Natural Resource Governance Glossary

Natural Resource Governance Institute

absorptive capacity — The ability of the government or the economy to transform (i.e., "absorb") additional money (e.g., revenues, investments) into tangible goods and services without causing inflation or wasteful spending. It depends on availability of skilled workers and suppliers in the economy, as well as government competency.

accountability — The acknowledgement and assumption of responsibility by public, private and voluntary sector officials for their actions and the existence of redress mechanisms when duties and commitments are not met.

accountability institutions — Public, private and voluntary organizations that monitor the policies and performance of government or others in positions of authority, and take actions to ensure accountability for decisions taken. They include formal independent entities, e.g., ombudsman's offices, anti-corruption agencies, judicial entities, human rights commissions, parliamentary bodies, among others. More broadly, civil society organizations, citizen movements and media play key watchdog role.

allocation of rights — The process and approach through which companies are granted the right to extract. Openness and competition in the allocation of rights can have a positive impact on the quality of the outcome.

amortization — The allocation of capital expenses over a period of time for accounting or tax purposes.

asset allocation — The distribution of investment across different asset classes in an investment portfolio. Asset classes, namely: cash, fixed income assets (e.g., bonds), equities (e.g., corporate stocks) and alternative assets (e.g., real estate; derivatives) have different risk-return and liquidity profiles which a portfolio seeks to balance according to the investor's risk appetite.

audit — Independent examination and evaluation of an organization, individual or system to ascertain, candidly and with assurances of integrity, the validity of information and provide an assessment of the effectiveness of internal controls. See also internal audit.

back-loaded revenues — Revenues that are collected toward the end of the project cycle (i.e., once production has started and some costs have been recouped by the investor), such as profit taxes.

benchmark price — A reference price for a commodity based on an aggregation of trading activity over a given period as published by strategic global or regional commodity exchanges or other reputable industry sources.

beneficial owner — A beneficial owner is a natural person who, directly or indirectly, exercises substantial control over a legal entity or has a substantial economic interest in, or receives substantial economic benefit from, such legal entity.

block	See concession area.
bonus	A lump sum payment required by governments at a specified point in the extractive project timeline, such as at contract signature (i.e., "signature bonus") or at the start of production or given production thresholds (i.e., a "production bonus").
budget stabilization	See fiscal stability/stabilization.
cadaster (cadastre)	A registry (at national or subnational level) that records property details such as ownership, location and access rights. Mining cadasters record information regarding mineral rights such as licenses or concessions. In some countries the term mining cadaster refers not just to the registry, but also the public institution managing the registry and mining rights generally.
capital expenditure (capex)	Refers to money invested in a fixed asset (e.g., building or machinery) that will create future benefits extending beyond the tax year. Its counterpart is operating expenditure or running cost. Also known as "capex" in accounting practice.
capital inflow	The movement of money into a country for the purchase of local capital assets, such as buildings, land, machines, government bonds, stocks or companies.
carried equity	See state equity participation.
cash transfer	In the extractives context, governments may choose to designate a portion of windfall revenues to directly distribute to their citizens in order to give them a direct stake in the sector, alleviate poverty and/or to build a tax base. Also known as direct distribution.
civil society organization (CSO)	Non-governmental organizations such as trade unions, issue-based coalitions, faith-based organizations, grassroots or community movements, media groups and foundations.
collateral	Assets that a borrower offers a lender to secure a loan.
commercial discovery	A discovery of extractives that is 90 percent or more likely to be profitable for the company.
commodity	A raw material such as oil, gas or minerals or primary agricultural product, that is traded on the market.
commodity trading companies	Companies that specialize in the sale and movement of commodities, facilitating the move from the extraction point to the market.
community development agreements (CDAs)	Agreements between companies, governments and communities that seek to improve the welfare of the community near the project site.
competitive tenders	The process by which the government makes a public call for companies to submit bids for a particular extractives project, opening the opportunity to bid to more than one party. Auctions are a common form of competitive tenders in the petroleum sector.
concession area	Designated geographic areas over which resource exploration and/or extraction rights are granted. Also known as blocks or license areas.

