

EITI - THE NORWEGIAN ANNUAL ACTIVITY REPORT 2015

1. Background

Leaders from a group of governments, companies and civil society came together a little more than ten years ago and agreed that the “prudent use of natural resource wealth should be an important engine for sustainable economic growth that contributes to sustainable development and poverty reduction”.

EITI’s principles are that “public understanding of government revenues and expenditure over time could help public debate and inform choice of appropriate and realistic options for sustainable development”.

Norway became an EITI candidate in 2009 and delivered our first EITI-report the same year. The country has been compliant with EITI requirements since March 2011. Compliance means that Norway has published satisfactory EITI Reports and has a functioning EITI process to oversee the level of transparency and accountability. The reports from the Norwegian multi stakeholder group (MSG) have described the activities that are relevant for implementation of EITI in Norway.

Each country owns its own EITI process and sets its own objectives. The new EITI standard approved in 2013 has further strengthened the process and encourage more information about the extractive industry sector in each country.

The MSG should have a national approach. The Norwegian MSG has focused on developing a high quality report containing the relevant information about revenues and companies’ payments to the government. The EITI-reports have all confirmed payments published in other sources like i.e. the state account. There is now little public interest in the EITI-reports. The Norwegian MSG does not find it meaningful to continue the reporting and reconciliation of payments. The way ahead has been discussed within the Norwegian MSG and with the EITI Secretariat.

A vital part of EITI is the disclosure of information. The EITI Standard now requires countries to disclose production figures, the ownership of license holders and government participation in the extractive sector. The Standard encourages countries to disclose ultimate beneficial ownership as well as production contracts.

Information about the Norwegian petroleum related activities have been available to the public since the discovery of oil and gas 45 years ago. One important source of information has been the Petroleum Register published by Norwegian Petroleum Directorate (NPD) (<http://www.npd.no/en/news/News/2013/The-Petroleum-Register-on-the-NPDs-Fact-Pages/>). Further, the Ministry of Petroleum and Energy (MPR) together with NPD runs a website (www.norskpetroleum.no) where readers can learn more about Norwegian petroleum history, current activity and framework conditions. Data from NPD is synchronised daily. The Government is also preparing for an updated electronic and public available shareholder register of companies registered in Norway. Further, Norwegian companies in the extractive industry sector and forest industry will according to regulations implemented January 2014, have to disclose payments to governments in third countries (country by country reporting)

The public debate in Norway is not about transparency in revenues and expenditures, but more about the activity level, opening new acreage for exploration, and with high focus on safety and the environment. Implementation of the new EITI Standards has not changed significantly the public's access to information or the public debate.

Multi stakeholder group work on EITI in 2015

The multi stakeholder group's main activity in 2015 was preparing and finalizing the seventh Norwegian EITI-report. The seventh report was carried out in accordance with the new EITI Standard. The Norwegian MSG has further discussed the way ahead, adapted implementation and mainstreaming.

The multi stakeholder group held two meetings during 2015. Members of the group used emails to exchanged information and make required decisions.

The Ministry of Petroleum and Energy published the EITI-report on its website. Companies and governmental entities who had been reporting were provided

the report.

Norsk olje & gass (the Norwegian Oil and Gas Association) informed their members about EITI and the report. The data from the EITI-report have been made available on the Norwegian MSG's web site (www.eiti.no)in Excel format. The main data has also been made available on MPE's and NPD's web site www.norskpetroleum.no

One the MSG's main activity was the continued discussion of the way ahead. After discussion late 2014 civil society suggested they should present to the group a revised position paper as an input before work plan 2015 was finalized and an application for adapted implementation was sent to the EITI Board. A revised position paper was received mid-May and a meeting held 16.th August. The MSG concluded not to introduce other sectors or focus areas outside EITI Standards into their work plan. MSG will in an appropriate way apply to stop reporting and reconciliation. Information according to EITI Standard will be available through already existing sources.

Reporting and reconciliation of the 2014 data has continued to be a main priority of MSG in 2015. The report was according to the new EITI-standards(2015). A draft report was sent to the MSG 16. November and a MSG meeting was held 14. December to discuss the report. The Administrator, Deloitte Norge, presented the main conclusions and in which area the report might not be in compliance with the new EITI-standards. The following EITI Requirements was mentioned and discussed by the MSG;

- EITI Requirement 3.6 SOEs ownership in mining, oil and gas companies
- EITI Requirement 4.1 d infrastructure and barter arrangements and social expenditure
- EITI Requirement 3.9 b iii) date of application and award

Ad EITI Requirement 3.6: The EITI-report describes the role of Statoil and the State's Direct Financial Interest (SDFI). Statoil is a public limited liability company listed on the Oslo Stock Exchange (OSE) and New York Stock Exchange (NYMEX). The State is the largest shareholder in Statoil with a direct ownership of 67%. It was decided to include in the report where to find an overview of subsidiaries in the Statoil group and their country of incorporation (Payments to Governments:

<http://www.statoil.com/no/InvestorCentre/AnnualReport/annualreport2014/Pages/DownloadCentre.aspx>)

