



Extractive Revenue:

**The role of the Extractive Industries
Transparency Initiative in Revenue
Management**

TTEITI Secretariat

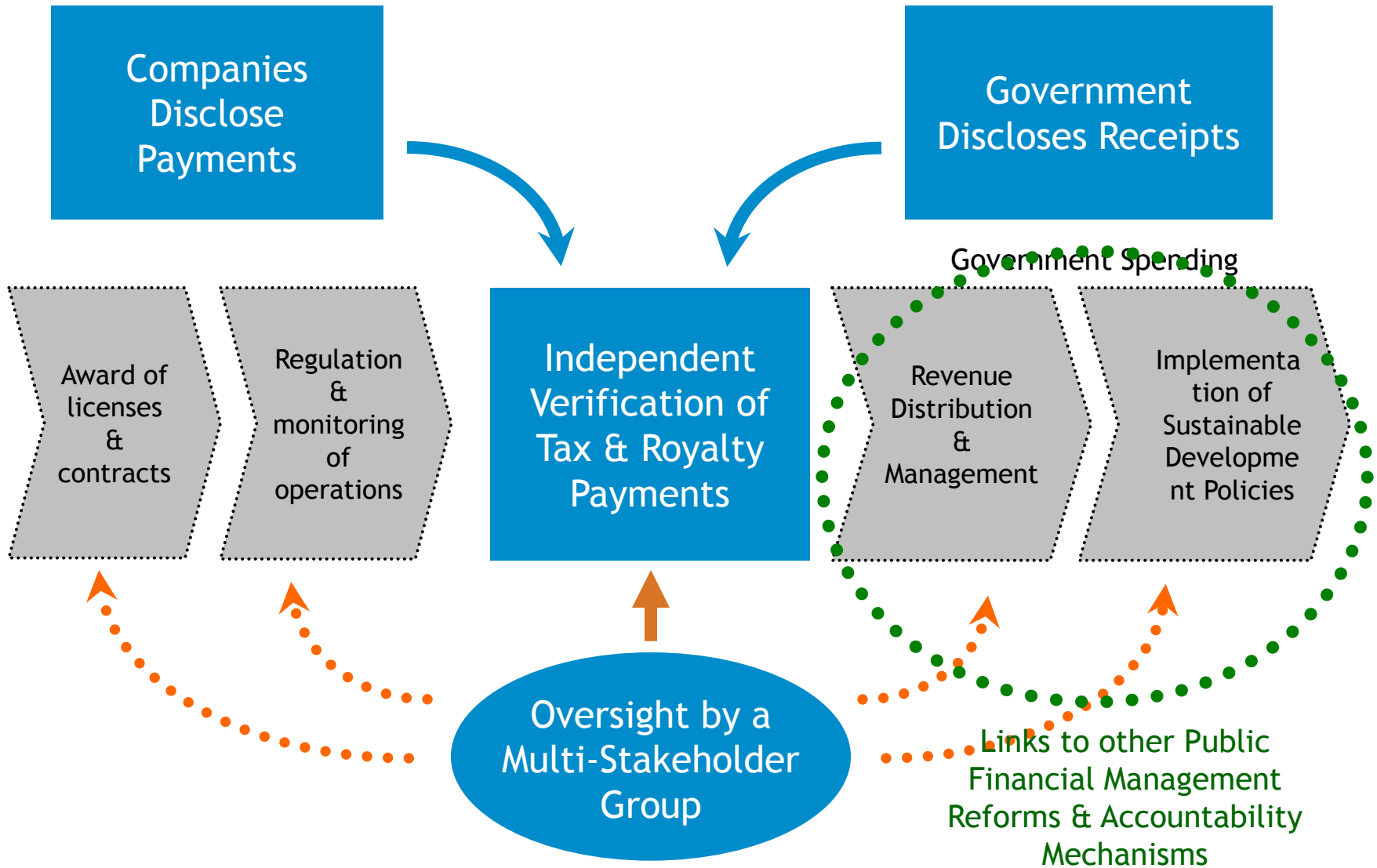
June 2012

WHAT IS THE EITI?

