

## 45<sup>th</sup> Multi-Stakeholder Group Meeting

30 August 2017 | 2:00 – 5:00 PM

Zen Hotel, Santiago City, Isabela

### Attendees:

#### Government

Asst. Sec. Ma. Teresa Habitan	Department of Finance (DOF)
Ms. Febe Lim	DOF
Engr. Romualdo Aguilos	Department of Environment and Natural Resources -Mines and Geosciences Bureau (DENR-MGB)
Mr. Shan Barros	Department of Energy (DOE)
Ms. Maricor Cauton	Union of Local Authorities of the Philippines (ULAP)

#### Industry

Atty. Ronald Recidoro	Chamber of Mines of the Philippines (COMP)
Atty. Francis Joseph Ballesteros, Jr.	Philex Mining Corporation
Mr. Bradley Norman	Oceana Gold Philippines, Inc.
Mr. Anthony Ferrer	Petroleum Association of the Philippines (PAP)

#### Civil Society Organization (CSO)

Mr. Chadwick Llanos	United Sibonga Residents for Environmental Protection and Development (USREP-D)
Ms. Starjoan Villanueva	Alternate Forum for Research in Mindanao (AFRIM)
Mr. Augusto Blanco, Jr.	Indigenous Peoples (IP) Representative, Mandaya Tribe, Compostela Valley
Engr. Maria Rosario Aynon Gonzales	Palawan State University
Mr. Buenaventura Maata, Jr.	Philippine Grassroots Engagement in Rural Development Foundation, Inc. (PhilGrassroots- ERDF)

#### Independent Administrator

Ms. Jenny Belle Rodis	Isla Lipana- PWC
Mr. Ian Oliver Teodoro	Isla Lipana- PWC

#### PH-EITI Secretariat

Atty. Maria Karla Espinosa	Secretariat
Ms. Abigail Ocate	Secretariat
Ms. Mary Ann Rodolfo	Secretariat
Ms. Joy Saquing	Secretariat
Ms. Lea Ivy Manzanero	Secretariat
Mr. Ryan Justin Dael	Secretariat
Ms. Roselyn Salagan	Secretariat

1 Ms. Johna Paula Manzano Secretariat  
2 Mr. Jaime Miguel Secretariat

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4 **Observers**

5 Mr. Marco Zaplan Bantay Kita  
6 Mr. Jan Kevin Abundo Consultant

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9 **Agenda:**

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- 11 • Approval of the Minutes of the 44<sup>th</sup> MSG Meeting
- 12 • Matters arising from previous MSG Meetings
- 13 • Main Business
  - 14 ○ Recap of 2017 PH-EITI Roadshow
  - 15 ○ Presentation on the Oil & Gas Sector
  - 16 ○ Presentation on Materiality and Outline of 4<sup>th</sup> Report; Definition of “Project”
  - 17 ○ 4<sup>th</sup> Report Coverage of LSNM Mining
  - 18 ○ Report on HCNR TWG Meeting on H.B. 4116
  - 19 ○ Final Validation Report for the Philippines
- 20 • Other Matters
  - 21 ○ Updates on other upcoming activities
    - 22 ■ 38<sup>th</sup> EITI International Board Meeting and Related Activities
    - 23 ■ Follow-up Briefing of LSNM Mining Sector
    - 24 ■ TWG Meeting on Scoping Study on Beneficial Ownership
    - 25 ■ Media Training
  - 26 ○ Implementation of DAO 2017-07
  - 27 ○ Setting of next MSG meeting

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30 **1. Call to Order**

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32 The 45<sup>th</sup> PH-EITI Multi-Stakeholder Group (MSG) meeting was called to order at 2:00 PM.  
33 Department of Finance (DOF) Assistant Secretary Ma. Teresa Habitan, Alternate Focal Person of the  
34 PH-EITI, chaired and facilitated the meeting. The agenda for the meeting was approved.

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36 **2. Approval of the Minutes of the 44<sup>th</sup> MSG Meeting**

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38 The Secretariat apologized for sending the minutes belatedly due to the hectic schedule of the  
39 recently concluded Roadshow and committed to observe the originally-agreed upon lead time for  
40 circulation of draft minutes henceforth. The MSG members were given one week to send to the  
41 secretariat their comments on the draft minutes, after which period, without any comment  
42 received, the minutes will be deemed approved.

43

44 **3. Matters arising from previous MSG meetings**

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1 The secretariat noted that there are only two items in the matters arising. First is the presentation  
2 of the oil and gas sector, which will be done as part of the main business of the meeting, and the  
3 second is introducing PH-EITI to the new DENR Secretary. It was reported that a letter request for a  
4 courtesy meeting has been sent to the office of Secretary Cimatú, but no positive response has been  
5 received yet. The secretariat committed to follow up on this matter.

6  
7 The secretariat then raised the matter of the “parked” items which used to be in the matters arising.  
8 One of the items is the capacity building on sovereign wealth fund (SWF) which got parked due to  
9 budget constraints before. The options at the time were either to bring in resource persons from  
10 Timor Leste who offered to provide the training on SWF, or to tap the resources of the Natural  
11 Resource Governance Institute (NRGI). The secretariat noted that if the body wishes to pursue the  
12 training on SWF, resources are already available for this year or next.

13  
14 For the MSG to be able to decide on the matter, the Chair suggested that the secretariat prepare a  
15 proposal with the details of the activity, including budgetary requirements. This was noted by the  
16 secretariat.

