:

There was discussion about the revenue streams that would be included in the 2016 USEITI Report and what would be appropriate to include. The discussion covered the revenue streams currently included in the 2015 USEITI Report, revenue streams that were intentionally excluded from the 2015 USEITI Report (BOEM, BSEE, and BLM Cost Recovery Fees, BLM Rights-of-Way, and BLM Helium related revenues), as well potential new revenue streams (forestry revenues).

Decisions:

The Reporting and Reconciliation Workgroup has agreed that 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. **It is recommended that the Implementation Subcommittee endorse this decision.** This decision is supported by the discussion at the January 21, 2015 Implementation Subcommittee meeting¹ that discussed these revenue streams and the reasons for exclusion and the January 28, 2015 subcommittee meeting² that approved the recommendations to be submitted to the MSG. “It was also recommended that the decision matrix be updated to reflect that Helium Sales, Helium Royalties, Cost Recovery Fees, and Rights of Way Fees will not be included in the report for reconciliation, but will instead be included in the Contextual Narrative.” Helium was excluded as a by-product of extraction that a limited number of companies collected, which could be a Trade Secrets Act issue, and not a significant source of revenue. Rights-of-Way and Cost Recovery Fees were discussed as not direct costs of extraction, but related to the extraction process. As a grey area that could be included in reconciliation of contextual narrative, it was agreed that the contextual narrative would be a good fit for information for these revenue streams that would provide the best benefit to the report reader.

The workgroup 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.** This decision is based upon the fact that not enough is known about the sectors to make an MSG recommendation in March, and that for any to be added we would also need to have representatives of those sectors on the MSG. The workgroup also thinks USEITI would benefit from working for a second year on the same sectors so the MSG can build on knowledge and understanding of the sectors and on the most effective

¹ https://www.doi.gov/sites/doi.gov/files/migrated/eiti/FACA/upload/Draft-Meeting-Summary_01-21-15.pdf

² https://www.doi.gov/sites/doi.gov/files/migrated/eiti/FACA/upload/Draft-Meeting-Summary_01-28-15.pdf

way to report them. The workgroup does acknowledge the proposal submitted by Keith Romig regarding the inclusion of other metals (silver, zinc, lead, molybdenum) in the report and hope these proposals will prompt discussion on which commodities and revenue streams to include in future reports.

Update Reporting Template and Guidelines

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

Discussion:

There was discussion about the ONRR Other Revenues. The discussion included the amount of work associated with the revenue stream as part of the 2015 USEITI report, the benefit associated with the workload for the revenue stream, and the transaction codes associated with the ONRR Other Revenues. The discussion had a focus upon activities that could reduce the amount of work associated with reconciling this revenue stream. Referenced during the discussion was the document titled *Data Collection and Reconciliation - Background Documentation - 20160205.docx*.

Discussion for reducing the work associated with the reconciliation of ONRR Other Revenues included raising the margin of variance percentage or floor threshold and reviewing the number of transaction codes to identify problematic transaction codes within the ONRR Other Revenues that make the process difficult due to billing or payment card issues that have been previously identified.

Further discussion occurred concerning which transaction codes may make sense to exclude from the ONRR Other Revenues for the 2016 USEITI report.

Discussion of the remaining revenue streams occurred as well. Based upon the amount of reconciliation work associated with the revenue streams, the number of variances that were explained in the 2015 USEITI Report, and the potential issues of changing variances year-over-year, it was decided that no change to the non-ONRR Other Revenue streams was needed.

Decisions:

For the 2016 USEITI Report, keep the same margin of variances and floor thresholds that were included in the 2015 USEITI Report. **It is recommended that the Implementation Subcommittee endorse this decision.**

Company Materiality for Reconciliation Purposes

- **Continue to use only ONRR revenues for targeting companies for reconciliation**
- **ONRR CY2013 Total Revenues of \$12.4 billion**
 - **\$50 million threshold, 45 Companies, 83% coverage**
 - **\$20 million threshold, 77 Companies, 92% coverage**
- **ONRR CY2015 Total Revenues of \$7.5 billion**
 - **\$50 million threshold, 35 Companies, 77% coverage**
 - **\$20 million threshold, 60 Companies, 87% coverage**