- A global standard for extractive industries companies (i.e. oil, gas and mining) to publish what they pay and for governments to disclose what they receive from the extractive sector
- An objective to make natural resources benefit all
- A coalition of governments, companies and civil society

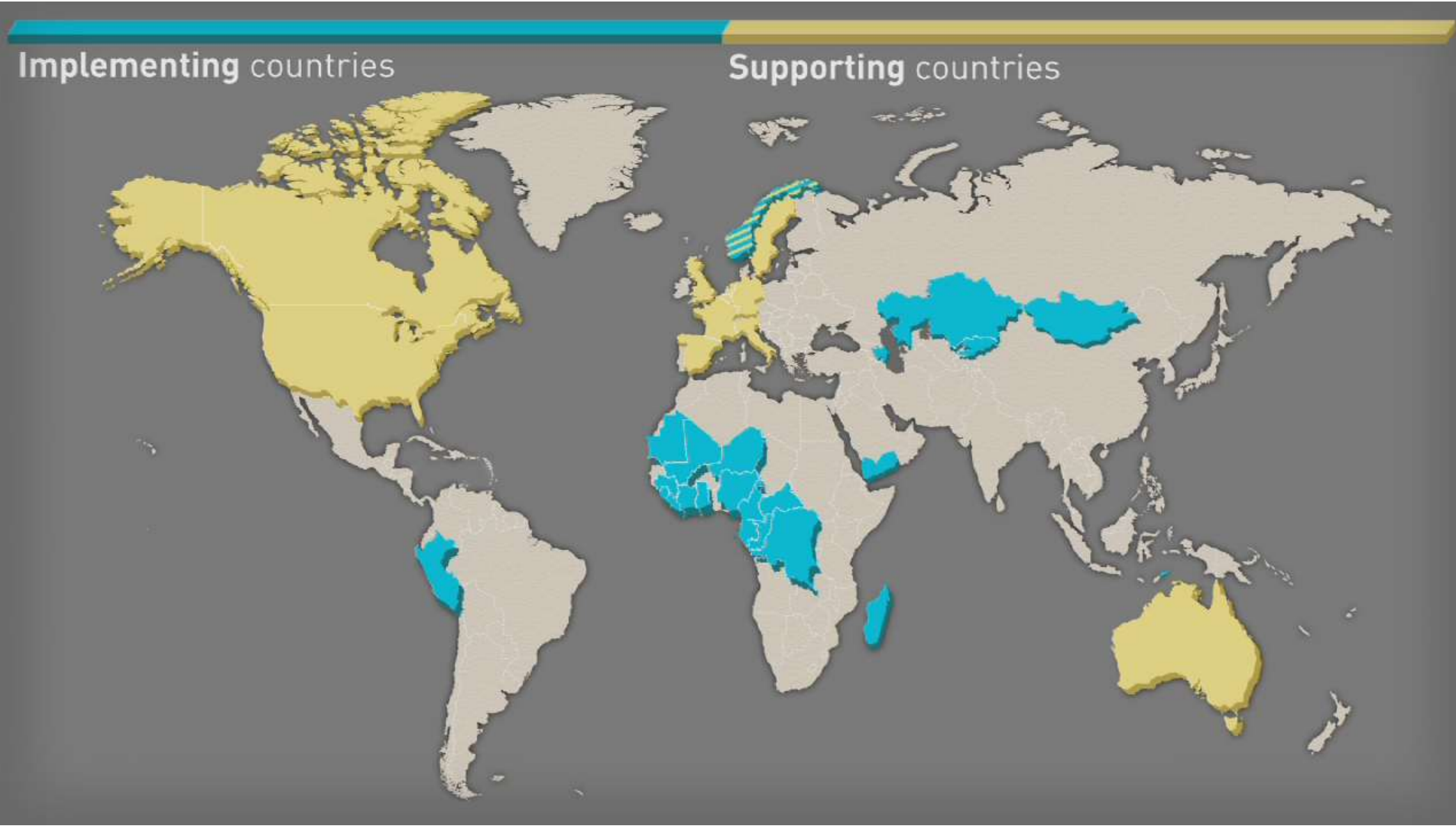


THE EITI PROCESS



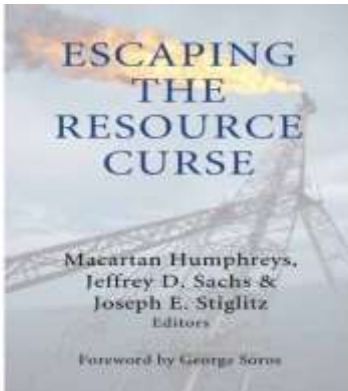
The EITI provides a Forum for dialogue and a Platform for broader reforms

EITI IMPLEMENTING COUNTRIES



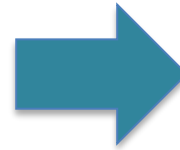
35 Implementing countries

BENEFITS OF THE EITI



1. GOVERNANCE

- Paradox of Plenty
- Dutch Disease
- Resource Curse



- Increase accountability along entire Value Chain
- Strengthen capacity to supervise institutions
- Help meet national goals for transparency



2. INVESTMENT CLIMATE

- Reduced risks to Investments
- Level Playing field

- Support adoption of industry best practice
- Invest in cleaner and greener technologies

WHO SUPPORTS THE EITI?

