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Key findings of the Seventh PH-EITI Report

Hon. Bayani H. Agabin

Undersecretary, Department of Finance &
Chair, Philippine EITI

The Seventh PH-EITI Report

- contextual information and financial data on the country's mining, oil, gas and coal industries
- continuing commitment to implement the EITI, the global standard for extractives transparency and accountability.
- produced by a team of four consultants, including an independent administrator for the reconciliation of government and industry data.



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The Seventh PH-EITI Report

- covers **data and information from fiscal year 2019**, and early 2020 for some components, and includes chapters on:
 - (i) contextual information
 - (ii) reconciliation
 - (iii) industry outlook
 - (iv) thematic report on the social development and management program fund for mining communities.



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Contextual Information & Reconciliation Chapters

Contextual Information Chapter

- overview of the extractive industries in the country
- information on sectoral development
- updates on the legal and institutional framework
- extractive sector's contribution to the economy
- information about environmental funds,
- beneficial ownership
- gender-related data from the reporting companies.



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Contextual Information Chapter

The legal, regulatory, and contractual frameworks remain the same



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Legislative and administrative measures

- TRAIN Law - provides for the progressive increases of excise taxes
- SEC MC No. 15 - mandated domestic corporations to disclose to the SEC their beneficial ownership information.
- Ban on open pit mining remained effective & clarified through the MGB's issuance of the Memorandum Circular No. 19-08.
- RA No. 11256 - exempted small-scale miners and accredited traders from income and excise taxes for the sale of gold to BSP



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Legislative and administrative measures

- MGB issued several memorandum orders to guide mining projects in managing their operations and deal with the effects of COVID-19 and natural calamities.
- Executive Order No. 130, s. 2021 - lifted the nine-year moratorium on new mineral agreements
- Legislative proposals also abound in Congress for the passage of a new fiscal regime for mining



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Legislative and administrative measures

- For coal, oil, and gas
 - Republic Act No. 11285 (2019) - promotes energy efficiency and conservation
 - Exec. Order No. 30 (2017) - activation of the Energy Investment Coordinating Council (EICC)
 - Intergovernmental Joint Steering Committee was convened to tackle the proposed areas for exploration and the suggested sharing scheme.



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Overall, in 2019:



50

**operating
metallic
mines**



5

**processing
plants**



3,389

**small quarries and
sand and gravel
operations covered by
LGU permits**



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Overall, in 2019:



15

newly approved and registered mining exploration permits



21

petroleum service contracts



25

coal operating contracts



14

PCECP predetermined areas for offshore petroleum exploration and development



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The 7th Report notes that the contribution of mining, oil, gas, and coal to national GDP in 2019 was less than 1 percent (0.6%).



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GVA in Mining and Quarrying, by Industry Group, 2017-2019

**(Unit in Million Pesos),
at current prices**

	Industry/Industry Group	2017	2018	2019
1	Copper Mining	9,369	9,992	8,880
2	Gold	25,501	24,963	26,101
3	Chromium	135	374	315
4	Nickel	12,229	13,555	15,619
5	Other Metallic Mining	663	607	619
6	Crude Oil, Natural Gas, and Condensate	32,025	38,411	36,395
7	Stone Quarry, Clay, Sandpits	22,935	26,312	28,378
8	Other Non-Metallic Mining	31,099	31,970	27,913
	GVA in Mining and Quarrying	133,955	146,185	144,220



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Coverage of the Reconciliation Process

40

Metallic
mining
projects

28

Nonmetallic
mining
projects

2

Oil and Gas
Projects
(3 companies)

7

National
Agencies

60

Local
Government
Units



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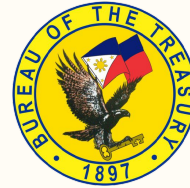


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Participating National Agencies



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List of revenue streams covered in the 7th Report for the mining sector

Revenue Stream and Other Taxes

Withholding tax - Royalties to claim owners
Withholding tax - Final
Improperly accumulated retained earnings tax (IAET)
Output VAT
Customs duties
Excise tax on imported goods (e.g. petroleum products)
VAT on imported materials and equipment
Government share from oil and gas production
Annual rental fees for retained area after exploration
Local business tax

Revenue Stream and Other Taxes

Real property tax - Basic
Real property tax - Special Education Fund (SEF)
Tax on sand, gravel and other quarry resources
Occupation fees
Mayor's permit
Community tax
Royalty on mineral reservation
Wharfage Fees
Royalty for IPs



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List of mandatory environmental and social expenditures

Metallic and Nonmetallic Mining

- Annual EPEP - Environmental Protection and Enhancement Program
- Annual Work and Financial Plan (WFP) for FMR/DP - Actual Expenditure
- Compensation for claims for Damages from MWTF
- Environmental Trust Fund - Actual expenditure
- Final Mine Rehabilitation and/or Decommissioning Fund - Actual expenditure
- Mine wastes & Tailing fees (MWTF)
- Monitoring Trust Fund - Actual expenditure
- Rehabilitation Cash Fund - Actual expenditure
- Safety and Health Programs - Actual expenditure
- Annual SDMP - Social Development and Management Programs
 - DHNC - Development of Host and Neighboring Communities
 - DMTG - Development of Mining Technology and Geosciences
 - IEC - Information, Education & Communication