17  
18 The secretariat proceeded to discuss the rest of the parked items:

- 19  
20 • *Proposed amendment to the Local Government Code (LGC)* - The secretariat recalled that the  
21 MSG earlier agreed to engage a consultant for a study on this. But since the Department of the  
22 Interior and Local Government (DILG) had already conducted a study on this matter, the MSG  
23 decided to task the consultant to just analyze the results of the DILG study.

24  
25 Subsequent developments on this matter include the formation of a Technical Working Group  
26 (TWG) on Environment and Natural Resources Revenue Management spearheaded by DILG -  
27 Philippine Poverty-Environment Initiative (PPEI) and DOF - Bureau of Local Government Finance  
28 (BLGF). PH-EITI is part of the TWG and has attended its first meeting in June.

29  
30 The secretariat recalled that, while the MSG wanted to commission a study on this, it was not  
31 deemed critical since there were already a number of studies being commissioned by the DILG.

- 32  
33 • *Revenue management at the local level.* The secretariat recalled that the last instruction from  
34 the MSG was to coordinate with the Local Government Academy and the National College of  
35 Public Administration and Governance for the conduct of the training on revenue management  
36 for local chief executives (LCEs). This was originally included in the 2016 work plan but was  
37 carried over to 2017. It was mentioned that this activity is still for implementation.

38  
39 Upon the Chair’s query on the next move forward, the secretariat stated that they can proceed  
40 with the coordination activities with possible training centers that can provide the training not  
41 just for LCEs but for other local government officials as well. The secretariat shared that the  
42 need for this capacity building at the local level arose in one or two legs of the recently  
43 concluded roadshow.

1 However, looking at the schedule for the rest of the year, the secretariat noted that the said  
2 capacity building activity might have to be implemented in 2018 already. According to the  
3 secretariat, the training can be done alongside the annual roadshow.  
4

- 5 • *Online reporting tool for the companies.* The secretariat reported that they have already drafted  
6 the Terms of Reference (TOR) for the development of the tool. It was noted that this was not  
7 prioritized earlier this year since the need for the tool was not as critical as the other matters.  
8

9 Nonetheless, this is still one of PH-EITI’s commitments under the Open Government Partnership  
10 (OGP) and this is included in the work plan for the year. The secretariat mentioned that there  
11 would be a need to consult with the industry representatives because they will be the users of  
12 the tool.  
13

14 The Chair asked the secretariat to circulate the draft TOR in the next MSG meeting.  
15

- 16 • *Report analysis for the 2<sup>nd</sup> Report.* The secretariat recalled that in one of the MSG meetings held  
17 this year, the body discussed about a “deep dive” exercise which was akin to the report analysis  
18 workshop included as part of the 2016 and 2017 work plan. According to the secretariat, the  
19 MSG earlier agreed that the “deep dive” will be done for the 4<sup>th</sup> Report and will be scheduled  
20 next year.  
21
- 22 • *EITI training for media.* As reported by the secretariat last MSG meeting, this training will be  
23 implemented this year. The secretariat is already in talks with at least three media outfits,  
24 namely Probe Media Foundation, Philippine Press Institute (PPI), and Philippine Center for  
25 Investigative Journalism (PCIJ). The secretariat noted that more updates on this will be provided  
26 later in the meeting.  
27
- 28 • *Measuring public awareness of EITI.* According to the secretariat, this activity was originally  
29 scheduled in 2016 but was carried over to the 2017 work plan. The secretariat shared that there  
30 were some attempts to measure awareness of EITI, like incorporating it in the feedback form  
31 used in the Roadshow. However, the idea of measuring EITI awareness involves commissioning a  
32 survey. The secretariat said that if the MSG decides to pursue this activity then they will proceed  
33 with the necessary coordination with relevant survey-taking organizations.  
34

35 The Chair suggested that the secretariat start discussing this with the appropriate organizations  
36 since the development of the tool for measuring awareness requires a special set of skills.  
37

38 According to the Chair, since the general population does not really know EITI, awareness should  
39 be measured “before” and “after” the outreach activities and information dissemination have  
40 been conducted.  
41

#### 42 **4. Recap of the 2017 PH-EITI Roadshow** 43

44 It was reported that the 2017 Roadshow was concluded in the last week of August with the final leg  
45 covering the Caraga region being held in Butuan City. The secretariat gave a presentation on what

1 transpired during the roadshow, the significant numbers generated, and the outcomes of this  
2 activity. (See **Annex A.**)

3  
4 The secretariat expressed appreciation and recognition for the MSG members, especially those who  
5 participated in the roadshow, for their support.

6  
7 The 2017 roadshow was held in six key areas (Baguio, Manila, Puerto Princesa, Davao, Cebu, Butuan)  
8 which covered regions where large-scale metallic mining companies, including their head offices, are  
9 located. It was participated in by a total of 844 stakeholders.

10  
11 A total of 64 LGUs were represented in the roadshow. This signifies a 23% increase in participation  
12 compared to last year (52 LGUs), which increase may be attributed to factors such as: (i) inclusion of  
13 additional 16 LGUs that will be covered in the 4<sup>th</sup> Report; (ii) greater awareness about PH-EITI among  
14 LGUs; and (iii) participation of the people who attended the PH-EITI National Conference and the  
15 previous year's roadshow, both of which saw an increase in participation as well.

16  
17 The secretariat noted that the number of LGU attendees in the Puerto Princesa leg decreased due to  
18 local events that coincided with the PH-EITI roadshow. In addition, LGUs were busy during the  
19 month of the roadshow because it was also the budget preparation season.

