

D-EITI

Extractive Industries Transparency Initiative

Germany



**Extractive Industries
Transparency Initiative – Germany**

Information on the
REPORT FOR 2018
(Feb. 2021)

Editor

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on behalf of the Federal Ministry for Economic Affairs and Energy (BMWi)

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General information about the EITI



The global Extractive Industries Transparency Initiative (EITI) advocates for greater financial transparency and accountability in the extractive sector.

55 countries are implementing the EITI (as of 2021), disclosing information on tax payments, extraction volumes and other important data related to the extraction of commodities.

Third D-EITI report



The EITI Standard includes an obligation to produce an annual report. The MSG published the third D-EITI report in early 2021.

The report consists of two parts: the first part is a context report and provides an overview of the way the national extractive sector works, while in the second part an Independent Administrator collects the most important payments from extractive companies and verifies the quality of the data.

Implementation of the EITI in Germany (D-EITI)

- 2015** D-EITI Multi-Stakeholder Group founded
- 2016** Candidature to the EITI
- 2017** Publication of the first D-EITI report and launch of the transparency portal www.rohstofftransparenz.de
- 2019** Validation and certification as EITI-compliant
- 2020** Germany's participation in the EITI pilot project
- 2021** Publication of the third D-EITI report

Payment reconciliation pilot

The international EITI Board has asked Germany to carry out a pilot project for the development of alternatives to the EITI standard quality assurance procedure. Until now, EITI countries have carried out an elaborate payment reconciliation process to match the most important payments made by extractive companies with the corresponding receipts of government agencies to assess the quality of the data. The payment reconciliation pilot checks the payment flows disclosed by the companies using an alternative quality assurance process. The alternative method builds on a comprehensive representation of the systems and processes underlying the payment flows.

Special topics



Compensatory measures for the impact on nature, provisions and implementation securities, water, renewable energies, employment and social affairs and recycling are important special topics covered by the D-EITI reports. They go beyond the international EITI Standard and thus increase the relevance of the EITI in Germany.

