

Qatar Petroleum and the Extractive Industries Transparency Initiative: Implications for State Companies in the Middle East and North Africa

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Key messages

- Qatar Petroleum (QP) is the first state-owned enterprise (SOE) from the Middle East and North Africa (MENA) region to join the Extractive Industries Transparency Initiative (EITI) as a supporting company.
- The business case for SOEs to improve transparency and reporting practices is growing. Reporting serves to communicate SOEs' roles as national champions, facilitates partnerships with international financiers and business partners and supports SOEs' growing business activities outside of their home countries. With the energy transition and the recent coronavirus-related economic downturn, the need for transparency is gaining pace in the MENA region, where many governments depend on SOEs for revenues and investment in diversification and clean energy.
- The EITI is a leading global standard to which SOEs can look for disclosure guidance. Becoming an EITI supporting company and meeting a set of expectations set for EITI supporting companies is a means for SOEs from non-EITI-implementing countries to demonstrate their commitment to transparency, and for the EITI to advance its mission outside implementing countries.
- QP's engagement with the EITI International Secretariat has helped the company to identify and prioritize relevant disclosures. Simultaneously, it has helped EITI to identify weaknesses in the process and content expectations for EITI supporting companies.
- The EITI International Secretariat is currently considering options for improving its EITI supporting company expectations and developing an assessment approach. This is an opportunity to develop a more robust assessment mechanism, specify what adherence to each expectation looks like, broaden the scope of the expectations to address SOE-relevant disclosures including the energy transition and include an element of multi-stakeholder dialogue.
- QP can continue to pioneer in transparency by providing further reporting in line with the broader set of disclosures outlined in the EITI Standard, the Resource Governance Index and other guidance.

INTRODUCTION

In many resource-rich countries, state-owned enterprises (SOEs) play a major role in collecting taxes and payments, selling oil, and contributing to government revenue from extractive industries. In the Middle East and North Africa (MENA) region, SOEs often control the end-to-end value chain of extraction. SOEs are also pivotal in generating revenues and managing their home countries' efforts of investing in diversification and the energy transition. The business case for good governance and reporting by SOEs is becoming increasingly important in this context.

This briefing explores how becoming an EITI supporting company and following other reporting standards and guidance can facilitate transparency of SOEs from non-EITI implementing countries in the MENA region. The EITI is a global standard to promote the open and accountable management of extractive resources. Fifty-four countries currently implement the EITI and commit to a set of disclosures along the extractive industry value chain as defined in the EITI Standard. The Standard includes disclosures related to state participation and the role of SOEs in implementing countries.¹

Beyond national EITI implementation, extractive companies which often operate in EITI implementing and non-implementing countries can become EITI supporting companies by committing to a set of expectations to advance sustainable development, transparent management of natural resources and by supporting the initiative financially.² (See box 1.) When SOEs from countries that do not implement the EITI Standard at a national level join the EITI as supporting companies, the expectations are an opportunity to promote transparency also with these SOEs. QP is the first SOE in the MENA region to join the EITI as a supporting company.³ QP's engagement with the EITI as a pilot case from the region helps illuminate the implications and opportunities for transparency offered by the EITI supporting company process and expectations.

The briefing concludes with recommendations to the EITI, QP and other SOEs in the MENA region.

Box 1. EITI expectations for supporting companies⁴

- Publicly declare support for the EITI Principles and, by promoting transparency throughout the extractive industries, help public debate and provide opportunities for sustainable development.
- As a guiding principle, supporting companies are expected to publicly disclose taxes and payments. Where companies choose not to, they should state why.
- Ensure comprehensive disclosure of taxes and payments made to all EITI implementing countries.
- In accordance with EITI beneficial ownership requirements, publicly disclose beneficial owners and take steps to identify the beneficial owners of direct business partners, including Joint Ventures and contractors. Listed companies will do what is required by applicable regulations and listing requirements.
- Engage in rigorous procurement processes, including due diligence in respect to partners and vendors.
- Support the operationalization of countries' decisions to disclose future licenses and contracts entered into that govern the exploration and exploitation of oil, gas and minerals in accordance with the recommendations in the EITI Standard. Companies recognize that achievement of greater transparency must be set in the context of respect for contracts and laws in accordance with the EITI Principles.
- Companies, working together with governments, to deliver natural resources in a manner that benefits societies and communities.
- Ensure that company processes are appropriate to deliver the data required for high standards of accountability.

