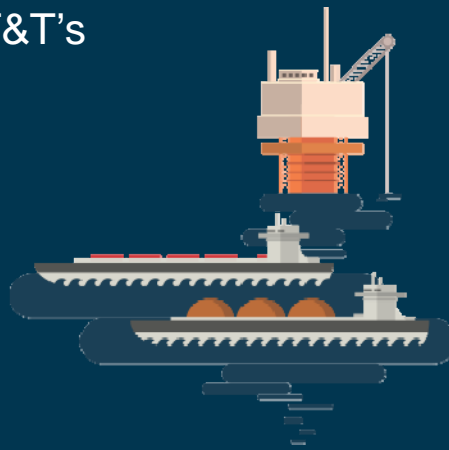


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Energy  
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Institute

**16<sup>th</sup> ANNUAL ENERGY CARIBBEAN CONFERENCE**  
Trinidad Hilton: 12 October 2016.

**WHY IS EITI GOOD FOR T&T's  
ENERGY SECTOR?**

VICTOR HART,  
CHAIR,  
TTEITI STEERING COMMITTEE  
MEMBER OF EITI BOARD



## PRESENTATION OUTLINE



1. An Introduction to Extractive Industries Transparency Initiative (EITI)
2. EITI: Benefits and use of data published.
3. T&T's EITI Report 2014+2015.
4. TTEITI: What's next?

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Transparency  
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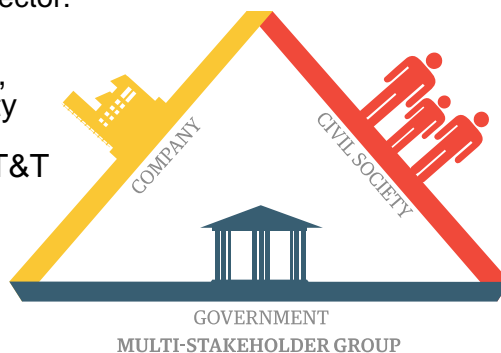
## AN INTRODUCTION TO THE EITI



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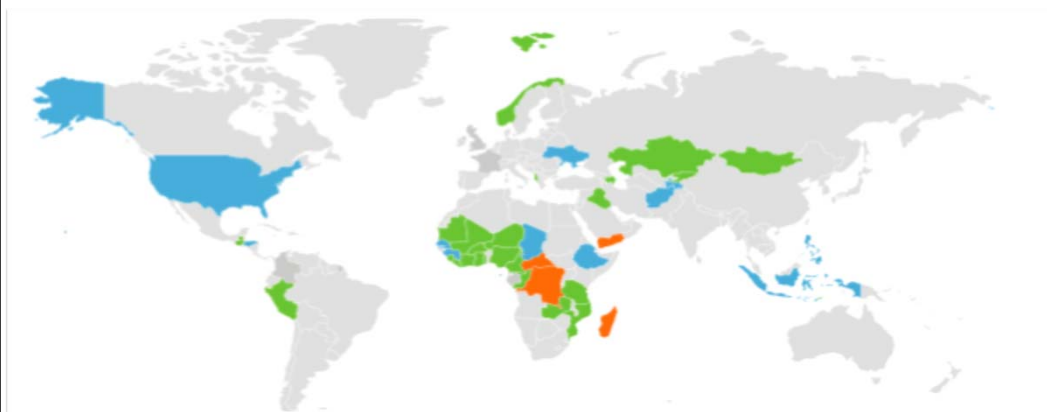
## WHAT IS THE EITI?

- The EITI is an international coalition that promotes public awareness about how countries manage their oil, gas and mineral resources.
- Global standard for extractive industries companies to publish what they pay and for governments to disclose what they receive from the extractive sector.
- Tripartite coalition of stakeholders: government, companies and civil society
- Voluntary participation in T&T by the three stakeholder groups.