The Multi-Stakeholder Group

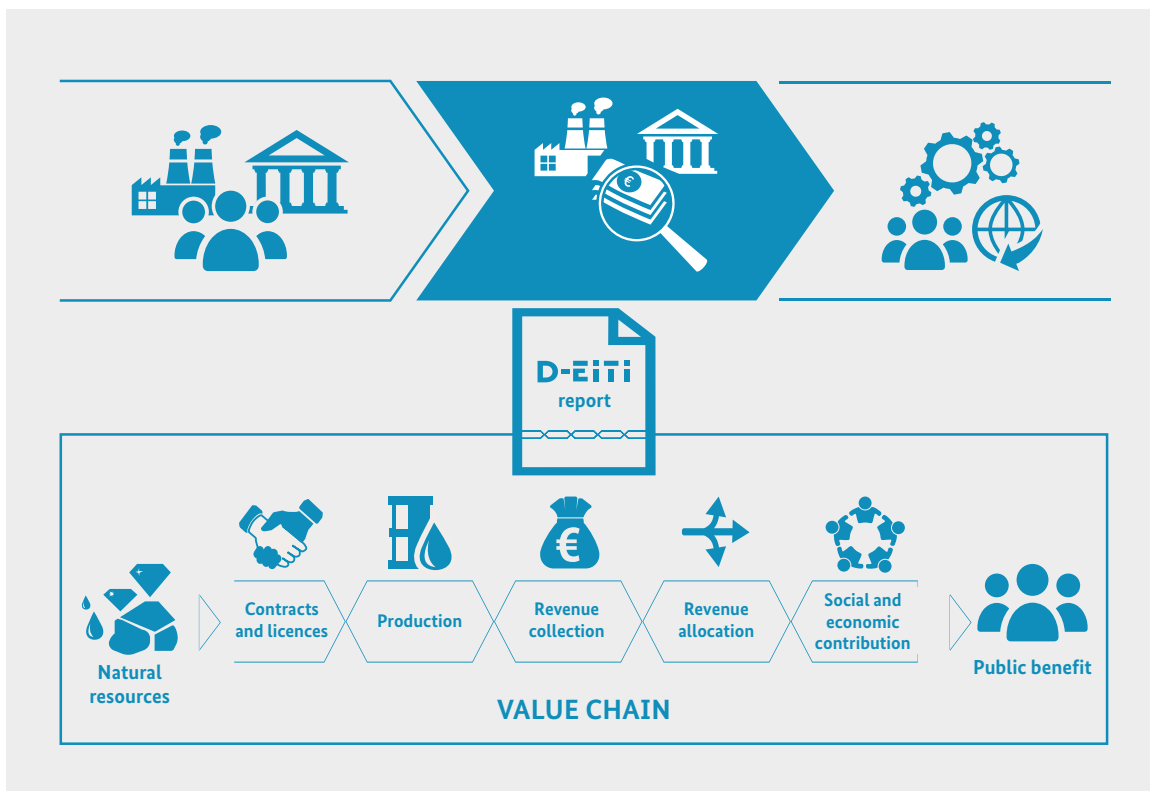


A national Multi-Stakeholder Group (MSG) was established to implement the D-EITI. Its members are representatives from government, business and civil society who have equal rights and jointly steer and monitor implementation of the international EITI Standard.

Implementation of the EITI in Germany

The Extractive Industries Transparency Initiative (EITI) is a global initiative that advocates greater financial transparency and accountability in the extractive sector, and is implemented by 55 countries worldwide. The German Government has been promoting the EITI politically and financially in over 20 countries in Africa, Asia, Europe and Latin America since its inception in 2003. Implementation of the EITI in Germany (D-EITI) has been under way since 2015 and is intended to strengthen the international standing of the initiative. At the national level, joining the EITI helps to strengthen dialogue and transparency in the extractive sector and increase acceptance of the domestic extraction of natural resources.

Implementation of the EITI requires that information on the domestic extractive sector and payments by extractive companies be made transparent and publicly available. This information includes licensing, the legal framework of natural resources extraction and other contextual information. The annual EITI reports are thus the centrepiece of implementation. The annual reports are jointly compiled and updated for the respective reporting year by the members of the Multi-Stakeholder Group. An external validation carried out in 2019 found that Germany had already met all the requirements of the EITI Standard with its first report.



D-EITI reports

The D-EITI reports published to date have also included topics that go beyond the mandatory requirements of the international EITI Standard, based on a decision taken by the D-EITI Multi-Stakeholder Group. The aim of these special topics is to place the extractive sector in as broad a context as possible and consider not only economic and legal aspects but also environmental and social sustainability aspects. The topics

include subsidies and tax concessions, renewable energies, dealing with interventions in nature and landscape, employment and social affairs and recycling, as well as matters such as provisions, implementation securities and water withdrawals for the extraction of natural resources. The aim of the D-EITI reports is to provide relevant and understandable information on the German extractive sector.

Extraction of natural resources in Germany in 2018

Natural resource	Value (2018) in millions of €	Quantity (2018)
Hard coal*	247	2.6 million tonnes
Lignite	2,218	166.3 million tonnes
Crude oil	783	2.1 million tonnes
Natural gas**	1,402	6.9 billion m ³
Potash salt	No information available***	34.54 million tonnes
Potash and potash salt products	1,746	6.2 million tonnes
Clays (for fine and coarse ceramics)	141.4	14.4 million tonnes
Rock salt and industrial brine	381	15.2 million tonnes NaCl content
Kaolin	73	4.9 million tonnes
Quartz gravel and sand	221	10.7 million tonnes
Gravel and sand	1,733	259.0 million tonnes
Broken natural stone	1,632	226.0 million tonnes
Ashlar	46	0.4 million tonnes
Limestone/marlstone/dolomite	846	54.9 million tonnes

* Useable extracted output

** incl. petroleum gas

*** These values can only be reported for potash and potash salt products.

Source: D-EITI Report for 2018 (Feb. 2021)

The D-EITI is a dialogue platform for relevant topics in the extractive sector

The content of the D-EITI reports is determined by a Multi-Stakeholder Group (MSG) with equal representation from government, the private sector and civil society in a dialogue in which the group members have equal rights. In addition to the implementation of the international EITI Standard, the MSG deals with other important topics that can be included in reporting and create more transparency. The EITI countries are free to work on issues beyond the EITI Standard in the MSG. When they make use of this opportunity, they contribute to the development of the international EITI and provide new ideas for other EITI countries.