1 See eiti.org and eiti.org/document/eiti-standard-2019

2 EITI. 2018. *EITI Standard 2019*, Chapter I, Section 7, eiti.org/document/eiti-standard-2019

3 Other SOEs from non-implementing countries that have become EITI supporting companies include MMG (majority owned by Chinese SOE China Minmetals) and Codelco (Chilean mining sector SOE). See: eiti.org/supporters

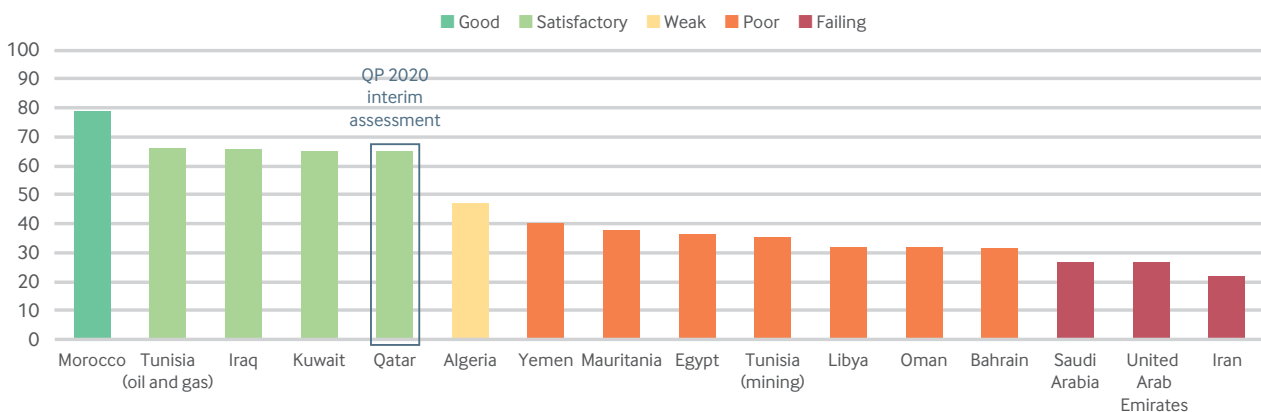
4 EITI. EITI Supporting companies, eiti.org/supporters/companies

THE CASE FOR SOE TRANSPARENCY IN THE MENA REGION

Around the world, SOEs control large parts of the extractive sector as producers, regulators, traders, service providers and representatives of the state.⁵ In the MENA region, home to many of the world’s most important oil producing countries, SOEs play a particularly important role. Often, the SOE is the sole concessionaire controlling the end-to-end value chain of oil and gas production, from granting exploration licenses to operating in downstream petrochemical industries. SOEs also provide a range of public services such as infrastructure, education and fuel subsidies. SOEs contribute to government revenues by transferring taxes, royalties, shares of profit, proceeds from the sale of governments’ share of production and dividends from joint ventures. Some NOCs in the region play a massive role in the collection and management of public revenue, sometimes dwarfing the revenues generated by other public entities.⁶

Despite their importance for government revenues and the economy, according to the 2017 Resource Governance Index (RGI), SOEs in the MENA region lag behind other countries in governance, transparency and accountability, achieving an average score of 42 of 100 compared to the average score of 50 of other regions.⁷ (See figure 1.) Many SOEs do not publish annual financial reports or information on commodity trading and fiscal transfers to the state on a regular basis. The OECD also highlights opaqueness in ownership, governance models and performance of SOEs as challenges in the MENA region.⁸ In 2020, after joint engagement with QP, NRGi conducted a 2020 interim assessment of QP’s Resource Governance Index (RGI) scores, which indicated an improvement from 55 to 65 points of 100, and from the weak to the satisfactory performance band. QP’s interim assessment indicates movement in the right direction and provides input into QP’s roadmap towards further disclosures, as discussed in the following section.

Figure 1. 2017 Resource Governance Index (RGI) scores of MENA SOEs and QP 2020 interim assessment score



5 NRGi. *State Participation and State-Owned Enterprises. Roles, Benefits and Challenges* (2015), resourcegovernance.org/sites/default/files/nrgi_State-Participation-and-SOEs.pdf

6 Patrick R. P. Heller and David Mihalyi. *National Oil Company Database: Massive and Misunderstood: Data-Driven Insights into National Oil Companies*, NRGi, (April 2019), www.nationaloilcompanydata.org/api/publications/content/BWEOxwI3qpbpPk5RkZmWr3g5TEvNgLD4LD21foHP.pdf

7 Natural Resource Governance Institute, *Resource Governance Index* (2017), resourcegovernanceindex.org

8 OECD, *Corporate Governance in MENA: Building a Framework for Competitiveness and Growth* (2019), Ch. 5, www.oecd-ilibrary.org/sites/979c33ef-en/index.html?itemId=/content/component/979c33ef-en

At least the following factors are driving the case for transparency for SOEs in the MENA region.⁹ With the drop in oil prices in 2020 related to the coronavirus pandemic, the resulting economic downturn and reduction of SOE revenues and accelerated transition to renewable sources of energy, the need to respond to these considerations is only gaining pace.

- 1 **Access to finance.** SOEs increasingly seek private investment to complement self-financing. Some SOEs are partly privatizing to raise equity. To convince private investors, become compliant with stock market regulations and provide sufficient protection for minority shareholders, SOEs must improve public reporting.¹⁰ For example, Saudi-Aramco's planned initial public offering (IPO) for a minority stake of its shares revealed its position as the world's most profitable company and led Saudi Aramco to disclose previously unknown data about the company's value, including hydrocarbons reserves.^{11,12} In other cases, SOEs and their joint ventures and public-private partnerships (PPPs) seek project-specific finance from lenders. Financial and operational reporting helps SOEs convince investors and lenders of creditworthiness and reduces the cost of finance.¹³
- 2 **Attracting best business partners.** SOEs outsource activities across the value chain to external business partners. Among SOEs' key partners are companies that face strict international regulations: international oil companies (IOCs) as joint-venture (JV) partners, contractors, suppliers of goods and services and trading companies. Partner companies must demonstrate to their stakeholders that partnerships with SOEs do not pose commercial or integrity risks. Critically, they must show that transactions with SOEs comply with international anti-corruption legislation. Given the prevalence of SOEs in corruption cases in the oil and gas industry, companies are exercising increased caution in dealing with SOEs.¹⁴ Many IOCs and service companies publicly state they only work with reputable partners. To pass the due diligence of the most competent business partners, SOEs need to provide commercial, operational and integrity information in the public domain.

