MATERIALITY DECISION FOR EITI REPORT #7

Fiscal 2018

SECTION 1 - CONTEXT

With respect to materiality, the **EITI Standard 2019** requires:

Requirement 4 *An understanding of company payments and government revenues can inform public debate about the governance of the extractive industries. The EITI requires a comprehensive disclosure of company payments and Government revenues from the extractive industries. The EITI requirements related to revenue collection include: (4.1) comprehensive disclosure of taxes and revenues.*

In seeking to satisfy these requirements, the MSG Steering Committee has agreed the following approach as outlined in this document.

In the Republic of Trinidad and Tobago (T&T), each sector of the extractive industries is governed by specific legislation. These various pieces of legislation outline the payments (flows) to be made to the Government of the Republic of Trinidad and Tobago (GORTT). Based on a comprehensive review of legislation together with discussions among MSG Steering Committee members, **the MSG Steering Committee (SC) is satisfied that it has developed a clear understanding of the flows in the extractive sectors that should be given consideration for inclusion on the EITI Reporting Templates. These flows account for all the payments extractive companies are stipulated to pay based on the terms of their contracts, legislation and regulations specific to the extractive sectors.**

SECTION 2 - FLOWS CONSIDERED AND DECISIONS ON INCLUSION

The following outlines all the flows that the MSG considered together with their decisions on what should be:

KEY		
INCLUDED AND RECONCILED in Report #7	INCLUDED, DISCLOSED BUT not Reconciled in Report #7	NOT INCLUDED in Report #7

ID	Flows	Discussions and Considerations
1	Royalty for Gas and Crude	Deemed to be relevant and material for the 1st, 2nd, 3rd, 4th,5th and 6th TTEITI Reports and agreed also **MATERIAL** for the 7th TTEITI Report. This represents payments to the Government by the petroleum companies for use of property or natural resources belonging to Trinidad and Tobago that are either occupied or extracted during petroleum operations. Royalty rate: 12.5%
2	Minimum Rent E&P (Surface rental fees)	Deemed to be relevant and material for the 1st, 2nd, 3rd, 4th, 5th and 6th TTEITI Reports and agreed also **MATERIAL** for the 7th TTEITI Report. This payment is a contractual obligation required to maintain license entitlement.
3	PSC Minimum Hectare Payment (Annual License Acreage payments)	Deemed to be relevant and material for the 1st, 2nd, 3rd, 4th, 5th and 6th TTEITI Reports and agreed also **MATERIAL** for the 7th TTEITI Report.