62 leading **oil & gas companies**

7 operating in **Trinidad & Tobago**

80 **institutional investors**

100s of **civil society groups & networks**

- Publish What You Pay
- Revenue Watch Institute
- Transparency International



given final approval, stakeholder consultations will be required. Our government will immediately implement the Extractive Industries Transparency Initiative (EITI)

(the skill sets for national level)

Peoples Partnership Manifesto 2010



- Cabinet-appointed Committee created - December 2010
- Steering Committee Composition
 - Government (6)
 - Industry (4)
 - Civil Society (8)
- Chair – Victor Hart
- Candidate country status achieved - March 2011

TWO MAIN DELIVERABLES:

1) Complete first EITI Report by end of 2012:

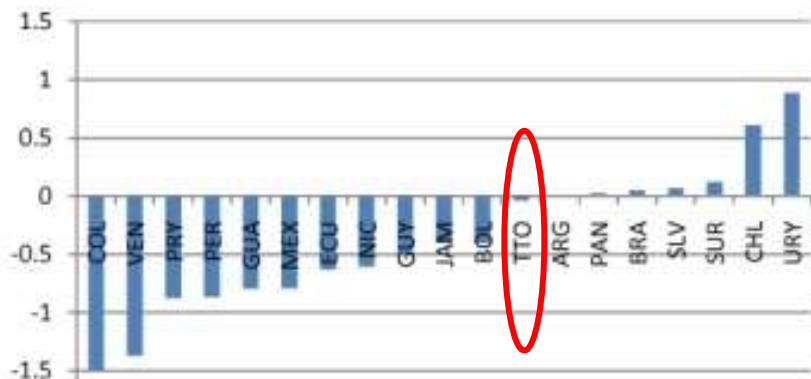
- Completion of a Revenue Reconciliation Report
- Passage of enabling legislation for publication of Report

2) Attain “Compliant Country Status” by August 28, 2013:

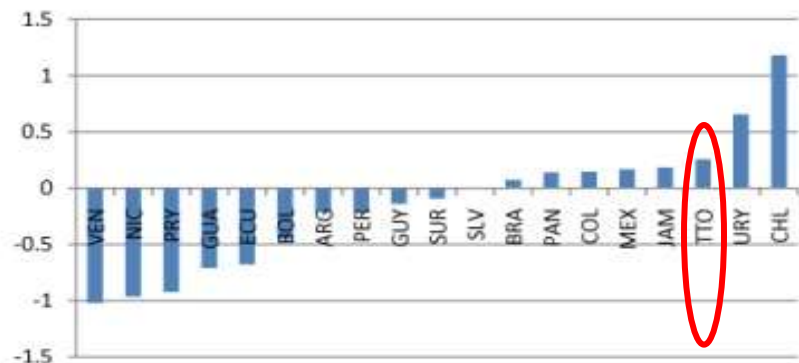
- External validators review systems to ensure revenue transparency
- Validators gauge the views of a cross section of stakeholders on EITI implementation
- EITI International Board awards compliant status on the basis of validators report

Why in Trinidad and Tobago?

