

## Commodity trading transparency & the EITI: 'First trade' disclosures

*Indonesia EITI MSG meeting  
20 April 2017*

# Context

- 80% of the world's petroleum reserves are controlled by state-owned companies (SOEs)
- Many resource exporting countries receive their share of revenue «in-kind»



# Context

- Growing public concern around weak governance of SOEs and oversight of commodity sales.
- Common governance challenges in commodity trading include:
  - Selection of the buyers
  - Negotiation of the terms of the commodity sale
  - Revenue collection and transfers



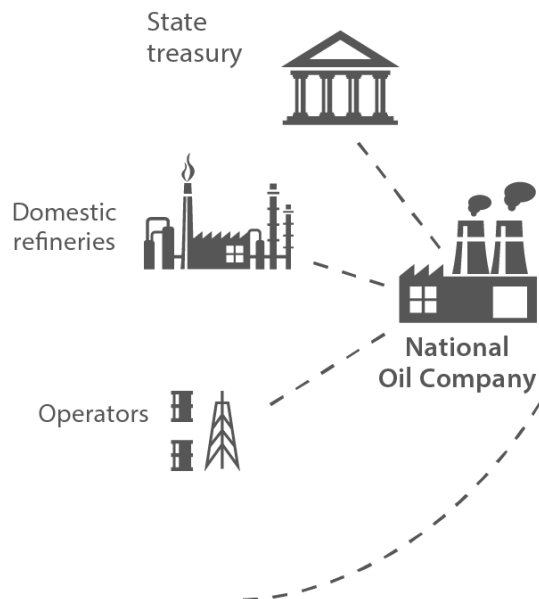
# The EITI's requirements on commodity trading transparency

“Where the sale of the state’s share of production or other revenues collected in-kind is material, the government, including state owned enterprises, are required to **disclose the volumes sold and revenues received**. The published data must be **disaggregated by individual buying company...**”

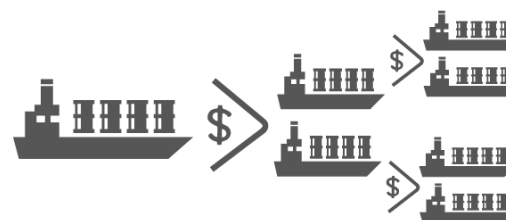
(Requirement 4.2)

# So far, a focus on the “first trade”...

Typical transactions involving NOCs in oil producing countries



Typical transactions involving international oil traders



Differing levels of transparency



# ...and after

In-kind payments	Template originally lodged			Adjustments		Final Amounts		
	Extractive companies	Government	Difference	Extractive companies	Government	Extractive companies	Government	Difference
Crude Oil (oil (mboe))	157.8	157.1	0.7	(0.7)	-	157.1	157.1	-
Natural Gas (thsd. m³)	-	13,351.8	(13,351.8)	13,351.8	-	13,351.8	13,351.8	-
Associated Gas (thsd. m³)	2,167,562.6	2,310,248.0	(142,685.4)	142,685.4	-	2,310,248.0	2,310,248.0	-
Gold (thsd. ounces)	6.7	6.7	-	-	-	6.7	6.7	-
Silver (thsd. ounces)	2.6	2.6	-	-	-	2.6	2.6	-
Parent Metals-Gold (thsd. ounces)	0.02	0.02	-	-	-	0.02	0.02	-
Parent Metals-Silver (thsd. ounces)	21.1	21.1	-	-	-	21.1	21.1	-
Parent Metals-Coopers (tonnes)	0.1	0.1	-	-	-	0.1	0.1	-

