



BRIEFING PAPER

Number 06479, 21 November 2012

Extractive Industries Transparency Initiative

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Summary

This note summarises the main features of the extractive industries transparency initiative and outlines the sphere of operations of the UK's main mining companies. The note is prepared for the debate on 28 November 2012 on UK mining industries

1. Extractive Industries Transparency Initiative

The EITI (previously the Extractive Industries Transparency Directive) was a DfID inspired proposal aimed at providing a forum for monitoring the activities of those companies which are most often accused of some of the worst aspects of overseas exploitation and harm to natural resources. Information on this can be found in an old DfID press release:

The EITI was launched by Tony Blair at the World Summit on Sustainable Development in September 2002. It seeks to increase the transparency of payments by oil, gas, and mining companies to governments, as well as the transparency of revenues received by governments. The aim is to ensure that revenues from the extractive industries fulfil their potential as an important engine for economic growth in developing countries, instead of leading to conflict, corruption, and poverty.

A major international conference on EITI was held in London in March this year. That conference agreed a set of rules that clearly defines the steps that a country must take to implement EITI. Ten countries are currently implementing the initiative: Azerbaijan, Republic of Congo, Democratic Republic of Congo, Ghana, Kyrgyz Republic, Nigeria, Peru, Sao Tome e Principe, East Timor, and Trinidad and Tobago. A number of other countries have endorsed the initiative and are currently considering how to implement the initiative.

An International Advisory Group was set up on 1 July 2005 and set out various principles for companies and countries to adhere to. The Chair of the International Group mentioned above was the head of a long established NGO called Transparency International which has had as its main target the prevention of corruption in dealings between developed world companies and governments and agencies in the third world. The group produces 'Corruption Fighters Toolkits' as well as corruption indices and other 'name and shame' devices. These can be found on their website.¹

Meeting the EITI conditions consists of meeting both principles and criteria set out by the organisation. These are shown below:

The EITI Principles

The EITI Principles, agreed at the Lancaster House Conference in June 2003, provide the cornerstone of the initiative. They are:

¹ <http://www.transparency.org/>

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1. We share a belief 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, but if not managed properly, can create negative economic and social impacts.
2. We affirm that management of natural resource wealth for the benefit of a country's citizens is in the domain of sovereign governments to be exercised in the interests of their national development.
3. We recognise that the benefits of resource extraction occur as revenue streams over many years and can be highly price dependent.
4. We recognise that a public understanding of government revenues and expenditure over time could help public debate and inform choice of appropriate and realistic options for sustainable development.
5. We underline the importance of transparency by governments and companies in the extractive industries and the need to enhance public financial management and accountability.
6. We recognise that achievement of greater transparency must be set in the context of respect for contracts and laws.
7. We recognise the enhanced environment for domestic and foreign direct investment that financial transparency may bring.
8. We believe in the principle and practice of accountability by government to all citizens for the stewardship of revenue streams and public expenditure.
9. We are committed to encouraging high standards of transparency and accountability in public life, government operations and in business,
10. We believe that a broadly consistent and workable approach to the disclosure of payments and revenues is required, which is simple to undertake and to use.
11. We believe that payments' disclosure in a given country should involve all extractive industry companies operating in that country.
12. In seeking solutions, we believe that all stakeholders have important and relevant contributions to make – including governments and their agencies, extractive industry companies, service companies, multilateral organisations, financial organisations, investors, and non-governmental organisations.

