

Supporting Statement A

United States Extractive Industries Transparency Initiative (USEITI) Revenue Information Collection

OMB Control Number 1012-0NEW

Terms of Clearance: None

General Instructions

A completed Supporting Statement A must accompany each request for approval of a collection of information. The Supporting Statement must be prepared in the format described below and must contain the information specified below as well. If an item is not applicable, provide a brief explanation. When the question "Does this ICR contain surveys, censuses, or employ statistical methods?" is checked "Yes," then a Supporting Statement B must be completed. OMB reserves the right to require the submission of additional information with respect to any request for approval.

Specific Instructions

Justification

1. ***Explain the circumstances that make the collection of information necessary. Identify any legal or administrative requirements that necessitate the collection.***

In September 2011, President Obama announced the U.S. commitment to domestic implementation of the Extractive Industries Transparency Initiative (EITI), a key element of the President's Open Government Partnership commitments. President Obama appointed the Secretary of the Interior as the senior U.S. official to lead USEITI implementation. EITI is a voluntary, global effort designed to strengthen transparency accountability and public trust for the revenues paid and received for a country's oil, gas, and mineral resources. By signing onto the global standard that EITI sets, the U.S. Government can help ensure that American taxpayers are receiving every dollar due for the extraction of these valuable public resources. In March 2014, The U.S. became the first G7 country to achieve Candidate Country status. Furthermore, the U.S. is continuing with the multi-year effort to become an EITI Compliant Country.

International EITI requirements direct participating governments to publish annual reports that help citizens understand how the government manages its extractive sectors. An Independent Administrator produces the annual reports which include parallel public disclosures by both, the government and companies, of the payments that companies have made to the government on their oil, gas, and mining development. EITI is voluntary for companies, which are not required to provide information in response to this collection of information.

Applicable citations pertaining to USEITI include:

- U.S. National Action Plan for the Open Government Partnership;
- Freedom of Information Act, as amended (5 U.S.C. 552);
- Outer Continental Shelf Lands Act, as amended (43 U.S.C. 1331-56a), including provisions of the Energy Policy Act of 2005 (42 U.S.C. 5801*et seq.*);
- Federal Oil and Gas Royalty Management Act of 1982, as amended by the Federal Oil and Gas Royalty Simplification and Fairness Act of 1996 (30 U.S.C. 1701-59);
- Geothermal Steam Act of 1970 (30 U.S.C. 1001-28);
- Mineral Leasing Act (30 U.S.C. 181-287);
- Mineral Leasing Act for Acquired Lands (30 U.S.C. 351-60);
- Mineral Leasing Act for Indian Land (30 U.S.C. 1791-2); and other related authorities.

2. ***Indicate how, by whom, and for what purpose the information is to be used. Except for a new collection, indicate the actual use the agency has made of the information received from the current collection. Be specific. If this collection is a form or a questionnaire, every question needs to be justified.***

The USEITI Independent Administrator will use this information to reconcile payments (royalties, taxes, etc.) made by companies in the extractive industries to the Department of the Interior (DOI) and the Department of Treasury with data provided by those agencies regarding payments each has received from the companies. The Independent Administrator will publish the reconciled data in an annual USEITI report that allows citizens to see for themselves how much their government is receiving from their country's natural resources. We request the minimum necessary information to meet the international EITI standards, and place the least possible burden on respondents. If the Independent Administrator does not collect this information, the United States will not become an EITI Compliant Country and the transparency of our country's revenue collection process will suffer.

In order to produce the USEITI annual reports, the Independent Administrator, in partnership with industry and DOI, created a document called the "USEITI Reporting Form," including reporting instructions, which provide guidance on how to complete this form. The Independent Administrator will use this form to collect revenue information from extractive companies who paid more than \$20 million to ONRR in a given year. Furthermore, the form will contain information of the amounts of royalties, rentals, and other payments related to mineral development that companies have made to the Federal Government. The Independent Administrator will not collect items of a sensitive nature such as proprietary data, Personally Identifiable Information, etc. EITI is a voluntary initiative, and companies are not required to provide the requested information.