20  
21 The decline in the participation of national government agencies (NGA) was likewise due to budget  
22 preparation activities. It was only in the Baguio leg that an increase in NGA participation was  
23 recorded.

24  
25 On the other hand, participation of industry representatives registered a remarkable 122% increase  
26 from a total of 31 in 2016 to 69 this year. The secretariat also reported that there were some mining  
27 companies, though not yet covered by PH-EITI, who volunteered to send representatives to attend  
28 and participate in the roadshow.

29  
30 It was also noted that in the Butuan leg, 8 out of the 11 mining companies were represented by their  
31 resident managers.

32  
33 As regards CSO participation, the target is about 20 representatives per leg, or 10 more than last  
34 year. It was noted that in the Palawan leg, a significant number of representatives came from the  
35 academe.

36  
37 The secretariat reported the following outcomes of the roadshow:

- 38
- 39 • Findings of the 3<sup>rd</sup> Report were presented to target stakeholders.
  - 40 • Status of government agency actions on PH-EITI recommendations was communicated.
  - 41 • CSO assessment of the 3<sup>rd</sup> Report was presented.
  - 42 • Stakeholders were informed of current extractives transparency initiatives such as the PH-EITI  
43 contracts portal, NCIP monitoring tool, Environment and Natural Resources Data Management  
44 Tool (ENRDMT), and beneficial ownership (BO) disclosure.
  - 45 • Important issues were discussed in a multi-stakeholder platform: (i) how the PH-EITI Report

1 can be used as a tool for local development; and (ii) how EITI can be implemented at the  
2 subnational level.

3  
4 The second day of the roadshow was dedicated to the conduct of a workshop on the enhanced  
5 ENRDMT. The secretariat reported the following outcomes of the said activity:

- 6
- 7 • Hands-on training on the enhanced ENRDMT was provided to all local treasurers and
- 8 accountants of target LGUs.
- 9 • Feedback from participants were gathered to further improve the reporting tool.

10  
11 In regions where a significant number of mining operations are located in Certificate of Ancestral  
12 Domain Title (CADT) areas, i.e., in the Baguio, Puerto Princesa, and Butuan legs of the roadshow,  
13 Day 2 also included a consultation workshop on implementing the NCIP tool for monitoring IP royalty  
14 payments and implementation of the Memorandum of Agreement (MOA) between the company  
15 and IPs. The outcome of the said consultation workshops are the following:

- 16
- 17 • A consultation/workshop on utilizing and implementing the NCIP monitoring tool was
- 18 conducted with a multi-stakeholder setting and participation.
- 19 • Feedback from the participants were gathered to inform and guide the pilot and rollout of the
- 20 tool.

21  
22 During the roadshow, two community visits were also conducted where members of the MSG and  
23 the secretariat met with barangay officials, Multi-Partite Monitoring Team (MMT) members from  
24 the community, and Social Development and Management Program (SDMP) beneficiaries. The areas  
25 visited covered Barangay Ampucao in Itogon, Benguet, and Barangay Don Andres Soriano in Toledo  
26 City, Cebu, which host Philex Mining Corporation and Carmen Copper Corporation, respectively.

## 27 28 **5. Presentation on the Oil & Gas Sector**

29  
30 Mr. Anthony Ferrer who represents the Petroleum Association of the Philippines (PAP) in the MSG  
31 delivered a presentation/briefing on the oil and gas sector. (See **Annex B.**)

32  
33 The speaker first gave an overview of oil and gas exploration then presented on petroleum service  
34 contracts in the West Philippine Sea and the petroleum fiscal regime. The presentation was mostly  
35 technical, as it aimed to provide a picture of how oil and gas are explored and produced.

36  
37 According to the speaker, petroleum, which means “oil from rocks” and commonly referred to as “oil  
38 & gas”, can be classified into three: crude oil (liquid), natural gas (gas), and tar/bitumen (solid).

39  
40 In Palawan, the crude oil that is produced in the Galoc field is considered sweet (<0.5% sulfur) and  
41 light (>31° API gravity). This means that when this crude oil is exported to buyers in Korea, Japan,  
42 Thailand, or Singapore, the company gets a premium (in addition to the Dubai Oil Price) of about 2-5  
43 dollars. This is because light crude oil produces more value when refined compared to heavier crude  
44 oil. After refining, crude oil produces LPG, gasoline, kerosene, diesel, fuel oil, and other petroleum  
45 products.

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It was explained that exploring for oil relies on geophysical techniques and sampling. It all starts with field mapping to identify where there are sedimentary rocks. Then, offshore seismic survey is conducted to determine potential oil reservoirs. According to Mr. Ferrer, it would take at least 4 to 7 years for a company to come up with their first drilling project.

The speaker then explained the process of how geologists interpret seismic data to identify areas where there are oil accumulations.

According to the speaker, the following are areas in the Philippines where there is potential accumulation of oil: Cagayan, Ilocos, West Luzon, Central Luzon, Bicol Shelf-Lamon Bay, Southeast Luzon, Iloilo-West Masbate, Visayan, Agusan-Davao, Cotabato, Sulu Sea, Reed Bank, Northwest Palawan, Mindoro-Cuyo Platform, East Palawan, and Southwest Palawan.

Mr. Ferrer went on to discuss the petroleum service contracts in the Philippines, showing in his presentation a map of all existing service contracts in the country. He also presented a graph showing historical petroleum (oil, condensate, and gas) production in the West Philippine Sea spanning three-and-a-half decades.