4	PSC Share of Profits	Deemed to be relevant and material for the 1st, 2nd, 3rd, 4th, 5th and 6th TTEITI Reports and agreed also **MATERIAL** for the 7th TTEITI Report.
5	Petroleum Impost	Deemed to be relevant and material for the 1st, 2nd, 3rd, 4th, 5th and 6th TTEITI Reports and agreed **MATERIAL** for the 7th TTEITI Report. This is used to cover the cost of the public administration of the petroleum industry (by the MEEI). Rate specified in a Legal Notice based on the formula prescribed in the Petroleum Act.
6	Petroleum Production Levy	Deemed to be relevant and material for the 1st, 2nd, 3rd, 4th,5th and 6th TTEITI Reports and agreed **MATERIAL** for the 7th TTEITI Report. Provides for the subsidization of petroleum products that are sold to the domestic market. The lower of: 4% of gross income from crude oil and condensate or $\frac{PI \; x \; S}{PT}$ Where: **PI** = production of petroleum by the production business in Trinidad and Tobago for the preceding month **S** = total subsidy to be paid to marketing businesses in T&T **PT** = Total production of petroleum by all persons carrying on business in T&T for the preceding month
7	Other payments under PSC - Training Fees	Deemed to be relevant and material for the 1st, 2nd, 3rd, 4th, 5th and 6th TTEITI Reports and agreed **MATERIAL** for the 7th TTEITI Report.
8	Other payments under PSCs - R&D Fees	Deemed to be relevant and material for the 1st, 2nd, 3rd, 4th, 5th and 6th TTEITI Reports and agreed **MATERIAL** for the 7th TTEITI Report.
9	Other payments under PSCs - Administration Fees	Deemed to be relevant and material for the 1st, 2nd, 3rd, 4th , 5th and 6th TTEITI Reports and agreed **MATERIAL** for the 7th TTEITI Report.
10	Petroleum Profits Tax (PPT)	Deemed to be relevant and material for the 1st, 2nd, 3rd, 4th, 5th and 6th TTEITI Reports and agreed **MATERIAL** for the 7th TTEITI Report.
11	Supplemental Petroleum Tax (SPT)	Deemed to be relevant and material for the 1st, 2nd, 3rd, 4th ,a 5th and 6th TTEITI Reports and agreed **MATERIAL** for the 7th TTEITI Report. This tax is deemed material since it is regarded as a "windfall tax" that is imposed on revenue generated from production of crude oil net of royalty.
12	Unemployment Levy	Deemed to be relevant and material for the 1st, 2nd, 3rd, 4th, 5th and 6th TTEITI Reports and agreed also **MATERIAL** for the 7th TTEITI Report.
13	Green Fund Levy	Deemed to be relevant and material for the 1st, 2nd, 3rd, 4th, 5th and 6th TTEITI Reports and agreed **MATERIAL** for the 7th TTEITI Report. For the 7th TTEITI Report, five mining companies agreed to participate in an EITI reporting pilot and Green Fund Levy from those firms are also to be reconciled.
14	Withholding Tax on Dividends	Deemed to be relevant and material for the 1st, 2nd, 3rd, 4th , 5th and 6th TTEITI Reports and agreed **MATERIAL** for the 7th TTEITI Report. For the 7th TTEITI Report, five mining companies agreed to participate in an EITI reporting pilot and Withholding Tax on Dividends from those firms are also to be reconciled.
15	Withholding Tax on Branch Profits Deemed Remittance	Deemed to be relevant and material for the 1st, 2nd, 3rd, 4th, 5th and 6th TTEITI Reports and agreed **MATERIAL** for the 7th TTEITI Report. For the 7th TTEITI Report, five mining companies agreed to participate in an EITI reporting pilot and Withholding Tax on Branch Profits Deemed Remittance from those firms are also to be reconciled.
16	Dividends (paid by NGC and PETROTRIN)	Deemed to be relevant and material for the 1st, 2nd, 3rd, 4th, 5th and 6th TTEITI Reports and agreed **MATERIAL** for the 7th TTEITI Report.
17	Insurance Premium Tax for Foreign Policies	Deemed to be relevant and material for the 3rd,4th, 5th and 6th TTEITI Reports and agreed **MATERIAL** for the 7th TTEITI Report. For the 7th TTEITI Report, five mining companies agreed to participate in an EITI reporting pilot and Insurance Premium Tax for Foreign Policies from those firms are also to be reconciled.

18	Corporation Tax	Deemed to be relevant and material for the 1st, 2nd, 3rd, 4th, 5th and 6th TTEITI Reports and agreed **MATERIAL** for the 7th TTEITI Report. For the 7th TTEITI Report, five mining companies agreed to participate in EITI reporting and Corporation Tax from those firms are also to be reconciled.
19	Business Levy	Deemed to be relevant and material for the 1st, 2nd, 3rd, 4th, 5th and 6th TTEITI Reports and agreed **MATERIAL** for the 7th TTEITI Report. For the 7th TTEITI Report, five mining companies agreed to participate in an EITI reporting pilot and Business Levy from those firms are also to be reconciled.
20	Signature Bonuses	Deemed to be relevant and material for the 1st, 2nd, 3rd, 4th, 5th and 6th TTEITI Reports and agreed **MATERIAL** for the 7th TTEITI Report.
21	Bidding Fees	Deemed to be relevant and material for the 1st, 2nd, 3rd, 4th, 5th and 6th TTEITI Reports and agreed **MATERIAL** for the 7th TTEITI Report.
22	Production bonuses	Deemed to be relevant and material for the 1st, 2nd, 3rd,4th, 5th and 6th TTEITI Reports and agreed **MATERIAL** for the 7th TTEITI Report.
23	Abandonment Provision – Payments into Environmental Escrow Account	Based on the recommendations of the Administrator from the 1st TTEITI Report, the TSC (Meeting held on October 31st, 2013) and later the SC (Meeting held on December 19, 2013) **agreed to add a column stating payments held in escrow and government is to disclose its receipts into the escrow account.**
24	Fees for assignment of PSCs	Based on the recommendations of the Administrator from the 1st TTEITI Report, the TSC (Meeting held on October, 31st 2013) and later the SC (Meeting held on December 19, 2013) **agreed to include this revenue flow in future reports under the category "Other Fees"**
25	PSCs Holding Fee	Based on the recommendations of the Administrator from the 1st TTEITI Report, the TSC (Meeting held on October 31st, 2013) and later the SC (Meeting held on December 19, 2013) **agreed to include this revenue flow in future reports under the category "Other Fees"**
26	Payments in-kind Flows	Based on the recommendations of the Administrator from the 1st TTEITI Report, the TSC (Meeting held on October 31st, 2013) and later the SC (Meeting held on December 19, 2013) **"agreed to include in kind flows in EITI reporting, noting that the Administrator needs to fully explain his expectations of companies filling the template".** **At TSC (Meeting held on April 10, 2014) it was recommended that in-kind flows must be disclosed by all companies. The reporting template for the 7th TTEITI Report was amended to clarify how companies should report on these flows.**
27	PSC Tax Settlements	Based on the recommendations of the Administrator from the 3rd TTEITI Report, the TSC (Meeting held on July 21, 2016) and later the SC (Meeting held on August 21, 2016)agreed to reconcile the amounts paid by the MEEI to MOF-IRD on behalf of their PSC partners with receipts declared by MOF-IRD for payments due from parties to PSCs.
28	Social Payments	The SC agreed to the following definition of Social Payments/Expenditure at the 55th SC meeting on May 21, 2015: *Social payments/expenditure is the provision by public and private extractive sector and related companies of benefits to and financial contributions targeted at communities, civil society organizations, households and individuals. Such benefits can be cash transfers or direct (in-kind) provision of goods and services but shall exclude advertising and/or promotional costs related to the expenditure."*
29	Transportation Revenue	Deemed necessary to be reported with consideration RE: NGC and Petrotrin
30	Infrastructure Provision	Deemed relevant to be Included but not reconciled.
31	Withholding Tax on Loan Interest	Based on the recommendations of the Administrator from the 1st TTEITI Report, the TSC (Meeting held on October 31st, 2013) and later the SC (Meeting held on December 19, 2013) **agreed to EXCLUDE this revenue flow in future reports**. The TSC reviewed this decision at the 57th TSC meeting held on August 19th , 2020 and maintained its position to exclude the flow in future reports.
32	Royalty for minerals	Discussed and agreed by the SC that Minerals and all revenue streams for minerals under The Minerals Act would be EXCLUDED in the 1st, 2nd and 3rd TTEITI Reports. The SC (Meeting held on June 16, 2016) also agreed that Minerals and all revenue streams for minerals under The Minerals Act would be only included in the 4th TTEITI Report as part of a mining pilot study to help inform full engagement of the mining sector in future reports. For the 7th

