

**UNITED STATES EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
MULTI-STAKEHOLDER GROUP ADVISORY COMMITTEE MEETING
JUNE 27-28, 2016**

SUMMARY OF PROCEEDINGS

**U.S. DEPARTMENT OF THE INTERIOR
PREPARED: JULY 2016**

I. Introduction

The U.S. Department of the Interior (DOI), with Kris Sarri presiding as Designated Federal Official (DFO) and Paul Mussenden and Judy Wilson presiding as acting DFO, convened the eighteenth meeting of the U.S. Extractive Industries Transparency Initiative (USEITI) Multi-Stakeholder Group Advisory Committee (MSG) on June 27-28, 2016, in Washington, DC. The purpose of the meeting was to receive updates from the Independent Administrator on various aspects of developing the online report and executive summary for the 2016 USEITI Report and how to move forward with these; discuss communications and state and tribal opt-in efforts; and discuss the prospects for proceeding with mainstreaming of USEITI reporting into US government processes, the inclusion of beneficial ownership information, and validation of US EITI Reports.

Please note that, throughout this meeting summary, comments made by presenters, Independent Administrator team members, other non-MSG members, and those directly pertaining to an MSG decision are attributed to specific speakers. Other comments are provided without attribution in order to foster open discussion among MSG members excepting final deliberations prior to specific MSG decisions.

Interested parties are asked to contact USEITI at useiti@ios.doi.gov or 202-208-0272 with any questions, comments, or concerns regarding the content of this meeting summary.

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II. Summary of Endorsements, Decisions, Approvals, and Action Items

A. Endorsements

- No endorsements were made by the MSG at the June 2016 MSG meeting.

B. Decisions

- The MSG forwarded the content created by the IA about the Abandoned Mine Land (AML) Reclamation Program to 18F. *(see page 8)*
- The MSG approved the Montana template as a general template for state and tribal reporting, subject to tailoring by each entity participating. *(see page 9)*
- The MSG forwarded the US budget, audit, and assurance processes content created by the IA to 18F while the IA works with the Online Advisory Work Group and MSG subject matter experts to further revise any content that needs further work. *(see page 13)*
- The MSG forwarded the coal excise tax contextual information to 18F for inclusion in the 2016 USEITI Report, with additional review and comment to be provided by industry sector coal industry representatives, as needed. *(see page 14)*
- The MSG approved the Executive Summary Outline with revisions suggested by MSG members: inclusion of background on USEITI, guidance about how to navigate the online report, and year-to-year comparative information. *(see page 15)*

C. Approvals

- The MSG approved the March 2016 MSG meeting summary. *(see page 5)*
- The MSG approved the updated Terms of Reference. *(see page 5)*
- The MSG approved the 2015 USEITI Annual Activity Report for submission to the International EITI Secretariat. *(see page 6)*
- The MSG approved the renaming and reconstitution of the Reporting and Reconciliation Work Group as the “Beneficial Ownership Work Group.” *(see page 21)*
- The MSG approved the undertaking of a pre-feasibility exercise for mainstreaming of USEITI. *(see page 23)*

D. Confirmations

- No confirmations were made by the MSG at the June 2016 MSG meeting.

E. Action Items

- **Co-Chairs:**
 - Review and distribute meeting summary from June 2016 MSG meeting to MSG members.
 - Develop agenda for November 2016 MSG meeting.
- **USEITI Secretariat:**

- Find usage information about non-service government websites to compare to usage of the USEITI site. *(see page 6)*
- Work with the International EITI Secretariat and the IA to conduct a pre-feasibility exercise for mainstreaming of USEITI. Report on results at November MSG meeting. *(see page 23)*
- Consider the role and participation of the US State Department in the USEITI process. *(see page 26)*
- Work with the International Secretariat and the IA to explore the prospects and risks for USEITI validation and provide a recommendation to the MSG at the November 2016 MSG meeting. *(see page 27)*
- MSG decisions will be recorded in an updated MSG Decision Matrix by the Secretariat. *(see page 28)*
- **State and Tribal Opt-in Subcommittee**
 - Consider how the North Slope Borough case study should be revised to reflect Alaska’s unique circumstances. *(see page 8)*
 - State and Tribal Opt-in Subcommittee and the IA ask state-level contacts about additional data sources for county write-ups. *(see page 14)*
 - Prepare an amendment/extension application for adapted implementation. *(see page 26)*
- **CSO Sector**
 - Search for additional County-level data sources and provide them to the IA for consideration to be included in future years of USEITI reporting. *(see page 14)*
- **Beneficial Ownership Work Group**
 - Meet with technical experts, as needed, and provide a report and proposal of a draft roadmap for compliance with the EITI beneficial ownership disclosure requirement to the MSG at the November 2016 MSG meeting. *(see page 21)*
- **Independent Administrator (Deloitte)**
 - Articulate a formal process for the development and final approval of content for USEITI reports. *(see page 7)*
 - Clearly articulate the distinction between reconciled federal data and un-reconciled state and tribal data in the report. *(see page 8)*
 - State and Tribal Opt-in Subcommittee and the IA ask state-level contacts about additional data sources for county write-ups. *(see page 14)*
 - Include year-to-year comparison information between the 2015 and 2016 USEITI reports in the 2016 Report. *(see page 15)*
- **USEITI Process Facilitator (Consensus Building Institute)**
 - Create a meeting summary for the June 2016 MSG meeting.

III. Presentations and Key Discussions

Kris Sarri, Principle Deputy Assistant Secretary, Policy Management and Budget at the U.S. Department of the Interior (DOI) and Designated Federal Officer (DFO) for the

USEITI MSG, opened the meeting and welcomed participants. All individuals in attendance introduced themselves. A full attendance list can be found in Section VI – Meeting Participants, page 28.

A. Opening Remarks

Ms. Sarri provided opening remarks by stating that USEITI will be working towards launching the 2016 USEITI Report. She recognized the hard work of the subcommittees and work groups between MSG meetings and the importance of open dialogue and discussion between the sectors.

B. USEITI MSG Business

The MSG conducted the following items of business during the course of the MSG meeting.

1. Terminology and USEITI December 2015 Meeting Summary

Judy Wilson, USEITI Secretariat, reminded meeting participants that the MSG has agreed to employ three terms to differentiate between different types of actions that the MSG takes:

- “Decisions” will indicate significant actions and agreements by the MSG key to meeting EITI international standards.
- “Approvals” will indicate lower-level decisions by the MSG, such as approving work plans, meeting summaries, process changes or additions, etc.
- “Confirmations” will confirm decisions that the MSG has previously made.

The MSG approved the meeting summary of the March 2016 MSG Meeting. A copy of the final, approved meeting summary is available online at:

https://www.doi.gov/sites/doi.gov/files/uploads/useiti_msg_mar_2016_mtg_summary_v5_160426.pdf.

- **Approval: The MSG approved the meeting summary from the March 2016 USEITI MSG meeting.**

2. MSG Terms of Reference

Judy Wilson noted that she had provided an overview of updated Terms of Reference (TOR) at the March 2016 MSG meeting and that a final draft version of the TOR was posted to the USEITI website two weeks before the June MSG meeting.