9 NRG, *National Oil Company Database*; NRG, *Guide to Extractive Sector State-Owned Enterprise Disclosures* (2018), resourcegovernance.org/analysis-tools/publications/guide-to-extractive-sector-state-owned-enterprise-disclosures; EITI. The business case for SOE transparency (unpublished EITI document).

10 OECD, *Corporate Governance in MENA: Building a Framework for Competitiveness and Growth*.

11 "Aramco's Big Reveal: What we learned about the Saudi oil giant," Bloomberg, 1 April 2019, www.bloomberg.com/news/articles/2019-04-01/aramco-s-big-reveal-what-we-learned-about-the-saudi-oil-giant

12 Saudi Aramco, *Reports and Presentations* (2020), www.saudiaramco.com/en/investors/investors/reports-and-presentations

13 Jules Tilly, "Fiscal Transparency and Sustainability of Public Debts in Times of Crisis: How to Strengthen Investor Confidence?" (August 2013), psj.lse.ac.uk/articles/8/galley/8/download/

14 According to NRG analysis of the *Stanford Law School Foreign Corruption Practices Act Clearinghouse* (fcpa.stanford.edu/index.html) 22 of 49 extractive industries enforcement actions under the U.S. Foreign Corrupt Practices Act involved a SOE or a SOE official.

- 3 **Competitiveness in activities abroad.** Many SOEs now invest in operations outside of their home countries to grow their businesses. This trend is still new in the MENA region: Emirates National Oil Company (ENOC) and Abu Dhabi National Energy Company (TAQA) from the United Arab Emirates (UAE) have an established international presence.¹⁵ Recently, QP has expanded its decade-long operational presence in the Americas and Europe also to Africa. Kuwait Petroleum Company and Saudi Aramco, among others, are exploring internationalization. In operations abroad, host countries treat SOEs like any other prospective investor in their extractive sector. This sets SOEs against the world's best performing IOCs, raising the bar on performance on all levels. Public reporting helps SOEs demonstrate the financial strength, technical competence and integrity systems required to win bidding rounds and gain a license to operate in foreign jurisdictions.
- 4 **Level playing field with IOCs.** SOE roles as public and private actors are increasingly mixed. Transparency helps SOEs communicate how they manage conflict of interest risks when SOEs act as regulators and licensing authorities at home, while competing against companies in bid processes outside their home countries. An open, competitive market is critical for attracting foreign investors to the country. Relevant disclosures include demonstrating SOEs do not benefit from subsidies that could distort competition and that related party transactions take place at arm's length.^{16,17}
- 5 **National champions.** In many countries, extractive sector SOEs are engines of the economy, the first point of contact for international investors, and flagships of national identity, enjoying high respect among government and citizens. Being perceived as an IOC rather than part of the state bureaucracy is becoming part of many SOE's identity. Public reporting serves to demonstrate the competence, efficiency and leadership linked to this identity. It also demonstrates SOEs' contribution to government revenues: SOEs sometimes raise concerns over the lack of accountability on how revenues are managed after remittance.¹⁸
- 6 **Accountability to shareholders and citizens.** SOEs are accountable to governments as their primary or sole shareholders. Also, citizens are increasingly engaged in questions of governance in many MENA countries and beyond. Given the broad mandates of SOEs, reporting helps communicate about public service provision and corporate social responsibility (CSR). It also helps SOEs benchmark performance against other SOEs and IOCs, justifying needs for government to support their investments.¹⁹

15 See NRG, *NOC database*, internationalized operators: www.nationaloilcompanydata.org/indicator

16 EITI, *The business case for SOE transparency*.

17 NRG, *Guide to Extractive Sector State-Owned Enterprise Disclosures* (2018), resourcegovernance.org/analysis-tools/publications/guide-to-extractive-sector-state-owned-enterprise-disclosures

18 EITI, *The business case for SOE transparency*.

19 NRG, *The National Oil Company Database*.

7 **Energy transition.** MENA countries are facing pressures to pivot away from oil dependence by diversifying their economies. In some countries, SOEs are spearheading investments and in doing so, need to be as efficient as possible in generating revenues to invest in green energy assets.²⁰ On the other hand, SOEs carry significant risk by owning and investing in petroleum operations and related infrastructure. States and citizens seek to scrutinize their SOEs' exposure to financial risk. For SOEs in MENA to keep their status as national champions, transparency and reporting are important to demonstrate that they can keep delivering to the state under this new context.