		TTEITI Report, five mining companies agreed to participate in an EITI reporting pilot and royalty payments from those firms would be reconciled.
33	Working Interest & Overriding Royalty Interest to State Companies	This is specifically related to Petrotrin and its lease out/farm out operators. It was not included in the 1st TTEITI Report, 2nd TTEITI Report, 3rd TTEITI Report, 4th TTEITI Report, 5th TTEITI Report and 6th TTEITI Report as it is not paid to government, but is a source of income for Petrotrin to cover the operators' usage of Petrotrin's license area. The TSC reviewed this decision at the 57th TSC meeting held on August 19th , 2020and agreed to continue to **EXCLUDE** this revenue flow for the 7th TTEITI Report.
34	Pay-As-You-Earn (PAYE)	PAYE was discussed by TSC, who concluded that the payment was actually an employee payment, not a company payment. Further, reconciliation of this would require access to thousands of confidential employee tax files which in itself is impractical. As such PAYE was deemed not to be relevant and as such was not included in the 4th , 5th and 6th TTEITI Report and will not be included in the 7th TTEITI Report as well. The TSC reviewed this decision at the 57th TSC meeting held on August 19th , 2020 and maintained its position.
35	Import Duties	Import Duties was discussed by the TSC, who concluded that most companies had duty free licenses and that any substantial imports by these companies would be exempt from import duties. While there may be some items that would attract import duties, for the most part these would be immaterial. As such Import Duties was deemed not to be relevant and as such was not included in the 4th, 5th and 6th TTEITI Report and will not be included in the 7th TTEITI Report as well. The TSC reviewed this decision at the 57th TSC meeting held on August 19th , 2020 and maintained its position.

SECTION 3 – FLOWS TO BE CONSIDERED IN THE CALCULATION OF MATERIALITY based on the share of extractives revenue that they represent

Of these **thirty-five (35) flows** considered above, the MSG SC deemed 30 of them to be **relevant** for inclusion in the templates (27 to be reconciled, 3 to be reported but not reconciled) for **completeness** and their **importance from the perspective of public interest.** The remaining 5 were not considered relevant for inclusion in the 2018 report. There are however **twenty-one (21) flows** that the Steering Committee deemed material to **form the basis of the calculation of the materiality threshold**.

