



THIRTEENTH PLENARY MEETING OF THE POLICY DIALOGUE ON NATURAL RESOURCE-BASED DEVELOPMENT (25 November – 26 November 2019, OECD Conference Centre, Paris)

KEY OUTCOMES

Under the co-chairmanship of **Kazakhstan, Liberia, Norway, and Switzerland**, 22 government delegations from Africa, Asia, Europe, Latin America and the Caribbean, as well as representatives from 6 partner international organisations and institutions, and 41 major firms, industry associations, civil society organisations, academia, law firms and think tanks, convened at the OECD on 25-26 November 2019 for the Thirteenth Plenary Meeting of the Policy Dialogue on Natural Resource-based Development. International organisations and institutions represented included the Commonwealth Secretariat, the European Commission, the Extractive Industries Transparency Initiative (EITI), the International Energy Agency (IEA), the Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development (IGF), and the United Nations.

Work Stream 1 – Shared Value Creation and Local Development

Despite on-going efforts to phase out fossil fuels as part of the global low-carbon transition agenda, demand for fossil fuels is projected to grow over the next decades. Natural gas is expected to gradually replace coal in the mid-2020s and oil in the mid-2030s. Besides the diversification of portfolio activities by extractive companies, available options to achieve a more sustainable energy mix include enhancing energy efficiency, through integrating renewables in upstream operations to reduce their carbon intensity, fuel switching (from coal to gas) and abating methane emissions in upstream operations by avoiding flaring and venting. Carbon Capture, Utilisation and Storage technology (CCUS) can also help decarbonise the fossil fuel sector, if deployed at scale. Successful examples include the utilisation of CO₂ captured from coal-fired power or steel plants for Enhanced Oil Recovery (EOR), reducing emissions and increasing efficiency in oil production. CO₂-EOR is also being used to replace the use of the waterflooding technology in arid fossil fuel producing regions of China. Enabling policies are key for the large-scale deployment of CCUS. The successful application of Carbon Capture and Storage (CCS) in Norway shows that a CO₂ tax can make flaring and venting uneconomic and drive industry behaviour in the desired direction. Where possible, the adoption of a life-cycle approach would be desirable, linking heavy and extractive industries to positive climate impact, whereby CO₂ is captured from coal-fired power plants or steel processing or even cement plants, then transported and used for EOR or stored in suitable geological locations. In order for this to happen, governments should put in place adequate transport infrastructure, put a price on carbon emissions (as in Norway) or introduce regulations setting performance emission standards (as in Canada); adopt regulations on transboundary transport of carbon dioxide (where necessary); and create demand for CO₂ use and storage through a trading mechanism. While creating efficiency gains, this would also help create a revenue generating mechanism that would facilitate the uptake of this technology in resource-rich developing and emerging economies where it is not yet utilised.

Work Stream 2 – Revenue Management and Spending

Financing the low-carbon transition remains a major challenge for resource-rich countries. Participants discussed how natural resource revenues can contribute to closing infrastructure gaps and facilitating the transition without putting additional pressures on often-constrained public budgets. Given their size, Sovereign Wealth Funds (SWFs) could play a very important role in climate finance, but they are not doing so, yet. Moreover, few SWFs take account of climate risk to their portfolios – which should be part of their fiduciary responsibility to their citizens and government. SWFs could invest more in low-carbon assets without compromising their role as commercial investors, and at the same time reduce climate-related risks to their portfolios. For SWFs to play a larger role, governments would need to provide mandates and resources for SWFs to increase their capacity to align their operations with the low-carbon transition. Contrary to SWFs, Strategic Investment Funds (SIFs), already have many of the characteristics required to play a significant role in the low-carbon transition. Therefore, there is an important potential for collaboration between SWFs and SIFs, where SWFs could deploy capital for low-carbon infrastructure through SIFs. The experience of the Nigeria Infrastructure Fund, and of Infra Credit, demonstrates that it is possible to mobilise capital from institutional investors for low-carbon infrastructure, and that the challenges related to the quality, efficiency and integrity of the investment process can be addressed through strong governance structures.

Work Stream 4 – Domestic Resource Mobilisation (tackling corruption in commodity trading and BEPS in mining)

Thematic Dialogue on Commodity Trading Transparency

Participants welcomed the practical progress taken toward the development of a common reporting framework by the EITI, and provided feedback on the EITI's draft working document *Developing reporting guidelines for companies buying oil, gas and minerals from governments*. Participants acknowledged the commercial confidentiality risks that disclosures can create and the consequential importance of providing legal certainty to companies that are making payment disclosures. Participants emphasised the importance of establishing a consistent and level playing field that is globally applicable across different jurisdictions, different companies, and different commodities, regardless of EITI's membership. Participants acknowledged the challenges in identifying whether the counterparty to the transaction is state-owned and welcomed the future development of an *OECD On-line Mapping Tool of SOEs*. Participants acknowledged the importance of improving understanding around existing anti-corruption and transparency requirements in global commodity trading hubs, and welcomed the opportunity to learn from the experience of commodity trading regulation in Belgium, China and Dubai. Participants noted the challenges that smaller commodity trading companies face when meeting complex regulatory requirements and how industry organisations can provide guidance and support in order to meet applicable requirements. The integration of the *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas* into the compliance requirements by the Dubai Multi Commodities Centre and the London Metal Exchange can provide a useful model for how commodity trading transparency requirements can be operationalised.

BEPS in Mining

As part of the IGF-OECD joint programme on BEPS in mining, the IGF presented a practice note on tax treaties and the mining sector. The practice note offers guidance to governments on tax treaty issues along the mining value chain. Participants suggested that the practice note should include notable trends in tax treaties, as well as lessons learned from the hydrocarbons sector. A revised and expanded version of the practice note will be available in February 2020. The OECD Centre for Tax and Policy Administration outlined a new framework for approaching mineral pricing for transfer pricing purposes, with bauxite used as a practical example. Participants discussed the reliability of using indices to price minerals, whether there could be the opportunity to develop price formulas derived from publicly quoted prices where a market price does not exist or is hard to determine, as in the case of lithium. Participants recommended government testing of mineral quality and collaboration between governments to share knowledge on mineral pricing to reduce asymmetry of information. Given that host governments often lack the financial means and expertise needed to set up testing facilities, the [IGF-OECD practice note on Monitoring the Value of Mineral Exports](#) offers a number of alternative policy options for consideration.