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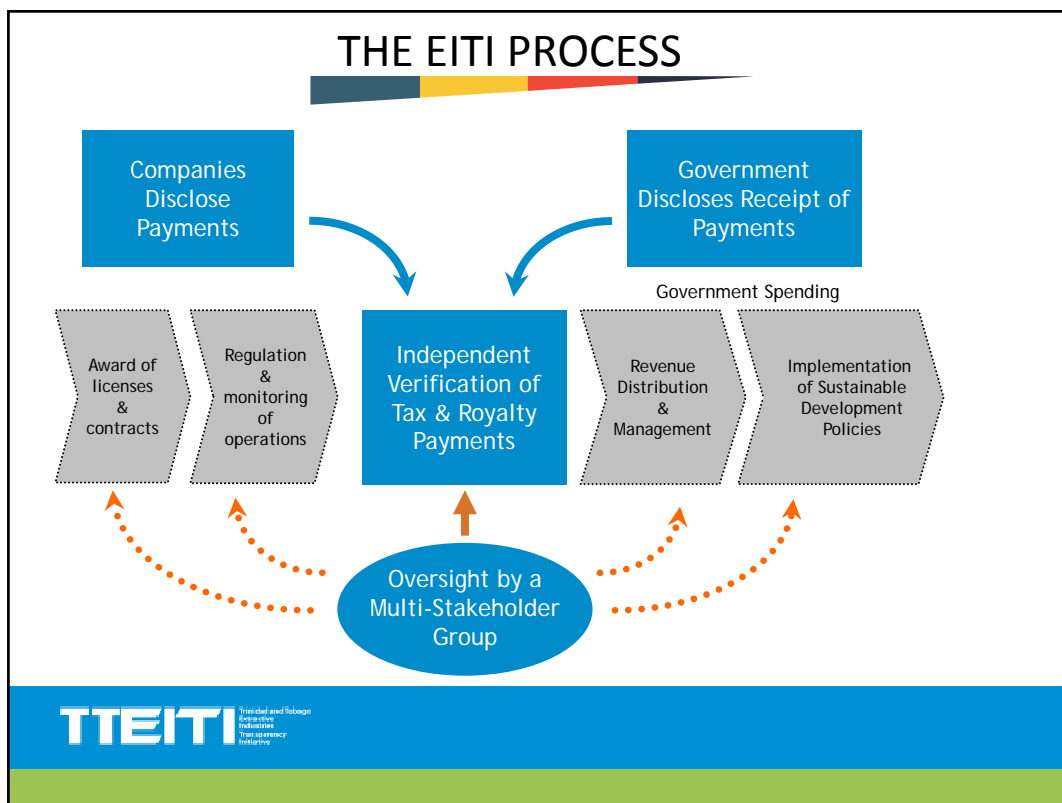
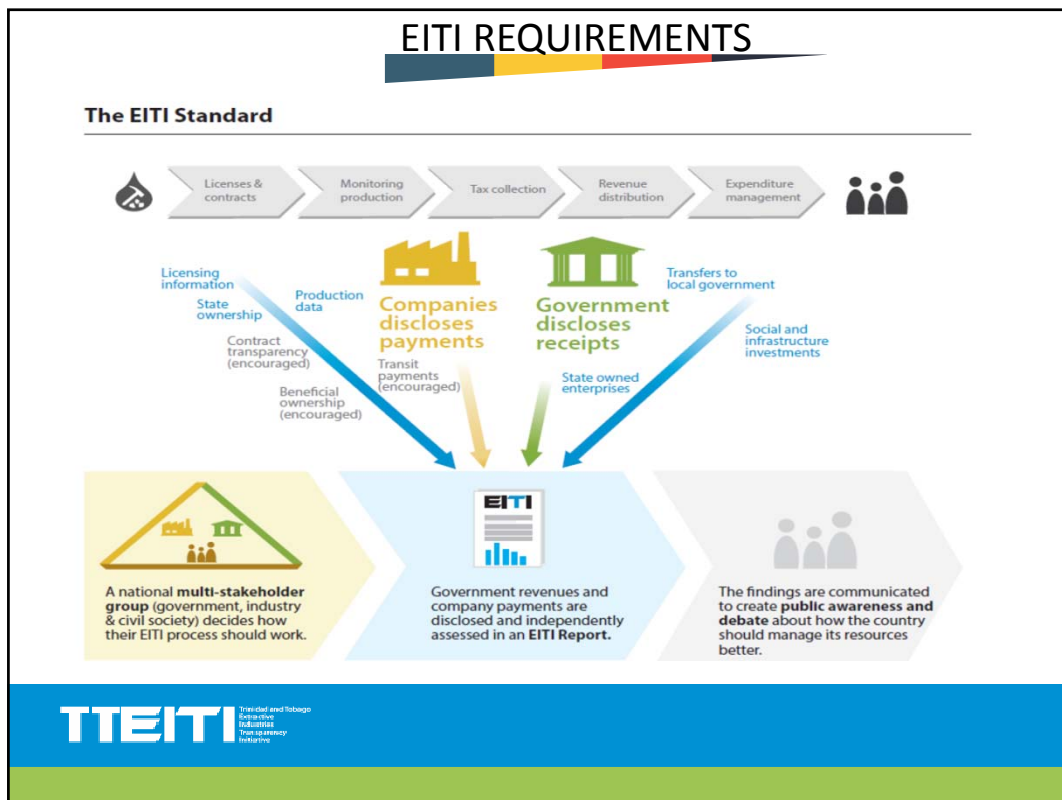
## EITI IMPLEMENTING COUNTRIES