Beyond the value of improved reporting to SOEs themselves, information about governance, operations and performance is also directly needed and used by their many stakeholders—governments, oversight bodies and market players—to assess the benefits SOEs generate for business and ultimately, citizens.²¹

THE ROLE OF EITI IN SUPPORTING SOE TRANSPARENCY: LESSONS FROM THE QP-EITI ENGAGEMENT

SOEs can use reporting standards to realize the case for transparency. Standards make disclosures systematic and comparable with other companies. They also increase the credibility of SOEs' transparency efforts where there may be concerns that disclosures are made only sporadically, e.g., ahead of need for financing. In countries that do not implement the EITI, SOEs becoming EITI supporting companies can help bring about transparency and indicate a commitment to the sustainable management of natural resources. According to the EITI, "some sustainability reporting initiatives of key relevance for investors tracking environmental, social and governance (ESG) indicators (e.g. the Global Reporting Initiative) reference the EITI."²² EITI membership is also associated with higher attractiveness in mineral investment.²³

This section focuses on the role of the EITI, and specifically the expectations for supporting companies, as a mechanism for facilitating SOE disclosures in countries that are not EITI implementing countries, i.e., not required to make disclosures according to the full EITI Standard. Based on a case study of QP's engagement with the EITI in becoming an EITI supporting company, we outline lessons about the opportunities offered by the expectations and highlight areas where they could be strengthened. We also explore other relevant standards and guidelines, such as Organisation for Economic Co-operation and Development (OECD) and World Bank guidelines, the Resource Governance Index (RGI) and NRG's Guide to extractive industry SOEs and National Oil Company Database, as complementary sources of guidance.^{24,25}

20 Carole Nakhle, "Clean Energy and Fossil Fuels in the Middle East: A Virtuous Cycle?" (NRGI, 2020), resourcegovernance.org/blog/clean-energy-fossil-fuels-middle-east-virtuous-cycle

21 NRGI, *National Oil Company Database*, p. 2.

22 EITI, *The business case for SOE transparency*.

23 Alexander Malden, "EITI membership boosts mineral exploration attractiveness," May 19, 2017, eiti.org/es/node/8898

24 OECD, *Guidelines on Corporate Governance of State-Owned Enterprises* (2015), www.oecd.org/corporate/guidelines-corporate-governance-soes.htm; World Bank, *Corporate Governance of State-Owned Enterprises: A Toolkit* (2014), doi 10.1596/978-1-4648-0222-5

25 NRGI, *Guide to Extractive Sector State-Owned Enterprise Disclosures*.

EITI EXPECTATIONS FOR SUPPORTING COMPANIES

The EITI Standard covers a wide range of issues around which SOEs must or are encouraged to disclose information. These include the level of direct and indirect state participation in the extractive sector, associated rules and financial flows, SOEs audited financial statements, expenditures, procurement, and corporate governance, as well as commodity trading and social and economic spending when done by SOEs.²⁶ As part of the EITI reporting process, SOE disclosures are reconciled by the national EITI secretariat, debated by the multi-stakeholder group and validated periodically by the International Secretariat.

The expectations for EITI supporting companies are a set of expectations for those companies that decide to support the EITI as a global initiative. The EITI supporting company expectations were adopted by the EITI board in 2018 as a minimum set of actions for supporting companies to demonstrate their commitment to transparency. By bringing SOEs on board as EITI supporting companies, the EITI aims to push its mission in countries that are not implementing the EITI. This is the case in many MENA countries that may not currently be ready to join the initiative.²⁷

From the perspective of SOE transparency, the EITI supporting company expectations differ from the EITI Standard and reporting process in three ways:

- **The EITI expectations do not include specific disclosures related to the roles SOEs play in resource-rich countries.** These include issues covered by the EITI Standard, as well as other issues derived from other reporting guidance, such as sector context, SOE mission, structure and organization, performance and results, transfers with government entities and impact.²⁸
- **There is no mechanism of enforcement or assessment for supporting companies against the expectations, comparable to the validation against the EITI Standard in EITI implementing countries.** Upon applying to become an EITI supporter, companies are asked to submit information against the expectations through the EITI supporting company form. The form is published on the supporting company's webpage on the EITI website and can demonstrate the company's observance of the expectations.²⁹ However, the forms are not updated regularly. Some companies have requested to be assessed against their observance of the expectations on a voluntary basis.³⁰ In such cases, the EITI International Secretariat has conducted an assessment using a set of questions which contains additional detail of the contents of each expectation and maps them to disclosure requirements contained in the EITI Standard.³¹ However, these templates have not been published or required from all supporting companies.

26 EITI, *2019 EITI Standard*, requirements 2.6, 4.2 and 6.

27 Interview with EITI International Secretariat, 18 June 2020.

28 NRGI, *Guide to Extractive Sector State-Owned Enterprise Disclosures*.

29 EITI, *Supporting company form*, eiti.org/document/eiti-supporting-company-form

30 Interview with EITI International Secretariat, 18 June 2020.

31 Interview with EITI International Secretariat, 18 June 2020.

- **There is no multi-stakeholder dialogue comparable to the national EITI process and multi-stakeholder group associated with the expectations.** There is no civil society engagement requirement, nor civil society representation in the supporting company process, beyond the board's engagement, which is composed of all three stakeholder groups.