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List of revenue streams

Oil and Gas

BIR

- Corporate income tax
- Withholding tax - Final
- Withholding tax - Profit remittance to principal

BOC

- Customs duties

DOE

- Government share from oil and gas production

LGU

- Local business tax (head office and mine site)
- Real property tax - Basic (head office)
- Real property tax - Special Education Fund (SEF) (head office)



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Reconciled revenues from the mining, oil, and gas industries for FY 2019

*lower by 14% than the reconciled
revenues reported for 2018*



56.7 billion pesos



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Overall variance after reconciliation



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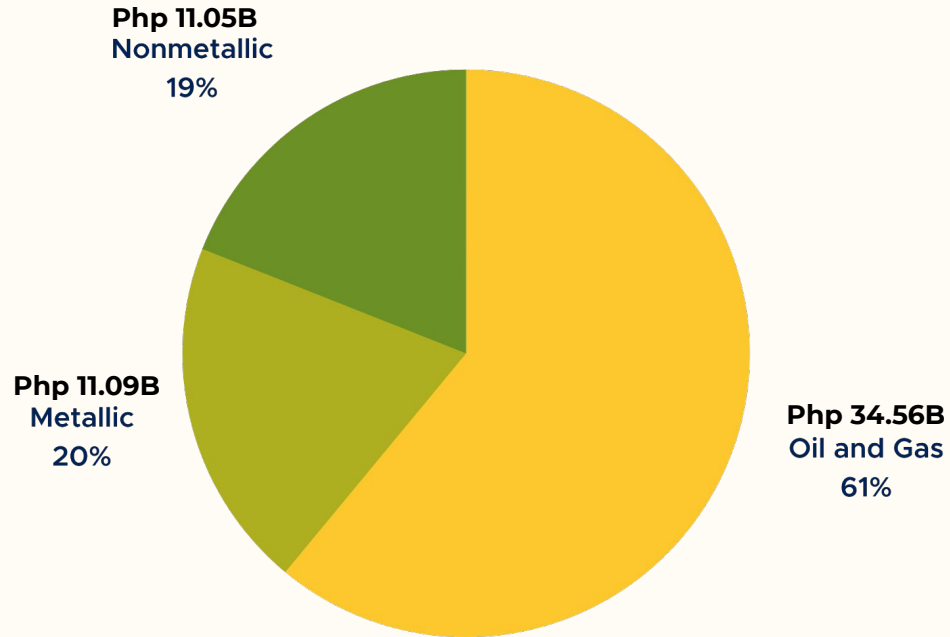
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Revenue Share Per Sector



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Revenue Stream Highest Collection

Metallic and Nonmetallic Mining

1. Output VAT
2. Corporate Income Tax
3. Excise Tax on Minerals

Agency

1. Bureau of Internal Revenue

Biggest contributors

1. Limestone
2. Nickel

Oil and Gas

1. Government Share from Oil and Gas Production

Agency

1. Department of Energy



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**LGU
Collections** 14% decrease



1.48 billion pesos



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Highest LGU Earners

1. **Region 13 - 476 million pesos**
 2. Region 2
 3. Region 3
-



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CARAGA Biggest Contributor

1. **Taganito Mining - Php 126M**
2. Platinum
3. Philsaga
4. Carrascal
5. CTP Construction and Mining



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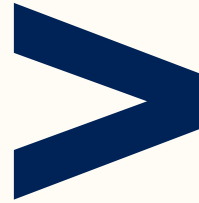
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Decrease in reconciled revenues in metallic mining: 8%

Php 11.66B
2018



Php 11.09B
2019

BIR recorded the highest decrease (Php 675M)



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Increase in reconciled revenues in **nonmetallic** mining: **5% / Php 11.05B**

Expanded coverage
28 projects in 2019
from 25 in 2018

increases in reconciled
revenue for BOC (Php
224M) and BIR (Php
605M).



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Oil and Gas Sector

contributed **35 billion pesos** to government revenues



22% lower than the previous year



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Mandatory Environmental & Social Expenditures

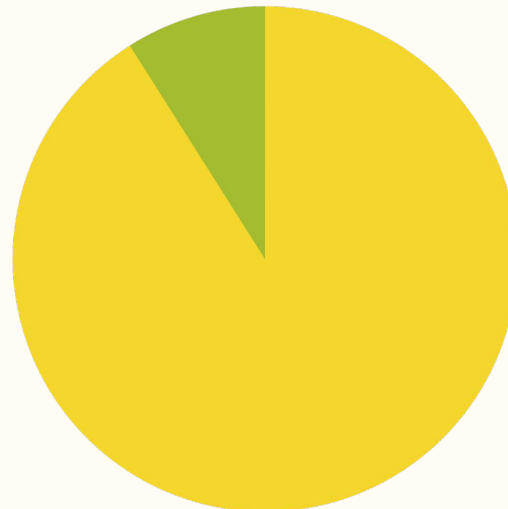
4.3 billion pesos in reconciled environmental and social expenditures of the mining sector



20% higher than the reconciled figures of 2018

Php 387M

Nonmetallic Mining
9%



Metallic Mining
91%
Php 3.9B



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