51 Participating Countries; 31 EITI Compliant.

T&T attained membership on March 1 2011 and Compliant  
Country Status on January 23, 2015.

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## EITI: BENEFITS AND USES OF DATA PUBLISHED



## WHY DO GOVERNMENTS IMPLEMENT THE EITI?



### Enlightened self-interest

- Disincentive to Corruption
- Building trust among nationals and communities
- Attracting Foreign Direct Investment (FDI)
- Attracting Leading Companies
- Gaining International Recognition
- Improving Credit Rating

### Encouragement from the International Community

- Development community promotes good governance
- IMF and others wishing to see improved fiscal management
- Energy security through transparency

### Encouragement from industry

- License to operate
- Long-term investment depends on sound business climate

## WHY DO COMPANIES PARTICIPATE IN THE EITI?



- Contributes towards a sound business climate
- Investors/shareholders and employees welcome transparency
- Limits possible involvement in corruption
- Mitigates against reputational risk
- Satisfies hosting governments that call for initiative
- Builds trust with local communities
- Low cost

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## WHY DOES CIVIL SOCIETY SUPPORT THE EITI?



- Recognizes that natural resources belong to the people who have a right to information on their exploitation
- Protects the people's patrimony
- Arms civil society with data to strengthen demands
- Develops a more participatory democracy
- Increases participation in the country's governance and economic management

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## TTEITI SC Members

### Government

Ministry of Energy and Energy Industries

Ministry of Finance

Board of Inland Revenue

Petrotrin

NGC

National Quarries Company Limited

### Companies

BHP Billiton

Shell

bpTT

T&T Chamber of Industry & Commerce

The Energy Chamber of T&T

### Civil Society

Network of NGOs of T&T for the Advancement of Women

The Cropper Foundation

OWTU

Fishermen and Friends of the Sea

Trinidad and Tobago Transparency Institute

National Youth Organisation

.....

**Chairman** with a civil society background

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## USES OF EITI DATA

Drives reform of Government tax collection systems, auditing procedures, legal framework

Provides civil society/citizenry with data to strengthen demands for sustainable development

Guides Negotiation between Trade Unions and Government

Provides Research Data for Independent Analysts & Commentators (Gas Master Plan)

Gives Fenceline Communities Data on Specific Company Payments

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## T&T's EITI REPORT 2014+2015



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## DETAILED DATA ON OIL & GAS REVENUES



- T&T's EITI Reports to date have included data on payments by over 45 participating companies operating in the oil and gas sectors and 4 mining sector companies
- Report disaggregates flows paid by companies to Government including Supplemental Petroleum Tax, Petroleum Profit Tax, Unemployment Levy, Royalties, PSC Share of Profits, Minimum Rent E&P etc
- Dividend payments by State Enterprises
- Social Expenditure and Infrastructure Expenditure by reporting companies
- Recommendations for improving data collection and assurance