These **twenty-one (21) flows represent the largest flows to the respective collecting agencies and are listed below**:

Ministry of Energy & Energy Industries

1. Royalty for Gas and Crude
2. Minimum Rent
3. PSC Minimum Hectare Payment
4. Share of Profit
5. Petroleum Levy
6. Petroleum Impost
7. Financial Obligations – Admin
8. Financial Obligations – R&D
9. Financial Obligations – Training
10. Financial Obligations – PSC Holding Fee
11. Financial Obligations – Production Bonus

Ministry of Finance Board of Inland Revenue

12. Petroleum Profits Tax
13. Supplemental Petroleum Tax
14. Unemployment Levy
15. Corporation Tax
16. Green Fund Levy
17. Business Levy
18. Withholding Tax on Dividends
19. Withholding Tax on Branch Profits
20. Insurance Premium Tax on Foreign Policies

Ministry of Finance Investments Division

21. Dividends

3.1 Share of Total Revenues for Extractive Industries that each revenue stream represents

The revenues in the extractives industries are received through four agencies as follows:

1. **The Ministry of Energy and Energy Industries**
2. **The Ministry of Finance - Board of Inland Revenue**
3. **The Ministry of Finance - Investments Division**
   As such, each of these has been considered separately as outlined below. Further, Petrotrin, the state owned Oil Company enters into individual arrangements known as Lease Out/Farm Out (LOFOs). This regime is described in its entirety in section 6 below and these streams have also been considered separately in determining materiality.
4. **Petroleum Company of Trinidad and Tobago (Petrotrin) – Lease Out/Farm Outs**

SECTION 4 – MINISTRY OF ENERGY AND ENERGY INDUSTRIES (MEEI)

As outlined in Section 3 above, the following 11 flows to the MEEI have been used to determine materiality based on the share of total revenue that they represent to the MEEI. The 11 flows listed represent **100%** of the revenue paid by extractive companies to MEEI in Fiscal 2018.

1 Royalty for Gas and Crude

2 Minimum Rent E&P

3 PSC Minimum Hectare Payment

4 Share of Profit

5 Petroleum Impost

6 Petroleum Levy

7 Financial Obligations – Admin

8 Financial Obligations – R&D

9 Financial Obligations – Training

10 Financial Obligations – PSC Holding Fee

11 Financial Obligations – Production Bonus

Fiscal 2018 Payments to Ministry of Energy and Energy Industries (MEEI)

ID	Revenue Stream	Total Revenue (Fiscal 2017)	Share of Total Revenue (Fiscal 2017)
1	Royalty	1,879,229,140.81	43.45%
2	Minimum Rent - E&P	6,559,088.85	0.15%
3	PSC Minimum Hectare Payments	65,174,993.78	1.51%
4	PSC Share of Profits	1,950,111,773.25	45.09%
5	Petroleum Levy	179,819,349.35	4.16%
6	Petroleum Impost	75,516,305.68	1.75%
7.8.9.10.11	Other PSC Payments	168,647,610.41	3.90%
	Subtotal	4,325,058,262.13	100.00%
	Other (Signature Bonus and PSC Bidding Fees)	-	-
	TOTAL	4,325,058,262.13	**100.00%**

SECTION 5 – MINISTRY OF FINANCE – BOARD OF INLAND REVENUE (BIR)

As outlined in Section 3 above, the following nine (9) flows to the MOF - BOIR have been used to determine materiality based on the share of total revenue that they represent to BOIR. The nine flows listed represent **100%** of the revenue reported paid by extractives to MOF - BOIR in Fiscal 2018 to the Petroleum and Large Taxpayers' Business Unit which collects revenue from the extractives sector.

12 Petroleum Profits Tax
13 Supplemental Petroleum Tax
14 Unemployment Levy
15 Corporation Tax
16 Green Fund Levy
17 Business Levy
18 Withholding Tax on Dividends
19 Withholding Tax on Branch Profits
20 Insurance Premium Tax

Payments to Ministry of Finance (MOF) – Inland Revenue Division **(Fiscal 2018)**

Revenue Stream	Total Revenue	Share of Total Revenue
Petroleum Profits Tax	$837,147,474.53	29.43%
Supplemental Petroleum Tax	$943,795,511.21	33.18%
Unemployment Levy	$149,473,706.13	5.26%
Corporation Tax	$733,973,878.60	25.80%
Green Fund Levy	$135,866,701.30	4.78%
Business Levy	$12,303,098.35	0.43%

Withholding Tax on Dividends	$	0.00%
Withholding Tax on Branch Profits	$27,430,211.35	0.96%
Interests and Penalties	$66,692.55	0.02%
Insurance Premium Tax	$4,285,996.97	0.15%
TOTAL	$2,844,343,270.99	**100%**

SECTION 6 – MINISTRY OF FINANCE – INVESTMENTS DIVISION (INV. DIV.)