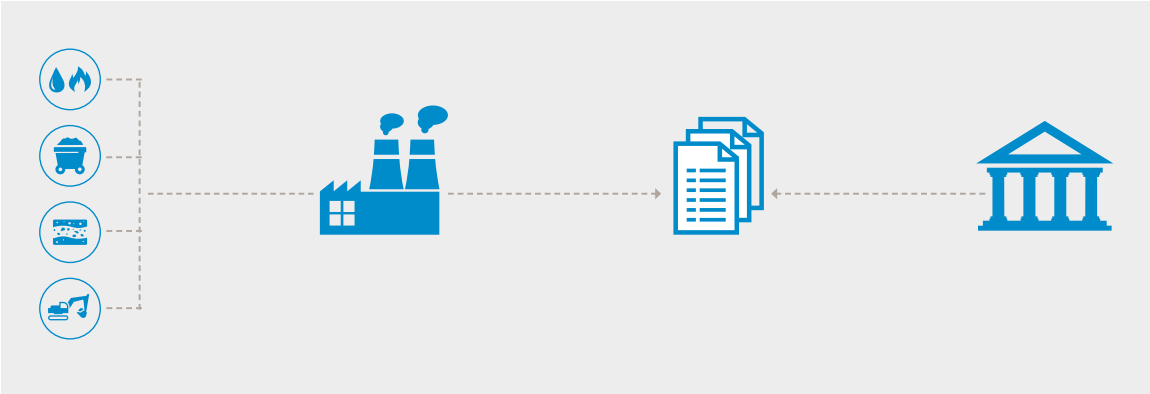
Objectives of the D-EITI

To match the special national characteristics of its extractive industries, each country can specify its own objectives and priorities for national EITI implementation, always on the basis of the mandatory EITI Standard. The objectives are elaborated by the MSG.

In order to implement them, a work plan is specified. The D-EITI MSG has adopted seven objectives for EITI implementation in Germany. These objectives can be divided into three thematic areas:



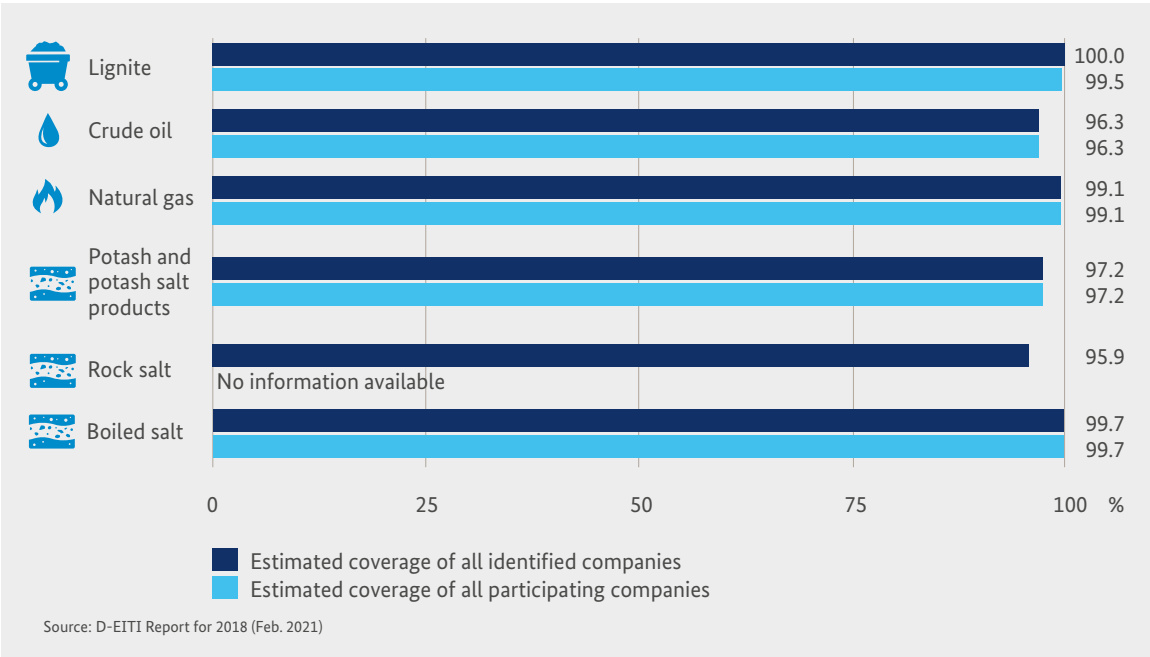
D-EITI pilot for payment reconciliation



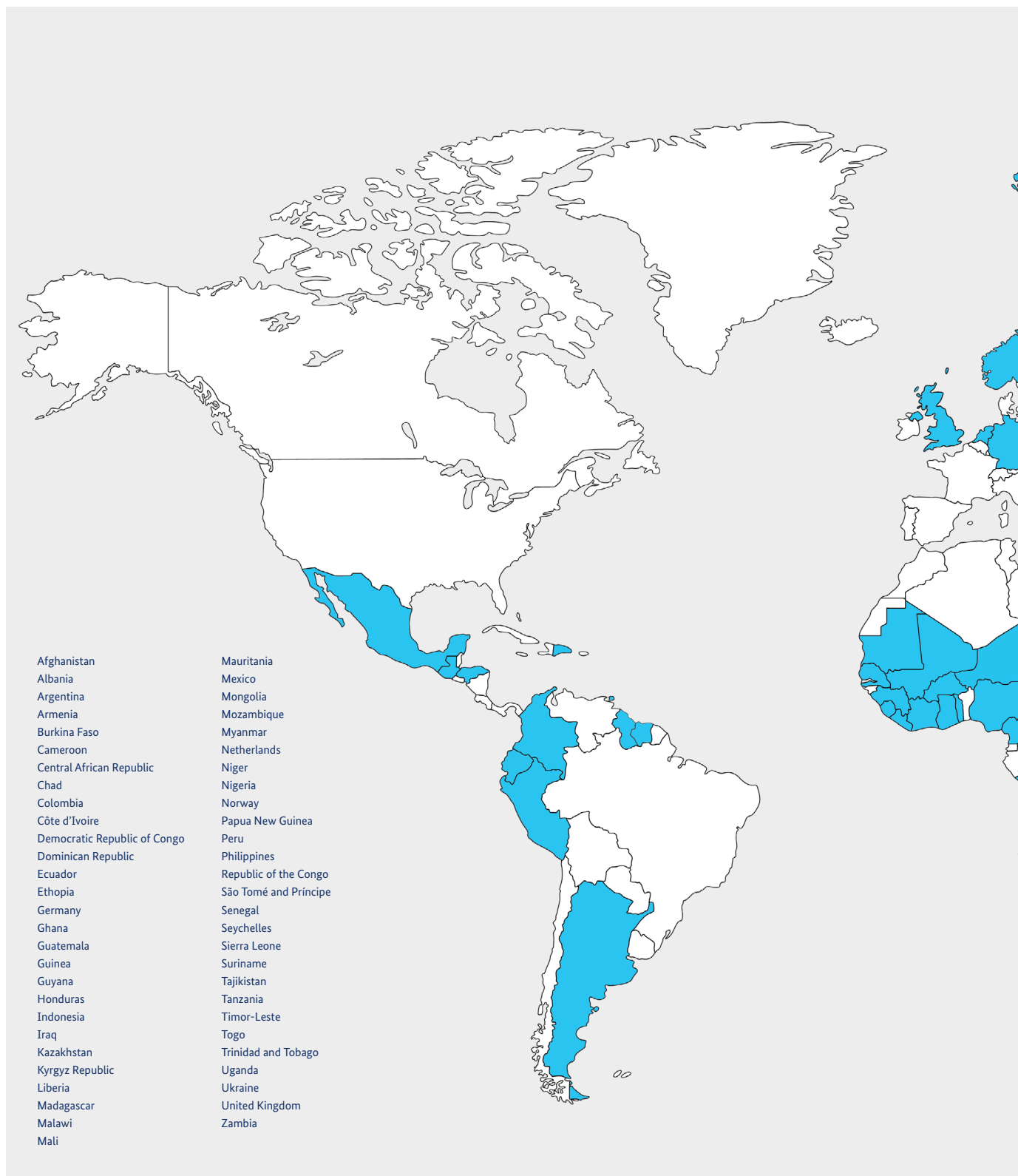
At the request of the international EITI Board, the D-EITI took part in a pilot initiative and implemented an alternative approach to the payment reconciliation procedure for the first time. Payment reconciliation is the current standard procedure for the quality assurance of data on disclosed payment flows from the extractive industries to government agencies. In the third D-EITI report, the payment reconciliation procedure was replaced by a quality assurance procedure for the first