Discussion:

The initial discussion point included the use of CY 2015 data. The workgroup agreed that the use of CY 2015 data would be a benefit to the process due to the fact that the data is more current. Using more current data can reduce an issue that was encountered during reconciliation for the 2015 USEITI Report which was the lack of data availability for companies that had merged or sold off a reporting entity. One drawback, which will occur this year, is that timing issues identified in the 2015 USEITI Report, using CY 2013 data, will not be able to be used to explain reconciliation difference due to timing. This is a one year issue only and is far outweighed by using more current data. Additionally, the unilateral data disclosure will include both CY 2014 and CY 2015 data, which will make the data available to the public in a way that preserves the continuity of the data year-over-year.

There was discussion about the dollar threshold to include companies in the reporting and reconciliation for the 2016 USEITI report. Referenced during the discussion was the document *Materiality Threshold References 020416a.docx*, which outlined factors to consider, including the EITI standard, past discussion and decisions by the MSG, and references to applicable law.

Also referenced was the spreadsheet *DOI Revenue Streams Discrepancy Rating Analysis for Margin of Variance - 20160201.xlsx* which listed and ranked the companies anonymously by ONRR reported revenues. Each of the above thresholds was discussed, along with the pros and cons of each. The different inclusion thresholds, based on available CY 2015 data, are:

Threshold	Number of Companies	Cumulative Percent of Revenues Reported to ONRR
\$50 Million	35	76.78%
\$20 Million	60	87.01%
80% of Revenue	41	80.08%
90% of Revenue	74	90.04%

The work required and level of participation for the 2015 USEITI Report was discussed. Also discussed were the MSG decisions that have relevance to this discussion, such as those

reflected in the USEITI Candidacy Application³:

“The reconciliation process is intended to start at a level that will reconcile approximately 80% of all revenues within the scope received by DOI for the first year and to increase to 90% of such revenues in the second year.”

And decisions made at the July 2013 MSG meeting⁴:

“The MSG agreed to a reconciliation materiality threshold for companies that pay \$50 million in revenues annually to ONRR, capturing 80% of revenues paid to ONRR in the first report, and a threshold of \$20 million, capturing 90% in the second report. This will require voluntary participation by 40 companies and 63 payors in the first report, 70 companies and 117 payors in the second report. Points of note: achieving compliance in the First Year Report, MSG reviewing lessons learned and MSG reviewing company reach-out.”

It was also pointed out that 31 of 44 companies that met the 2015 reporting threshold disclosed payments representing the reconciliation of \$8.5 billion in company payments or roughly 70% of the Department’s \$12.6 billion in CY 2013 energy and mineral revenues⁵. In an effort to show progress relative to the 2015 report, the group decided maintaining the current 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 workgroup decided that 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. This will help to build confidence in the process with companies included in multiple years and hopefully drive further participation by companies that are identified for inclusion. Current market conditions would make it incrementally more difficult to attract voluntary participation from smaller companies which are struggling to survive in this prolonged low-price environment.

Decisions:

The Reporting and Reconciliation Workgroup agreed that using CY 2015 data for reporting and reconciliation as part of the 2016 USEITI report is appropriate and that CY 2014 data will be unilaterally disclosed on the Data Portal. **It is recommended that the Implementation Subcommittee endorse this decision.**

The workgroup has agreed that 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

³ https://www.doi.gov/sites/doi.gov/files/migrated/eiti/FACA/upload/USEITI-MSG-Approved-Application_12-12-13.pdf

⁴ https://www.doi.gov/sites/doi.gov/files/migrated/eiti/FACA/upload/USEITI-July-2013-Meeting-Summary_FINAL-140617.pdf

⁵ <https://www.doi.gov/pressreleases/interior-department-launches-data-portal-detailing-us-extractive-industries>

2015. This will include 41 companies with a revenue threshold of \$37 million or more reported to ONRR in CY 2015. **It is recommended that the Implementation Subcommittee endorse this decision.**

Sampling for Reconciliation Purposes

- **Deloitte'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 sub-committee/MSG**

Discussion:

The workgroup discussed the possibility of sampling as part of the 2016 USEITI report for non-tax revenue streams. During the discussion, the document *USEITI Sampling Methodology - Initial Discussion - 20160113.docx* that was presented to the Implementation Subcommittee was referenced by the IA. It was not presented in detail to the workgroup. In conjunction with the unilateral disclosure, the IA stated sampling may provide an opportunity to reduce some amount of effort from the reconciliation process without diminishing the reporting of data from in-scope companies. The discussion referenced the 2015 USEITI Report reconciliation results which yielded no unexplained discrepancies. The discussion also referenced the need for methodological consistency between the 2015 and 2016 reports and the degree to which sampling is outside the norm of EITI processes. Overall, the idea of sampling is a worthwhile discussion topic to the Reporting and Reconciliation Workgroup, 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. This will result in a sample size that is well above the minimum sample size required for reasonable assurance of the reported data. The CSO members of the workgroup suggest that decisions necessary to meeting the 3/8 and other deadlines for the 2016 USEITI Report take place before further discussions of sampling.

Decisions:

At this point in time, further discussion will take place about sampling for the 2016 USEITI Report.

Reconciliation and Margin of Variance

- **Discuss cost vs. benefit of reconciling ONRR Other Revenues and BLM Permit Fees (these revenue streams would still be included in total ONRR revenues for determining which companies to reconcile)**
 - **Total ONRR Other Revenues (CY 2013) = \$59,171,106**
 - **Total BLM Permit Fees (CY 2013) = \$25,429,599**
- **Discuss Margin of Variance changes for all in-scope Revenue Streams for reconciliation**

Discussion:

There was discussion about both the ONRR Other Revenues and BLM Permit Fees. The discussion has included the amount of work associated with each of the revenue streams as part of the 2015 USEITI report, the benefit associated with the workload for the revenue streams, and the transaction codes associated with the ONRR Other Revenues. The discussion had a focus upon activities that could reduce the amount of work associated with reconciling these revenue streams while maintaining the consistency and value of the report. Referenced during the discussion was the document titles *Data Collection and Reconciliation - Background Documentation - 20160205.docx*.

Discussion for reducing the work associated with the reconciliation of both the ONRR Other Revenues and BLM Permit Fees included raising the margin of variance percentage or floor threshold and reviewing the number of transaction codes to identify problematic transaction codes within the ONRR Other Revenues that make the process difficult due to billing or payment card issues that have been previously identified.

Discussion occurred concerning which transaction codes may make sense to exclude from the ONRR Other Revenues for the 2016 USEITI Report before a decision on changing the margin of variance percentage or threshold is made. Upon further discussion, it was decided that for the 2016 USEITI Report that no changes will take place, but the fact that a large reconciliation workload occurred in the 2015 USEITI Report for this revenue will be included in USEITI write-up. If the same amount of effort, with no unexplained variances, occurs again as part of the 2016 USEITI Report, the recommendation is to remove direct billed activity from the ONRR Other Revenues for the 2017 USEITI Report.

For the BLM Permit Fees revenue stream, the Government has identified new information fields (collection date and well/property identifier) that are now included in the available data, which should help to resolve the issues that occurred during the 2015 USEITI Report reconciliation process.

Decisions:

The Reporting and Reconciliation Workgroup has agreed that the inclusion of new information fields for the BLM Permit Fees should resolve many of the reconciliation issues that occurred as part of the 2015 USEITI Report reconciliation process and added to the amount of time

necessary to complete the reconciliations. As such, it is recommended that no change be made to the BLM Permit Fees on the reporting template and guidelines. **It is recommended that the Implementation Subcommittee endorse this decision.**

The workgroup has also agreed that for the 2016 USEITI Report, that companies will have additional knowledge from one year of participation, which may alleviate the reconciliation workload associated with the ONRR Other Revenues revenue stream. As such, it is recommended that no change be made to the ONRR Other Revenues on the reporting template and guidelines. A note should be added to the 2016 USEITI Report that significant time was observed as part of the 2015 USEITI Report, and if the same occurs in 2016, that direct billed activity should be removed from the ONRR Other Revenues for reconciliation purposes. **It is recommended that the Implementation Subcommittee endorse this decision.**