The cumulative production for each of the service contracts was then presented. Nido has 18.81 MMBL, Matinloc has 12.5 MMBBL, North Matinloc has 0.649 MMBBL, West Linapacan has 8.5 MMBBL, and Galoc has 19.3 MMBBL.

It was noted that petroleum exploration in the country started with the issuance of Presidential Decree No. (PD) 87 or “The Oil Exploration and Development Act of 1972” by then President Marcos. This also established the Office of the Energy Affairs. PD 87 was subsequently amended by PD 1857.

The DOE awarded service contracts through the Philippine Energy Contracting Rounds (PECR). There have already been five contracting rounds where several blocks were awarded.

Prior to PECR, part of the required submission during bidding was a 7-year work program where the first 3 to 4 years usually involve laboratory works. This would be followed by 3D seismic interpretations and drilling of wells.

If drilling is successful and the company believes that it will generate money, the area will be identified as a production block that has a life of 25 years. This is still upon DOE’s approval of the development plans and investment committed by the company.

Mr. Ferrer continued to explain that an exploration block lasts for 7 years, which can be extended by another 3 years if the company is able to satisfactorily perform the obligations under the work committed.

Part of the service contract also provides for Filipino Participation Inventive Allowances (FPIA) of up to 7.5% of gross proceeds for contractors with at least 15% Filipino participation.

1 The speaker also discussed the corporate income tax rate, cost recovery, and production sharing  
2 provisions in petroleum service contracts.

### 3 4 **6. Presentation on Materiality and Outline of 4<sup>th</sup> Report; Definition of “Project”** 5

6 The presentation of Isla Lipana, PH-EITI’s Independent Administrator (IA) for the 4<sup>th</sup> Report, included  
7 discussions/updates on materiality, proposed outline of the contextual information and  
8 reconciliation report, definition of “project” for project-level reporting, timetable of activities, and  
9 other matters.

- 10  
11 • On materiality  
12

13 It was recalled that in the last Report, materiality threshold was calculated using 2% applied to the  
14 total revenues collected from the participating entities per industry. The 2% was benchmarked on  
15 the regulatory threshold imposed by the Securities and Exchange Commission (SEC).  
16

17 The IA proposed to also use the 2% threshold for the 4<sup>th</sup> Report. They presented three materiality  
18 calculations where 2% was applied to the following:

- 19 a. figures reported by the government agencies in the reporting template  
20 b. reconciled amounts  
21 c. aggregated data reported by government agencies  
22

23 The IA showed two tables on materiality, one is for mining and the other is for oil and gas. According  
24 to the IA, the numbers indicated in the two tables are based on 2014 figures. They explained that  
25 similar to the approach done in previous reports, they initially based their calculation on the data in  
26 the 3<sup>rd</sup> Report so they can already start with the materiality computation and reconciliation. The  
27 figures will then be updated once the 2015 and 2016 data (which is the coverage of the 4<sup>th</sup> Report)  
28 have been submitted by the government agencies.  
29

30 An industry representative raised a comment in the Validation report regarding the use of 2%  
31 threshold in defining materiality. He stated that there is a need to provide a clear justification for the  
32 use of 2% threshold, since the explanation given in the 3<sup>rd</sup> Report was apparently not sufficient for  
33 the Validator.  
34

35 The IA responded that the 2% was based on the regulatory threshold imposed by the SEC. For the 4<sup>th</sup>  
36 Report, the IA suggested to still use the 2% and just provide a more detailed rationale in the report.  
37

38 Upon inquiry from an industry representative, the IA said that they will also check the materiality  
39 threshold being applied in other EITI implementing countries.  
40

41 A CSO representative asked for further clarification regarding the basis of the 2% SEC provision,  
42 echoing that this should be clearly explained.  
43

44 The Chair reiterated that the requirement for the report is the definition of and justification for using  
45 2% as materiality threshold. Discussion on the rationale for using the 2% goes back to the first



1 country report. If the 2% needs to be substantiated, then there would be a need to go back and ask  
2 the previous MSG members why the SEC 2% threshold was adopted. For now, the Chair stressed  
3 that the IA needs to clearly and comprehensively define and describe the rationale and methodology  
4 for using 2%.

5  
6 The IA undertook to present a more detailed rationale in the next MSG meeting.

7  
8 A CSO representative asked the IA as to which among the three materiality options would they  
9 recommend. The IA responded that they would propose to continue using option 1 (figures  
10 reported by the government agencies in the reporting template) because they do not expect any  
11 significant change in the information from 2014 to 2015 and 2016. It was noted that there is actually  
12 no significant difference between the three options presented.

13  
14 Another CSO representative clarified if the reporting templates will be distributed to all targeted  
15 companies. The IA responded in the affirmative.

- 16  
17 • On covered companies and status of template submission

18  
19 The IA proposed that MSG consider the inclusion of companies that are under commissioning and  
20 exploration stages like FCF Minerals Corporation, Nonoc Mining and Industrial Corporation, and  
21 TechIron Resources Inc. It was noted that the EITI Standard requires the inclusion of extractive  
22 companies operating within the country, whether the company is operating or still under  
23 exploration.

24  
25 An MGB representative said that these companies have no production yet as they are still under  
26 exploration. In addition, it was pointed out that a different template would be needed since these  
27 companies have different revenue streams from those that are in the production stage.