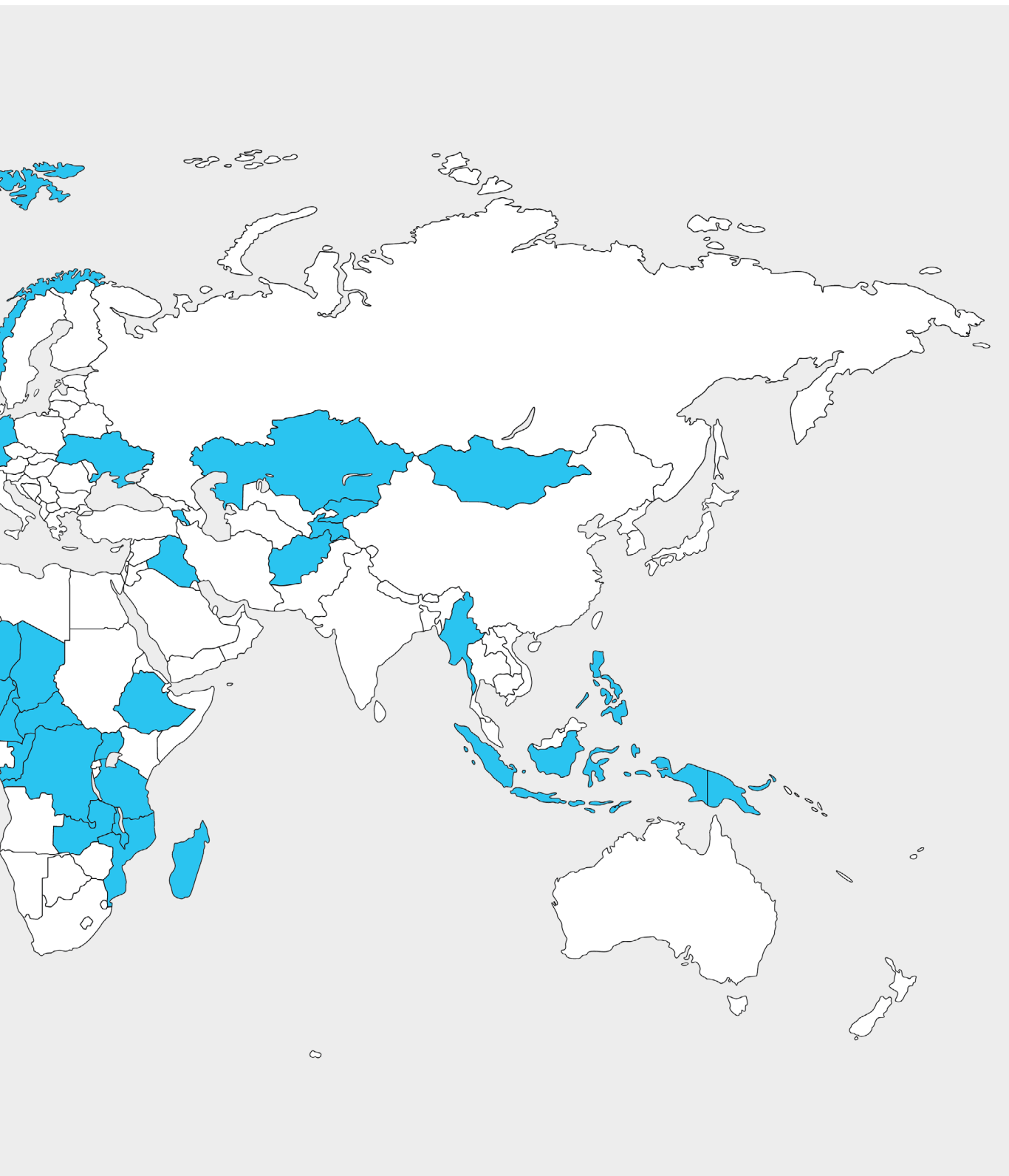
time. The alternative approach determines the payments made by the extractive companies and describes the structure of the payment system, the legal framework and safeguarding mechanisms. In addition, the current results of actual audits of the public treasuries to which payments are made at federal, state and local level were presented. The alternative procedure was implemented with the help of an Independent Administrator.