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## TOTAL RECEIPTS – 2014



Receipts reported by government	Reconciled differences	Unidentified receipts differences	Payments reported by companies
<u>TT\$ millions</u>	<u>TT\$ millions</u>	<u>TT\$ millions</u>	<u>TT\$ millions</u>
28,392.21	147.25	0	28,244.96

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## RECONCILED DIFFERENCES – 2014



Foreign exchange differences	Timing differences	Insurance premium tax on foreign policies	Total reconciling items
<u>TT\$ millions</u>	<u>TT\$ millions</u>	<u>TT\$ millions</u>	<u>TT\$ millions</u>
-1.92	178.28	-29.12	147.25

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## TOTAL RECEIPTS – 2015

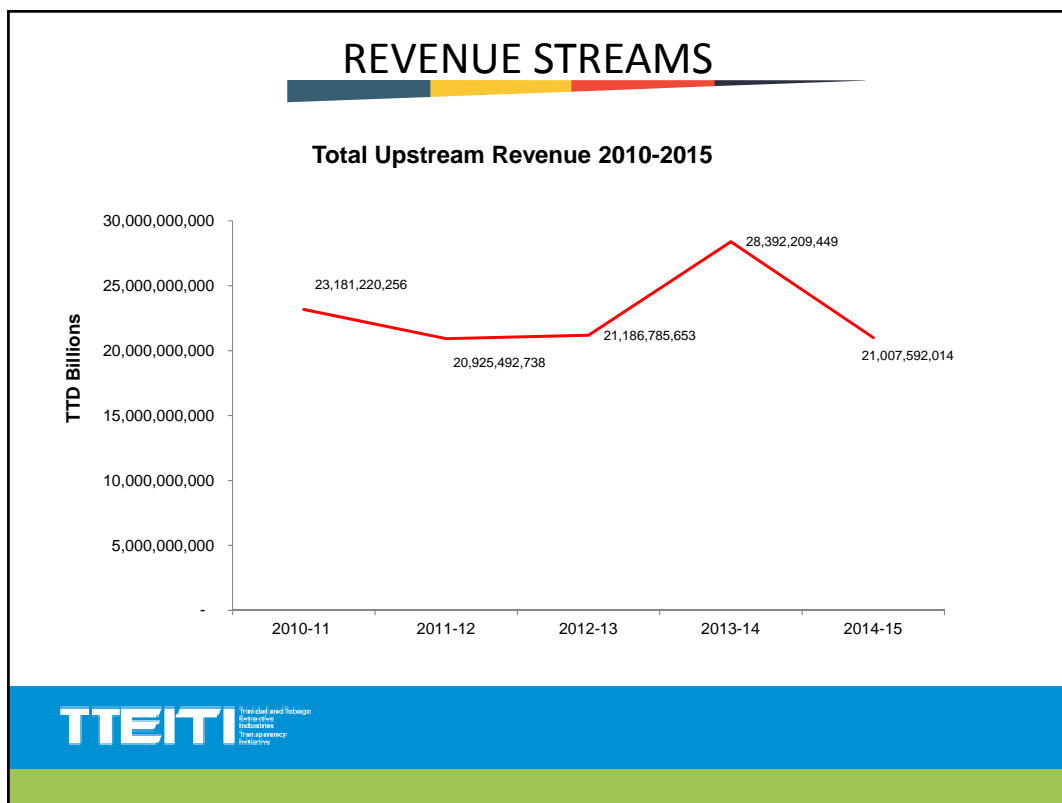
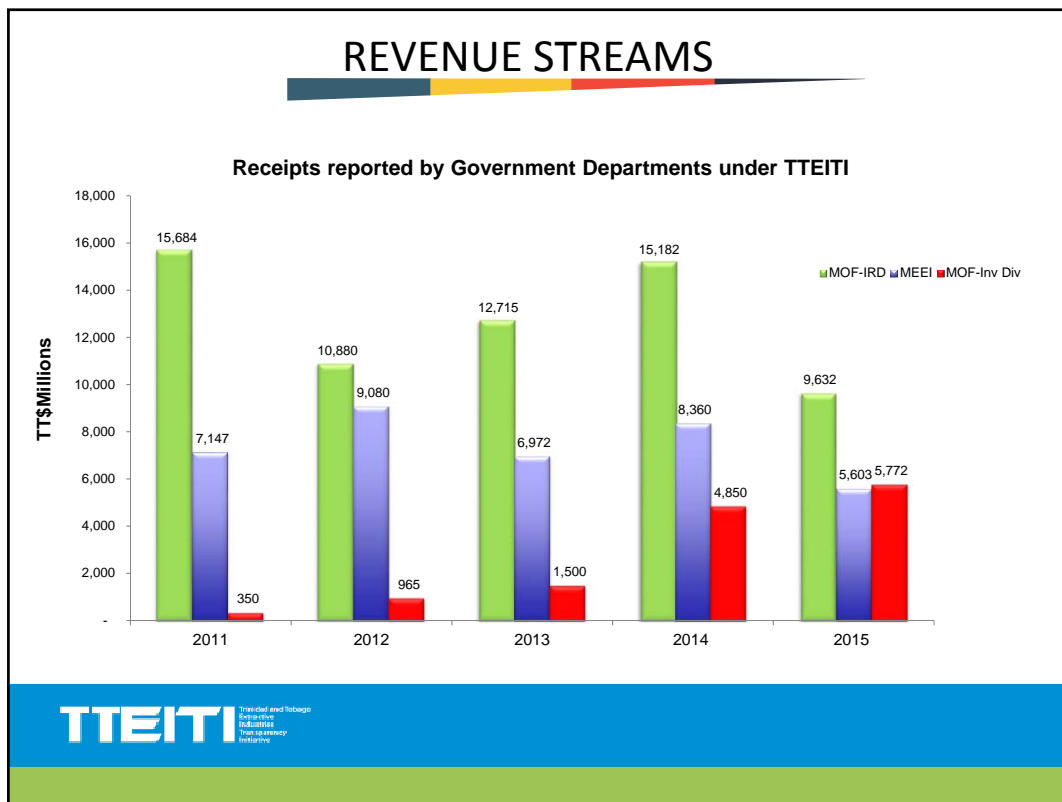