constitution	Document that establishes the authority of the government to make and enforce laws. It may also include information about the fundamental rights and values of the country, potentially including natural resource ownership.
contingent resources	Resources that are discovered, but are not yet recoverable commercially.
contract	An agreement or set of legal terms whereby a government entity or its representative (e.g., state owned enterprise) grants a company the right to explore and/or extract a resource in a given area in return for paying to the government royalties, taxes or other consideration. Also known as a lease, license, concession, block, mineral development agreement (MDA), or production sharing contract (PSC), among others.
corporate income tax (CIT)	A tax assessed as a percentage of the net profits of a company after deducting allowable expenses.
corporate social responsibility (CSR)	A voluntary self-regulation pertaining to how a company manages its impact on the community and society at large. It can range from building village health clinics to publishing information of public interest.
cost oil	In a production sharing contract, the amount of oil that the company recovers before calculating the production share between the state and company. It is determined by the operating and capital expenditure of the project.
cost recovery	The process of recouping costs of producing a commodity, usually established in the fiscal regime.
counter-cyclical fiscal policy	A policy that increases budget spending when resource revenues are low and imposes limitations on spending when revenues are booming. Resource rich countries can use this approach to mitigate the volatile impact of commodity boom and bust cycles on their budgets. See also fiscal stability/ stabilization.
creaming curve	A typical pattern of discoveries or for an oil area (often a plotted line on a diagram) that starts with no finds, quickly rises after the initial discoveries and then levels off during the maturing phases, when remaining prospects will be smaller and have a lower discovery probability.
decision chain	A model of the interrelated policies made by a government in managing resource extraction from exploration and licensing to investing revenues. It is used as a conceptual framework to the Natural Resource Charter, the Extractive Industries (EI) Source Book and other references for understanding natural resource governance.
depreciation	A decrease or loss in value because of age, wear or market conditions. In accountancy, depreciation refers to two aspects of the same concept: a) the decrease in value of assets, and b) the allocation of the cost of assets to the period in which the assets are used. It can be used as an income tax deduction to recover the costs of certain property.
direct payments	Payments from an extraction company directly to a particular government entity, often a subnational government.
disaggregated	Broken down into component parts. In the extractive industries it is recommended that payments to government and other information be made available at the project level.

dividend	Sum of money paid regularly by a company to its shareholders, typically to distribute profits.
double taxation	The imposition of a tax obligation more than once on the same source of income. In extractives, double taxation questions arise when a multinational corporation or the owner of a natural resource company is charged income or withholding tax by both the host country and their home country. Treaties to mitigate this practice often limit the host country's ability to collect taxes on its extractive projects.
domestic investment	Investment in assets—including bonds, equities, human capital (e.g., education) and physical capital (e.g., machinery)—by nationals or the government inside their home country.
due diligence	Investigation carried out by a party to learn and verify the full history and current situation of a party with which it may partner with, or an asset it may acquire.
"Dutch disease"	The phenomenon by which, in resource-rich countries, increases in oil, gas and mineral exports to foreign markets can generate large capital inflow, resulting in real exchange rate appreciation and inflation. This can hurt certain parts of the economy—such as manufacturing—and make exports less competitive.
earmarking	Designating a revenue stream or portion of the budget for a particular spending purpose.
economic diversification	The process of producing goods and services in different sectors (e.g., agriculture, manufacturing, services, natural resources) so that no single sector dominates the economy.
economic efficiency	A state that is reached when resources are optimally used and distributed in the economy, minimizing waste and maximizing potential gains.
economies of scale	When the cost per unit of output diminishes with the increasing size of the project as fixed costs are spread out over more units of production
economies of scope	When the average cost of production decreases as a result of producing different outputs. Economies of scope can arise when one type of infrastructure can be used as inputs for another type of infrastructure (e.g., placing telecommunication lines along the same route of pipelines).
Extractive Industries Transparency Initiative (EITI)	An international multi-stakeholder initiative that aims to promote natural resource transparency and accountability.
Extractive Industries Transparency Initiative (EITI) administrator	An independent organization appointed to gather and where appropriate reconcile, extractive industries data provided by companies and government as required by the EITI standard.
Extractive Industries Transparency Initiative (EITI) candidate country	The designation given by the EITI board when a country has issued an unequivocal public statement of its intention to implement EITI, fulfilled the criteria to demonstrate a commitment to the multi-stakeholder approach, and has prepared the administrative, and other resources necessary to achieve the EITI standard.