28  
29 A CSO representative recommended to include in the report companies that are under exploration,  
30 since exploration activities also have environmental effects. The IA would just have to segregate  
31 companies that are under exploration from those that are in the production stage.

32  
33 The Chair concluded that companies under exploration should be included in the contextual section  
34 of the report but not in the reconciliation. This was noted by the IA.

35  
36 With regard to the list of operating large-scale metallic mining companies from MGB, the IA inquired  
37 whether they will also include companies that are not operators but are Mineral Production Sharing  
38 Agreement (MPSA) holders.

39  
40 For the information of the body, it was mentioned that most of the MPSA holders are also operators.  
41 However, there are projects where the operator is different from the MPSA holder.

42  
43 The MGB representative explained that only the operators report to them. An MPSA holder has  
44 operating agreement with the operator. According to the MGB representative, operators also report  
45 the royalty that they give to the MPSA holders.

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The same representative then confirmed that only companies directly operating the mines would be included in the report. The IA said that they would go through the list again to double-check.

The IA provided a quick update on the distribution of the reporting templates. All of the reporting templates have already been sent out, except those for the Claver Mineral Development Corporation and Shenzhou Mining Group Corporation, the contact details of which have yet to be provided by the secretariat.

It was noted that the template for large-scale non-metallic (LSNM) mining companies is still for the MSG's approval.

As for the LGUs, the IA shared that they received the data extracted from the ENRDMT on 29 August 2017. Currently, the IA is still reviewing the files and checking for completeness of data. The IA will then inform the secretariat which LGUs have complete and incomplete reports.

With regard to the reporting template for LSNM mining companies, the IA noted that they added the tax on sand, gravel, and other quarry resources, which is being imposed by the LGUs. In addition, they updated the production data requirement based on general categories and coverage of non-metallic mineral products. It was mentioned that the secretariat is planning to meet with the non-metallic mining companies on 5 September.

- On proposed outline of the contextual information and reconciliation report

The IA proposed to follow the outline used in the previous report with some additional content and incorporating the comments of the Validator. (See **Annex C.**)

It was mentioned that the significant change, especially in the contextual information section, would be on updating the figures based on 2015 and 2016 data. Other changes would be on updates or any relevant information on licensing, registration, and other additional information related to non-metallic mining.

The IA noted that the report would also contain updates on where the country is in terms of implementing the roadmap for BO disclosure. The secretariat added that the report should also include the results of the scoping study on BO, including MSG-agreed definitions of BO, politically-exposed person (PEP), and materiality for both, for future reporting purposes. The IA confirmed that these items would be included.

The proposed outline will be sent to the MSG for further comments.

- On definition of "project" for project-level reporting

The IA said that the International Secretariat recommends that the MSG agree a definition for the term "project" that is consistent with relevant national laws and systems as well as international norms.

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According to the IA, they initially defined “project” as a site developed by a mining/oil & gas company for exploration and commercial operation, identified on a per contract/permit basis (i.e., per MPSA or SC).

The IA asked for comments and inputs from the MSG.

A CSO representative commented that more than “a site developed”, a project should be defined as “an extractive activity”. This aptly describes that there is a project in the area, an activity with a definite timeframe. The Chair agreed with the comment of the CSO representative.

Another CSO representative suggested making a distinction between an activity and a project. A project, by definition, would refer to a series of extractive activities in one particular site or a number of sites based on the content of the MPSA or the permit granted to the project holder.

The IA noted the suggested changes to the definition.

- Other matters

The secretariat gave an update regarding the status of companies’ waiver submission. It reported that 29 companies had already submitted BIR waivers covering fiscal years 2015 and 2016.

The IA asked if the MSG still wants to include Autonomous Region in Muslim Mindanao (ARMM) in the report or if the body would propose additional disclosures on this item.

A CSO representative responded that some arrangements have been made so they can get copies of the SDMP reports of companies operating in ARMM. The same representative noted that conduct of a dialogue with the mining companies in ARMM would be part of the next phase of the scoping study they have done.

- Proposed timetable for the next report

The proposed deadline for template submission is 20 September 2017. However, the IA mentioned that they would still accept templates after the deadline, but only until November 17, which is the final reconciliation cut-off. According to the IA, figures in the templates submitted after November 17 will no longer be part of the reconciliation but will still be disclosed in the report. This is so that the IA can submit the final report for MSG’s approval on 15 December 2017.

A government representative asked if these dates and submission requirements have been communicated to the targeted entities. The IA responded that companies and government agencies have been informed already.

The IA stated that they aim to submit the complete first draft of the report by 1 December 2017, after which the MSG could be given two weeks (December 4-14) to review the draft.

1 The Chair asked if Semirara Mining and Power Corporation (SMPC) will be included in the 4<sup>th</sup> Report.  
2 The IA replied that they have sent the reporting template to SMPC, but there has been no response  
3 yet. It was suggested that DOE also send the templates to SMPC.  
4

5 The IA then raised the possibility of delays in receiving 2016 data. They recommended that the MSG  
6 meet on November 3 to assess whether or not it is possible to include fiscal year 2016 in the report  
7 considering the status of template submission.  
8

9 **7. 4<sup>th</sup> Report Coverage of LSNM Mining**

10  
11 The IA asked confirmation from the MSG and the secretariat on the final list of companies to be  
12 included in the next report, including the extent of their participation.  
13

14 The IA pointed out that the initial list of LSNM mining companies (Holcim Mining and Development  
15 Corporation, Northern Cement Corp., Republic Cement and Building Materials, and Teresa Marble  
16 Corporation/Solid Cement Corp.) is still subject to change.  
17