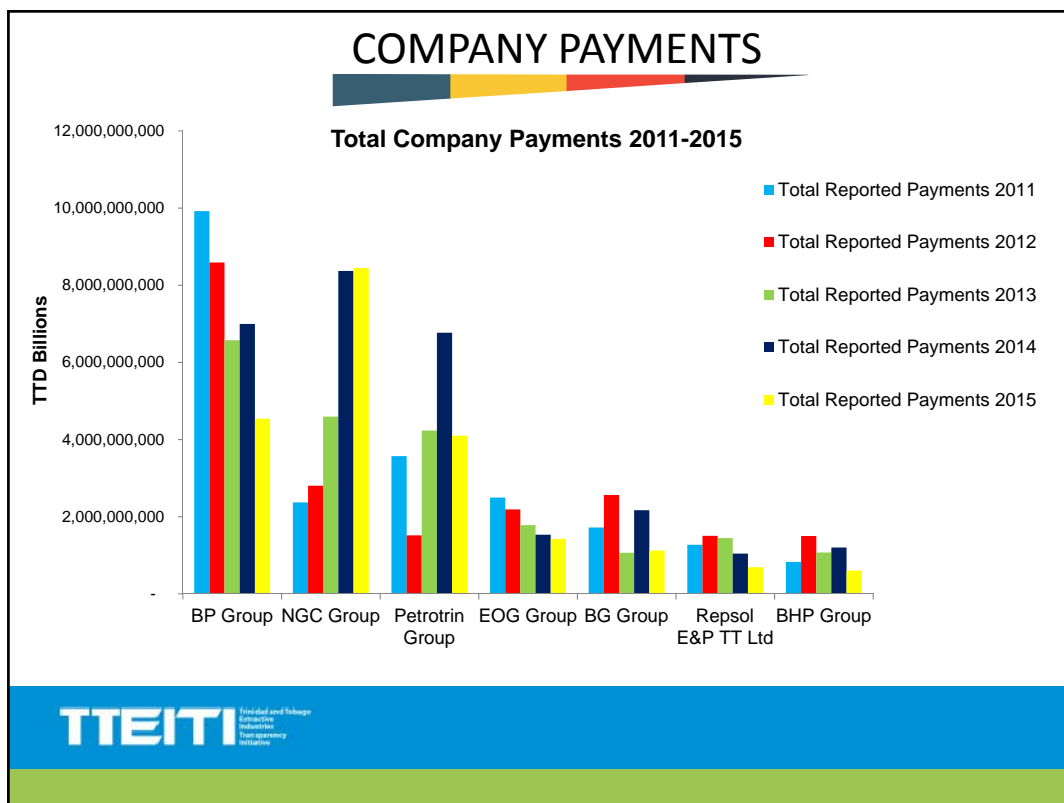
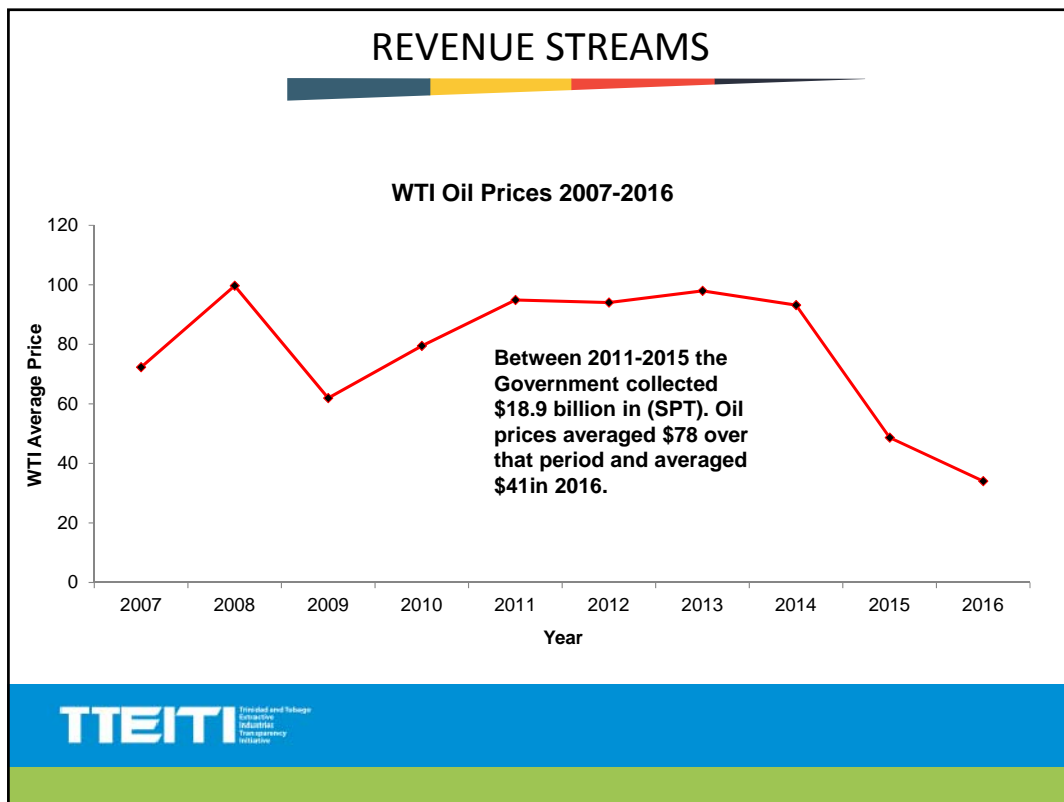
Receipts reported by government	Reconciled differences	Unidentified receipts differences	Payments reported by companies
<u>TT\$ millions</u>	<u>TT\$ millions</u>	<u>TT\$ millions</u>	<u>TT\$ millions</u>
21,007.59	13.80	0	20,993.79