The EITI International Secretariat is currently considering options for improving the EITI supporting company expectations, including developing an assessment approach. This work is linked to the EITI's broader efforts to advance SOE transparency, which include promoting the business case for transparency, working with SOEs and governments and establishing a new SOE network to facilitate peer exchanges on disclosure.³² As such, the EITI supporting company process and expectations are one component of a broader SOE transparency agenda within EITI. Developing this agenda is an opportunity to make the expectations more robust and relevant for SOEs in terms of content and process.

In the meantime, SOEs can bridge the gaps by voluntarily disclosing information beyond the expectations and according to the EITI and other standards and engaging stakeholders around their reports. The next section explores how QP has begun to do so as part of its transparency roadmap.

QP'S TRANSPARENCY ROADMAP AND ROLE OF EITI SUPPORTING COMPANY PROCESS

QP is currently one of three state-owned EITI supporting companies from outside EITI implementing countries, and the first one from the MENA region.³³ This section explores the business case for QP's transparency efforts, steps towards improved reporting taken and planned by QP, how the EITI Secretariat and other international standards have supported QP in its roadmap, and how QP's journey can inspire other SOEs to take steps towards disclosure.

32 Ines Schjolberg-Marquez, "Enhancing transparency in oil, gas and mining state-owned enterprises," 20 November 2018, EITI Blog, eiti.org/blog/enhancing-transparency-in-oil-gas-mining-stateowned-enterprises

33 The other one being MMG, majority-owned by Chinese SOE China Minmentals: eiti.org/supporter/mmg. In the past, other SOEs such as Petrobras have supported the EITI.

Box 2. About Qatar Petroleum

Qatar is among the world's largest gas producers and top 20 oil producers. Qatar Petroleum was set up as a public corporation with Decree Law No. 10 in 1974. It is wholly owned by the Qatari state. QP is a fully integrated petroleum oil and gas player engaged in the end-to-end value chain from exploration to production, refining and transporting and trading petroleum products. Since 2007, it has been QP's sole right to explore and drill for hydrocarbons and award related contracts.³⁴ Today, QP operates its own oil and gas fields, as well as engaging in joint ventures as partners. QP's board is accountable to the Supreme Council of Economic Affairs. H.H Sheikh Abdullah bin Hamad Al Thani is the chairman of the board. The president and CEO of Qatar Petroleum is the deputy chairman of QP's board and the Minister of State for Energy Affairs.

2017 and 2018 saw QP undergo significant business changes, making it a significant actor in the global gas market. It integrated Qatargas and Rasgas into one operator of all LNG production from Qatar. QP was appointed as the marketing agent of Qatar Sale of Petroleum Products Company Ltd. (QPSPP), which has the sole marketing rights for crude oil produced in Qatar and certain other hydrocarbon liquid products. QP also invested in projects internationally. In 2018, it acquired exploration rights and minority interests in oil and gas blocks in Mexico, Argentina, Brazil, South Africa and Mozambique.³⁵ In 2019, QP added parts of Total's assets in Guyana, Kenya and Namibia to its international portfolio.³⁶

The business changes followed from a corporate restructuring process and a new QP vision and strategy rolled out in 2017. The new strategy included a strong focus on enhancing corporate governance from 2017, including publication of a code of conduct and a strong stance against corruption in 2019.³⁷ The focus on governance has laid the foundations for QP's work on enhancing reporting, i.e., its "transparency roadmap."

QP's motivation to improve reporting reflects several aspects of the business case for SOE transparency outlined in the previous section.

- QP management's ambitious corporate vision is "to become one of the best national oil companies in the world, with roots in Qatar and a strong international presence," which extends from business operations and technical competence to governance and reporting.³⁸ According to a benchmarking study commissioned by QP to support development of reporting, such an approach to reporting reflects the practices of leading IOCs whose reporting is driven primarily by strategic needs and only secondarily by statutory requirements.
- Furthermore, management wanted reporting to reflect the company's role as a driver of the Qatari economy and champion of best practices within the state administration.³⁹
- International expansion also played a role: as part of the strategy, QP identified that the only feasible route for international expansion is to focus on assets still in the exploration phase. To ensure success in doing so, QP identified strategic partners for exploration, which involved assessing potential partners' technical and financial capabilities and their approach to the environment, society and governance.

34 Article 4 of Decree Law No. 10 in 1974, as amended in 2001 and 2012.

35 Qatar Petroleum, *Annual Review 2018* (2019), qp.com.qa/en/MediaCentre/Lists/QPPublications/Attachments/5/QP%20Annual%20Review%202018%20-%20English.pdf

36 uk.reuters.com/article/us-total-qatar/french-oil-major-total-signs-asset-transfer-deals-with-qatar-petroleum-idUKKCN1VH0GE