The information being requested was deliberately selected to meet international EITI standards while minimizing the burden on reporting companies. The following summary explains the justification for each requested information type:

- **Box 1: General Information** – This data is required to identify the company that is reporting the information and also is used to determine how the company reports taxes.
- **Box 2: Reported Payments** – This data provides a summary of the government revenue streams determined in-scope for reconciliation and USEITI reporting.
The table lists these streams by the appropriate government entity that collects the revenue along with a brief description of each revenue stream. Companies only need to report payments made for their specific revenue streams.
- **Box 3: Tax Payment Reconciliation**– Companies must inform the Independent Administrator if they are willing to participate in the reconciliation of their corporate tax payments. Reconciliation of taxes is covered in Requirement 4.1 in the EITI standards.
- **Box 4: Additional Supporting Information** – Companies must inform the Independent Administrator if they included additional supporting information to assist in the reconciliation of their payments. The Independent Administrator believes some companies will choose to provide more detail than what is being requested.
- **Box 5: Company Contact Information** – Companies must provide contact information in case the Independent Administrator has any questions or clarifications concerning the information provided.
- **Box 6: Authorized Representative Sign Off** – An appropriate senior company official must sign the completed reporting template and provide assurance that the form represents a complete and accurate record to the best of their knowledge.
- **Box 7: List of Parent Company Subsidiaries** – In order to aid in the reconciliation, companies are asked to provide a list of affiliate or subsidiary companies for which they're reporting.

3. ***Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g., permitting electronic submission of responses, and the basis for the decision for adopting this means of collection. Also describe any consideration of using information technology to reduce burden and specifically how this collection meets GPEA requirements.***

The Independent Administrator will accept hard-copy and electronic responses by providing the form either by regular USPS in a hard-copy format or by email as an attachment (the Independent Administrator will accept all responses by regular USPS mail or electronically by email).

4. ***Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purposes described in Item 2 above.***

On a monthly basis, companies are currently required to report various kinds of information to the Office of Natural Resources Revenue (ONRR) relative to the disposition of leased minerals. This reporting is necessary to ensure that royalty is appropriately paid based on accurate

production accounting on oil, gas, and geothermal resources produced from Federal and Indian leases. In order to meet international EITI requirements and to ensure meaningful reconciliation of government receipts and extractive industry payments, the Independent Administrator must collect annual revenue summaries from companies. This information is duplicative of what ONRR already collects on a monthly basis; however that duplication is necessary to meet EITI requirements.

EITI requires the production of comprehensive EITI Reports that include full government disclosure of extractive industry revenues and disclosure of all material payments to the government by oil, gas, and mining companies. EITI requires an independent administrator to collect this information from the government and companies, then compare and reconcile the amounts which the government reports as received with the amounts which the companies report as paid. By comparing and reconciling reported receipts with reported payments, the EITI process can reveal discrepancies and possible malfeasance, if any.

The reason EITI requires a comparison of independently submitted government and corporate data is because countries rich in natural resources such as oil, gas, and mining have tended to underperform economically, have a higher incidence of conflict, and suffer from poor governance. These effects are not inevitable and it is hoped that by encouraging greater [transparency](#) in countries rich in these resources, some of the potential negative impacts can be mitigated. Furthermore, by implementing EITI, participating countries will be able to include an improved investment climate by providing a clear signal to investors and international financial institutions that the government is committed to greater transparency. EITI also assists in strengthening [accountability](#) and [good governance](#), as well as promoting greater economic and political stability. This, in turn, can contribute to the prevention of conflict based around the oil, mining, and gas sectors. EITI will benefit government entities and it will also benefit companies and investors by helping to mitigate political and reputational risks.

5. ***If the collection of information impacts small businesses or other small entities, describe any methods used to minimize burden.***

The Independent Administrator will collect information only from those companies who paid more than \$20 million to ONRR in a given year. These companies are some of the largest and most sophisticated in their industry. No small businesses or other small entities will be impacted by this collection of information. Furthermore, because response to this collection of information is voluntary, companies will not realize a burden if they choose not to submit information.

6. ***Describe the consequence to Federal program or policy activities if the collection is not conducted or is conducted less frequently, as well as any technical or legal obstacles to reducing burden.***

The Memorandum on Transparency and Open Government, the first executive action to bear President Obama's signature, states that "Openness will strengthen our democracy and promote

efficiency and effectiveness in Government.” The memorandum also calls for new measures to promote transparency, participation, and collaboration. The President reinforced this commitment by launching the global Open Government Partnership making tangible commitments to promote transparency and accountability under the U.S. National Action Plan. Implementation of EITI in the U.S. is one of the featured deliverables and specific commitments of this plan.