## RECONCILED DIFFERENCES – 2015



Foreign exchange differences	Timing differences	Insurance premium tax on foreign policies	Total reconciling items
<u>TT\$ millions</u>	<u>TT\$ millions</u>	<u>TT\$ millions</u>	<u>TT\$ millions</u>
0.85	38.88	-25.93	13.80



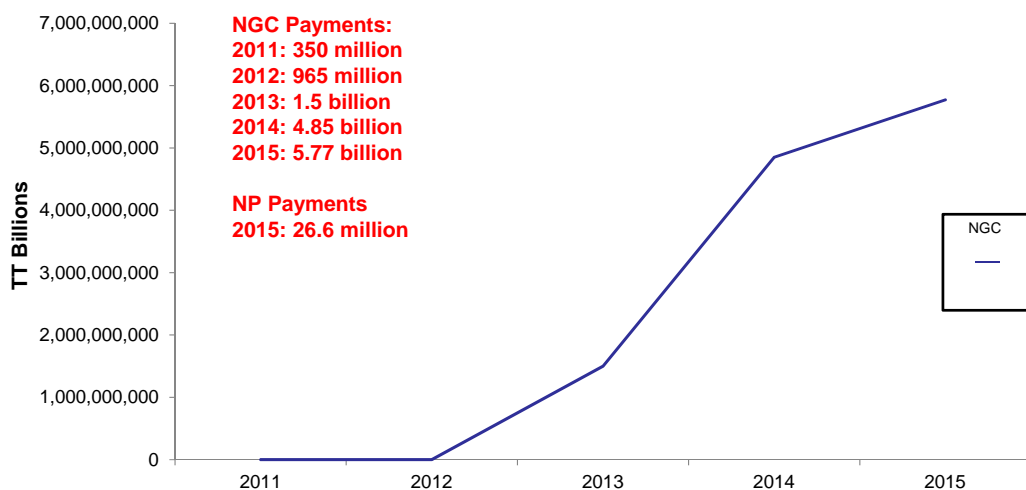


## REVENUE FLUCTUATIONS EXPLAINED

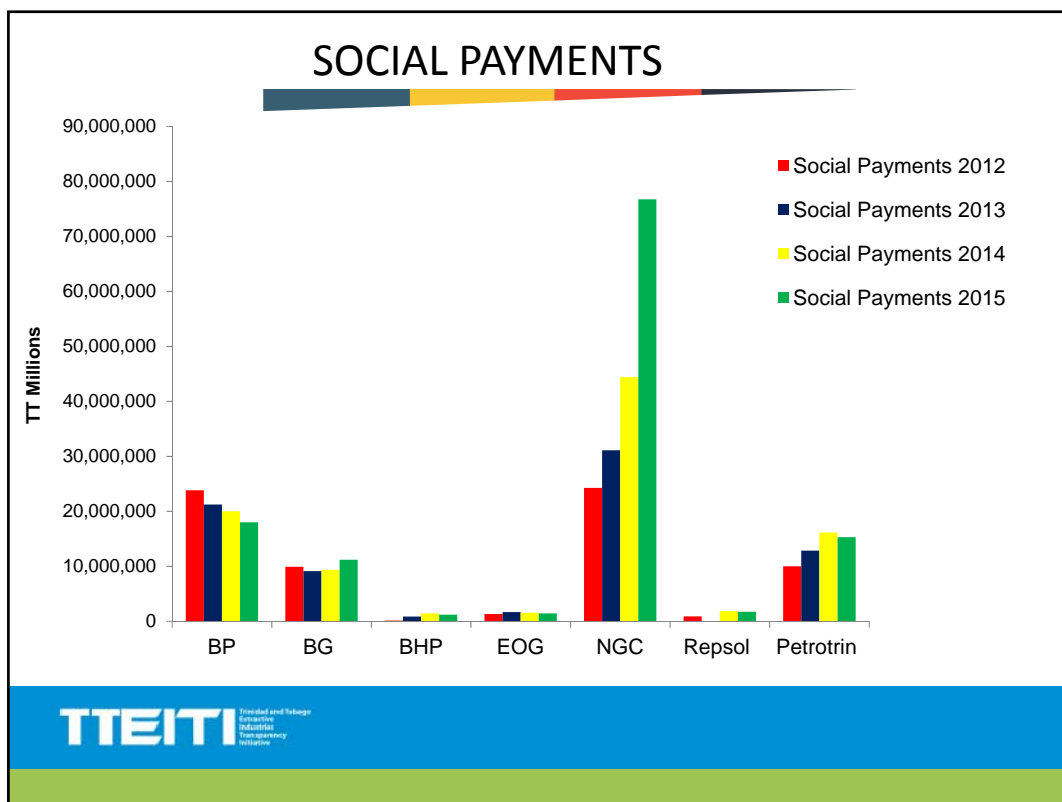
- Commodity price and production declines or upswings.
- Fiscal regime policy framework - tax incentives impact investment and select flows whether SPT, bonuses etc.
- Terms and conditions of contracts/concession arrangements e.g. cost recovery clauses.