■ Sector coverage by companies participating in D-EITI



The EITI Standard is implemented by 55 countries worldwide





No duplication of efforts needed for company reporting

The German Accounting Directive Implementation Act (BilRUG) transposed EU regulations on the transparency of certain extractive companies about their payments to government agencies into the German Commercial Code (HGB). Linking D-EITI reporting

with statutory reporting and disclosure obligations enables duplication of reporting efforts for companies to be avoided. This is also shown by a comparison of D-EITI and the German Commercial Code (HGB):

	D-EITI	HGB
Materiality threshold	€100,000.00 per payment	€100,000.00 per payment
Company size criteria*	Balance sheet total: €20 million Net sales revenues: €40 million Headcount: 250	Balance sheet total: €20 million Net sales revenues: €40 million Headcount: 250
Overview of how the extractive sector works	This overview is given in the context report	none
Dialogue of different stakeholders about the contribution of the extractive sector in Germany	This dialogue takes place within the Multi-Stakeholder Group	none
Is reporting mandatory?	No, there are no sanctions for companies, but the EITI status may be at risk	Yes; disclosure can be enforced by imposition of an administrative fine

* A company is considered "large" by the legislator if it exceeds at least two of the three criteria stated in the table on two successive balance sheet dates (section 267(3) sentence 1, (4) sentence 1 HGB).

The D-EITI contributes to an international level playing field

The EITI aims to implement a global standard for transparency and accountability in the extractive sector and thus creates an international level playing field for extractive companies. Implementation of the initiative in OECD and EU countries (so far Germany, the UK, Norway, the Netherlands, Mexico and Colombia) is intended to encourage commodity-rich emerging economies to also implement the EITI Standard and thus further level the international playing field.

Overview of the chapters of the third D-EITI report



The extractive industry in Germany

The report provides comprehensive information on the extractive industries in Germany. Besides crude oil and natural gas, the main natural resources extracted in Germany are lignite, salts, quarried natural resources and industrial minerals.

[Link to Resource extraction:](https://rohstofftransparenz.de/en/rohstoffgewinnung/)

<https://rohstofftransparenz.de/en/rohstoffgewinnung/>



Legal framework for the extractive industry

Approval procedures for mining projects in Germany vary depending on the type of resource and its legal basis. The report describes the conditions for the approval of mining projects, and also provides information about and access to mining licenses already granted.

[Link to Legal framework:](https://rohstofftransparenz.de/en/rechtlicher-rahmen-und-staatliche-stellen/)

<https://rohstofftransparenz.de/en/rechtlicher-rahmen-und-staatliche-stellen/>



Revenues generated by the extractive industry

Extractive companies operating in Germany pay various fees, duties and taxes on their activities. These payments are based on various laws and regulations and are collected by the competent federal agencies and federal state agencies.

[Link to Revenues generated by the extractive industry:](https://rohstofftransparenz.de/en/daten/einnahmen/)

<https://rohstofftransparenz.de/en/daten/einnahmen/>





The economic importance of the extractive industries in Germany

The natural resources sector generates revenue for the state at different federal levels. The most important revenues are the taxes from general company taxation (corporation tax and income tax, including the solidarity surcharge, and trade tax), as well as natural resource-specific mine site and extraction royalties. Added together, these revenues from the extractive industries amounted to around €576 million in 2018. This corresponds to a share of 0.04% of the total income of the German state.

Link to Economic importance:

<https://rohstofftransparenz.de/en/daten/#economic-importance>



Subsidies and tax concessions

As part of the manufacturing sector, companies in the extractive sector are also granted subsidies and tax benefits, e.g. concessions for electricity and energy tax for energy-intensive companies. In addition, the socially acceptable phase-out of hard coal mining is facilitated by granting subsidies and adaptation payments.

Link to Subsidies and tax concessions:

<https://rohstofftransparenz.de/en/rohstoffgewinnung/state-subsidies-and-tax-concessions/>



Recycling

In addition to the extraction of primary natural resources, the demand for raw materials is partly covered by recycling. The recycling industry thus has an important function as a source of raw materials. The report describes the legal basis and scope of the recycling industry in Germany and the future challenges it faces.