The EITI Criteria

Implementation of EITI must be consistent with the criteria below:

1. Regular publication of all material oil, gas and mining payments by companies to governments (“payments”) and all material revenues received by governments from oil, gas and mining companies (“revenues”) to a wide audience in a

- publicly accessible, comprehensive and comprehensible manner.
2. Where such audits do not already exist, payments and revenues are the subject of a credible, independent audit, applying international auditing standards.
 3. Payments and revenues are reconciled by a credible, independent administrator, applying international auditing standards and with publication of the administrator's opinion regarding that reconciliation including discrepancies, should any be identified.
 4. This approach is extended to all companies including state-owned enterprises.
 5. Civil society is actively engaged as a participant in the design, monitoring and evaluation of this process and contributes towards public debate.
 6. A public, financially sustainable work plan for all the above is developed by the host government, with assistance from the international financial institutions where required, including measurable targets, a timetable for implementation, and an assessment of potential capacity constraints.²

It summed itself up more succinctly by saying it was:

A standard for companies to publish what they pay and for governments to disclose what they receive

The EITI has a robust yet flexible methodology that ensures a global standard is maintained throughout the different implementing countries. The EITI Board and the international Secretariat are the guardians of that methodology. Implementation itself, however, is the responsibility of individual countries. The EITI, in a nutshell, is a globally developed standard that promotes revenue transparency at the local level. The [EITI Rules](#) establishes the methodology countries need to follow to become fully compliant with the EITI.³

None of the EU countries are compliant members and only one, Norway, might be regarded as a developed western one. In order to be compliant a country must meet five sign up conditions:

SIGN-UP REQUIREMENTS

The government is required to issue an unequivocal public statement of its intention to implement the EITI.

The government is required to commit to work with civil society and companies on the implementation of the EITI.

The government is required to appoint a senior individual to lead on the implementation of the EITI.

² [EITI website](#)

³ [ibid : http://eiti.org/eiti](http://eiti.org/eiti)

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The government is required to establish a multi-stakeholder group to oversee the implementation of the EITI.

The multi-stakeholder group, in consultation with key EITI stakeholders, should agree and publish a fully costed work plan, containing measurable targets, and a timetable for implementation and incorporating an assessment of capacity constraints.⁴

The UK, along with most EU and developed countries are classed as 'supporters'. Supporter countries are just that: countries which support the general principles behind EITI. There are 17 of them and they include the United Kingdom and can be found [here](#).⁵

Companies that have signed up to the initiative can be found [here](#).

Further information about EITI can be found on the EITI website at: <http://www.eitransparency.org/>

⁴ [EITI Rules 2011 edition](#), p14

⁵ See <http://eiti.org/supporters/countries> for full list.

2. Operations of UK listed mining companies

The following section sets out the principal areas of activity of the main mining companies listed on the UK stock market. It is not an exhaustive list; it does not include the oil and gas sector.

UK listed mining companies, overseas operations

Country	Company				Operations
	Anglo American	BHP Billiton	Rio Tinto	Xstrata	
Angola	✓				Diamonds
Argentina			✓	✓	Minerals, copper, gold
Botswana	✓				Diamonds
Brazil	✓	✓	✓	✓	Nickel, iron ore, manganese
Cameroon			✓		Aluminium
Chile	✓	✓	✓	✓	Copper, base metals
China	✓				Coal
Colombia	✓	✓		✓	Coal, aluminium, nickel
Dominican Republic				✓	Nickel
DRC*	✓			✓	Diamonds, iron ore
Guinea			✓		Bauxite, iron ore
India	✓		✓		Diamonds
Indonesia			✓		Nickel
Madagascar			✓		Minerals
Mongolia			✓		Copper, gold
Mozambique			✓		Titanium, coal
Namibia	✓		✓		Diamonds, uranium
New Caledonia				✓	Nickel/Zinc
Papua New Guinea				✓	Copper/Gold
Peru	✓		✓	✓	Copper, zinc
Philippines				✓	Copper
South Africa	✓	✓	✓	✓	Iron ore, manganese, coal, diamonds, platinum, nickel, aluminium, copper, limenite
Tanzania				✓	Nickel
Zimbabwe	✓		✓		Platinum, diamonds

Note: Two other companies have limited geographical operations; Kazakhmys in Kazakhstan and Lonmin in S. Africa only.
Some operations may be early stage investigations only, not full scale extraction

* Democratic Republic of the Congo

Source: Company Accounts

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