As outlined in Section 3 above, the following one (1) flow to the MOF – Inv. Div. has been used to determine materiality based on the share of total revenue that it represents to MOF – Inv. Div. This flow is in fact the only flow, representing **100.00%** of the revenue paid by extractives to MOF – Inv. Div. in Fiscal 2018.

21 Dividends

Payments to Ministry of Finance (MOF) – Investments Division – **(Fiscal 2018)**

Revenue Stream	Total Revenue	Share of Total Revenue
Dividends	**$664,619,327.00**	100%
TOTAL	**$664,619,327.00**	**100%**

***Note:** Dividends to the Investments Division represent dividends declared and paid by locally incorporated state enterprises whose single shareholder is the government. There are only two such organisations, Petroleum Company of Trinidad and Tobago (Petrotrin) and National Gas Company (NGC). For 2018, only NGC declared and paid a dividend to its shareholder (The Government) and this amount is the total amount paid therefore representing 100% of this flow.

SECTION 6 – PETROTRIN LEASE OUT/FARM OUTS (LOFO)

The Lease Out/Farm Out arrangement with Petrotrin is outlined in the document below, however with respect to the flows, the payments made by the LOFOs include:

- Productive Royalty – **Remitted to MEEI by Petrotrin (reported in Petrotrin templates)**
- Petroleum Production Levy– **Remitted to MEEI by Petrotrin (reported in Petrotrin templates)**
- Oil Impost – **Remitted to MEEI by Petrotrin (reported in Petrotrin templates)**
- Overriding Royalty – **Retained by Petrotrin (not reported in Petrotrin templates)**
- User Cost – **Retained by Petrotrin (not reported in Petrotrin templates)**

In both LO and FO the operators are responsible for their own payments of the **Supplemental Petroleum Tax (SPT)** and **Petroleum Profits Tax (PPT)** to the **BOIR.**

PETROLEUM COMPANY OF TRINIDAD AND TOBAGO LIMITED
FINANCE DIVISION
FILE NOTE – LEASE, FARMOUT AND IPSC OPERATORS

Purpose

This Note is provided for the citizens of Trinidad and Tobago to understand the financial arrangements that existed between Petroleum Company of Trinidad and Tobago Limited (Petrotrin) and its Lease, Farmout and Incremental Production Service Contracts (IPSC) Operators (LOFOSC) for the financial year ended 2018 September 30. It will be disclosed in the Trinidad and Tobago Extractive Industries Transparency Initiative (TTEITI) Report for the fiscal year 2018.

Background

The Lease Operatorship Programme has been in existence for the past twenty-nine (29) years. The Programme involves the re-activation of idle wells within a defined geographic area (Lease Blocks) and the drilling of replacement and infill wells, subject to Petrotrin's approval of any drilling to be undertaken. The Programme was developed to encourage small Operators to work in Blocks where it was uneconomic for Petrotrin to operate given its cost and operations structure. For the financial year ended 2018 September 30 there were twenty-four (24) Lease Operatorship (LO) Blocks, managed by fourteen (14) Lease Operators. For fiscal year 2018 production from Lease Operators averaged 6,384 bopd.

In the Farmout programme Petrotrin farms out idle acreage to small Operators to explore, drill and produce. In 2018 there were a total of eight (8) Farmout Operators for the ten (10) Blocks under this arrangement. For fiscal year 2018 production from Farmout operators averaged 603 bopd.

The other type of arrangement that falls under LOFOSC is the Incremental Production Service Contract (IPSC). In 2018 there were seven (7) blocks contracted to six (6) Operators. The main difference between this arrangement and the Lease Operator is that in some IPSC's Petrotrin handed over active wells and production. This production is called the first tranche oil for which Petrotrin pays a handling fee to the Operator. Production in excess of this first tranche oil is sold to Petrotrin. For fiscal year 2018 production from IPSC averaged 1,453 bopd.

In all instances the LOFOSC's produce crude oil which is defined as "indigenous" crude for the refinery. All crude oil produced by the Operators is purchased by Petrotrin. All the production is fiscalized at the respective tank farms and Petrotrin is responsible for reporting on Production by Blocks to the Ministry of Energy and Energy Industries (MEEI). Production from the LOFOSC Blocks produced an average of approximately 8,440 bopd for the financial year 2018.