Extractive Industries Transparency Initiative (EITI) compliant country	The designation given by the EITI board when a country has completed the validation process and is found to be satisfactorily in line with the EITI standard.
enclave development	The development of extraction related infrastructure in a manner that exclusively suits the needs of one company and does not take into account other uses by the neighboring community, host government or other companies operating in the country.
environmental and social impact assessment (ESIA)	This is an evaluation of social and environmental implications of a project's extraction activity; usually required before the project begins and approved by the government.
exchange rate appreciation	An increase in the value of the currency relative to another currency. For resource rich economies there can be a significant risk of rapid currency appreciation due to large capital inflows in the extractive sector.
exhaustibility	The finite or non-renewable nature of a resource; its ability to be depleted or used up.
expropriation	The act by which the government takes over the ownership of an asset (such as an oil project) against the contract terms governing the asset. This is often done through a process called "eminent domain."
extra-budgetary fund	The government account or institution that collects specific revenue streams or earmarks spending.
extractive resource	A nonrenewable natural resource found in or under the ground; specifically oil, gas and minerals.
first come, first served	A method of license allocation in which the first individual or company that applies for mineral rights will be given priority to the license or lease.
fiscal decentralization	The transfer of fiscal authority from central government to subnational governments.
fiscal deconcentration	The delegation of certain fiscal authorities to the subnational level while maintaining accountability to the central government.
fiscal deficit	The amount by which government expenditures exceed revenues.
fiscal instruments	Policy tools that enable governments to generate revenues from a sector; in the extractive sector, these will typically include bonuses, taxes, royalties, dividends, etc.
fiscal policy	A set of decisions a government makes on revenue (e.g., taxation, savings, borrowing) and expenditure (e.g., budget spending, debt payments) to influence economic outcomes (e.g., employment, household spending, prices).
fiscal regime	The set of terms and instruments (e.g., taxes, royalties, dividends) that determine together how the revenues from extractive projects are shared between the state and companies.

fiscal rule | A multi-year constraint on overall government finances defined by a numerical target; for example, limiting public expenditure growth to three percent per year.

fiscal stability/ stabilization | The policy of mitigating the impact of volatile resource revenues on the government budget by, e.g.,. saving windfall revenues in a fund, paying down public debt when revenues are high, drawing down on public savings or borrowing when revenues are low, thereby smoothing year-to-year spending. See also counter-cyclical fiscal policy.

fiscal sterilization | Mitigating the negative effects of large revenue inflows on the economy (e.g., exchange rate appreciation, inflation) by investing revenues in foreign assets; often used to help mitigate the negative effects of "Dutch disease."

fiscal surplus | The amount by which government revenues exceed expenditures.

fiscal sustainability | The ability of the government to maintain its current spending and tax policy over the long term without threatening solvency or risking default; it is especially important in regions dependent on finite resource revenues.

fiscal terms | See fiscal regime.

Foreign Corrupt Practices Act (FCPA) | United States federal law that makes it illegal for U.S. citizens and companies to make payments to foreign government officials to assist in obtaining or retaining business.

foreign investment | Investment in assets—including bonds, equities and physical capital (e.g., machinery)—by nationals or the government outside their home country.

formula pricing | A method of linking the price of a commodity to a benchmark price in a sales contract (e.g., "Brent minus USD 7.15").

free equity | See state equity participation.

free, prior and informed consent (FPIC) | The principle that communities (often indigenous communities) have the right to give or withhold their consent to proposed projects that might affect the lands they own, occupy, or otherwise use. It also often encompasses a process of consultation necessary for obtaining valid consent.

front-loaded revenues | Revenues that are received toward the beginning of the project such as bonuses.

fuel subsidies | An economic benefit provided by the government to reduce the price of fuel. Subsidies can either be provided directly to consumers or to producers and can be explicit (e.g., a set price at the pump) or implicit (e.g., selling oil cheaply to refineries).

gold plating | When companies spend more than necessary on production costs, often to reduce tax liability or production sharing burden.

governance | The form of political regime or the manner by which authority is exercised in the management of a country's social or economic resources for the public good. Can also refer to the capacity of governments to design, formulate, and implement policies and discharge functions.

greenfield exploration | In oil, gas and mineral exploration, it indicates activities in a new field where deposits are not already known to exist.

