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**Committee of Experts on International
Cooperation in Tax Matters
Twenty-eighth session**

New York, 19-22 March 2024

Item 3(f) of the provisional agenda

Taxation of extractive industries

Co-Coordinator's Report

Summary

This paper is submitted to the Twenty-eighth Session of the Committee **for discussion, and comment**. It reports on the progress of work by the Subcommittee on Taxation of Extractive Industries since the last Session. Since the last Session, the Subcommittee's work has focused on two topics: (i) Trade Mispricing and Mineral Content Valuation; and (ii) Energy Transition. A draft guidance on energy transition (CRP.20) will be presented at this Session for discussion as a first read, for comments, suggestions, and guidance, with the view to presenting a final draft for approval at the Twenty-ninth Session.

A guide based on a compilation of country experiences will be drafted on Trade Mispricing and Mineral Content Valuation with the view to presenting it at the Twenty-ninth Session. The drafting group has initiated contacts, in some cases with the assistance of Committee Members, with tax officials in various countries, including Argentina, Mexico, and Chile in Latin America. In Africa contacts were established with tax officials in Zambia. Officials from Senegal and/or Cote d'Ivoire will also be approached. The drafting group held two technical meetings with Australian tax officials, and it will reach out to officials from at least one more country on the Asian continent.

The Energy Transition paper aims to examine the tax dynamics inherent in the evolution of energy supply, including addressing tax measures implications aimed at reshaping consumption behaviors and fostering the uptake of eco-friendly technologies on the consumption front. Furthermore, the paper explores the development of an enabling tax policy and administrative framework conducive to fostering fair and inclusive transition in energy production.

Summary Report: Subcommittee on Extractive Industries Taxation

Introduction

1. The Subcommittee on Extractive Industries Taxation convened on two occasions, November 30, 2023, and February 8, 2024, to mainly discuss two workstreams: (i) energy transition in extractive industries; and (ii) trade mispricing and valuation of mineral content.

November 30, 2023, Meeting Highlights

2. The key outcomes of the meeting included:

- Recognition of the positive reception of the proposed standalone article on Permanent Establishment (PE) by the Committee. The next step in this workstream was a draft Article on PE in the extractive industries. Following the recommendation from the Committee the Subcommittee took note of the Article drafting falling under the mandate of the UN Model Update Subcommittee.
- Deliberations on reorienting the work on tax incentives, aiming to present alternative approaches to the Subcommittee. Taking into consideration the feedback from the last Session, technical discussions on this workstream will continue with the view to submitting a new draft to the Committee at its Session in October 2024.

3. The discussion on the energy transition workstream outlined its multifaceted structure, addressing tax challenges, policy design, and administration issues. Participants emphasized the need to engage in concise discussions and submit written comments for further refinement.

February 8, 2024, Meeting Highlights

4. The meeting was called to review the draft on energy transition. A few moments were devoted to updating participants on the workstream on trade mispricing and mineral content valuation. Updates from discussions with tax officials and collaborations with Tax Inspectors Without Borders were highlighted, focusing on enriching practical experiences within country tax administrations.

5. The energy transition workstream underscored the additions and modifications made to the paper, particularly highlighting the importance of a policy-neutral approach while advocating for a transition away from fossil fuels. Feedback on various sections prompted revisions for clarity and coherence, with an emphasis on addressing global energy transition challenges comprehensively.

Collaboration with other subcommittees

6. The workstream on PE had two technical meetings with the UN Model Update Subcommittee and provided comments on the draft of the proposed new PE Article in extractive industries.

7. The Subcommittee also kept abreast of the work on energy transition from the consumption side going on within the Environmental Taxation Subcommittee via two participants who sit on both subcommittees in addition to the Secretariat focal points. The two Subcommittees exchanged views to help avoid overlaps or contradictory messages.

Conclusion

8. While working on various workstreams of its mandate, the Subcommittee devoted most of its time on energy transition. However, the work on trade mispricing also retained its attention. Submitting the energy transition paper for a first read at the twenty-eighth Session of the Committee, the Subcommittee invites comments and other input to revise and finalize the draft for a second read and approval by the Committee at its Twenty-ninth Session in October 2024 when a first read for the paper on trade mispricing will also be presented for a first read.