

Rt Hon Caroline Flint MP



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15 November 2017

HOUSE OF COMMONS
LONDON SW1A 0AA

The Rt Hon Greg Clark MP
Secretary of State for Business, Energy and Industrial Strategy
Department for Business, Energy and Industrial Strategy
1 Victoria Street
London SW1H 0ET

Dear Secretary of State

Statutory review of Reports on Payments to Governments Regulations 2014

I wish to make the following submission to the consultation on mandatory reporting regulations.

As you will be aware, I am an advocate of public country-by-country reporting by multinational companies. Tax transparency is necessary to address harmful tax practices that cost developing countries millions in revenue each year; and contribute to erosion of the UK tax base. In the extractive industries – oil, gas and mining, the issue of aggressive tax avoidance, reinforces the problem of resource rich countries having poorer development and greater poverty.

Corruption and revenue mismanagement are rife in the natural resources sector and require particularly urgent attention. The United Kingdom, as one of the world's leading countries of incorporation and largest capital markets for oil, gas and mining companies, has a particular responsibility to ensure a well-governed sector.

The Reports on Payments to Governments Regulations – and the Payments to Governments and Miscellaneous Provisions Regulations, which bring London Stock Exchange-traded extractive companies under the same disclosure obligations as their UK-incorporated counterparts – have therefore been important steps in raising global standards of extractives transparency.

Your current review of this regulatory system, under the Regulations' clause 21, provides a timely opportunity to take stock of what has so far been achieved.

Working for Don Valley

Constituency office: Meteor House, First Avenue, Auckley Doncaster DN9 3GA.
Contact me: T: 01302 623330 E: caroline.flint.mp@parliament.uk
Follow me on the Web: www.carolineflint.org on [Facebook.com/CarolineFlintMP](https://www.facebook.com/CarolineFlintMP)
or via Twitter @CarolineFlintMP



With less than two full years of payment disclosure by UK-incorporated and UK-listed extractive companies so far completed, it is relatively early to assess the Regulations' effectiveness. However, I believe that this enhancement of transparency can only be of benefit to business, investors, governments and citizens.

Oil, gas and minerals are finite resources that provide many developing countries with a relatively brief opportunity to mobilise domestic revenues on behalf of their populations, which will be necessary to meet the Sustainable Development Goals.

Similarly, these resources will not provide companies and investors with profits and dividends indefinitely. It is therefore critical to maximise transparency and accountability in the sector to help ensure fair prices are paid and that the revenues are handled responsibly and lawfully, and we need government regulation to achieve this.

In your review I hope you will be mindful of the Government's public commitments to lead the global fight against corruption. There is a growing body of business and investor voices that recognise the need for greater transparency and accountability in the extractive industries.

I hope the UK will continue to reflect the best practice in promoting open reporting and good practice by firms in the extractive industries.

I look forward to seeing your report to Parliament in the New Year.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Caroline Flint'.

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