Danielle Brian, Project on Government Oversight and CSO sector co-chair, suggested that some language be included in the TOR articulating the prerogative of each sector to put forward members for inclusion on the MSG, i.e., the principle of self-selection of sector representatives without interference. With the inclusion of language to this effect, the MSG approved the updated Terms of Reference. The final, approved version of the TOR is available online at:

https://www.doi.gov/sites/doi.gov/files/uploads/msg_updated_useiti_terms_of_reference_06282016.pdf

- **Approval: The MSG approved the updated Terms of Reference.**

3. Update on USEITI Website User Analytics

Judy Wilson gave a brief presentation to the MSG about the nature of user visits to the USEITI Report website (available online at: <https://useiti.doi.gov/>). Ms. Wilson described the trends in user visits, the length of time that visitors spent on the website, and the breakdown between new and repeat users. More information is available in Ms. Wilson's presentation slides, available online at: https://www.doi.gov/sites/doi.gov/files/uploads/google_analytics_2016.pdf.

In response to Ms. Wilson's comments, MSG members asked the following questions; *responses from Ms. Wilson are provided in italics:*

- Is 4,000 users during the first half of 2016 a lot of users? How does this compare to other popular government websites? *Ms. Wilson: The most visited government websites tend to be service-oriented websites that users visit to access a specific service that the government provides to people. So it does not make much sense to compare the usage of an informational website like the USEITI site to service websites.*
- Would it be possible to find usage information about non-service government websites so that we can make an appropriate comparison? *Ms. Wilson: Yes, the Secretariat will find that information.*

4. 2015 Annual Activity Report

Chris Mentasti, USEITI Secretariat, introduced the 2015 USEITI Annual Activity Report as a product created by the USEITI facilitator, the Consensus Building Institute. Tushar Kansal, Consensus Building Institute, added that the Annual Activity Report summarized activities undertaken by USEITI during 2015 and also speaks to concepts included in the 2016 EITI Standard, such as mainstreaming.

- **Approval: The MSG approved the 2015 USEITI Annual Activity Report for submission to the International EITI Secretariat.**

5. Subcommittee and Work Group Organization

The Reporting and Reconciliation Work Group was renamed and reconstituted as the "Beneficial Ownership Work Group."

C. Independent Administrator's Updates

Members of the Independent Administrator (IA) team from Deloitte provided updates on their progress towards preparation of the 2016 USEITI Report. IA team members provided updates on components of the online component of the 2016 report, the executive summary, and the reporting and reconciliation process. These updates and accompanying MSG discussions are summarized below.

1. Updates to Online Report Revisions/Additions

Sarah Platts, Independent Administrator team member from Deloitte, presented an overview of the IA's project plan for creating the USEITI 2016 Report. She explained that, among other work to update online report contents for 2016, the IA team is creating the content for three new visualizations: 1) Abandoned Mine Lands (AML) Fund; 2) State & Tribal Additions; and Budget; and, 3) Audit, and Assurance Process. The IA is also updating information in the twelve county case studies from the 2015 report and updating contextual information about the coal excise tax. Ms. Platts clarified that, although the IA team creates the content for visualizations, 18F designs the visualizations that will appear in the online report. She also noted that the pdf/printed report for 2016 is intended to be an Executive Summary that will be significantly shorter than the 2015 pdf/printed report, as discussed at the completion of the lengthy 2015 report. Additional information is available in Ms. Platt's presentation slides, available online at:

https://www.doi.gov/sites/doi.gov/files/uploads/20160717_ia_project_plan_v_send.pdf.

MSG members made the following comments and asked the following questions following Ms. Platts' presentation; *direct responses to questions and comments are indicated in italics, with the speaker indicated, as relevant:*

- What will the process be moving forward with decision-making and finalization of the content that the IA is creating? *Members of the IA team: The IA has already worked with the relevant work groups, subcommittees, and with the Online Advisory Work Group to vet the content that is being presented to the MSG at this meeting. Once the MSG approves these items, the IA will send the content that it has created to 18F, which will then turn the content into visualizations and other material that will be incorporated into the online report website. 18F will also continue to work with the Online Advisory Work Group to make sure that the final formatting and presentation that 18F is creating remains true to the MSG's intent. Last year, having a full-day session with the Co-Chairs to make final decisions on outstanding sector comments worked well and it could be productive to have a similar process this year. Additional information about the content and visualization development process is available online in the following slide:*
https://www.doi.gov/sites/doi.gov/files/uploads/20160628_18f_visualization_process.pdf.
- Is it correct that the USEITI contract with 18F only runs until September? *Director of ONRR: Yes, that is correct. However, ONRR will be bringing "in-house" the 18F process by hiring three Innovation Fellows to join the USEITI Secretariat team. This will give us more flexibility in the future about how to build out the report website without having the constraints of a contracted approach.*
- Which states and tribes are being included in the "State and Tribal Additions" visualization material? *Chair of the State and Tribal Opt-In Subcommittee: The*

visualization will be focused on those states and tribes that have expressed an interest in opting into USEITI.

- When I do a Google search for “USEITI,” the online report website does not come up within the first five search results. Could this be fixed? *Representative from the USEITI Secretariat: The online report website is being revamped such that it should better catch the Google crawlers and fix this issue.*
- The content that is being shown to the MSG at this meeting has not been previously reviewed by the sectors as a whole. Should another work group be tasked with working with the IA on new content? Will the sectors still be able to provide additional comments and edits before this material is finalized?
 - *Ms. Platts: Minor edits and suggestions are welcome.*
 - *Chair of the Implementation Subcommittee: Although the content has not been reviewed by all of the MSG members or the sectors as a whole prior to this meeting, the three additional visualization topics were approved by the MSG towards the end of 2015 and the IA has been vetting the content with MSG work groups and subcommittees.*
- There is a distinction between including Federal data, which has been reconciled, and state data, which USEITI will be including in its report without vetting or verification. This distinction should be clearly stated in the report.
- It is the MSG’s responsibility to approve all of the content that is included in the USEITI report but the industry sector has been very resource-constrained this year and has had little opportunity to review the new content. The industry sector has been very clear this year that the MSG should remain focused on its top priorities, which the MSG previously identified as income tax reporting, reconciliation, and state and tribal opt-in.
- Similarly to the industry sector, I am also resource constrained since I work without an organization supporting me. I provided extensive edits to the North Slope Borough case study and, while many of my edits were incorporated, I also provided context and background around governance in Alaska that was not included. Why was this material not included?
 - *Member of the IA team: The IA cannot automatically incorporate all of the edits provided by a representative of one sector. The IA must work with all three sectors to secure consensus around revisions.*
 - *The Chair of the State and Tribal Opt-in Subcommittee recognized that the context for Alaska is substantively different from other states (and county case studies) and suggested that the State and Tribal Opt-in Subcommittee consider how the North Slope Borough case study should be revised to reflect these circumstances.*

a) Abandoned Mine Lands (AML) Reclamation Program Addition

Luke Hawbaker, IA team member, presented an overview of the content that the IA created about the Abandoned Mine Land (AML) Reclamation Program. He explained that the IA organized the material into three sections: Abandoned Mine Land Overview, AML Revenue & Disbursements, and The AML Fund. Once the MSG approves the

content created by the IA, the IA will send the content to 18F for design and finalization of presentation. The content presented by Mr. Hawbaker is available online at: https://www.doi.gov/sites/doi.gov/files/uploads/useiti_aml_visualization_20160607_vs_end.pdf.