If the Independent Administrator is unable to collect revenue payment summaries from the extractive industry on an annual basis, they will be unable to reconcile the data against revenue receipt summaries provided by the government. Without this reconciliation, the Independent Administrator will be unable to create the annual USEITI report; if the annual USEITI report is not completed, the U.S. will not become an EITI Compliant Country.

7. ***Explain any special circumstances that would cause an information collection to be conducted in a manner:***

- * ***requiring respondents to report information to the agency more often than quarterly;***

There are no special circumstances.

- * ***requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it;***

There are no special circumstances.

- * ***requiring respondents to submit more than an original and two copies of any document;***

There are no special circumstances.

- * ***requiring respondents to retain records, other than health, medical, government contract, grant-in-aid, or tax records, for more than three years;***

There are no special circumstances.

- * ***in connection with a statistical survey that is not designed to produce valid and reliable results that can be generalized to the universe of study;***

There are no special circumstances.

- * ***requiring the use of a statistical data classification that has not been reviewed and approved by OMB;***

There are no special circumstances.

- * ***that includes a pledge of confidentiality that is not supported by authority established in statute or regulation, that is not supported by disclosure and data security policies that are consistent with the pledge, or which unnecessarily impedes sharing of data with other agencies for compatible confidential use; or***

There are no special circumstances.

- * ***requiring respondents to submit proprietary trade secrets, or other confidential information, unless the agency can demonstrate that it has instituted procedures to protect the information's confidentiality to the extent permitted by law.***

The information provided to the Independent Administrator on the USEITI form does not contain proprietary or trade secret information. As such, this collection does not require the institution of protective procedures.

8. ***If applicable, provide a copy and identify the date and page number of publication in the Federal Register of the agency's notice, required by 5 CFR 1320.8(d), soliciting comments on the information collection prior to submission to OMB. Summarize public comments received in response to that notice and in response to the PRA statement associated with the collection over the past three years, and describe actions taken by the agency in response to these comments. Specifically address comments received on cost and hour burden.***

Describe efforts to consult with persons outside the agency to obtain their views on the availability of data, frequency of collection, the clarity of instructions and recordkeeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported.

Consultation with representatives of those from whom information is to be obtained or those who must compile records should occur at least once every three years — even if the collection of information activity is the same as in prior periods. There may be circumstances that may preclude consultation in a specific situation. These circumstances should be explained.

As required in 5 CFR 1320.8(d), ONRR published a 60-day notice in the *Federal Register* on December 18, 2014 (79 FR 75583). We did not receive any comments in response to the *Federal Register* notice. ONRR EITI staff attended several meetings with industry members and the Independent Administrator to discuss the ongoing efforts to meet all EITI requirements in order to ensure the U.S. becomes an EITI Compliant Country. These efforts resulted in an overall agreement of the creation of the USEITI form. This form will be used by industry and

the Independent Administrator to report the information required by EITI. These meetings also resulted in the development of the EITI ICR.

In order to maintain a good flow of information between ONRR, industry members, and the Independent Administrator, program staff made a sincere effort to elicit meaningful feedback from companies. They contacted the companies listed below regarding the 60-day *Federal Register* notice and the burden hour estimates. They sent copies of the notice via electronic mail soliciting comments from the companies listed below. ONRR will address all questions or concerns by providing a toll-free number where companies or individuals will obtain answers to their questions or concerns. We also encourage customer feedback and plan to expeditiously provide answers to all their questions.

Comments from Industry

Company 1: Freeport-McMoRan Oil & Gas LLC.

POC: David Romig, Asst. Controller – Revenue Accounting, 713-579-6074, email: David.Romig@fmi.com.

Comment: I have reviewed the Information Collection Request published in the Federal Register on December 18, 2014. I agree that there is a specific need to have a form dedicated to the process associated with the Information Collection Request. I do believe it will take more hours than estimated in the number listed but this may be due to the approach we have taken during the initial gathering of the data associated with the request. I expect there will be future time savings after we have been able to add computer systems reports to assist with the data gathering. Let me know if you have any questions or need additional information regarding my response.

ANSWER: Many companies, including Freeport McMoRan, were aware of the USEITI process and the eventual data collection before the 60-day notice comment period for this ICR. Some of these companies began the process of collecting data before the data collection form was even finalized. The time they spent may be greater than ONRR's estimate of burden hours because they were operating without full knowledge of the eventual process and the associated reference materials, such as the Reporting Template Guidelines. However, we have added 10% additional burden hours to the ICR to address concerns about any potential additional burden hours. We expect more accurate estimates in the future during the first renewal cycle.

