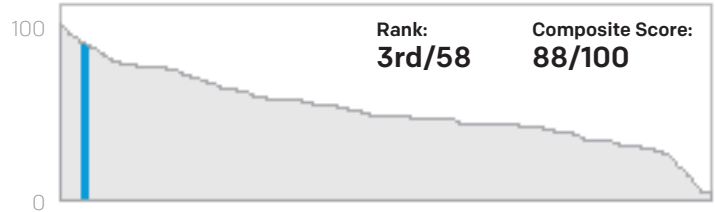


United Kingdom



The Resource Governance Index (RGI) measures the quality of governance in the oil, gas and mining sector of 58 countries. Learn more and explore findings at www.revenuewatch.org/rgi.



Background

The United Kingdom is the European Union's largest oil producer and second-largest producer of natural gas. A highly diversified economy means the government relied on the petroleum industry for just 2 percent of its budget in 2011. While domestic consumption has remained relatively constant in recent years,

United Kingdom	2000	2005	2011
Population (million)	58.89	60.22	62.64
GDP (constant 2011 international \$ billion)	1,883.7	2,599.9	2,445.4
GDP per capita, PPP (constant 2005 international \$)	29,126	32,958	32,863
Oil and gas revenue (% total government revenue)	...	2%	2%
Extractive exports (% total exports)	11%	12%	18%

SOURCES: Oil and gas revenue as share of total government revenue from the Economist Intelligence Unit and the International Monetary Fund. All other data from the World Bank.

production has declined, leaving the U.K. a net importer of both oil and gas.

The United Kingdom's Performance on the RGI

The U.K. received a "satisfactory" score of 88, ranking 3rd out of 58 countries. Compared to other industrialized nations, the U.K. scored relatively poorly on the Institutional and Legal Setting component.

Institutional and Legal Setting

(Rank: 13th/58 Score: 79/100)

The U.K.'s "satisfactory" score of 79 reflects an effective regulatory framework, but also takes into account the country's failure to sign on to the Extractive Industries Transparency Initiative, despite playing a significant role in its founding.

The Department of Energy and Climate Change (DECC) regulates the industry and conducts annual competitive licensing rounds. Since privatizing the oil and gas industry, the U.K. has not established any state-owned companies or resource

funds. The oil and gas division of HM Revenue and Customs collects taxes and fees from petroleum companies and deposits them in the treasury. These revenues are combined with other funding streams and distributed to local governments without regard to regional origins.

With 99 percent of the country's oil and gas located in the North Sea off the coast of Scotland, the Scottish government has proposed a Scottish Oil Stabilization Fund; discussion of how such a fund would be managed has become part of the debate surrounding the referendum on Scottish independence scheduled for October 2014.

Environmental assessments and consultations with environmental authorities and the public are required before extractive rights are awarded. All government data are subject to the Freedom of Information Act of 2000.

Reporting Practices

(Rank: 3rd/58 Score: 91/100)

The government provides detailed data on most aspects of the petroleum industry, earning a "satisfactory" score of 91.

Licensing criteria and information on the geographic scope of available blocks are available before licensing rounds. Once the licensing process is complete, DECC publishes winning bids and the full text of licenses. Environmental assessments also are published.

HM Treasury produces annual reports on petroleum production, prices, and tax receipts. DECC provides current information on reserves, production volumes, prices, export values, company-by-company data, and license fees, as well as historical information on production costs and investment in the sector. The Office for National Statistics, HM Revenue and Customs, and the Scottish Parliament also provide up-to-date information on various aspects of the industry.

Safeguards and Quality Controls

(Rank: 7th/58 Score: 83/100)

With comprehensive audit requirements and parliamentary oversight of the petroleum sector, the U.K. received a "satisfactory" score of 83.

Lawmakers must approve licensing criteria and model license clauses, but there is no legislative review of individual awards. DECC has no internal appeals process; licensing deci-

sions must be contested in court.

The National Audit Office reviews the accounts of HM Revenue and Customs, including petroleum receipts. Audit documents are not disclosed, but auditors' reports to Parliament are published annually. The Energy and Climate Change Committee of the House of Commons oversees the management and accounts of DECC, and led an inquiry into the offshore oil and gas industry in 2009.

Enabling Environment

(Rank: 4th/58 Score: 93/100)

The U.K. ranked near the top of global measurements of government accountability, budget openness, and democracy, earning a "satisfactory" score of 93.

United Kingdom's Composite, Component and Indicator Scores

Rank (out of 58)		Score (out of 100)
3	COMPOSITE SCORE	88
13	Institutional and Legal Setting	79
	Freedom of information law	100
	Comprehensive sector legislation	100
	EITI participation	0
	Independent licensing process	100
	Environmental and social impact assessments required	50
	Clarity in revenue collection	100
	Comprehensive public sector balance	100
	SOC financial reports required	..
	Fund rules defined in law	..
	Subnational transfer rules defined in law	..
3	Reporting Practices	91
	Licensing process	100
	Contracts	100
	Environmental and social impact assessments	100
	Exploration data	67
	Production volumes	100
	Production value	78
	Primary sources of revenue	78
	Secondary sources of revenue	100
	Subsidies	..
	Operating company names	100
	Comprehensive SOC reports	..
	SOC production data	..
	SOC revenue data	..
	SOC quasi fiscal activities	..
	SOC board of directors	..
	Fund rules	..

Rank (out of 58)		Score (out of 100)
	Comprehensive fund reports	..
	Subnational transfer rules	..
	Comprehensive subnational transfer reports	..
	Subnational reporting of transfers	..
7	Safeguards and Quality Controls	83
	Checks on licensing process	78
	Checks on budgetary process	89
	Quality of government reports	67
	Government disclosure of conflicts of interest	100
	Quality of SOC reports	..
	SOC reports audited	..
	SOC use of international accounting standards	..
	SOC disclosure of conflicts of interest	..
	Quality of fund reports	..
	Fund reports audited	..
	Government follows fund rules	..
	Checks on fund spending	..
	Fund disclosure of conflicts of interest	..
	Quality of subnational transfer reports	..
	Government follows subnational transfer rules	..
4	Enabling Environment	93
	Corruption (TI Corruption Perceptions Index & WGI control of corruption)	91
	Open Budget (IBP Index)	98
	Accountability & democracy (EIU Democracy Index & WGI voice and accountability)	91
	Government effectiveness (WGI)	92
	Rule of law (WGI)	95

■ Satisfactory ■ Weak
■ Partial ■ Failing