MSG members made the following comments and asked the following questions following Mr. Hawbaker's presentation; *direct responses to questions and comments are indicated in italics*:

- Veronika Kohler, National Mining Association and industry sector co-chair, thanked the IA for accommodating the industry sector's capacity gap between the departure of coal company representatives from the MSG and awaiting the seating of a new representative. She added that she has heard widespread praise of the AML material prepared by the IA.
 - Dan Dudis, Public Citizen, inquired whether the maps of coal mines would be interactive and would allow users to identify which mines have been reclaimed. *Mr. Hawbaker indicated that the maps would not be interactive in the 2016 Report but that this functionality could be considered for incorporation in future years.*
 - Paul Mussenden and Ms. Kohler inquired about the process for finalizing the presentation of content once the MSG approves it.
 - *Greg Gould, ONRR and government sector co-chair, responded that the Online Advisory Work Group would work closely with 18F and MSG members to make sure that 18F's final presentation of content aligns with the MSG's intentions.*
 - *John Mennel, IA team member, noted that 18F may make some revisions in formatting and verbiage based on its design work and user-testing process.*
 - *In response to suggestions from Ms. Kohler and Ms. Brian, Ms. Platts agreed to provide a process schema for tracking work products through the review and finalization process. John Cassidy, IA team member, requested that the MSG try to abide by the process laid out by the IA.*
 - The MSG approved the content created by the IA about the Abandoned Mine Land (AML) Reclamation Program.
- **Decision: The MSG decided to send the content created by the IA about the Abandoned Mine Land (AML) Reclamation Program to 18F.**

b) State and Tribal Addition

Mr. Hawbaker presented an overview of the content that the IA created about Montana, one of the states and tribes exploring USEITI opt-in. He explained that the process of creating the Montana content included collecting input from the State of Montana and from MSG members and working with the State and Tribal Opt-In Subcommittee to review and revise the content. The IA is putting forward the Montana content as a template for approval by the MSG; if the MSG approves the Montana

content, the IA will create similar content for other states and tribes. The Montana content is available online at:

[https://www.doi.gov/sites/doi.gov/files/uploads/state_opt-](https://www.doi.gov/sites/doi.gov/files/uploads/state_opt-in_visualization_montana_6_10_2016_vmsg.pdf)

[in_visualization_montana_6_10_2016_vmsg.pdf](https://www.doi.gov/sites/doi.gov/files/uploads/state_opt-in_visualization_montana_6_10_2016_vmsg.pdf) with enlarged mock-ups of components of the Montana content available online at:

https://www.doi.gov/sites/doi.gov/files/uploads/2016june10_montana_enlarged_mock_ups_vmsg.pdf.

Editor's Note: For purposes of continuity, MSG discussion that was conducted during the "State and Tribal Opt-in Subcommittee Update" session (see page 17) is included in this section of the meeting summary.

MSG members made the following comments and asked the following questions following Mr. Hawbaker's presentation; *direct responses to questions and comments are indicated in italics:*

- Johanna Nesseth, Chevron, noted that whereas the MSG took the approach of informing the counties that were profiled in the county case studies that narratives based on publicly available information would be included in the USEITI report, the process has been more interactive with the opting-in states and tribes. *Mr. Hawbaker explained that the IA is sending draft versions of write-ups to states for multiple rounds of review and comment. Tribes have an exclusive right of final approval and sign-off on their write-ups. Danielle Brian added that the tribes are accorded this higher level of editorial authority due to the Federal government's trust responsibility with them.*
- Michael Gardner, Rio Tinto, inquired about whom the IA is speaking with at the state level. *Sarah Platts explained that the State and Tribal Opt-in Subcommittee provides the IA with a state point of contact who then also provides contact information for other state officials. Ms. Brian added that the State and Tribal Opt-in Subcommittee and the IA are also working to consult with state-level representatives from the industry and CSO sectors in addition to state government representatives.*
- Ms. Nesseth also suggested that Federal and state data would need to be very clearly differentiated and that revenue information be presented before regulatory information.
 - *Mr. Hawbaker responded that it should be relatively easy for 18F to identify data sources.*
 - *Paul Mussenden noted that both Federal and state data are forms of public data and that state regulatory agencies are accorded the same weight as Federal agencies. Kris Sarri suggested that it may be helpful to readers to make it very easy to find information about data sources so that readers can themselves explore the data sources.*
 - *John Mennel stated that both Federal and state/tribal data should come from credible public sector resources and should be well-cited. He added that a difference between Federal and state/tribal data is that, while the*

MSG has decided what data should be included, the states and tribes are largely defining what data to include in the USEITI report through the opt-in process.

- John Harrington suggested that it could be helpful to provide the states and tribes opting into USEITI with a summary of the factors and criteria that the MSG considered when deciding which revenue streams to include at the Federal level. If states or tribes define a revenue stream as material, then the MSG should defer to their decision. Paul Bugala, George Washington University, expressed agreement.
- David Romig, Freeport-McMoRan Oil & Gas, added that, while the MSG should defer to states and tribes, the included revenue streams should relate to the extractive industries.
- Mike Matthews, State of Wyoming, suggested that, if a state or tribe wants to include revenue streams that are not included at the Federal level, that the jurisdiction in question be asked to provide the relevant data.
- Ms. Nessith suggested that the MSG create a mechanism to vet revenue streams such that, for example, the State and Tribal Opt-in Subcommittee consider the revenue streams proposed by states and tribes that maybe or are beyond the scope of the Federal report.
- Dan Dudis suggested that a materiality threshold could be established for including revenue streams and that resources that are not included at the Federal level, such as forestry and fisheries.
- Veronica Slajer, North Star Group, noted that the Red Dog Mine in Alaska would not meet the USEITI materiality threshold but is a very significant mine in Alaska. She suggested creating a template for state and tribal opt-in that is based on the standards defined by the MSG for Federal reporting but also providing a space in the template for states and tribes to propose inclusion of other extractive commodities and revenue streams that are significant for them.
 - *John Cassidy noted that the state and tribal sections may end up looking somewhat different in content and format. In 2015, the MSG sought a uniform format and presentation for the country write-ups.*
- Patrick Field, USEITI facilitator from the Consensus Building Institute, synthesized the discussion and suggested the following process: a template based on the Montana model will be distributed to states and tribes opting into USEITI that would 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. Those proposed additions that are relatively straightforward would be handled by the IA while those that are further outside Federal scope would be considered by the State and Tribal Opt-in Subcommittee. In addition, the Co-Chairs will circulate drafts of content from the states and tribes that are opting into USEITI to MSG members via email for prompt review and comment.

- David Romig suggested that the acronyms for government agencies used in the report be hyperlinked to the names of the agencies. Lynda Farrell, Pipeline Safety Coalition, inquired about how decisions about hyperlinking are made. *Mr. Hawbaker explained that hyperlinks are generally used the first time that a term is used but that 18F would make final decisions about hyperlinking through design and usability testing.*
 - Keith Romig, United Steelworkers, suggested that the content more clearly differentiate between extractive commodities and primary products.
 - Dan Dudis noted that revenue information seems to be presented more prominently than cost information, in some cases.
 - Mike Matthews noted that many of the larger mine sites are pretty self-contained in terms of equipment and resources and therefore impose minimal costs on the local government. There are also some cases, such as Gillette, Wyoming, where the local mine is significantly supporting the town. This can make it difficult to determine what “fiscal costs” should be included.
 - *Ms. Brian agreed and noted that the IA is only including those costs that states and tribes have themselves directly attributed to extractive industry activity.*
 - Veronika Kohler suggested that, if cost information is going to be included, that contributions from industry be included next to the costs.
 - Ms. Brian added that she would be in favor of that as long as revenue and cost information are presented side-by-side.
 - Mr. Dudis expressed discomfort with presenting revenue and cost information side-by-side because cost information is often under-documented.
 - *Mr. Mennel explained that the IA is using the same criteria for including revenue and cost information that the MSG agreed on for the 2015 report: that the data source be a credible government data source and that the revenue or cost be directly attributed to extractive industry activity by a government entity. He added that, if any sector has concerns about a specific item, it can flag that item for the IA, and if a sector would like to see content presented differently, the IA can communicate that to 18F.*
 - Mr. Dudis inquired whether Montana is particularly rich in available data about the extractive industries. *Ms. Platts responded that Montana, Wyoming, and Alaska are all notably rich in available data among the states, which may be why they are the first three states to be opting into USEITI.*
- **Decision: The MSG decided to approve the Montana template for state and tribal reporting. The template based on the Montana model will be distributed to states and tribes opting into USEITI that would 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. Those proposed additions that are relatively**

straightforward would be handled by the IA while those that are further outside Federal scope would be considered by the State and Tribal Opt-in Subcommittee. In addition, the Co-Chairs will circulate drafts of content from the states and tribes that are opting into USEITI to MSG members via email for prompt review and comment.