18 According to the IA, they are anticipating delays in the submission of templates given that this is the  
19 first year that LSNM mining companies will be asked to participate.  
20

21 The Chair said that Teresa Marble Corporation indicated that they would participate, not this year  
22 but the next. She said, though, that this has to be made official through a written communication  
23 from the company.  
24

25 According to the secretariat, the MSG has not yet agreed on the scope for LSNM, but the suggestions  
26 made in the previous meetings included: (i) the top 80% in terms of production; (ii) top 10  
27 companies; and (iii) based on geographical representation. It was recalled that the MSG posed the  
28 question of scoping to the LSNM representatives during the meeting and briefing for the sector, but  
29 there has been no answer from them.  
30

31 The secretariat has taken the approach of convincing the companies to voluntarily participate  
32 through the briefing activity. DENR Administrative Order (DAO) 2017-07 has not been invoked yet.  
33 The secretariat and the IA then asked for direction/instruction from the MSG to move forward. It  
34 was mentioned that the need for a follow-up briefing would also be dependent on the MSG's  
35 decision on the scope. Based on the outcome of the briefing, only Holcim Mining and Development  
36 Corporation expressed interest to participate.  
37

38 The secretariat noted that the follow-up meeting being scheduled on September 5 should be  
39 participated in by the targeted companies.  
40

41 An industry representative suggested to target LSNM operations on a per project basis and limited  
42 only to the mining aspect, considering that the manufacturing side of the operation is very different.  
43 Holcim Mining and Development Corporation, for instance, will have to be broken down into per  
44 project site or per MPSA.  
45

1 The secretariat showed the MGB list reflecting the top four companies representing the top 80% in  
2 terms of production.

3

4 The secretariat asked the Chair if they could or should already invoke DAO 2017-07 in the letters  
5 that they will be sending out to the companies. The Chair deferred to the body on whether or not  
6 the DAO should be enforced.

7

8 The IA stressed that the deadline for report submission should be considered in deciding the scope  
9 for the LSNM mining sector. The companies would have to agree on the timeline set by the MSG,  
10 including the deadline for template submission.

11

12 A CSO representative suggested to have a write-up on the rationale for including LSNM mining  
13 sector in the report.

14

15 Another CSO representative recalled that the MSG did not agree on the inclusion of LSNM just  
16 recently but has done so since last year. The bigger concern would be the amount of time that  
17 should be given to companies for them to comply with the requirements.

18

19 A government representative stated that the MSG should consider including only the top one  
20 company since LSNM participation is just being pilot-tested this year. Also, the MSG has not yet  
21 decided if the current reporting template for metallic companies can be applied to LSNM. According  
22 to the IA, they are currently drafting the template for LSNM.

23

24 The secretariat noted that during the reporting template workshop in June, LSNM mining companies  
25 were represented and they have seen the template being used by the metallic companies. However,  
26 there has been no feedback from them as to whether the template is applicable to their sector.

27

28 The Chair said that LSNM inclusion might have a negative impact. Low participation rate from the  
29 LSNM sector, in case the companies will not agree to submit their templates, might be reflected in  
30 the next country validation. The Chair encouraged the MSG members to be more circumspect.

31

32 According to the IA, the MSG might also want to consider just including the LSNM mining companies  
33 in the report but not in the reconciliation per se. LSNM may be included in the reconciliation next  
34 year, when the companies will already have more information on and appreciation for the EITI  
35 process.

36

37 The secretariat commented that until these companies join and participate, they will not be able to  
38 really appreciate the value of EITI.

39

40 The Chair again asked the body how many LSNM companies should be covered in the next report.  
41 There were different reactions from the members.

42

43 An MGB representative shared that they have been receiving calls from some non-metallic mining  
44 companies expressing interest to participate in EITI mainly because of DAO 2017-07. These  
45 companies were told that the scope for the non-metallic sector is yet to be determined by the MSG.

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The same MGB representative admitted that it may not be possible for MGB to provide data for all 62 operating LSNM companies. It was mentioned that this is the reason why he earlier suggested to pilot test only the top 4 or 5 companies.

However, the MGB representative noted that the production data provided to the secretariat included cement.

According to the IA, data on cement should be excluded from the computation of production to capture data related only to the extraction part of the operation.

The Chair stated that there was a suggestion to invite non-metallic companies as observers in the next MSG meeting. It was noted that the non-metallic industry is not yet represented in the MSG. The secretariat mentioned that they have told the companies that they would have a representative in the MSG if they agree to join EITI.

Once the MSG decides which companies to invite, the secretariat said that they will proceed with doing the appropriate briefing, walk-through, and whatever is necessary for the companies' participation in the process.

An industry representative said that the IA should determine the top five companies based on the production data without cement. It was added that the IA should do the necessary computation and inform the MSG.

The IA took note of the instruction.

For the information of the body, the MGB representative noted that there are no non-metallic companies in mineral reservations. Thus, royalty on mineral reservation should be deleted from the MGB template for LSNM.

**8. Report on HCNR TWG Meeting on H.B. 4116**

The secretariat reported on the TWG meeting of the House Committee on Natural Resources (HCNR) on House Bill No. 4116 (PH-EITI Act) and described the meeting as “full house”. The Committee Chair (Rep. Arnel Ty) and the bill’s sponsor (Rep. Rav Rocamora) were both in attendance. Also present were DENR-MGB, DOE, DILG, DBM, BIR, BLGF, and a number of CSOs. More importantly, MSG members were present: Dir. Araceli Soluta of DOE, Engr. Romy Aguilos of DENR-MGB, Atty. Ron Recidoro of COMP, Mr. Anthony Ferrer of PAP, and Ms. Tina Pimentel of BK. All three constituencies of the MSG were represented.