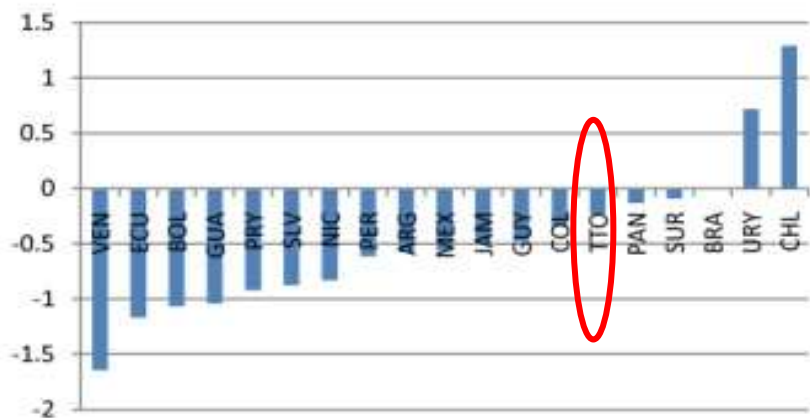
Political Stability



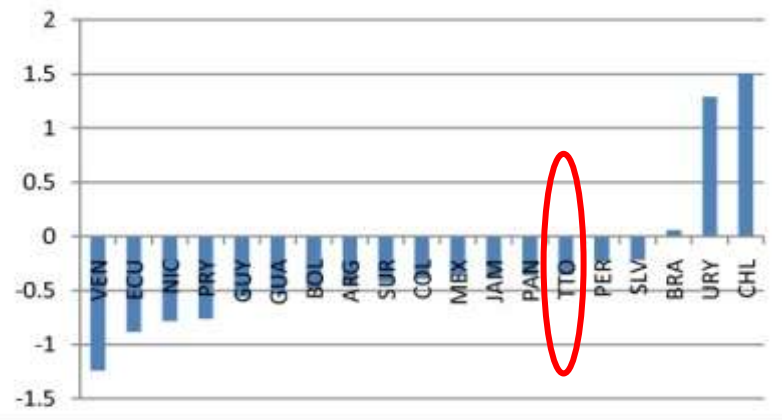
Government Effectiveness



Rule of Law



Control of Corruption



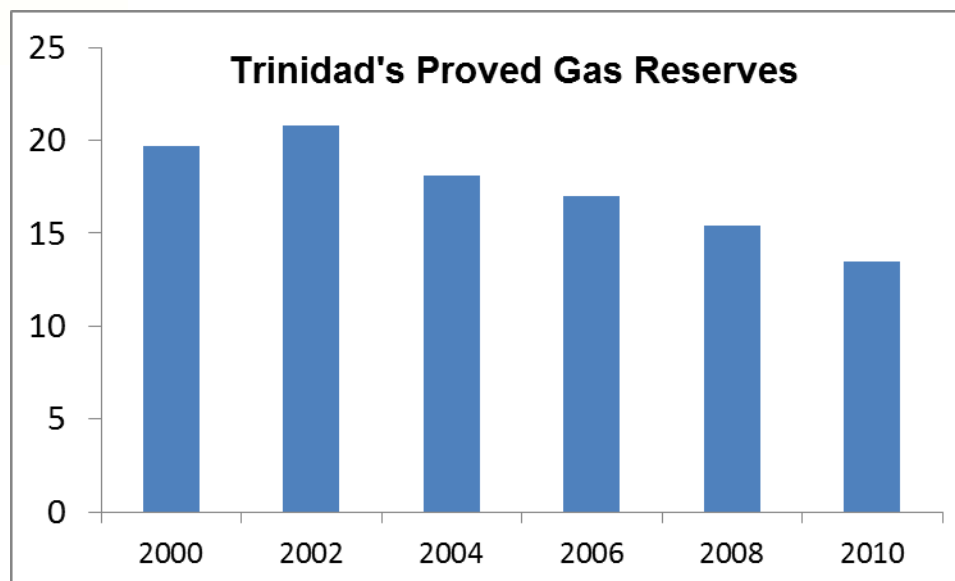
Source : World Bank Governance Indicators 2011

WHY IN TRINIDAD & TOBAGO?

- 45% of GDP
- 80% of its exports
- 50% of annual state revenue since 2005

TT\$ <i>billions</i>	2004	2005	2006	2007	2008	2009	2010	2011
GOVT REVENUE	20.63	29.65	38.91	40.06	55.58	28.4	32.5	45.02
ENERGY SECTOR	8.48	15.61	24.07	22.69	32.11	14.2	17.0	24.36
GOV'T. EXPEND.	18.45	24.64	31.12	37.77	44.72	45.73	43.67	50.08p
% CONTRIB. TO GDP	38.7	46.0	49.2	45.8	46.3	n/a	n/a	n/a