c) Budget, Audit, and Assurance Process Addition

Andrew Varnum, IA team member, presented an overview of the content that the IA created about US budget, audit, and assurance processes. Once the MSG approves the content created by the IA, the IA will send the content to 18F for design and finalization of presentation. The content presented by Mr. Varnum is available online at:

https://www.doi.gov/sites/doi.gov/files/uploads/budget_and_audit_visualization_160610_junemsg.pdf.

MSG members made the following comments and asked the following questions following Mr. Varnum's presentation; *direct responses to questions and comments are indicated in italics*. A number of commenters identified gaps in the information presented:

- John Harrington, ExxonMobil, noted that the large number of linkages to other data and information sources makes it hard to understand exactly what information will be presented but that he could identify some gaps at present, such as that IRS auditors are continuously present onsite at companies, not just when audits are taking place.
- Aaron Padilla, American Petroleum Institute, suggested that more information could be included about non-tax revenues and that steps 2 and 3 presently have some redundancy that could be eliminated.
- Mike Matthews noted that companies are audited at the state level in addition to being audited by the Federal IRS.
- Danielle Brian identified a few linguistic concerns, such as the use of "such as" before "accounting principles" in the Data Validation introduction.

Given the need for further review and revision of portions of the Budget, Audit, and Assurance Process Addition, the MSG agreed to send the content created by the IA to 18F to begin creating the visualization while the IA works with the Online Advisory Work Group and the following subject matter experts to further revise any content that needs further work: Paul Bugala (George Washington University), Aaron Padilla (American Petroleum Institute), Phil Denning (Shell Oil Company), and Curtis Carlson (US Department of the Treasury).

- Sam Bartlett, International EITI Secretariat, commended USEITI on the high quality and clarity of the content created about US budget, audit, and assurance processes.

➤ **Decision: The MSG decided to send the US budget, audit, and assurance processes content created by the IA to 18F while the IA works with the Online**

Advisory Work Group and MSG subject matter experts to further revise any content that needs further work.

d) *Twelve County Case Studies*

Sarah Platts explained that the IA is updating the twelve county case studies included in the 2015 USEITI Report and is adding some minor content in some cases. Drafts of the case studies are available online at: <https://www.doi.gov/eiti/june-27-28-2016-meeting>.

MSG members made the following comments and asked the following questions following Ms. Platts' comments; *direct responses to questions and comments are indicated in italics*:

- Dan Dudis stated that the draft write-up for the State of Montana is at the scale and depth that he had been anticipating for the county write-ups in 2015. He inquired as to the possibility of trying to find additional data sources for the counties.
- Danielle Brian suggested that the sectors could search for additional data sources and provide them to the IA for consideration to be included in future years of USEITI reporting.
- In response to a question from Mr. Dudis about the possibility of including additional data in the county case studies for the 2016 USEITI Report, Ms. Brian and Greg Gould explained that expanding the county case studies is not included in the work plan for 2016. Mr. Gould added that the budget for contracts with the IA and 18F would need to be considered when deciding whether expanded county write-ups could be included in the 2017 work plan.
- Johanna Nesseth suggested that the State and Tribal Opt-in Subcommittee and the IA could ask state-level contacts about additional data sources.
- Veronika Kohler recommended that decisions about how to expand the report be based on input and requests received from the public.

e) *Coal Excise Tax Contextual Information*

A draft of the information prepared by the IA about the coal excise tax is available online at:

https://www.doi.gov/sites/doi.gov/files/uploads/coal_excise_msg_20160607_vf.pdf.

While suggesting that the MSG move forward with deciding that the coal excise tax contextual information be sent to 18F for inclusion in the 2016 USEITI Report, Veronika Kohler noted that coal mining company representatives have recently left the MSG due to cut backs in the coal industry and thereby requested that the representative from Peabody Energy that is awaiting confirmation to join the MSG be allowed to review the coal excise tax information and provide input.

Greg Gould agreed with Ms. Kohler's request and suggested that the industry sector put forward the Peabody Energy representative as a "technical expert" now so that he can provide input even before being confirmed to join the MSG.

- **Decision: The MSG decided to send the coal excise tax contextual information to 18F for inclusion in the 2016 USEITI Report, with additional review and comment to be provided by industry sector coal industry representatives, as needed.**

2. 2016 USEITI Report (PDF) Executive Summary

Sarah Platts presented the outline for the executive summary to the 2016 USEITI Report to the MSG. She explained that the intention for the executive summary was to make it significantly shorter than the executive summary of the 2015 Report. Ms. Platts also mentioned that the 2015 Report would be archived online so that it would always be publicly available. The outline for the executive summary to the 2016 USEITI Report is available online at:

https://www.doi.gov/sites/doi.gov/files/uploads/20160617_executive_summary_presentation_v_send_0.pdf.

MSG members made the following comments and asked the following questions following Ms. Platts' comments; *direct responses to questions and comments are indicated in italics*:

- John Harrington suggested that a description of USEITI be added to the executive summary outline.
- Keith Romig suggested that guidance about how to navigate the online report be added to the executive summary outline.
- In response to a question from Dan Dudis about whether infographics similar to those included in the 2015 executive summary would be included, Ms. Platts indicated that they would.
- Mr. Dudis inquired as to whether information comparing the 2015 and 2016 reports, such as the number of companies included and the types of quantities of revenues reported, would be provided anywhere. He noted that this is a standard element of reports that are issued annually.
- Mr. Harrington and David Romig questioned the utility of including such a comparison.
- Greg Gould agreed that it could be helpful to include year-to-year comparisons but explained that this is not included in the IA's 2016 scope of work. He suggested that the Secretariat would explore whether it could take this on internally and that, since the data and reports are provided online, readers can draw their own inferences comparing the 2015 and 2016 reports.
- Ms. Kohler suggested that the MSG discuss how the year-to-year comparison would be framed and reported so that, for example, the appropriate emphasis is placed on the level of company participation in reporting and reconciliation given that all revenue data is also provided through unilateral disclosure. Mr. Gould agreed that this would be important to discuss at a future MSG meeting.
 - *John Mennel expressed agreement about the importance of providing year-to-year comparison information and said that the IA would include*

this type of information. The framing and outline could be discussed by the Implementation Subcommittee.