The TWG agenda/program included time for the secretariat to give a presentation on PH-EITI, and afterwards, DBM was made to present its position, the agency being the lone objector during the last Committee hearing on the bill.

1 The secretariat explained that DBM is not really opposing the bill, but their stance is to maintain the  
2 structure created under EO 147, including chairmanship by the DOF, which is actually consistent with  
3 the MSG’s position. DBM is supposed to submit their written position paper on 30 August 2017.

4  
5 It was also reported that DBM requested for a separate meeting with the secretariat to discuss the  
6 agency’s suggestion to include in the bill a general provision for the creation of *plantilla* positions for  
7 PH-EITI.

8  
9 The secretariat also reported that they conveyed the MSG’s position on certain critical provisions of  
10 the bill such as the exemption from confidentiality and penalty provisions. The Committee generally  
11 adopted the suggestions of the MSG. However, there was a request for additional inputs from the  
12 MSG/PH-EITI for enhancement of the wording for the section on the exemption from confidentiality  
13 clauses. The secretariat said that they will come up with the draft wording for MSG approval.

14  
15 With respect to the section on penalties, the BLGF representative mentioned possibly adopting the  
16 penalties in the Revised Rules on Administrative Cases in the Civil Service (RRACCS). The RRACCS  
17 supposedly has provisions pertaining to non-compliance of government agencies with reportorial  
18 requirements. It was noted that part of PH-EITI’s position is liability and penalty for non-compliance  
19 of not only the reporting companies but also of the reporting government entities, LGUs, and even  
20 the IA. As for funding, it was agreed that it should be done through general appropriation instead of  
21 earmarking.

22  
23 In addition, it was suggested that “service contract” and “coal operating contract” be added in the  
24 bill’s definition of terms. The Committee also adopted the proposal to remove “non-renewable” in  
25 the definition of extractive industries to broaden the scope of PH-EITI.

## 26 27 **9. Final Validation Report for the Philippines**

28  
29 The Chair asked if the members of the MSG have gone over the Validation report. It was noted that  
30 the findings of the report are generally positive. According to the secretariat, the validation  
31 committee was scheduled to meet on August 29 in Oslo, but no update about it has been received  
32 yet.

33  
34 The secretariat reported that in summary, there are nine items where PH-EITI was rated “beyond  
35 satisfactory”, 16 items that were “satisfactory”, and one “meaningful progress” which pertains to  
36 the comprehensiveness of the report (Requirement 4.1).

37  
38 The secretariat shared that according to the Validator, the materiality threshold calculation and  
39 methodology was not clearly defined or thoroughly disclosed by the IA in the Country Report. The  
40 Validator recommended that the initial assessment report address this deficiency or further  
41 comment on this matter.

42  
43 According to the Chair, the Validation report gave the MSG and secretariat guidance on how to  
44 improve the PH-EITI Report.

1 The Chair reminded the body that the next EITI Board meeting will be held in Manila.

2  
3 **10. Other Matters**

- 4  
5 • Updates on other upcoming activities

6  
7 - 38<sup>th</sup> International Board Meeting and Related Activities

8  
9 The secretariat showed a list of all the activities scheduled from 25 to 27 October 2017.

10  
11 The international EITI Board Meeting will happen on October 25-26, as earlier conveyed to the  
12 MSG. The venue is at Conrad Hotel. It was mentioned that there are plans to hold a PH-EITI  
13 exhibit and small forum. The secretariat shared that the conduct of a forum is apparently  
14 expected of countries hosting the Board meeting. This is to showcase any initiative that the  
15 country can share to the guests. The exhibit will run for two days from October 25 to 26, while  
16 the forum/talks will happen only on October 25, just before the reception dinner.

17  
18 The exhibit will be similar to the one done during the National Conference, where each of the  
19 constituencies had a booth. The layout will be similar to that of a mini expo/convention where  
20 there are exhibit booths and there is an area for a forum where each of the PH-EITI  
21 constituencies can give a short talk. The secretariat is drafting a concept note which will be  
22 shared to the MSG.

23  
24 The secretariat reported that to be conducted simultaneously with the Board meeting is the  
25 regional training for the Southeast Asia and the Pacific Region, where MSG members will be  
26 participating. Atty. Golda Benjamin (CSO), Atty. Francis Ballesteros (industry), and DILG Director  
27 Anna Bonagua (government) have been nominated to participate in the training and represent  
28 PH-EITI.

29  
30 A major activity is the reception dinner on October 25, which will be hosted by DOF/PH-EITI. The  
31 program will be simple and will last for just two hours. There will be messages from the DOF  
32 Secretary, PH-EITI constituencies (industry and CSO), and possibly from either or both the DOE  
33 Secretary or/and DENR Secretary. Other invitees include ambassadors of EITI  
34 implementing/supporting countries, development partners, some LGUs, and other key PH-EITI  
35 stakeholders. An AVP will be shown and a production number performed over dinner. The  
36 secretariat noted that the estimated number of invitees for the reception is around 300.