Major Fees paid by the Operators

The arrangement is managed by a Lease or a Farmout Agreement or IPSC. In accordance with the contract, the market value of the crude oil delivered is equal to the price of the Petrotrin equity land blend crude excluding Guapo. The Operators fee is made up of the market value of crude oil times the production barrels (sales receipts) and the following are the deductions which are offset from this revenue and the net amount is paid to the Operators:

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- Royalty: which can either be State / Government royalty, Private royalties or freehold lessors royalty, depending on the leases from which the production is derived.
- Petroleum Production Levy: this represents the levy for the LOFOSC's proportionate share of the field production. Any levy due is remitted by Petrotrin directly to the MEEI.
- Oil Impost: a tax on oil producers for their proportionate share of the annual operating cost of the MEEI - remitted to MEEI.
- Overriding Royalty: This is negotiated and can be defined as Petrotrin's revenue stream from the Block. Petrotrin benefits from an Overriding Royalty (ORR) fee paid by the Operator for each barrel oil equivalent produced. The ORR is based on gross revenue and bears no relation to cost of production. ORR rates are negotiated rates based on tiered oil prices and scaled according to production levels. The Operators are given incentives to drill and produce additional oil; hence for the first two (2) years of drilling a successful well, reduced ORR percentages are paid on that well's production.
- Lease Operators pay a User Fee to cover services provided by Petrotrin that include, *inter alia*, electricity, compilation of production data for MEEI, laboratory analysis of samples, review of well programmes and general administration costs associated with these activities. This fee is retained by Petrotrin as reimbursement of its costs.
- Farmout Operators are charged a Transportation and Handling Fee.
- IPSCs are charged a Facilitation Fee.

Other fees paid by the Operators

In addition to the deductions noted above the LOFOSC are also required to pay a proportionate share of the respective Head Licence fees as outlined under the financial obligations provision of the License. In the case of the Lease Operators and IPSCs, the Operator's share of Head Licence fee is determined by their proportionate share of the total production times the fees paid for the respective year. For the Farmout Operators the amount is prorated based on acreage. The total Head Licence fee is remitted to the MEEI by Petrotrin who in turn invoice the respective Lease Operators annually for their proportionate share.

LOFOSCs are responsible for their own payments of the Supplemental Petroleum Taxes (SPT) as well the Petroleum Profits Tax (PPT) to the Board of Inland Revenue (BIR). Lease Operatorships and IPSCs operate wells but are not assigned acreage and as a result are not allowed to book reserves while Farmout Operators are given acreage and have title to the reserves. With respect to the payments made to the MEEI, except for the basis on which the calculations are effected particularly in respect of the land licence fees, there is no major difference in the treatment and the payment processing.

Lilawatee Rambarran
Financial Controller

Attachment

SECTION 7 – CALCULATION OF MATERIALITY THRESHOLD

Threshold for Company Disclosure vs. Full Company Disclosure

In determining whether a threshold for company disclosure was necessary rather than **full company disclosure**[1], the MSG Steering Committee has given due consideration to the fact that the sector is made up of a number of large operators whose total payments accounted for more than 98% of total revenue for Fiscals 2011, 2012, 2013, 2014, 2015, 2016 and 2017. In 2018, the total payments account for 99.6% of total revenue. Given that the remaining 0.4% consists of a large number of small companies, it was deemed unfeasible to use full company disclosure. Further, at present, the EITI process in Trinidad and Tobago is a voluntary one and participating companies are signatories to a Memorandum of Understanding. The costs and benefits of bringing additional non-reporting companies on to the EITI process for this reporting period were considered and it was deemed not feasible given that they represent less than 1% of revenues.

<u>Based on the structure of the oil and gas sectors in Trinidad and Tobago, the MSG SC has determined that it should establish a Threshold for Company Disclosure.</u>

7.1 Threshold for Company Disclosure

Based on the determination that a threshold should be established for company disclosure, the MSG Steering Committee considered the options available for establishing this threshold:

a. Set an Aggregate Payment Threshold
b. Set a Disaggregated Payment Threshold

An aggregated payment threshold approach was considered and was calculated to show the percentage of revenues that would be covered using different threshold scenarios and the number of corresponding companies.
Again this threshold was calculated based on the agency through which revenues are paid:

1. **The Ministry of Energy and Energy Industries (MEEI)**
2. **The Ministry of Finance (MOF) - Board of Inland Revenue (BOIR)**
3. **The Ministry of Finance (MOF) - Investments Division (Inv. Div.)**
4. **Petroleum Company of Trinidad and Tobago (Petrotrin) – Lease Out/Farm Outs**

7.2 Calculation of Aggregate Payment Threshold

The MSG SC agreed on a Materiality Threshold of **<u>TT$ 2 million</u>** TT$ which would cover **<u>99.5%</u>** of revenue. However, since there were companies that were below this threshold, but were still keen to report given that they were part of the process for the first TTEITI Report, it was agreed to include these companies also. This brought the percentage of revenue being reported to **<u>99.6</u>%** of revenue (see total threshold calculation).