37 Qatar Petroleum, *Annual Review 2018*, p. 15.

38 Qatar Petroleum, *Vision Statement*, qp.com.qa/en/AboutQP/Pages/VisionStatement.aspx

39 Discussion with QP, 29 June 2020.

- As it grew internationally, QP also needed to step up its transparency and reporting to communicate about governance and sustainability to desired partners, choosing only the most technically competent IOCs that have strict policies on who they work with, as well as to host governments outside Qatar. For example, QP was asked for sustainability reports as a condition for pre-qualification for licensing rounds.
- Improved reporting serves to communicate about programs to improve fuel efficiency as identified in QP's strategy, and about QP's corporate social responsibility programs, e.g., related to its positive legacy on supporting communities by reducing the impact on the local environment.⁴⁰

QP has embarked on an ambitious, pioneering roadmap to meet these objectives. Since 2017, QP has published more detailed annual reports including summary financial statements. It has also produced sustainability reports compliant with the Global Reporting Initiative (GRI). QP has published a code of conduct and releases comprehensive information about open and awarded tenders for procurement of goods and services. In addition, QP has disclosed a license register of Qatari oil fields.⁴¹

QP's roadmap of further disclosures includes publication of full International Financial Reporting Standards compliant financial statements; reserves; payments to governments outside Qatar as part of joint-ventures; description of procurement and due diligence processes and payments to suppliers; and nature and cost of quasi-fiscal activities, such as CSR projects; and public services in the 2019 sustainability report.^{42, 43}

To support the development of the above roadmap, QP has leveraged several international transparency standards. QP's engagement with EITI commenced in 2019 when QP management attended the EITI global conference and discussed the possibility of joining the initiative as a supporting company. The EITI supporting company expectations will provide QP management a framework of expected disclosures. However, to get the full benefit of the guidance provided by the EITI, following the conference, QP realized it wished to go beyond the supporting company expectations and assess disclosures against the full EITI Standard. To do so, it asked the EITI International Secretariat to conduct an informal assessment of its disclosures against both the expectations for supporting companies as well as the EITI Standard.⁴⁴

In addition to EITI, QP has benchmarked reporting practices against other standards and guidance from independent organizations. QP reached out to NRGi around the 2017 Resource Governance Index (RGI) results. This led to an engagement with NRGi to identify improvement opportunities for QP's disclosures and governance, and working together to track progress against recommendations.⁴⁵

40 Discussion with QP, 29 June 2020.

41 Qatar Petroleum, *Cadaster of Rights and License Holders*, qp.com.qa/en/QPActivities/Pages/CadasterOfRightsAndLicenseHolders.aspx

42 Discussion with QP, 29 June 2020; Written comments from QP to a draft of the present report, 13 October 2020.

43 ETAP, Tunisia's oil and gas SOE, presented the amount spent on each activity of its corporate social responsibility program. ETAP, *Actualités* (2015), s3.amazonaws.com/rgi-documents/6e9012f844c177657b724a0536cfd7d52801ecff.pdf

44 Discussion with QP, 29 June 2020 and EITI International Secretariat, 18 June.

45 NRGi, *Resource Governance Index*, Qatar country profile (2017), resourcegovernanceindex.org/country-profiles/QAT/oil-gas

In an interim assessment concluded in April 2020, QP moved from the “weak” to the “satisfactory” performance band of the RGI, indicating a trajectory towards good transparency practices. Disclosure of more timely annual reviews was a key driver of progress. QP also commissioned a benchmarking study of its reporting practices against other SOEs and IOCs.⁴⁶

The EITI informal assessment findings were largely in line with the RGI and benchmarking exercises. In summary, the three assessments found that QP is on par with other SOEs in the region in terms of transparency. In some areas, it is ahead of existing standards. However, when benchmarked against leading SOEs and IOCs around the world, QP can still improve reporting.⁴⁷ In addition to disclosures already on QP’s roadmap, it could further improve on comprehensive reporting on financial flows to governments by providing disaggregated taxes and payments to governments in line with the EITI process and country-by-country reporting, description of the legal and regulatory framework governing dividends and other payments to the Qatari state and data on commodity sales and related revenues.^{48,49} QP could also disclose contracts with the Qatari state and support contract disclosure in other jurisdictions.

Furthermore, QP can disclose operational data such as employee headcount and capital and operational expenditures to facilitate benchmarking of operational efficiency.⁵⁰ With regard to corporate governance, it could report on related party transactions of the board and management. In the future, it can consider appointing independent sector experts as a majority in board. Finally, QP can complement existing environmental disclosures with information on exposure to carbon price risk, such as projected exploration expenditure, break-even prices of current and future projects, price forecasts for its products and current and future expenditure on oil and gas related infrastructure.⁵¹

QP acknowledges the recommendations deriving from the standards and has included many of them on its roadmap. However, QP states that its roadmap focuses on meeting basic EITI requirements, while certain disclosures are not applicable or implementable for the time being. For example, QP states that it does not award contracts through a standard bidding process but through direct negotiation, making the contracts confidential. Similarly, QP views data on commodity sales as commercially sensitive as other operators in the Qatari energy sector are not subject to similar disclosures. More generally, QP suggests that there could be levels of disclosure for supporting companies depending on the nature of the company and the legal and regulatory framework governing it.⁵² The EITI

46 QP, *2018 Annual Review*, p. 15.

47 QP, *2018 Annual Review*, p. 15; NRGi, *Qatar Petroleum interim RGI update 2020*, unpublished NRGi document.

48 As defined in the EITI Standard 4.1: i. The host government’s production entitlement (such as profit oil), ii. National state-owned company production entitlement, iii. Profits taxes, iv. Royalties, v. Dividends, vi. Bonuses, such as signature, discovery and production bonuses, vii. License fees, rental fees, entry fees and other considerations for licenses and/or concessions, viii. Any other significant payments and material benefit to government

49 QP can disclose data on each first sale: volume, value, price, buyer, date, as well as rules of pricing and selecting buyers. NRGi, *Qatar Petroleum Interim RGI update 2020*.