37  
38 Another activity is the field visit of the EITI Board to Palawan. During the previous meeting, the  
39 secretariat shared that Mr. Jerry Brimo had agreed to host the Board in Rio Tuba. However,  
40 according to the International Secretariat, the logistical arrangements will not allow them to  
41 send as many Board members as they would want, and that it would be inconvenient for the  
42 international guests who often prefer to go back to their countries immediately after the  
43 meetings. Thus, the alternative is to hold the visit in Puerto Princesa, in the provincial capitol  
44 instead. Fortunately, the Palawan provincial government has expressed interest in hosting this  
45 event.



1  
2 The secretariat presented the draft concept note for the field visit, which is a forum titled,  
3 “Extracting Value in Transparency at the Local Level: A Glimpse of Extractives Governance in the  
4 Province of Palawan”.

5  
6 The objectives of the activity are:

- 7 • To share and showcase local knowledge and experiences in governing the extractives  
8 sector in Palawan;
- 9 • To present the role and impact that EITI and transparency in general have had in/on  
10 natural resource governance at the subnational level in the Philippines;
- 11 • To have a multi-stakeholder gathering and forum to exchange updates and learning on  
12 and explore prospects in enhancing transparency and openness in the governance of  
13 extractives and natural resources in general at the country level.

14  
15 The body was informed that the following will be invited to participate in the field visit:

- 16 • Members of the EITI International Board and International Secretariat
- 17 • Members of the PH-EITI MSG, particularly those working in the area
- 18 • Key officials from the following government agencies/offices:
  - 19 ○ Office of the Governor of Palawan and other offices of the provincial  
20 government (Local Treasurer, Provincial Environment and Natural Resources  
21 Officer, etc.)
  - 22 ○ Office of the Mayors and other relevant offices of concerned  
23 cities/municipalities in Palawan
  - 24 ○ Host barangays
  - 25 ○ NCIP – Region IVB and Provincial Office
  - 26 ○ BLGF – Region IVB
  - 27 ○ Palawan Provincial Mining Regulatory Board (PMRB)
  - 28 ○ Palawan Council for Sustainable Development (PCSD)
- 29 • Heads an representatives of leading non-government organizations in the area, including  
30 local Indigenous Peoples’ organizations and members of the academe
- 31 • Heads and officers of mining companies operating within Palawan jurisdiction
- 32 • Local media

33  
34 The secretariat said that they have yet to develop the issues to be discussed in the forum.  
35 However, the international secretariat specially requested that issues about Malampaya be  
36 covered. The secretariat deferred the matter to the oil and gas industry representative.

37  
38 The oil and gas industry representative agreed to participate in the local forum to represent the  
39 oil and gas sector and mentioned that he will also ask Shell Exploration BV to attend.

40  
41 - *Follow-up Briefing of LSNM Mining Sector*

42  
43 The secretariat shared that they will be inviting the targeted LSNM mining companies to a  
44 follow-up briefing tentatively set on 5 September 2017. The secretariat said that the briefing is

1 open to MSG members who would like to join, and that details of the activity will be provided in  
2 the coming days.

3  
4 - TWG Meeting on Scoping Study on Beneficial Ownership

5  
6 The secretariat recalled that MSG members have sent comments on the initial draft of the  
7 scoping study submitted by the consultant. The MSG comments were consolidated and sent to  
8 the consultant who should be coming up with a revised draft by 11 September 2017.

9  
10 To facilitate thorough discussion of the revised draft, the secretariat has organized a TWG  
11 meeting on September 13, open to all MSG members who want to join.

12  
13 - Media Training

14  
15 The secretariat shared that they are set to meet with Probe Media Foundation to discuss the  
16 details of the training for the MSG. The tentative plan is to hold the “facing the media” training  
17 (including one-on-one simulation exercises for the MSG) around the last week of September to  
18 early October.

19  
20 Upon the Chair’s inquiry, the secretariat confirmed that the training will also include the  
21 development of key messages. It was mentioned that the secretariat will ask if Probe can include  
22 in the training the development of a communications plan or strategies (e.g., creation of a pool  
23 of speakers, media engagement, etc.).

24  
25 For the other media training, which would comprise a training/seminar and writing fellowship  
26 for media practitioners, PH-EITI will be working with PPI who specializes in community  
27 journalism. The media training will cover the entire country and have a Luzon, Visayas, and  
28 Mindanao component.

29  
30 • Implementation of DAO 2017-07

31  
32 As earlier discussed, the secretariat will follow up on the meeting with the DENR Secretary as  
33 well as with the MGB director, Atty. Wilfredo Moncano, on the scope and implementation of the  
34 DAO.

35  
36 • Setting of next MSG meeting

37  
38 The 46<sup>th</sup> MSG meeting will be held in the last week of September and will be conducted back to  
39 back with the “facing the media” training to be provided by Probe Media Foundation.

40  
41 • Others

42  
43 Before the meeting was concluded, the secretariat called the attention of MSG members to the  
44 minutes of the 44<sup>th</sup> MSG meeting. They referred to an error in the minutes, which is to be found  
45 on page 20, lines 15 and 16. The part pertains to the section on adopting the changes in the

1 social funds and expenditures section of the MGB template, in the reporting template for  
2 companies.

3

4 In the draft meeting minutes, it was indicated that this item was “parked”. However, upon  
5 checking the recording of the meeting, this item was actually approved by the body. The  
6 secretariat said that they have effected the changes in the MGB template to the template for  
7 mining companies, and that this portion of the draft minutes will be revised accordingly.

8

9 With no other matters raised, the 45<sup>th</sup> MSG meeting was concluded at 5:35 PM in the afternoon.