- In response to a question from David Romig about disclosing the use of 2013 data for reconciliation in the 2015 Report and 2015 data in the 2016 Report (and thereby skipping 2014 data), Mr. Gould agreed that it would be important to clearly state that information in the 2016 Report as well as to provide the 2014 revenue data through unilateral disclosure.
- **Decision: The MSG decided to approve the Executive Summary outline for the 2016 Report with revisions suggested by MSG members: inclusion of background on USEITI, guidance about how to navigate the online report, and year-to-year comparative information.**

3. Update on Company Reporting and Reconciliation Process

Alex Klepacz and Kent Schultz, IA team members from Deloitte, provided an update on the company revenue reporting and reconciliation process. They reported on the materials that the IA has distributed to companies, the IA's communication process with companies, and the current status of company participation in reporting and reconciliation. Additional information is available in Mr. Klepacz's and Mr. Schultz's slides, available online at:

https://www.doi.gov/sites/doi.gov/files/uploads/20160617_rr_msg_v_send.pdf.

In response to Mr. Klepacz's and Mr. Schultz's comments, Danielle Brian inquired as to whether it could be helpful to encourage additional companies to participate in reporting and reconciliation if MSG members were to supplement the IA's outreach efforts. Mr. Klepacz responded by explaining that the five companies that have informed the IA that they will not participate in reporting provided somewhat generic reasons for not doing so, such as having time and resource constraints. As such, it may not make much difference if MSG members were to do additional outreach.

D. Communications Subcommittee Update

Veronika Kohler, Chair of the Communications Subcommittee, provided an update on the Subcommittee's activities. She reported that the Subcommittee is revising the USEITI communications plan to focus on outreach around the 2016 USEITI Report with a particular focus on social media to engage the general public. She also reported that 84 people participated in a recent webinar held for the general public and that the Subcommittee is reaching out to Congressional offices. In addition, the IA held two sets of webinars for reporting companies, in Houston and Denver, with one set focused on non-tax revenue reporting and the other focused on tax reporting. Ms. Kohler also reported that the Department of the Interior sent a letter to reporting companies signed by Kris Sarri, Principle Deputy Assistant Secretary, Policy Management and Budget. Ms. Sarri added that a letter from the Secretary of the Interior, Sally Jewel, would go out to reporting companies on the day of the MSG meeting, June 27.

Finally, Ms. Kohler also reported that two public outreach sessions are planned for Montana (one public in Helena and one near or on the Blackfeet Nation) and one for New Orleans, Louisiana. These locations were chosen jointly by the Communications and State and Tribal Opt-in Subcommittees because Montana has both the state and the Blackfeet Nation opting into USEITI and New Orleans was the only location in the earlier round of public outreach at which members of the public attended.

In response to Ms. Kohler's comments, members of the MSG asked the following questions and made the following comments; *responses are indicated in italics*:

- Was the public webinar recorded and, if so, is it accessible for MSG members to view? *Ms. Kohler: yes, the webinar was recorded and is available for viewing. DOI is also exploring how to turn it into a learning module for companies.*
- How receptive do companies seem this year to participating in income tax reporting? *Mr. Klepacz and Mr. Mennel: Although we are seeing more participation by company tax representatives in our outreach events, there was only one question asked across the four webinars. The IA will also be making a presentation at the American Petroleum Institute Tax Conference.*

E. State and Tribal Opt-in Subcommittee Update

Ms. Danielle Brian, Chair of the State and Tribal Opt-in Subcommittee, provided an update on the Subcommittee's work. She reported that three states and one tribe have opted in, with discussions about opt-in progressing with a second tribe. Once approved by the MSG, the IA and 18F will use the same template for state-level reporting that has been created for Montana for other states opting into USEITI. She added that the Alaska state government wants to explore including revenue streams, such as pipelines, that the USEITI MSG has defined as out-of-scope for Federal reporting. Additional information is available in the presentation slides available online at:

https://www.doi.gov/sites/doi.gov/files/uploads/2016june23_state_and_tribal_msg_slides_v4_1.pdf.

Editor's Note: For purposes of continuity, MSG discussion that was conducted during this portion of the meeting is included in the "State and Tribal Addition" section of the meeting summary (see page 9).

F. Implementation Subcommittee Updates

Greg Gould, Chair of the Implementation Subcommittee, introduced the key topics of discussion for the MSG from the Implementation Subcommittee: a revision of the EITI Standard has raised "beneficial ownership" and "mainstreaming" on the agenda for USEITI consideration. Presentations made on these topics and accompanying MSG discussions are summarized below.

1. Update on 2016 EITI Standard Revisions

Judy Wilson provided an overview of key elements of the revised EITI Standard. Her comments focused on seven requirements of the EITI Standard, updated requirements

around disclosure of beneficial ownership, updated requirements around data quality and assurance and the possibility of “mainstreaming” EITI reporting, and updated procedures for validation of country reports. Additional information is available in Ms. Wilson’s presentation slides, available online at:

https://www.doi.gov/sites/doi.gov/files/uploads/eiti_2016_standard.pdf.

2. Beneficial Ownership Roadmap

Members of the Reporting and Reconciliation Work Group of the Implementation Subcommittee presented information of their work group’s due diligence and discussions around the new EITI beneficial ownership requirement and the context for meeting the requirement in the United States. Work group members Paul Bugala (George Washington University), John Harrington (ExxonMobil), Jim Steward (US Department of the Interior), and Curtis Carlson (US Department of the Treasury) reviewed the following information and made the following points:

- The revised requirements around beneficial ownership disclosure are in the 2016 Standard;
- The considerations that would need to be taken into account would be explored in a required “roadmap” for disclosure, due this year, to address beneficial ownership by 2020;
- The beneficial ownership would very likely not apply to publicly held companies that are registered with the Securities and Exchange Commission (SEC). Instead, the requirement would apply to privately held companies that are registered under state laws.
- State laws do not compel disclosure by privately held companies of beneficial ownership.
- Federal laws governing extractive activity do not require disclosure of beneficial ownership.
- There are thousands of extractives companies operating on Federal lands, of which only about 10 percent are publicly traded. There are many other companies that operate on non-Federal lands.
- Various bills have been introduced in Congress to require the identification of beneficial owners over the past ten years. None of these bills would compel the public disclosure of beneficial ownership and none have been enacted into law.
- Compelling disclosure of beneficial ownership will likely be a very difficult undertaking in the United States given existing laws and regulations. The 2016 EITI Standard does allow countries to prioritize disclosure, for example by the largest companies first, with an intention to include all companies in disclosure by 2020.

Additional information is available in the presentation slides available online at:

https://www.doi.gov/sites/doi.gov/files/uploads/beneficial_ownership_overview_presentation_drft_06_17_2016_v9.pdf.

Following the presentation, MSG members asked the following questions and made the following comments:

Rationale of beneficial ownership disclosure

- The MSG should consider how disclosure of beneficial ownership could be most useful in the US context.
- Disclosure of beneficial ownership can help to fight illegal activity, such as money laundering and fraud. Recent disclosures about shell companies incorporated in the US and about the Panama Papers indicate the importance of this.
- Shell companies and the Panama Papers disclosures likely have little relevance to the extractive industries because these types of companies are unlikely to be engaged in extractive industry activities.
- From a global perspective, the EITI requirements around beneficial ownership could be very beneficial. US companies need to consider how to comply with the Corrupt Foreign Practices Act. However, implementation of beneficial ownership disclosure in the US just seems very logistically challenging.
- There is both a domestic rationale and an international rationale for disclosure of beneficial ownership. The former is to prevent someone with a political connection to come into ownership of a mineral resource in less than competitive ways and then benefit financially from that ownership. US law has various mechanisms, such as protections against conflict of interest, to guard against companies and individuals from illicitly coming into ownership of mineral interests. The international rationale for beneficial ownership disclosure is to mitigate the risk of international money laundering and financing of terrorist activities and the like. Various laws are being proposed in the US to address these international threats. So, in terms of the rationale for beneficial ownership disclosure as part of USEITI, the domestic rationale is largely addressed by existing US laws and the latter seems to be outside of what USEITI can meaningfully contribute to.
- It would be more accurate to say that the US has anti-corruption laws but that corruption still can and does take place here despite those laws.
- From the perspective of the International EITI Secretariat, is there any aspect of the international rationale for disclosure of beneficial ownership that is part of the mandate of EITI? *Response from Sam Bartlett, International EITI Secretariat: Some countries have had some success in addressing these trans-border issues by asking questions of the companies operating in their country. Although this is somewhat tricky, there is some potential for individual countries to have an impact on these trans-boundary issues through EITI.*
- States and tribes may not have the same level of control and transparency to combat corruption as those that exist at the Federal level.
- There may be corruption occurring that we are currently unaware of. For example, BLM officials and employees may hold ownership stakes in mineral

resources or in extractives companies. *ONRR Response: There are regulations that prohibit BLM employees from having these sorts of ownership stakes.*