7.3 Calculation of Aggregate Payment Threshold – LOFO

A listing of all payments with respect to LOFOs was received by Petrotrin for review. This information however could not be published as it included details on companies that did not sign the MOU established for disclosure in the TTEITI Report.

Again, the MSG SC agreed on a Materiality Threshold of TT $2 million and of the LOFO payments, thirteen companies made payments of Productive Royalty in excess of TT$2 million. These 13 companies are listed below:

- **Lease Operators Ltd**
- **A&V Oil & Gas Limited**
- **Oilbelt Services Limited**
- **Lennox Production Services Limited**
- **Range Resources Limited**

[1] Full company disclosure means that all payments with the scope of agreed material revenue streams would be disclosed regardless of the size of the payment. Therefore, ALL companies that contribute towards the revenue streams identified as material will be required to participate in the reporting process.

- **Goudron E&P Limited**
- **T.N. Ramnauth & Co Limited**
- **Rocky Point T&T Limited**
- **NAKT Limited**
- **Petroleum Contracting Services Limited**
- **Hydrocarb Trinidad Limited**
- **Trinidad Wireline Limited**
- **Touchstone Exploration Ltd**

However, of the LOFO payments, no EITI Reporting companies have been deemed to meet the threshold for reporting based on any payments to BOIR which are in excess of TT$2 million. Additionally, it must be noted that the companies listed below are not signatories to the EITI MOU and the TTEITI SC was unable to confirm the companies' payments to the **BOIR**. These companies include:

- **A&V Oil & Gas Limited**
- **Lennox Production Services Limited**
- **Range Resources Limited**
- **Goudron E&P Limited**
- **T.N. Ramnauth & Co Limited**
- **Rocky Point T&T Limited**
- **Trinidad Wireline Limited**
- **NAKT Limited**
- **Petroleum Contracting Services Limited**
- **Hydrocarb Trinidad Limited**

With respect to the **Supplemental Petroleum Tax (SPT)** and **Petroleum Profits Tax (PPT)**, the LO and FO operators are responsible for their own payments to the **BOIR.** While these payments are not readily available given the current legislation with respect to confidentiality, the following formula was applied to estimate what these payments would likely be:

SPT – This figure would approximate to:

1/5 X (Sales-Production)

When this calculation is applied, there are no material payments from Lease and Farmout Operators.

PPT – This figure cannot be easily approximated. However, due to confidentiality restrictions, the MSG has not received assurance from BIR that any of these "non-reporting" companies, i.e. not included using our **<u>TT$ 2 million</u>** thresholds, has made payments to them in excess of **<u>TT$ 2 million.</u>**

<u>However, given the available data, the MSG is therefore reasonably confident that apart from the companies listed below the other companies making material payments under the LOFO arrangements with Petrotrin have been included in the reporting process.</u>

<u>The companies where there is uncertainty over their material payments include:</u>

- **<u>A&V Oil and Gas Limited</u>**
- **Lennox Production Services Limited**
- **Range Resources Limited**

- **Goudron E&P Limited**
- **T.N. Ramnauth & Co Limited**
- **Rocky Point T&T Limited**
- **Trinidad Wireline Limited**
- **NAKT Limited**
- **Petroleum Contracting Services Limited**
- **Hydrocarb Trinidad Limited**

SECTION 8 – GOVERNMENT REVENUES

The EITI Standard requires that government fully disclose all revenue from the extractive sectors.
The MSG Steering Committee has agreed to ensure that the government fully discloses all revenue from the extractive sectors, in aggregate from each of the revenue streams agreed, including revenue that falls below agreed materiality thresholds.
The MSG has agreed to and has sent separate templates to the MEEI and MOF-BOIR and MOF-Investments Division to request TOTAL payments to ensure full Government Disclosure.
TOTAL DISCLOSURE ON ALL REVENUES HAS BEEN RECEIVED FROM MEEI AND MOF AND WILL BE INCLUDED IN THE REPORT.

SECTION 9 – COMPANIES TO BE REPORTED ON

The application of the criteria outlined above resulted in the inclusion of 41 companies in the **7th TTEITI Report for Fiscal 2018**, either because of crossing the threshold or because they agreed to report given that they were part of the process for the first TTEITI Report.