Company 2: ConocoPhillips.

POC: Bob Wilkinson; Work Phone (918) 661-4381, email: Robert.O.Wilkinson@conocophillips.com.

Comment: I know when the ICR first came out; the amount of information was too sparse to be able to respond. Having been involved with the template workgroup did help to better understand what will most likely need to be reported for the first year, but I still do not know the final reporting requirements, nor do I know what level the reporting will be next year or how federal income taxes are to be handled. I did not attend the MSG meeting, so I am not sure what was decided on these items. Additionally, not knowing if the royalties to be reported are to

match what gets loaded into BRIO or into ONRR's financial system could impact the amount of effort associated with reconciling.

ANSWER: This comment was made before the Reporting Guidelines were available to industry. The Guidelines address many of the concerns raised in this comment, including the final reporting requirements, the way in which Federal taxes will be handled, and specifics about what ONRR data will be included in the reconciliation.

Company 3: Shell

POC: Pam Williams; email: pam.williams@shell.com.

Comment: Shell supports providing data for the EITI revenue transparency initiative. Although not specifically mentioned in the ICR, we applaud the MSG decision to request the data on an annual calendar year basis versus a fiscal year. We believe the estimated hour estimate for providing data of 76 hours annually is understated. The hours needed to gather the data, analyze it, and report out is directly related to the size of the company and the number of payor and reporter codes in use. The bigger the company and the higher number of codes used increases the annual number of hours required to report. Programming hours to mechanically retrieve the data also adds to the number of hours estimated.

ANSWER: We understand Ms. Williams's concerns about the burden hours. We also believe that larger companies have more advanced accounting systems that should allow them to mechanically retrieve the data in a reasonable amount of time. ONRR estimated the burden hours by mechanically retrieving data from *all* companies and assuming that most large companies have Financial Systems similar in complexity to ONRR. We also increased the burden hours by 10% to address Ms. Williams' concerns.

9. ***Explain any decision to provide any payment or gift to respondents, other than remuneration of contractors or grantees.***

ONRR will not provide any payment or gift to respondents in this collection.

10. ***Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or agency policy.***

All summary information provided as part of this information collection shall be treated as public information.

11. ***Provide additional justification for any questions of a sensitive nature, such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private. This justification should include the reasons why the agency considers the questions necessary, the specific uses to be made of the information, the explanation to be given to persons from whom the information is requested, and any steps to be taken to obtain their consent.***

This information collection does not include sensitive or private questions.

12. ***Provide estimates of the hour burden of the collection of information. The statement should:***

- * Indicate the number of respondents, frequency of response, annual hour burden, and an explanation of how the burden was estimated. Unless directed to do so, agencies should not conduct special surveys to obtain information on which to base hour burden estimates. Consultation with a sample (fewer than 10) of potential respondents is desirable. If the hour burden on respondents is expected to vary widely because of differences in activity, size, or complexity, show the range of estimated hour burden, and explain the reasons for the variance. Generally, estimates should not include burden hours for customary and usual business practices.***

There are 76 companies that meet the annual revenue payment thresholds and will be asked to provide information. We estimate the reporting burden to industry is 6,384 hours per year (76 companies x 84 burden hours = 6,384 total burden hours). The burden estimates include the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. The total burden hour estimate was increased by 10% to mitigate any unexpected reporting needs. We have not included in our estimates certain requirements performed in the normal course of business and considered usual and customary.

This estimate is based on the assumption that all respondents have financial management systems similar in complexity to those used by ONRR, including access to commonly used data analysis tools. The companies will be asked to summarize revenue payments by payor code, revenue type (royalty, rent, bonus, or other revenues), and commodity (coal, gas, oil, geothermal, renewable, or other). ONRR performed a similar summarization using the same source data that will be used by the companies, and our estimated burden hours are based on the time it took ONRR to complete our summarization.

- * If this request for approval covers more than one form, provide separate hour burden estimates for each form and aggregate the hour burdens.***

This request covers only one form.

- * Provide estimates of annualized cost to respondents for the hour burdens for collections of information, identifying and using appropriate wage rate categories. The cost of contracting out or paying outside parties for information collection activities should not be included here.***

Summary of Information Collections

Cost estimates are based on the expectation that all requirements will be performed by an industry accountant (represented by Bureau of Labor Statistics (BLS) - Business and Financial Operations Occupations). We estimate the total annual reporting burden is 6,384 hours. Based on a cost factor of \$54 per hour for industry accountants, we estimate the total annual cost to industry is \$344,736.00 ($\$54 \times 6,384 \text{ hours} = \$344,736.00$).