- Without disclosure of beneficial ownership, we do not know whether these regulations are being violated.
- The Federal legislation that has been proposed and was reviewed by the Reporting and Reconciliation Work Group presenters would make ownership information available to law enforcement authorities but would not make it publicly available.
- Unfortunately, those bills have been tabled for the past ten years and have not been enacted, and so prospects for that sort of legislation being enacted soon do not seem likely.

Companies to be included in beneficial ownership disclosure

- Instead of thinking about disclosure of beneficial ownership for tens of thousands of extractives companies in the US, the MSG may want to focus on a manageable subset, such as the companies included in USEITI reporting and reconciliation.
- The following criteria could be used to select a subset of companies included in beneficial ownership disclosure: companies operating on Federal lands, by revenue, by production, by number of leases.

Options that USEITI could consider around beneficial ownership disclosure:

- This could be an opportunity for USEITI to take an element of the EITI Standard and adapt it to be useful for US purposes. For example, USEITI could propose an approach to the International Board that would disclose beneficial ownership information to law enforcement officials to address corruption concerns but would not disclose beneficial ownership publicly.
- Particularly given that privately held companies are incorporated at the state level and that USEITI has neither the power to compel disclosure of beneficial ownership from these firms nor influence with state legislatures to change their laws, USEITI may need to explore adapted implementation around this issue.
- From the perspective of the International EITI Secretariat, would a description of the legal safeguards that the US has enacted to guard against conflict of interest and corruption satisfy the EITI beneficial ownership question? *Response from Mr. Bartlett: After conducting an assessment and creating a roadmap, the USEITI MSG can seek to make that case to the International Board. Each country is expected to present its assessment to the Board and make the case for what it can feasibly do to meet the beneficial ownership requirement.*

Other comments:

- Is there a prospect of the Department of the Interior promulgating new regulations around disclosure of beneficial ownership for companies operating on Federal lands?

- *Response from Greg Gould, Director of ONRR: The charge for USEITI this year is to develop a roadmap around achieving compliance with the beneficial ownership requirement by 2020. That roadmap could include the prospect of Federal rule-making. Generally, the roadmap requires USEITI to identify the potential hurdles to achieving compliance with the beneficial ownership requirement and possible strategies for surmounting those hurdles. The roadmap allows USEITI to help the International EITI Board understand USEITI's prospects for meeting this element of the Standard and, if needed, begin thinking about adapted implementation.*

Next steps around beneficial ownership disclosure:

- Greg Gould, Chair of the Implementation Subcommittee, proposed renaming the Reporting and Reconciliation Work Group as the “Beneficial Ownership Work Group.” The MSG approved this renaming and reconstitution of the work group.
 - The newly-named Beneficial Ownership Work Group will meet with technical experts, as needed, and will provide a report and proposal of a draft roadmap for compliance with the EITI beneficial ownership disclosure requirement to the MSG at the November 2016 MSG meeting.
 - Given the timeframe and lack of budget allocated for engaging technical experts by work groups, the Beneficial Ownership Work Group will likely consult with voluntary experts from the US Department of the Treasury and civil society organizations.
- **Approval: The MSG approved the renaming and reconstitution of the Reporting and Reconciliation Work Group as the “Beneficial Ownership Work Group.”**

3. Mainstreaming

John Harrington presented information about the Reporting and Reconciliation Work Group’s due diligence and discussions around the new EITI option to pursue mainstreaming of reporting. He explained that an increasing number of legal mandates coming into place in the United States, European Union, and other jurisdictions replicate some of the EITI requirements. So, the revised EITI Standard introduces the option for countries to include the reporting of EITI-related information through regular government channels as opposed to a stand-alone EITI report. Mainstreaming could also mean that some core elements of EITI, such as reconciliation of reported revenue, would no longer be required.

Mr. Harrington reviewed the principles underpinning mainstreaming, the procedures for mainstreamed disclosures, and the uncertainties for USEITI around participating in mainstreaming. Mr. Harrington noted that the EITI Board Chair indicated that the Board is intending to initiate mainstreaming with countries that can more fully meet all of the requirements in the EITI Standard, meaning that the US likely would not be considered in the first batch. Additional information is available in Mr. Harrington’s presentation

slides, available online at:

www.doi.gov/sites/doi.gov/files/uploads/mainstreaming_msg_mtg_slides_2.pdf.

Following the presentation, MSG members asked the following questions and made the following comments:

- What are the advantages and disadvantages of mainstreaming?
 - It would allow USEITI to avoid the cost of reconciliation and instead dedicate those resources to making the contextual narrative and overall reporting more robust. It could also provide an incentive for other countries to pursue strengthening their controls to a similar level as the US so that they can also forgo reconciliation.
 - *John Mennel, IA team member, added: Mainstreaming would also make the EITI process more sustainable in the sense that integrating reporting into normal government functioning is more likely to persist than a stand-alone EITI reporting process. Additionally, the US likely saw some benefits from the reconciliation process in 2015 in terms of cleaning up data, but the costs of reconciliation likely outweigh those benefits over time.*
 - *Sam Bartlett, International EITI Secretariat, also suggested that mainstreaming could have a public benefit in that it makes up-to-date information more readily and easily publicly accessible. For example, an internet search for royalty payments in their state should yield accurate data.*
- The concept of mainstreaming has been part of the thinking for USEITI from the beginning since EITI implementation was intended to spur greater transparency across the Department of the Interior. The inclusion of mainstreaming in the 2016 EITI Standard allows the US to formalize that greater transparency.
- The Office of Natural Resources Revenue (ONRR) already undertakes significant effort to verify data with payers. The EITI reconciliation process could be seen as duplicative of this ONRR verification process.
- What is the mainstreaming feasibility study intended to address? In addition to working with the US Independent Administrator to conduct a feasibility study, would USEITI be able to work with the International EITI Secretariat? *Response from Sam Bartlett: Although the International Secretariat cannot commit to too much, it is assisting some countries with pre-feasibility scoping. In the US, the International Secretariat would like to see disclosure of tax payments. The US will need to examine what disclosure already exists and what further needs to be done.*
- Given that Australia joined EITI only in May 2016, what is their approach to mainstreaming? *Response from Mr. Bartlett: Australia is still a candidate country but previously ran a pilot EITI program for a few years. That pilot exercise was to test the hypothesis that EITI reconciliation would be redundant with the robust auditing processes that Australia already has in place.*

- What would the difference be between performing a pre-feasibility exercise and conducting the full feasibility study? *Response from Mr. Bartlett: The full feasibility study would be much more extensive. The pre-feasibility exercise could likely focus on scoping and likely hurdles and be prepared by the next MSG meeting in November. Another consideration for USEITI is that, with adapted implementation approved for the first two reports, a mainstreaming feasibility study could choose to focus only on Federal revenues or it could include state and tribal revenues given the need to report these beginning with the third USEITI report.*

Greg Gould, the Chair of the Implementation Subcommittee and head of the USEITI Secretariat, proposed that that USEITI Secretariat work with the International EITI Secretariat and the IA to conduct a pre-feasibility exercise for mainstreaming of USEITI.