EITI Requirement 4.1 d: The MSG has previously discussed this requirement and came to the conclusion that it is not relevant to Norway based on the understanding of this requirement that only payments related to contract/license obligations shall be reported. Infrastructure investments and barter agreements are not part of the license award system in Norway. An announcement letter describing the terms and criteria are published on the

websites of NPD. The MSG decided to address this issue in the EITI-report. (<http://www.npd.no/en/Topics/Production-licences/Theme-articles/Licensing-rounds/APA-2015/APA-2015---announcement/>)

EITI Requirement 3.9 b iii Available at the Petroleum Register is extensive information about each production license and licensee i.e. when the production license was **awarded**, working program, operator, etc. The award of a production license is according to a standard license agreement Contract (which is available at the Ministry of Petroleum and Energy's website

https://www.regjeringen.no/globalassets/upload/oed/pdf_filer_2/og/utvinningstillatelse.pdf)

The MSG has previously concluded that already available information was extensive and satisfying. The application deadline is published in the announcement of a licensing round.

List of applicants and final awards are also published by NPD and MPE.

<http://www.npd.no/en/Topics/Production-licences/Theme-articles/Licensing-rounds/>) MSG decided to include this information in the EIT-report .

Further, according to The EITI Guidance note; Annual Activity Report this report *should include any actions undertaken to prepare for implementation of the EITI Standard, including addressing issues such as **revenue management and expenditure (3.7-3.8)**, **transportation payments (4.1.f)**, discretionary social expenditures (4.1.e), **ad-hoc subnational transfers (4.2.e)**, **beneficial ownership (3.11)** and contracts (3.12)*. The requirements marked in bold have not been included in the MSG's activities because they've not been seen as relevant in a Norwegian context. As regard **revenue management and expenditure (3.7-3.8)** all the state's revenues from petroleum activities and gas sector are transferred into The Government Pension Fund – Global. The expected return from the fund can be spent over the fiscal budget. There are no specific **transportation payments** to the Government. Companies pay taxes based on their net income whether revenues come from selling oil and gas and/or pipeline tariffs. All income streams are treated the same and included in the reporting. There are no **ad-hoc subnational transfers**. Regarding **beneficial ownership** the Government is currently working on establishing an electronic register of ownership of Norwegian companies which will be open to the public.

MSG approved the report. The report was published at <http://www.eiti.no> early January 2016. A printed version in both Norwegian and English is available. The MSG agreed not to organize any specific event in relation to the release of the report.

The mining sector is not included in the Norwegian EITI-report due to lack of materiality in the country at present.

The MSG's work plan for 2014, including cost, is available on the EITI web site. The reporting templates are also available on the web.

Follow-up of validation team recommendations and/or recommendations.

Regulations of 26.6.2009 (856) are guiding the work in the MSG. The multi stakeholder group has agreed on the terms of reference and made them available on the website.

The companies' chief executive director (CEO) had to sign the EITI submission according to the initial requirements. The multi stakeholder group has agreed to accept that companies' chief financial officer (CFO) can sign the report. Companies are also required to enclose an auditor's statement to ensure that they have produced and delivered an audit report without any comments from the auditor with relevance for the EITI.

Norway has had an open and transparent system since the early 1970s. Relevant information was available to the public. Parliament had frequent discussions on the oil and gas policies and strategies.

Media had from the early years – and still has - wide coverage of the sector due to its major role in the Norwegian economy. Members of the MSG contribute to the debate through their different organizations.

The Norwegian EITI website was established early 2011. It contains information relevant to the Norwegian implementation of EITI, as well as links to relevant information of the domestic upstream oil and gas activities. The website contains general EITI information and explanation and/or links to where information is available.

Minutes from MSG meetings are available on the EITI website. Reporting process and templates have been discussed both within in the MSG and with the reporting entities and is under constant review. The ambition has been from the beginning to deliver simple and efficient, but sufficient reporting.

The Norwegian MSG has delivered seven EITI-reports without any unexplained differences in reported numbers by companies and government.

It confirms Norway has in place a system of high standards of transparency and accountability.

The multi stakeholder group has discussed the benefits of continuing the current EITI-reporting since the information is publically available without the EITI report. The report has limited value for the Norwegian public, but may have some value as a reference for stakeholder groups in other EITI implementing countries.

The Norwegian EITI report has found its format. It is difficult to see how it can be further simplified and at kept at the same disaggregated level. Reconciliation of the data is the most time consuming part of the work. The group has discussed using the Bureau of Statistic Norway to do the work, but the bureau does not focus on the disaggregated level required by EITI and it is difficult to see how the Bureau or other agencies will use less time.

One of the multi stakeholder group's objectives has been to find a fair balance between the different interests group; civil society, trade unions, oil companies and the ministries.

The most relevant Ministries are members of the group, and these members represent the government and secure the full depth of political engagement in the process. The oil industry has nominated their candidates, as has civil society organizations and the trade unions.

The multi stakeholder group has not seen a need for a separate EITI secretariat. The Ministry of Petroleum and Energy has functioned as the secretariat. It has worked well. Most of the work related to the Norwegian implementation of EITI have to be done by the Ministry, independent to how the secretariat function is organized.

The multi stakeholder group will continue to discuss the best way to meet and implement the new EITI standards in Norway.