Link to Recycling:

<https://rohstofftransparenz.de/en/rohstoffgewinnung/recycling/>





Dealing with interventions in nature and landscape

Every mining activity is associated with interventions in nature, some of which can have serious impacts. German nature conservation law therefore stipulates that compensation is required for unavoidable interventions. The chapter explains the legal provisions and approval practices for mining interventions and describes the responsibilities of the competent government agencies. It also contains information on compensatory measures and payments, water extraction fees, and provisions and implementation securities of extractive companies for dismantling/reclaiming former extraction areas.

[Link to Dealing with interventions in nature and landscape:](https://rohstofftransparenz.de/en/rohstoffgewinnung/dealing-with-nature/)

<https://rohstofftransparenz.de/en/rohstoffgewinnung/dealing-with-nature/>



Renewable energies

Wind power, biomass, photovoltaics and hydropower are making a growing contribution to Germany's energy supply and are increasingly substituting fossil fuels. In 2018, these renewable energies accounted for a share of 13.7% of primary energy consumption and 37.8% of gross electricity consumption. Their expansion has an impact on the demand for energy and natural resources needed for technologies and thus also on the extractive industries. Key technologies such as photovoltaics, wind turbines, lithium-ion batteries and electric motors in particular are increasing the demand for technology metals, such as dysprosium, gallium, indium, cobalt, lithium, neodymium, selenium and silicon. A study provides details about the quantities of these resources required for the expansion of renewable energies.

[Link to Renewable energies:](https://rohstofftransparenz.de/en/rohstoffgewinnung/renewable-energies/)

<https://rohstofftransparenz.de/en/rohstoffgewinnung/renewable-energies/>





Employment and social affairs

Extractive industries provide good industrial work for workers and have a positive employment impact in the regions. The report provides information on employment figures, collective bargaining conditions, income levels, diversity and equal opportunities within the sector. In addition, the chapter addresses the responsibility of companies in the extraction of natural resources and approaches for the socially acceptable phase-out of lignite mining.

Link to Employment and social affairs:

<https://rohstofftransparenz.de/en/rohstoffgewinnung/beschaeftigung-u-soziales/>



Disclosed payment flows and quality assurance

An important part of EITI reporting is the quality assurance of data of payments made by companies to government agencies (the standard EITI procedure is payment reconciliation). In the third D-EITI report, an alternative procedure is used. Instead of an individual examination of the payment, a systematic examination of the payment system through which payments between companies and government agencies are processed is carried out. The risk of incorrect information being provided in this process is analysed. Depending on the risk, quality assurance measures will be adapted in the future.

Link to Disclosed payment flows and quality assurance:

<https://rohstofftransparenz.de/en/daten/#payment-flows>



The third D-EITI report for the reporting year 2018 was prepared by the German MSG in cooperation with the Independent Administrator, the auditing company Warth & Klein Grant Thornton AG

Wirtschaftsprüfungsgesellschaft of Düsseldorf. All the information and data stated here can also be found online on the D-EITI data portal at <https://rohstofftransparenz.de/en/>.

Multi-Stakeholder Group

Representatives of the government



Bundesministerium
der Finanzen



Bundesministerium
für Wirtschaft
und Energie



Niedersächsisches Ministerium
für Wirtschaft, Arbeit, Verkehr
und Digitalisierung

Mecklenburg
Vorpommern



Ministerium für Energie,
Infrastruktur und Digitalisierung

HESSEN



Hessisches Ministerium
der Finanzen

Ass.d.B.
Creating The Mining World

Freistaat
Thüringen



Ministerium
für Umwelt, Energie
und Naturschutz



Hamburg | Finanzbehörde

Representatives of the private sector

BDI
Bundesverband der
Deutschen Industrie e.V.



DEBRIV
Bundesverband Braunkohle



wintershall dea

BCE
Industriegewerkschaft
Bergbau, Chemie, Energie



bbs die baustoffindustrie

Uarbeit und umwelt
STIFTUNG DER IG BERGBAU CHEMIE ENERGIE

Representatives of the civil society

FÖS
Forum
Ökologisch-Soziale
Marktwirtschaft