gross revenues	All revenues collected without any deductions for expenses (costs) or taxes.
hedging	In extractives, the practice of insuring against the risk of price volatility using an options or futures contract to secure the value of production in advance.
heaviness (of oil)	Crude oil is classified as light, medium, or heavy according to its measured American Petroleum Institute (API) gravity or density as compared to water. Any liquid petroleum with an API gravity less than 20 percent is heavy.
home country	Country where an investor is resident or company is incorporated.
host country	Country where an investment is made.
import and export duties	Tax applied to the import or export of goods, usually as a percentage of the value of imported/exported goods.
independent oversight	Supervision of government behavior without political interference, including identifying noncompliance with rules, waste, fraud, abuse and mismanagement, and suggesting or enforcing corrections.
in-kind payment	Payments made to a government in the form of goods instead of cash. In extractives, it is a payment using the commodity itself as currency in lieu of a share of financial revenues.
inflation	The rate of change of the general index of prices. Calculated by national governments for each currency.
infrastructure	Physical or organizational structures, such as roads, railways, telecommunications and water facilities.
integrated companies	Companies that are involved in not only upstream activities but in midstream transportation and downstream value added activities such as refinement, trading and retail.
intergenerational equity	The principle that future generations ought to have the means to achieve a quality of life equal to or better than the current generation, for instance from the returns on resource extraction.
internal audit	An examination and evaluation of an organization's or system's internal controls by an independent internal auditing department. The goal of an internal audit is often to study and make recommendations to improve the effectiveness of governance processes. See also audit.
international accounting standards	Internationally accepted standards for financial reporting as issued by the International Accounting Standards Board.
investment treaty	Agreement between states in which they commit to provide covered foreign investors special substantive and procedural protections.
joint venture (JV)	An agreement in which companies, each with a share of the equity, work together to conduct exploration or production of an extraction project.

license	A standard-form legal document that the state or subnational government uses to grant exploration or extraction rights according to a generally applicable set of terms, with limited variation from one project to another. Also known as a permit in some jurisdictions.
licensing	See allocation of rights.
license area	See concession area.
licensing round	A period in which the government offers and allocates licenses.
liquid assets	Assets that can be easily accessed to be converted into cash (e.g., U.S. government bonds).
local content	Non-tax benefits to the national economy and communities through the use or development, by extractive sector operators, of domestic labor, suppliers, goods and services, capital and infrastructure.
London Metals Exchange (LME)	Center for industrial metals trading and price-risk management. LME prices are often used as global commodity benchmarks.
mandatory disclosure requirements	Requirements for companies operating within a certain jurisdiction or listed on certain stock exchanges to disclose information on payments made to government entities in the countries where extraction takes place.
materiality	The quality of being deemed relevant for reporting purposes. In the EITI process, multi-stakeholder groups (MSGs) come to an agreement about the level of materiality for payments and other information to be disclosed.
model contract	A document outlining generic terms for possible extraction agreements within a country. The level of detail and deference given to a model contract varies from country to country.
monetary policy	The actions of a central bank, currency board or other regulatory committee that determine the size and rate of growth of the money supply, which in turn affects interest rates.
multi-purpose infrastructure	When the same piece of infrastructure is used to meet different needs, such as a rail line transporting coal from a mine and produce from nearby farms.
multi-stakeholder group (MSG)	Group that includes representatives from government, civil society and extractive corporations. In the EITI context, the MSG has the responsibility and authority to govern the EITI process.
multi-user infrastructure	An approach to the development of extractive infrastructure that envisions and enables multiple users to benefit from the same investment. For example, multiple extraction companies using the same railway line to transport a commodity from their production sites.
national oil company (NOC)	See state-owned enterprise (SOE).

Natural Resource Charter	A set of principles for governments and societies on how to best harness the opportunities created by extractive resources for development. It is organized around 12 core precepts offering guidance on key decisions governments face, beginning with whether to extract resources and ending with how generated revenue can produce maximum good for citizens.
natural resource funds (NRFs)	Sovereign wealth funds that are financed primarily from oil, gas or mineral revenues.
natural resource revenues	Money received by the government from the extraction or sale of natural resources.
non-fiscal benefits	Benefits a government or community might get from an extraction project that are not related to collection of monetary rents. This can include jobs, infrastructure and other contributions to the local economy.
off-budget spending	Government spending that is not managed through the normal budget process and therefore may not be subject to the same high standards such as parliamentary oversight, or procurement and audit requirements.
Open Government Partnership (OGP)	A multilateral initiative that aims to secure concrete commitments from governments to promote transparency, empower citizens, fight corruption and harness new technologies to strengthen governance.
operator	The company responsible for managing operations with respect to a particular project.
operating expenditure (opex)	Ongoing expenses that a business incurs for performing its normal business operations (e.g., wages, maintenance and repair of machinery, utilities and rent). Also referred to as "opex" in accounting practice.
opportunity cost	The cost of choosing one option over an alternative, measured by the net present value of the foregone option.
paid equity	See state equity participation.
participatory approach	A method which promotes inclusiveness in processes and decision-making by ensuring all impacted parties have a voice or representation and are empowered to take part meaningfully.
perceived risk (of a discovery)	A business concept referring to the probability that a discovery will lead to commercial production. It is a function of exploration costs together with the technical and commercial chances of success.
perceived value (of a discovery)	A business concept referring to the expected value of a discovery, as a function of the size of discovery, commodity prices, cost and time to produce, and profit sharing.
permit	See license.
petro-aggression	A theory extending "resource curse" arguments into the realm of foreign policy and implying that oil changes incentives for states to make war and conduct international relations.