# Example of reporting in Azerbaijan, before...

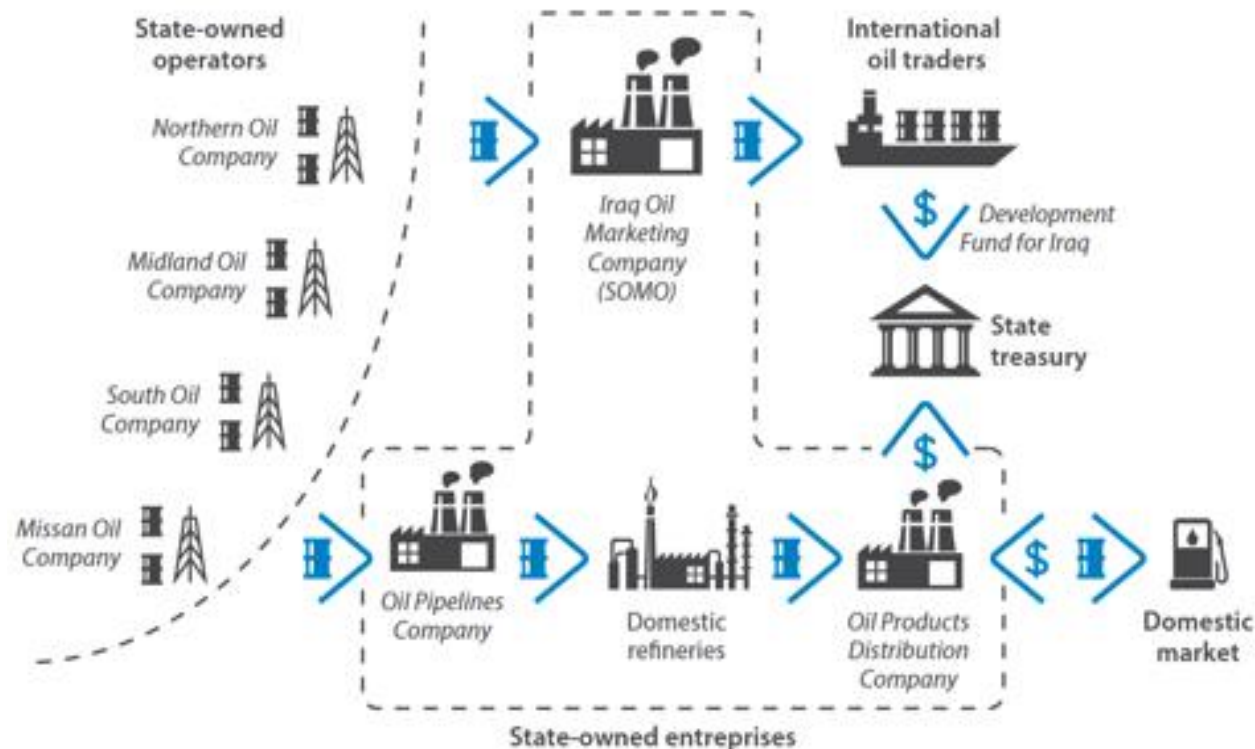
The table below demonstrates the customers of the crude oil of ACG and Shahdeniz shares that belong to the government in 2014.<sup>117</sup>

Name of the company	Quantity (net US bbls)	Amount (US dollars)
BP	9,595,494.680	\$952,473,348.82
BPCL	200,078.922	\$22,375,226.01
CEPSA	2,871,001.609	\$300,860,960.65
ENI	12,008,919.838	\$1,138,596,428.50
ETAP	3,858,866.052	\$354,393,848.18
EXXON	12,579,379.337	\$1,212,813,275.45
GAZPROM	629,769.354	\$67,663,678.93
GLENCORE	3,738,894.628	\$349,065,685.69
GUNVOR	1,973,540.959	\$200,138,246.60
INA	2,518,921.211	\$264,992,358.07
IOC	5,282,291.431	\$557,755,466.66
ITOCHU	629,837.598	\$69,840,801.73
JP MORGAN	6,088,970.944	\$614,338,065.24
KPI	5,668,499.665	\$544,664,643.02
LITASCO	599,322.710	\$60,988,277.62
MOL	629,726.091	\$71,109,299.92
MURCO	1,049,869.855	\$113,967,572.24
OMV	5,063,098.717	\$490,707,892.81
ORL	1,259,229.009	\$116,650,199.75
P66	2,416,845.908	\$256,549,318.66
PAZ	5,976,097.887	\$595,054,774.90
PETRACO	1,259,124.114	\$86,954,804.35
PETROGAL	4,578,438.264	\$434,587,913.46
PKN ORLEN	6,207,527.440	\$620,512,637.91
REPSOL	4,945,840.060	\$466,375,826.61
ROSNEFT	1,858,708.828	\$174,863,128.43
SARAS	10,769,549.093	\$1,107,160,018.78
SHELL	2,531,592.645	\$243,813,461.49
CPC	1,394,745.945	\$153,350,992.79
PERTAMINA	15,786,972.943	\$1,699,673,168.43
PTT	144,868.169	\$12,199,493.38
PV Oil	699,664.256	\$75,304,164.21
SUNCOR	1,978,772.991	\$217,027,095.99
TOTAL	17,106,280.253	\$1,617,792,317.01
TOTALERG	3,141,517.181	\$331,928,368.15
TRAFIGURA	629,734.733	\$69,554,830.99
VITOL	3,147,772.450	\$260,185,119.85
<b>Total</b>	<b>160,819,765.770</b>	<b>\$15,926,282,711.28</b>