50 Pertamina, Annual reports, www.pertamina.com/en/documents/laporan-tahunan.

51 David Manley and Patrick Heller, “Between a Rock and a Hot Place: Resource Governance and the Energy Transition,” NRGi, 14 May 2020, resourcegovernance.org/blog/between-rock-hot-place-resource-governance-energy-transition

52 Discussion with QP, 29 June 2020; Written comments from QP to a draft of the present report, 13 October 2020.

process has proven flexible to accommodate different contractual relations, fiscal terms, and regulatory frameworks. For example, in Iraq, which mainly operates service contracts, its EITI reporting framework has been adapted to capture relevant, material flows.⁵³

QP has offered to serve as a sounding board for the EITI International Secretariat for developing the approach for tailored disclosure requirements. QP has also offered to host a MENA regional forum for the EITI's new SOE network, as well as responding to requests from partners to explain QP's stance on corruption, overview of its compliance program and EITI participation. QP notes that international standard-setting, research and civil society organizations are a new type of stakeholder for many SOEs in the MENA region. QP's positive experience and benefits derived from these exchanges are valuable to share to encourage other SOEs to see how they can support reporting in line with the business case. The engagement has also raised awareness within the company on the effort required to produce comprehensive data and financial reports.⁵⁴

KEY TAKEAWAYS FROM QP'S ENGAGEMENT WITH EITI

The following lessons represent NRG's synthesis based on discussions with QP, the EITI International Secretariat and NRG's broader research and advocacy on enhancing SOE transparency. They also reflect the continued importance of SOEs in ensuring accountable management of the petroleum sector amidst a changing business context and energy market.

The engagement sets a pioneering example of lesson-sharing between independent organizations and SOEs beyond implementing countries. QP has welcomed the EITI, NRG and other standards' independent and fact-based advice. As a result, QP's disclosures have improved, which supports its business strategy. QP and other pioneering SOEs can share their first-hand experiences of why transparency matters and how it has gone about enhancing it in a particular context. For the EITI, engagement with QP has been an opportunity to reach beyond implementing countries and have a direct impact on companies. It has also informed the EITI's understanding of what is driving SOEs motivation to disclose information. These experiences have already fed into the EITI's plans to redouble efforts on SOE transparency.

When driven by a business case, SOEs can be willing to expand disclosures beyond the legal minimum. Despite not being required to do so, QP and a handful of other supporting companies have been interested to disclose information beyond the current expectations for EITI supporting companies. QP has also sought recommendations from other standards and guidance. This shows that there is scope and appetite to extend the EITI's efforts with SOEs to important disclosure areas.

The EITI expectations need updating to cover disclosures related to SOE activities. The expectations could more explicitly refer to issues across the EITI Standard where SOEs play a role, relating to the fiscal relationship with home government, revenues collected by the company from private partners, sales of shares of production collected in kind, corporate governance, direct spending of public money, licensing and maintenance of license registers, and reporting on technical and environmental compliance. Bringing SOE-specific disclosures into the scope

53 Interview with EITI International Secretariat, 10 July 2020. See also Iraq EITI reports: eiti.org/iraq

54 Discussion with QP, 29 June 2020.

of the expectations for EITI supporting companies would strengthen them as a mechanism for facilitating SOE disclosures. On the other hand, they would have to respond to different governance and regulatory models for SOEs.

The expectations do not currently help SOEs to report on the energy transition, including SOE exposure to climate risk. QP has published descriptive information about improvements in fuel efficiency and air quality in its sustainability report. However, the expectations do not encourage disclosures related to SOEs exposure to carbon price risk. The expectations, and EITI more broadly, could play a stronger role in facilitating energy transition-related disclosures.⁵⁵ This would be particularly relevant for the MENA region due to its dependence on fossil fuels and SOEs control of these assets.

Some expectations for supporting companies are vague in formulation or do not include a disclosure requirement. For example, the expectation related to procurement due diligence does not describe or refer to acceptable standards of due diligence. The expectation also does not require companies to make any disclosures related to procurement for external audiences to assess meeting this expectation. Similarly, the expectation to collect partners and vendors' beneficial owner data does not require disclosure of these data. The EITI can consider substantiating the expectations by linking them to requirements of the EITI Standard or other good practice guidance, which would also make it easier for supporting companies to observe.

The expectations are not accompanied by a public assessment of adherence, which has led to selective implementation. When working with SOEs from non-implementing countries, there is a certain level of prioritization and discretion that SOEs make on which disclosures to implement first. For example, to date, QP has not advanced on the expectation related to supporting contract disclosure. The expectations would be strengthened if they included a mechanism that encourages full adherence within an agreed time frame. This could involve for example publishing assessments of disclosures and the remaining gaps against the expectations and the EITI Standard and seeking commitment to implement remaining disclosures. An assessment of meeting the EITI supporting company expectations should extend to all supporting companies, including the major IOCs.