We used tables from the BLS to estimate the hourly cost for Business and Financial Operations Occupations in the Houston metropolitan area. These statistics are located at http://www.bls.gov/oes/current/oes_26420.htm#13-0000. Based on BLS National Occupational Employment and Wage Estimates for Business and Financial Operations Occupations, we estimate that the hourly labor cost is \$54 = [$\38.80 [mean hourly wage] \times 1.4 benefit cost factor = $\$54.32$, rounded to $\$54$]. We used a multiplier of 1.4 (based on BLS News Release USDL 15-0386 dated March 11, 2015, at <http://www.bls.gov/news.release/pdf/ecec.pdf>) for benefits.

$\$38.80$ hourly mean wage \times 1.4 benefit cost factor = $\$54.32$, rounded to $\$54$.

There are no additional recordkeeping costs.

13. ***Provide an estimate of the total annual non-hour cost burden to respondents or record-keepers resulting from the collection of information. (Do not include the cost of any hour burden already reflected in item 12.)***

- * ***The cost estimate should be split into two components: (a) a total capital and start-up cost component (annualized over its expected useful life) and (b) a total operation and maintenance and purchase of services component. The estimates should take into account costs associated with generating, maintaining, and disclosing or providing the information (including filing fees paid for form processing). Include descriptions of methods used to estimate major cost factors including system and technology acquisition, expected useful life of capital equipment, the discount rate(s), and the time period over which costs will be incurred. Capital and start-up costs include, among other items, preparations for collecting information such as purchasing computers and software; monitoring, sampling, drilling and testing equipment; and record storage facilities.***
- * ***If cost estimates are expected to vary widely, agencies should present ranges of cost burdens and explain the reasons for the variance. The cost of purchasing or contracting out information collection services should be a part of this cost burden estimate. In developing cost burden estimates, agencies may consult with a sample of respondents (fewer than 10), utilize the 60-day pre-OMB submission public comment process and use existing economic or regulatory impact analysis associated with the rulemaking containing the information collection, as appropriate.***
- * ***Generally, estimates should not include purchases of equipment or services, or portions thereof, made: (1) prior to October 1, 1995, (2) to achieve regulatory compliance with requirements not associated with the information collection, (3) for reasons other than***

to provide information or keep records for the government or (4) as part of customary and usual business or private practices.

The requested information is already being collected by industry. We are not expecting any system reporting changes in order to gather the required information to meet USEITI standards. If the company chooses to update their systems, it would be in an effort to reduce the burden hours. If this is the case, we will address such changes during the renewal process. At this point, we have identified no “non-hour” cost burdens for this collection of information.

- 14. Provide estimates of annualized cost to the Federal Government. Also, provide a description of the method used to estimate cost, which should include quantification of hours, operational expenses (such as equipment, overhead, printing, and support staff), and any other expense that would not have been incurred without this collection of information.***

The government will incur costs of \$83,000.00 to contract the Independent Administrator that will provide any and all related needed equipment, overhead, and support staff to accomplish the ICR. Data collection will be performed by the Independent Administrator. There is no additional annualized cost to the government.

- 15. Explain the reasons for any program changes or adjustments in hour or cost burden.***

There are no program changes applicable to this ICR. This is a new ICR request 6,384 burden hours.

- 16. For collections of information whose results will be published, outline plans for tabulation and publication. Address any complex analytical techniques that will be used. Provide the time schedule for the entire project, including beginning and ending dates of the collection of information, completion of report, publication dates, and other actions.***

The Independent Administrator will summarize and publish the information that was collected in the USEITI reports. The first report will be published in December 2015; subsequent reports will be published on an annual basis. However, if the Independent Administrator finds out that government receipts and company payments are not within a yet-to-be-determined variance, they will reach out to both the government and industry, and work to resolve the variance. The Independent Administrator will not cleanse or filter the data that are provided.

- 17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate.***

ONRR will display the OMB control number and expiration date on the information collection form, including on any correspondence ONRR sends related to this information collection.

18. ***Explain each exception to the topics of the certification statement identified in "Certification for Paperwork Reduction Act Submissions."***

To the extent that the topics apply to this collection of information, we are not making any exceptions to the "Certification for Paperwork Reduction Act Submissions."