- **Approval: The MSG approved the undertaking of a mainstreaming pre-feasibility exercise.**

G. Dodd-Frank Act Section 1504 Update

Greg Gould provided a high-level summary of the just released final rule for Section 1504 of the Dodd-Frank Act that released by the US Securities and Exchange Commission (SEC) on June 27, 2016. Mr. Gould’s general and initial summary covered reporting requirements, the definition of “project,” the types of payments included, relationship to USEITI, and the effective date of the draft final rule. Additional information is available in Mr. Gould’s presentation slides, available online at: https://www.doi.gov/sites/doi.gov/files/uploads/dodd_frank_sec_presentation.pdf.

In response to Mr. Gould’s comments, MSG members made the following comments:

- 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.

H. Validation Discussion

John Mennel, IA team member from Deloitte, presented information about the EITI validation process and its implications for USEITI. He reviewed the EITI International Board’s validation process, the indicators that the Board considers, the countries that are currently compliant with EITI and those that are attempting validation in 2016 and 2017, case studies from the validation process of select countries, notable changes to the validation process that were implemented with the 2016 EITI Standard, and the outlook for validation of the USEITI reports. Additional information is available in Mr. Mennel’s presentation slides, available online at:

https://www.doi.gov/sites/doi.gov/files/uploads/20160620_validation_case_studies_v_send_updated_1.pdf.

In response to Mr. Mennel's presentation, MSG members made the following comments and asked the following questions:

- Does the USEITI adapted implementation dispensation have a strict time limit? Does the USEITI plan for sub-national voluntary opt-in to USEITI potentially fulfill the requirement for sub-national participation? *Response from Sam Bartlett: The USEITI year 2 report (in 2016) will cover only 2016 and will thereby be covered by the adapted implementation dispensation. After the two-year dispensation, however, USEITI will need to have sub-national participation or apply for additional relief of some sort.*
- The USEITI adapted implementation request may have had two phases, with the first phase for sub-national opt-in and the second phase for reporting and reconciliation of sub-national revenues. The adapted implementation dispensation may not have been strictly time-limited, so this would need confirmation.
- If it is true that countries are waiting several years for validation due to delays from EITI International, is it possible that USEITI could be well on the way to mainstreaming by the time a US report is considered for validation? *Response from Sam Bartlett: There are fifteen validation requests overdue and they have been given priority by the International Board. That backlog will be cleared quickly. The Board will also take stock of the EITI financial situation in October 2016 and will thereby determine how many validations to undertake in 2017.*
- If the USEITI MSG decides to pursue validation of its 2016 report, could the International EITI Board meet that request? *Response from Sam Bartlett: To the extent possible, the International Board will strive to meet requests for expedited validation.*
- In terms of the likelihood for USEITI validation, in the past countries have been validated without fully meeting all EITI requirements and the presentation from John Mennel indicated that the EITI Board considers a scorecard holistically. However, Sam Bartlett has also indicated that a country needs to be "satisfactory" on all requirements in order to be validated. In order for USEITI to achieve validation, is "satisfactory" progress on each requirement needed or can is "meaningful" progress on some requirements sufficient? What are the requirements for validation? *Response from Sam Bartlett: All requirements have to be met. The EITI Board will make a final decision about a country's scorecard. The 2016 EITI Standard is quite clear that countries are required to have "satisfactory" progress on all requirements to achieve validation.*
- Prior to the 2016 Standard, the Board had more discretion to consider countries' reports holistically and validate them even if they had not met all of the requirements. The likelihood for the US report to be validated under the 2016 Standard is lower than it was under the 2013 Standard. *Response from John*

Mennel: Although there were countries that achieved validation without full compliance with company and revenue stream reporting, the gap that the US had in 2015 in terms of income tax reporting was quite significant. And the 2016 Standard sets a higher bar for validation.

- The International EITI Board ultimately decides whether a country is “EITI compliant,” correct? How is “compliance” with the EITI Standard different from “validation?” *Response from Mr. Bartlett: There are three stages to determine compliance: review by the International EITI Secretariat, review by an independent validator appointed by the EITI Board, and a final determination by the EITI Board.*
- The MSG is trying to guess at the intentions of the Board’s Validation Committee. The USEITI MSG has not been able to reach consensus about the disaggregation level of reporting and this may be a reason to be cautious about pursuing validation.
- There seem to be the following possibilities for USEITI pursuing validation: 1) submit the 2016 USEITI report for expedited validation; 2) submit for validation under the normal process, in which case the most recent report at the time of validation will be reviewed; or 3) request delayed validation.
- One additional consideration is that the 2016 Report would be considered for validation under the 2013 Standard whereas the 2017 report and later reports would be considered under the 2016 Standard.
- The USEITI MSG will have a better sense of the Board’s timeframe for validation after getting more information about the progress of the EITI fundraising campaign.
- Another validation risk is that the Board may not accept the USEITI definition of materiality. For next year, USEITI should expand the definition of materiality beyond only DOI revenues.
 - USEITI submitted its candidacy application under a definition of materiality that includes only DOI revenues.
 - *Response from Sam Bartlett: The Board is not limited to considering only the definition that was included in a country’s candidacy application. Doing so would discount any discussion or decisions that a country’s MSG makes after submitting its initial application.*
 - There are a number of companies in the mining sector that are not currently included in USEITI reporting because their payments to DOI do not meet the materiality threshold but that are voluntarily reporting their income tax payments. The Implementation Subcommittee should explore including these companies next year in order to help address the income tax reporting issue.
- The MSG needs to make a decision about how to handle state and tribal opt-in and, consequently, whether to submit another application for adapted implementation.

- The State and Tribal Opt-in Subcommittee should prepare a second request for adapted implementation. This application should state that USEITI is unlikely to ever undertake revenue reconciliation of state and tribal revenues.
- Mainstreaming could obviate the need for reconciliation.
 - *Comment from Pat Field, facilitator: We will need to clarify whether mainstreaming applies to all aspects of reporting or only to some aspects.*
- Given that the SEC has now released a rule for Section 1504 of the Dodd-Frank Act and that the 2016 Standard creates a pathway for mainstreaming, the real hurdle for validation facing USEITI is the level of participation in corporate income tax reporting. USEITI clearly meets or exceeds every other aspect of the Standard. USEITI needs to test what arguments it can make such that it can be successful even without the tax reporting. Could the case be made that USEITI is on a glide path towards validation given the release of rules under Section 1504? If the MSG decides that the US report is unlikely to be validated, the MSG should then consider whether it makes sense to continue expending the resources to meet the Standard. Instead, USEITI could consider pursuing the spirit of the EITI without strictly striving for validation.
- The rulemaking under Section 1504 is not a given. The SEC previously released final draft rules and those rules were blocked by a lawsuit. Given the political dynamics around these issues, that could happen again. Furthermore, even if the rules are implemented, tax reporting would not come into effect until 2019, which is three years away. The MSG should be very cognizant of the message that it would be sending about American exceptionalism in that they would have to undertake reconciliation while the US chooses not to do so. Other countries have enacted laws mandating reporting from companies and what the US does around this will have an impact in other countries.
 - The MSG needs to choose between focusing on domestic priorities and foreign policy goals. It cannot accommodate both simultaneously.
 - Another important precedent to consider is the robust level of CSO participation in the US process and the very strong and proactive involvement, particularly around unilateral disclosure, from the government sector.
- I am dismayed about the comments that the USEITI report would not achieve validation. We have a report that all sectors should be very proud of, particularly given the factors on the ground. It could be helpful to have our other EITI International Board member, Ambassador Warlick, participate in and help inform these discussions. USEITI needs people at the Board level who understand the discussions that the MSG has had and who can advocate on behalf of USEITI with the Board. I would like to reiterate the request that Ambassador Warlick attend USEITI MSG meetings in order to understand the USEITI process.