Correspondences was sent to these **41 companies** on April 3rd, 2020, asking them to complete the Reporting Templates.
The final result is that **41 companies met the criteria for inclusion in the 7th TTEITI report for Fiscal 2018** from which we expect to receive Reporting Templates.

41 Reporting Companies based on Materiality Determination

1	Amoco Trinidad Gas BV Trinidad Branch
2	BG International Limited
3	Shell Trinidad 5(a) Limited
4	Shell Trinidad and Tobago Limited
5	Shell Trinidad Central Block Limited
6	BHP Billiton (Trinidad-2C) Limited
7	BHP Billiton (Trinidad-3-A) Limited
8	BHP Billiton Petroleum (Trinidad Block 14) Limited
9	BHP Billiton Petroleum (Trinidad Block 23A) Limited
10	BHP Billiton Petroleum (Trinidad Block 23B) Limited
11	BHP Billiton Petroleum (Trinidad Block 28) Limited
12	BHP Billiton Petroleum (Trinidad Block 29) Limited
13	BHP Billiton Petroleum (Trinidad Block 3) Limited
14	BHP Billiton Petroleum (Trinidad Block 5) Limited
15	BHP Billiton Petroleum (Trinidad Block 6) Limited

16	BHP Billiton Petroleum (Trinidad Block 7) Limited
17	BP Exploration Operating Co Ltd Trinidad Branch
18	BP Trinidad and Tobago LLC
19	BP Trinidad Processing Limited
20	Touchstone Exploration (Trinidad) Ltd
21	Trinidad and Tobago LNG Limited
22	Trinity Exploration and Production (Galeota) Limited
23	Trinity Exploration and Production (Trinidad and Tobago) Limited
24	De Novo Energy Block 1 A Limited
25	Shell Trinidad Block E Limited
26	EOG Resources Trinidad 4(A) Unlimited
27	EOG Resources Trinidad Limited
28	EOG Resources Trinidad- U(A) Block Limited
29	EOG Resources Trinidad U(B) Block Unlimited
30	Lease Operators Limited
31	National Gas Company of Trinidad and Tobago Limited
32	NGC E&P Investments (Netherlands) B.V.
33	NGC Pipeline Company Limited
34	Oilbelt Services Limited
35	Perenco T&T Limited
36	Petroleum Company of Trinidad and Tobago Limited
37	Primera Oil and Gas Limited
38	PT.Fortin LNG Exports Ltd.
39	Repsol Angostura Ltd
40	Shell T&T Resources SRL
41	Shell Trinidad North Coast Limited

SECTION 10 – DOCUMENTATION OF DISCUSSIONS, OPTIONS CONSIDERED AND THE RATIONALE for the agreed definition and thresholds

The MSG Steering Committee has reviewed and discussed the materiality definitions as follows:
At its **57th Technical Sub-Committee Meeting** held on **August 19, 2020**, the proposed approach to determining materiality as outlined in the Guidance Notes was presented to the MSG for their agreement in principle and this approach was approved. More specifically, that approval included the use of MEEI and BIR revenue data to determine a threshold using an Aggregate Payment Threshold approach. Also, at its **58th Technical Sub-Committee Meeting** held on **September 17, 2020**, the materiality determination was presented to the members who had a lengthy discussion and agreed unanimously to set the threshold for materiality to TT$2 million.
At its at **119th Meeting** held on **September 17, 2020**, this materiality document was presented to the members in detail and there was unanimous agreement that this would form the final materiality determination for the 7th TTEITI Report.
The MSG Steering Committee, at its **111th Meeting** held on **January 16, 2020**, agreed to reconcile five mining companies on a pilot basis without determining a materiality threshold. The five pilot companies are Trinidad Cement Limited, Hermitage

Limestone Limited, F.W. Hickson Limited, Lake Asphalt of Trinidad and Tobago (1978) Limited and National Quarries Company Limited.

SECTION 10 – MATERIALITY CONSIDERATIONS to be included in Report with details of this document to be included as an Appendix

Based on the results of the study of materiality considerations, the oil and gas companies who made payments to at least one of the three main revenue collectors of more than TT$2 million were considered to be material for the Seventh TTEITI Report. Accordingly, 40 companies, representing 99.6% of total revenue collected by MEEI, MOF – BIR and MOF – Investments Division during the fiscal year 2018, were selected for the sixth reconciliation report. Please refer to the Appendix for a list of these companies as well as the documentation of discussions, options considered and the rational for the agreed definition and thresholds.

Supporting Documents

Revenues Reported by MEEI for Fiscal 2018
Revenues Reported by MOF - BIR for Fiscal 2018
Total Threshold Calculation for Fiscal 2018