Lessons from the engagement pose questions on safeguarding the EITI's multi-stakeholder approach. The current model of the supporting company expectations does not include the multi-stakeholder aspect of EITI implementation. This could undermine the relevance of the process in the eyes of citizens and civil society, and hence reduce the potential for positive impact. However, and despite positive experience of engaging with international organizations, there may be differing opinions on the importance of public engagement across the region. In some contexts, such as in Tunisia, roundtable discussions between stakeholders including the national oil company, ETAP, and civil society have gradually led to Tunisia committing to joining the EITI.⁵⁶

55 Erica Westenberg, "It's Time for the EITI to Tackle the Energy Transition," NRGi, 15 June 2020, resourcegovernance.org/blog/its-time-eiti-tackle-energy-transition

56 Hanen Keskes, "Civil Society Helps Tunisia Toward a Multi-stakeholder Approach in Extractives Governance," 15 June 2018, resourcegovernance.org/blog/civil-society-tunisia-MSG-EITI

RECOMMENDATIONS

In this briefing we have provided an overview of how becoming an EITI supporting company has supported QP in improving reporting and transparency, with a view of providing relevant lessons to the EITI and other SOEs in the MENA region. We have discussed the growing business case for transparency of SOEs, and how global standards, notably the EITI, can support SOEs in making such disclosures. We have also pointed to limitations in the current EITI supporting company process in terms of coverage of SOE-relevant disclosures, assessment mechanisms and multi-stakeholder dialogue. The following recommendations are identified as an outcome of the briefing.

Recommendations for the EITI International Secretariat and board

Develop a model for a public assessment of adherence against expectations for EITI supporting companies. Requiring EITI supporting companies to keep up-to-date, publicly available information about existing disclosures and actions against the expectations would provide a basis for dialogue with stakeholders. It could build on the EITI supporting company assessment template currently being developed and expand on the supporting company form, which currently does not provide full and regular information on observance. Depending on the EITI board's assessment, the mechanism could be developed further into a sanctionable enforcement mechanism.

Involve multi-stakeholder dialogue in the EITI supporting company process. Bring other stakeholders to the table to discuss and assess company adherence and dialogue about next steps, even if voluntary. Involve other stakeholders in the development of EITI's broader efforts towards SOE transparency, including the SOE network.

Specify existing expectations and map them against the EITI Standard. Providing more specific guidance on what adherence against each expectation looks like would support companies to use the expectations to guide their activities. It would also be essential for any assessment mechanism. This could build on existing templates the EITI has used for voluntary assessment of supporting companies against the expectations, which provide a map of the expectations against the EITI Standard.

Broaden the scope of expectations to cover key SOE disclosures required by the EITI Standard. These include fiscal relationship with the state, revenues collected and quasi-fiscal expenditures, commodity sales, procurement-related transparency and other issues in which SOEs play a role (such as licensing and cadaster management). The expectations could also reference other good disclosure practices notably related to commercial and operational data, reserves, the energy transition and exposure to climate risk. Consider a tailored approach to capture relevant disclosures for different types of companies.

Recommendations for SOEs and governments in MENA countries

Identify a specific business case for transparency and benchmark disclosures against strategic objectives. SOEs in the MENA region should identify how greater transparency advances their mandate and strategic objectives and seek to assess what improvements they can make to advance business objectives. Joining in a dialogue on transparency via the EITI peer network for SOEs can provide inspiration for doing so.

Leverage extractive sector-specific reporting standards such as the EITI.

In order to make disclosures as relevant as possible, SOEs can leverage extractive sector-specific reporting guidance that captures their unique roles. The EITI and other institutions support SOEs in concretely implementing disclosures. When considering using the EITI as guidance, they should refer to the full EITI Standard in addition to the supporting company expectations.

Use publicly available information to benchmark commercial and operational performance. SOEs should not stop at publishing information, but use available data to demonstrate their performance, justify investments and, in general, communicate with their government shareholders, partners and the wider public.

Engage in active dialogue on priorities for disclosure and their drivers with stakeholders. SOEs should communicate their business case for transparency and disclosure policies with stakeholders to make them understood and communicate where and why disclosures are not relevant or possible. They can also engage stakeholders to discuss the content of published reports and information.

Recommendations for Qatar Petroleum

Continue to pioneer in transparency by fully adhering to the EITI expectations and pursuing timely, systematic disclosures in line with the EITI Standard, RGI recommendations and other international best practices. In the short term, publish reports for 2019 in line with planned additional information. In the medium and long term, continue executing the outlined roadmap and consider incorporating further disclosures to the roadmap.

Share experiences of implementing disclosures and engaging with international standards, institutions and civil society to facilitate reporting.

QP can share its experience of becoming an EITI supporting company and engaging with other stakeholders. This can improve the EITI's process of onboarding supporting companies and, more generally, inspire other SOEs to embark on a journey of transparency and engage with similar institutions.

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