# Example of reporting in Iraq

- The state owns 100% of oil produced
- EITI Reports mainly concerns reconciliation between the state and oil buyers

Figure 2 – The role of the NOC in the oil trade in Iraq.





# Example of reporting in Albania

- Volumes sold and revenue received.
- Buyer selection process.
- Explanation of the pricing system.
- Transfer and expenditure of oil sale proceeds.

**Table 54 – Summary of Auctions organized 2013 – 2015**

Auction year	Quantity in ton	Auction starting price	Winning bid	Non-winning applicants	Access to procedure
2013	200,000	Brent/1.65 \$bbl. +	I Consortium between "TPD-Trading Petrol & Drilling (NUIS L21807013N)" and "Interpetrol Ltd (NUIS L52013058A)" with K = 0.12 \$/bbl.	Europetrol Durres Ltd	Filed in the Ministry of Energy and Industry archive
2013	30,000	Brent/1.65 \$bbl. + K equivalent to Brent x 60.61% \$bbl. + K	Liona Sh.a. (NUIS L31731005C) with K = 0.1 \$/bbl.	No other applicants	Filed in the Albpetrol archive
2015	100,000	Brent x 72.52% - 5.55 \$/bbl. + K	TPD-Trading Petrol & Drilling (NUIS L21807013N) with K = 0.1 \$/bbl.	No other applicants	<a href="http://www.albpetrol.al/nioftim-ankandi-per-shitien-e-naftes-brut-sasia-100-000-ton/">http://www.albpetrol.al/nioftim-ankandi-per-shitien-e-naftes-brut-sasia-100-000-ton/</a>

# Example of reporting in Nigeria

- Volumes sold and revenue received.

**Table 4.2.2: Export Crude Oil and Gas Sales Volume and Values (Sales Receivable) for 2012**

Quarter	Export Crude Sales		Gas Sales		Feed Stock Sales		Total Sales
	Volume	Value	Volume	Value	Volume	Value	Value
	Bbl	US\$	MT	US\$	MBTU	US\$	US\$
1st Quarter	21,049,395	2,526,705,305	220,714.77	280,556,891.17	182,628,436.61	463,729,254.43	3,190,990,550
2nd Quarter	22,477,771	2,380,586,750.54	149,777.96	89,386,291.67	177,877,962.52	456,724,767.21	2,926,697,809
3rd Quarter	17,988,645	1,994,703,675.19	122,323.06	85,043,043.78	193,856,456.03	477,475,881.81	2,557,222,601
4th Quarter	19,864,606	2,213,837,989.84	146,645.36	114,047,359.31	176,193,409.49	447,439,655.91	2,775,325,005
<b>Total</b>	<b>81,380,417</b>	<b>9,115,833,620.45</b>	<b>649,461.10</b>	<b>489,032,785.93</b>	<b>731,548,264.66</b>	<b>1,845,369,559.36</b>	<b>11,450,235,966</b>

# Example of reporting in Nigeria

- Oil swaps

**Table 9.8.7.5A Summary of crude oil for Refined Product Exchange Arrangement**

	VOLUME (BBLs)	VALUE (\$)
TRAFIGURA	20,494,470	2,387,164,206.40
TELEVERAS	14,026,372	1,549,509,070.25
AITEO	10,496,582	1,239,432,478.72
PPMC-ONTARIO	10,430,838	1,191,838,636.71
TOTAL	55,448,262	6,367,944,392.08