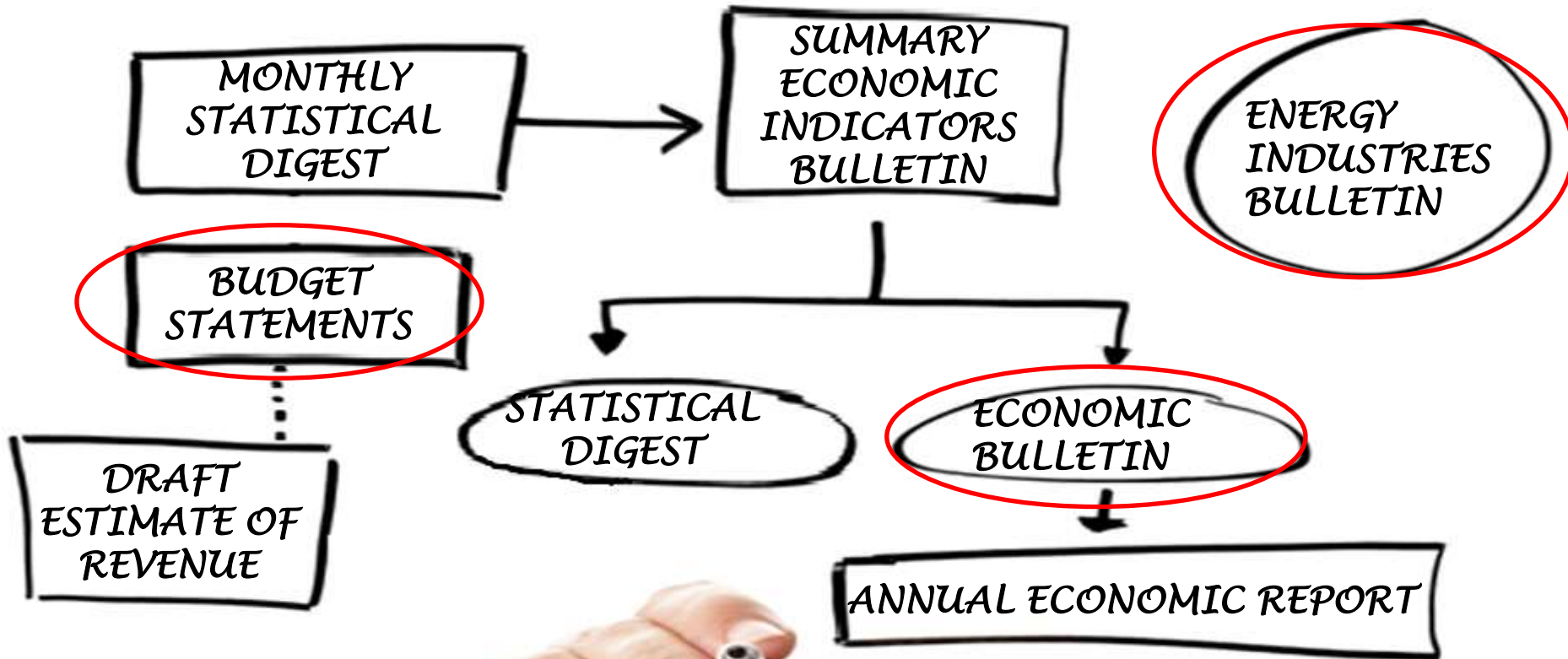
Source; IMF 2010, CENTRAL BANK 2011



Trillion cubic feet (Tcf)						
	2000	2002	2004	2006	2008	2010
Proved	19.7	20.8	18.1	17	15.4	13.5
Probable	7.7	8.3	9	7.8	8.4	7.6
Possible	5.5	6.1	7.1	6.2	6.3	6
Total	32.9	35.2	34.9	31	30.1	27.1
Exploration	30.3	29.4	32.2	37.1	29.6	26
Total w/Exploration	63.2	64.6	67.1	68.1	59.7	53.1

Source: Ryder Scott Annual Reserve Audit for Trinidad, August 2011

THE CASE FOR THE EITI



THE EITI = STANDARDIZATION

- **Central Bank**
 - 11 components
- **Ministry of Finance**
 - 10 components
- **Heritage & Stabilization Fund Act**
 - even less components

		FISCAL BALANCE <i>\$ million</i>		
		MOF	CB	DIFF
Surplus	2007	\$2,200	\$268	\$1,932
	2008	\$12,100	\$2,900	\$9,200
Deficit	2009	\$6,600	\$6,600	\$0
	2010	\$308	\$2,800	\$2,492

THREE DIFFERENT WAYS OF CALCULATING EXCESS ENERGY REVENUE

The EITI provides:

- ✓ An excellent platform for uniting stakeholders
- ✓ An effective natural resource management system
- ✓ Standardized accounting system over time
- ✓ Comprehensive disclosure of all material payments
- ✓ Improved international ratings – RWI, GCI, CPI
- ✓ Strengthen regulations and reduce leakage
- ✓ A framework for broader governance reform



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