- *Sam Bartlett has communicated very clearly that countries are required to meet all of the requirements in order to achieve validation. He also said he is impressed about the work that USEITI has done.*
- Reconciliation is still very important for the US process. There are safeguards in place in the US system, and yet the impetus for this work in the US was the revelation about corruption at the former Minerals Management Service (MMS). *Response from a representative from the State of Wyoming: After the MMS scandal, Wyoming audited its revenue-sharing program with MMS and did not find any revenue misallocation. While there were cultural and behavioral problems at MMS, it does not seem that there were problems with revenue allocation and distribution.*
- There is still a chance that the US could achieve validation if more companies participate in income tax reporting in 2016.
- More so that income tax reporting, for which regulations will be implemented at some point, state and tribal reporting and reconciliation will continue to be a challenge and hurdle for implementation because the MSG ultimately has no control over subnational participation.
- An additional validation risk facing USEITI is the low level of public participation in the US process. *DOI Response: The US put forward resources for public engagement but unfortunately was not able to achieve robust engagement.*
- Patrick Field, facilitator, summarized the following potential validation risks raised by MSG members:
 - Sub-national reporting and reconciliation
 - Project level reporting
 - Definition of materiality
 - Tax reporting and reconciliation
 - Number of companies that participated in reporting
 - Community engagement

Greg Gould, Chair of the Implementation Subcommittee, proposed that the USEITI Secretariat work with the International Secretariat and the IA to explore the prospects and risks for USEITI validation and provide a recommendation to the MSG at the November 2016 MSG meeting. Mia Steinle, Project on Government Oversight, and Emily Hague, American Petroleum Institute, would serve as liaisons between the Secretariat and their sectors. The Secretariat will also maintain open communication with MSG members throughout the process.

IV. Public Comments

No public comments were offered at the June 2016 MSG meeting.

V. Wrap Up / Closing

Mr. Patrick Field, facilitator from the Consensus Building Institute, reviewed the action items and the decisions coming out of the MSG meeting. Decisions will be recorded in an updated MSG Decision Matrix by the Secretariat.

Mr. Gould, Ms. Kohler, Ms. Brian, and Mr. Mussenden, in their roles as Co-Chairs and the acting DFO, made closing comments to the MSG, thanking the MSG, associated staff, the USEITI Secretariat, and the IA for their hard work. Mr. Mussenden, Acting DFO, adjourned the meeting at 4:00 pm.

VI. Meeting Participants

The following is a list of attendees from the June 27-28, 2016 USEITI MSG meeting.

Chaired by Kris Sarri, Designated Federal Officer, and Paul Mussenden, Acting Designated Federal Officer, for the USEITI Advisory Committee, US Department of the Interior.

A. Participating Committee Members

Civil Society

Danielle Brian, Project on Government Oversight, USEITI MSG Advisory Committee Co-Chair
Paul Bugala, George Washington University
Lynda Farrell, Pipeline Safety Coalition
Keith Romig, Jr., United Steelworkers
Michael Ross, Natural Resources Governance Institute
Veronica Slajer, North Star Group

Government

Curtis Carlson, Department of the Treasury
Greg Gould, Department of the Interior, USEITI MSG Advisory Committee Co-Chair
Mike Matthews, State of Wyoming - Department of Audit/Mineral Audit Division

Industry

Stella Alvarado, Anadarko Petroleum
Phillip Denning, Shell Oil Company
Michael Gardner, Rio Tinto
John Harrington, ExxonMobil
Veronika Kohler, National Mining Association, USEITI MSG Advisory Committee Co-Chair
Johanna Nesseth, Chevron

B. Committee Alternates in Attendance

Civil Society

David Chambers, Center for Science in Public Participation

Daniel Dudis, Public Citizen

Government

Jim Steward, Department of the Interior

Industry

Chris Chambers, Freeport-McMoRan Copper & Gold Inc.

Aaron Padilla, American Petroleum Institute

C. Members of the Independent Administrator Team in Attendance

John Cassidy, Deloitte

Luke Hawbaker, Deloitte

Alex Klepacz, Deloitte

John Mennel, Deloitte

Sarah Platts, Deloitte

Kurt Schultz, Deloitte

Jen Smith, Deloitte

Andrew Varnum, Deloitte

D. Government and Members of the Public in Attendance

Michael Blank, Peabody Energy

Troy Dopke, Department of Interior Office of Inspector General

Nicole Gibson, Department of State

Emily Hague, American Petroleum Institute

Jeannette Angel Mendoza, Office of Natural Resources Revenue

Mary McCullough, Chevron

Charles Norfleet, Bureau of Ocean Energy Management

Kathleen Richland, Department of Interior Office of Inspector General

Yvette Smith, Office of Natural Resources Revenue

Mia Steinle, Project on Government Oversight

Suzanne Swink, BP

Micah Watson, Department of State

Greg Weissman, Chevron

Lance Wenger, Department of the Interior Office of the Solicitor

E. Facilitation Team

Patrick Field, Consensus Building Institute

Tushar Kansal, Consensus Building Institute

F. DOI MSG Support Team

Nathan Brannenber, Office of Natural Resources Revenue

Jerry Gidner, Office of Natural Resources Revenue

Jennifer Goldblatt, Office of Natural Resources Revenue

Judith Wilson, Office of Natural Resources Revenue

VII. Documents Distributed

- MSG Meeting Agenda ([PDF](#))
- March 2016 MSG Meeting Summary ([PDF](#))
- 2015 Signed Annual Activity Report ([PDF](#))
- Updated USEITI Terms of Reference ([PDF](#))
- Coal Excise Tax Infographic ([PDF](#))
- AML Visualization ([PDF](#))
- Budget and Audit Visualization ([PDF](#))
- Montana State Opt-In Visualization ([PDF](#))
- Montana Enlarged Mock-Ups ([PDF](#))
- Data Portal Analytics ([PDF](#))
- 18f Development Process ([PDF](#))
- County Case Studies:
 - Boone, Logan, and Mingo Counties, West Virginia ([PDF](#))
 - Campbell County, Wyoming ([PDF](#))
 - Desoto Parish, Louisiana ([PDF](#))
 - Elko and Eureka Counties, Nevada ([PDF](#))
 - Humbolt and Lander Counties, Nevada ([PDF](#))
 - Marquette County, Michigan ([PDF](#))
 - Pima County, Arizona ([PDF](#))
 - St, Louis County, Minnesota ([PDF](#))
 - Tarrant and Johnson Counties, Texas ([PDF](#))
 - Greenlee County, Arizona ([PDF](#))
 - Kern County, California ([PDF](#))
 - North Slope Borough, Alaska ([PDF](#))
- Executive Summary Outline ([PDF](#))