# Example of reporting in Nigeria

- Process for oil pricing

## Nigeria Extractive Industries Transparency Initiative

Physical and Process Report: 2009 – 2011 Oil & Gas Audit

Appendix B: Process for Pricing of Federation Equity Crude Oil

### Subject: PPMC LIFTINGS AND PRICES

S/N	CUSTOMER	B/L DATE	CRUDE TYPE	NOM QTY	QTY LIFTED	VESSEL	UNIT PRICE \$	CRUDE VALUE \$	LIC NUMBER	PRICING OPTION	API	DESTINATION
1	CALSON	03/01/2009	YOHO	105,000	105,128	EVROSKI	37.658	3,958,824.88	00957250-FPH	ADVANCED	40.35	US/GC
2	CALSON	04/01/2009	BL	950,000	949,199	ASTRO PHOENIX	38.513	36,558,501.09	779-01-0090820-4	ADVANCED	33.75	GERMANY
3	CALSON	04/01/2009	QIL	950,000	950,000	TAKAMA	38.513	36,587,350.00	C1208015409	ADVANCED	35.75	INDIA
4	CALSON	05/01/2009	BONGA	950,000	958,771	ARIES VOYAGER	38.183	36,589,577.87	DOC-844841-0	ADVANCED	29.92	INDIA
5	CALSON	06/01/2009	BL	950,000	918,610	FRON CENTURY	40.972	37,637,288.92	FONL04M008913	ADVANCED	34.07	GERMANY
6	GLENCORE	11/01/2009	BL	950,000	950,898	FRONT COMMANDER	44.799	42,596,337.22	LCIM761748	DEFERRED	33.44	US/GC
7	CALSON	17/01/2009	ESC	950,000	949,483	IRENE SL	44.298	42,057,413.05	FONL04M009000	ADVANCED	33.25	US/GC
8	CALSON	18/01/2009	BB	950,000	949,919	FRONT COMMODOE	44.798	42,562,571.52	LCIM4780735	ADVANCED	38.87	US/GC
9	CALSON	19/01/2009	ESC	950,000	949,320	IRENE SL	44.608	42,347,206.56	DOC-844905-G-1	ADVANCED	33.05	US/GC
10	CALSON	29/01/2009	YOHO	950,000	949,850	COSMERRY LAKE	45.417	43,138,337.45	LM108185, DN	ADVANCED	39.89	US/GC
11	CALSON	30/01/2009	ESC	950,000	949,210	ATLANTIC PROSPERITY	45.057	42,768,554.97	LCIM4770668	PROMPT	33.25	US/GC

# Why a commodity trading pilot?

- SOEs play a crucial role in producing, transporting, refining and selling oil, gas and minerals on behalf of their governments. Limited transparency related to these transactions means that often EITI Reports have not provided the full picture in terms of government revenues.
- About 20 EITI countries collect revenues “in-kind”, but trading processes vary considerably from country to country. Need to document different country practices.
- EITI Reports have tended to focus on sales and revenues, but there are also other governance challenges related to trading.
- Global momentum: UK summit, company leadership.

# Information about the pilot

- **Participants so far:** Albania, Colombia, Chad, Indonesia, Ghana, Nigeria and Mauritania.
- **Commodity trading working group**, providing technical expertise and advice. Includes SKK Migas, NNPC, GNPC, Statoil, Vitol, Trafigura, BP, Shell, Mercuria, NRGI, Swissaid, etc.
- Developed **TORs, guidance note and standard reporting template.**
- Country reporting in 2017.
- Evaluation in 2018.

# Reporting guidance note - overview

Seeks to support countries with answering the following:

1. What oil, gas and other petroleum products are being sold?
2. Who are the buying companies?
3. What return did the country receive from the sale?

The guidance contains the following sections:

- **Section 1:** A model reporting template on ‘first trades’ of the state’s share in production.
- **Section 2:** Reporting contextual information about ‘first trades’.
- **Section 3:** Reporting on special cases of oil sales.

# Reporting guidance note – section 1

Model reporting template for disclosure of financial and related information about the “first trade”, such as:

- Identifying the seller
- Oil grade and quality
- Date of sale
- Name of buyer
- Volumes sold
- Revenues received
- Price information



# Reporting guidance note – section 2

Guidance on how to disclose contextual information, such as:

- Buyer selection process, including tender details
- Beneficial ownership of buying companies
- Contracts
- Further information about pricing system
- Transfers and expenditures of oil sale proceeds

# Reporting guidance note – section 3

Guidance on how to report on “non-conventional” sales, such as:

- Intra-company sales, sales to other SOEs
- Swap sales
- Pre-payment deals/oil backed loans

*Thank you!*

*[www.eiti.org](http://www.eiti.org)*



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