pre-qualification	The process of deciding whether companies meet the technical, financial and other criteria to bid or start negotiations for resource rights.
production	The quantity of a resource extracted in a given time period.
production bonus	See bonus.
production cost	See capital expenditure and operating expenditure.
pro-cyclical fiscal policy	Fiscal policy that leads to greater expenditure when revenues are expanding and less expenditure when revenues are shrinking.
production sharing	The allocation of the physical production of oil and gas between the private investor and the state often by formula.
production sharing agreement (PSA)	See production sharing contract (PSC).
production sharing contract (PSC)	An agreement in which the oil and/or gas recovered is shared between the government and a private company, after deduction of investment and production costs (in lieu of, or in addition to, cash payments of taxes). It is also called production sharing agreement (PSA).
profit oil	In a production sharing contract, the amount of oil that remains after costs are deducted. (See cost oil.) This is split among project investors, including where applicable government entities.
progressive fiscal regime	A fiscal regime that gives the government a larger share of the profit when profits for the project increase, and a smaller share when profit falls.
project-level payments	Payments made to government entities that are attributable to a particular project.
project life cycle	The successive stages of an extraction project; usually moving from exploration, development, and production to closure. It can last between five and 200 years depending on the size and geology of the project.
prospective resources	Volumes of potentially recoverable resources estimated to exist based on indirect evidence but that have not been drilled.
public consumption	Government spending on final goods and services resulting chiefly in their destruction, deterioration or transformation.
public investment	Government spending on goods and services that can reasonably be expected to generate future social returns.
public disclosure	Act of making information or data widely available, for example through the media, a public forum or on a website.
Publish What You Pay (PWYP)	An international coalition of hundreds of civil society organizations calling for transparency and accountability in the extractive sector.

quasi-fiscal expenditures	Expenditures by a government entity outside of the ministry or government entity's main purpose. For example, national oil company spending on schools instead of their core business, usually acting on behalf of government.
raw mineral	The unaltered and unrefined state of a mineral when it is extracted.
real exchange rate (RER)	The RER between two currencies discounts differences in their respective inflation rates from their nominal exchange rate. It is the product of the nominal exchange rate (the dollar cost of a euro, for example) and the ratio of prices between the two countries.
recurrent expenditures	Spending that is regularly occurring in the budget every year, such as teacher salaries.
refining	The process of separating oil, gas or minerals from impurities.
regressive fiscal regime	Set of fiscal tools that gives the government a lesser share of profits as an extractives project becomes more profitable, and a larger share when a project is less profitable.
regulations	Specific requirements that are usually set forth in accordance with a law by an executive ministry or department.
resource rent	Revenues that accrue from a natural resource extraction project above and beyond the total costs and economic returns.
reserves	The subset of total resources that is commercially viable to extract.
resource curse	The paradox that countries with an abundance of natural resources, specifically non-renewable resources like minerals and fuels, tend to have less economic growth and worse development outcomes than countries with fewer natural resources.
resource-dependent	Generally, when more than 25 percent of a country's GDP, fiscal revenue or exports come from oil, gas or mining.
resource governance	The manner in which power is exercised and policies are made in the management of a country's oil, gas and mineral resources for development.
Resource Governance Index (RGI)	A tool developed by the Natural Resource Governance Institute that measures the quality of governance in the oil, gas and mining sectors.
resource rent tax	A fiscal instrument designed to capture part or all of the economic rent from natural resource extraction. It can take the form of a variable profit tax, a production share based on the ratio between total cumulated revenues and total cumulated costs, or a tax triggered by a given internal rate of return of a project. Common variants include windfall profits tax or super profits tax.
resource revenue transfers	Revenues from extractive projects which are collected by the national government and shared with subnational authorities.
restricted bidding	A procurement method that limits the request for tenders to a pre-qualified list of bidders or by invitation only.

revenue distribution | How a government allocates natural resource revenues to different levels of government, institutions, or directly to citizens.