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## SOE DIVIDEND PAYMENT



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### REPORT INNOVATIONS

- TTEITI produced T&T's first Beneficial Ownership Registry.
- Mining sector companies participated in EITI for first time. Four companies tax payments reconciled as part of pilot: Hermitage Limestone Limited, National Quarries Company Limited, Trinidad Lake Asphalt and TCL.
- For first time EITI Report highlights PSC obligations versus actual payment of obligations.
- Report highlights environmental issues including quantifying the number of CEC applications, environmental disasters and fines and gaps in State emissions reporting mechanisms.

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## REPORT RECOMMENDATIONS

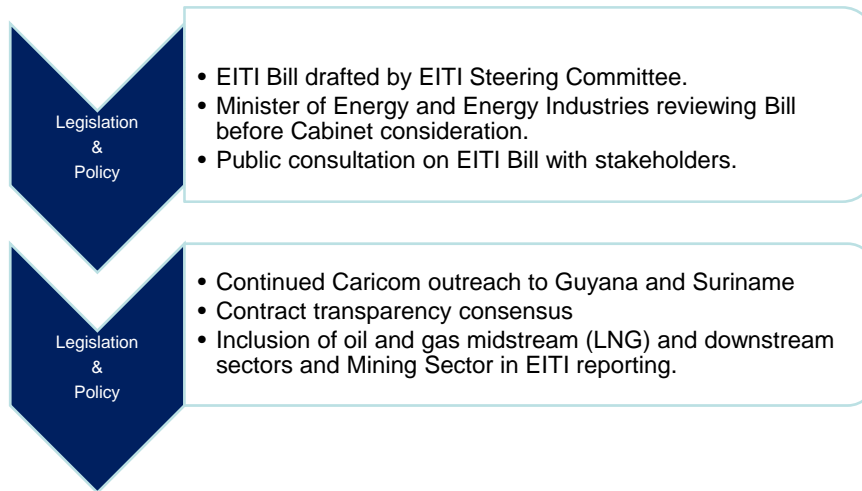


- Auditor General Department to audit under international auditing standards and be given access to BIR tax data. AG cannot assess accuracy of Royalty and Share of Profits revenue.
- Government to promote legislative change to remove restrictions on disclosure of information.
- Companies to provide confirmation letter from external auditor confirming information submitted is consistent with their audited financial statements.
- MEEI to computerise record keeping system.
- Mining sector regulation to be given priority.

## TTEITI: WHAT'S NEXT?



## INCORPORATING EITI IN POLICY & LAW



## LESSONS LEARNED FROM THE EITI PROCESS

- Deficiencies in Government revenue collection system discovered e.g. lack of assurance by Auditor General of BIR tax revenue, MEEI lag in up to date audit of PSCs, updated licence register, need for production data verification and gauge accuracy of royalty and share of profits calculation
- Improvement in Government revenue collection and recording systems.
- Dialogue can strengthen country's participatory democracy.
- It can be a platform for long-term reform through collective governance and tri-partite cooperation.
- Moving conversation from transparency to accountability and sustainable projects.
- Resultant increase in revenues collected.



## QUESTIONS/COMMENTS



Contact information: website '[www.tteiti.org.tt](http://www.tteiti.org.tt)'.

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