ring-fencing | The separate taxation of activities on a project-by-project basis which enables the government to collect tax revenue on a project each year that it earns a profit. Without such requirements companies can offset the tax obligations of more profitable projects with the sizable losses incurred by a project still in its early stages.

risk/return profile | The relationship between the potential profits from an extraction project against the potential risks

royalties | Payment due to the resource owner based on either *ad valorem*, a percentage of the value of the resource extracted (e.g., four percent on the sale value of gold extracted) or on a *per unit* of extraction basis (e.g. four percent on each ounce of gold produced).

savings fund | A type of sovereign wealth fund that saves revenues for the long term.

shell companies | A legal entity that serves as a vehicle for business transactions without itself having any significant operations.

signature bonus | See bonus.

social investment | Investment by companies in social development projects.

social license to operate | Concept expressing the ongoing acceptance of the project by the surrounding community.

sovereign wealth fund (SWF) | State-owned entity with macroeconomic objectives that invests at least partly in foreign financial assets.

spot price | The rate quoted for immediate settlement on a contract to purchase or sell a commodity. It is based on the value of an asset on the "spot date", which is normally two business days after the trade date.

stabilization clauses | Terms of contracts that determine how the contract interacts with other laws in the country. They often limit the potential for changes in laws to influence the terms of the contract for a period of time or in a particular area (e.g., changes in the fiscal regime).

stabilization fund | A type of sovereign wealth fund created to mitigate the impact of volatility by collecting deposits when prices are high and supplementing the budget when prices are low.

state equity participation | A state's ownership stake in mineral or oil and gas ventures, either as the sole commercial entity or in partnership with private companies. The government's stake can be in the form of paid equity (where the state pays a market rate for its shares and may have to meet cash calls for project development expenses); carried equity (where the private-sector partner finances part of project costs upfront and the government pays for its equity via foregone revenues); or free equity (where the government pays nothing for its equity, but makes trade-offs elsewhere in the fiscal package).

state-owned company (SOC) | See state-owned enterprise (SOE).

state-owned enterprise (SOE)	A company that is either wholly or partially owned by the government which is created to undertake commercial activities on its behalf. Also known as a state-owned company (SOC), or national oil company (NOC) in the oil sector.
strategic impact assessment (SIA)	A methodology for a government to evaluate the overall benefits and costs for the country of licensing areas. This is sometimes known as strategic environmental assessment (SEA).
strategic environmental assessment (SEA)	See strategic impact assessment (SIA).
subnational authority	Official authority or representative of government at a level lower than national (e.g., state, provincial, district).
super profit tax	See resource rent tax.
surface rental payments	Payments to the central, or sometimes subnational, government in exchange for the company's use of land to carry out exploration or extraction. These payments are typically based on a fixed or per-acre fee, proportional to the surface area of a mining/ hydrocarbon title.
sweetness (of oil)	A measure of the amount of sulfur in oil (less sulfur is sweeter and more valuable).
tailings	Material, (e.g. unrecoverable and uneconomic metals, minerals, chemicals, organics and process water) left over after the extraction of ore.
tax base	In accounting, the type of revenue to which taxes are applied, and its method of calculation.
technocratic	Relating to or characterized by a system of governance in which policies and decision-making are dominated by technical experts.
term sales	In commodity trading, when the national oil company negotiates a contract with a buyer for a longer period, typically a year. The agreement usually stipulates how the price will be determined against a specified benchmark.
thin capitalization	Refers to the state in which a company is financed through a relatively high level of debt compared to equity which is often done to reduce tax liability.
transfer pricing	The process for setting the price of a transaction between two entities that are part of a group of related companies. The manipulation of these closed transactions ("transfer mispricing") to avoid taxation can result in significant losses to government revenue in resource producing countries.
validation	Compliance review conducted every three years by an independent agency to verify whether an Extractive Industries Transparency Initiative implementing country has met or upheld all of the requirements in the EITI Standard.
volatility	In the extractive context, this refers to the frequent tendency of oil, gas and mineral prices to fluctuate unpredictably and dramatically.

wildcatting | An American term for speculative drilling in areas not known as likely to have resources.

windfall profit tax | See resource rent tax.

withholding tax | Tax withheld by a company on some categories of payments (salaries, services, interests or dividends) that is remunerated to the tax authority. E.g. since extractive industries are often heavily reliant on ex-patriate workers and foreign investors a key feature of fiscal regimes for extractive industries are border withholding taxes which apply to payments to non-residents.

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