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**Ms. Charlotte Griffiths**  
Sustainable Economic Energy Division  
UN Economic Commission for Europe  
Room 466, Palais des Nations  
CH.1211 Geneva 10

**RE: Draft UNFC Specifications for the Application of UNFC-2009 and Draft Explanatory Report**

Dear Ms. Griffiths:

Repsol, S.A., is pleased to provide comments to the Commission on the draft document "Specifications for Application of the United Nations Framework Classification for Fossil Energy and Mineral Reserves and Resources 2009 (UNFC-2009)" and the accompanying draft Explanatory Report as are both available on the [UNECE website](#) for public comment.

As we all know in our industry, the classification and reporting of oil and gas reserves and resources in conjunction with financial information, is of paramount importance to our companies, investor community and other users of such information acting in the global economic. Repsol, S.A., acknowledges the Commission for their effort and initiative in bringing this proposal. We trust this proposal is a major step toward a unified set of standards guidelines for the classification of main sources of fossil energy and other commodities so much needed in our today's world. The work carried out by the group of expert is very comprehensive and represents a fine piece of work.

In respond to the proposal, our comments and remarks encompass general aspects related with the overall philosophy of consistency and comparability of the classification requirement as indicated by the proposal; other more related with specific key technical aspect.

**"Extraction Suspended" or "Stop Being Economic"**

It has been observed that both the UNFC-2009 and SPE-PRMS 2007 provide for the classification and categorization of resources on increasing chronological basis, i.e., from exploration to production commissioning, passing through different development stages, all contingent to a number of successful geologic events and business investment decisions. In any case these two resources classification systems include the status of a resource whose production should be suspended for a long time, or even indefinitely, due to various contingencies, or where production is no longer economic, to the point that all these cases compel downgrade resources associated with this production. Resources for an asset that comes into this situation should go to a sub-class of contingent resources whose definition is not clearly defined in today SPE\_PRMS 2007 or UNFC-2009 systems.

This observation might call for a new, name like (Contingent Resources) "Extraction Suspended or Stop being Economic" (in reverse direction of commerciality) as opposite to the current definitions of sub-classes Development On-hold, Development Unclassified, or Development Not Viable that may not apply because, although part of the asset can be still pending to develop, the difference with other cases is that an asset like this had already reached and been in the "On Production" status.

Contingencies that could give rise to such situation would be for example:

- Extraction stops for legal and or regulatory provisions
- Extraction is stopped by force majeure
- Operation is no longer economic (OPEX > Revenues)

In this regard, it has been noted that under the current classification framework UNFC-2009 these cases could be categorized by using and expanding the current sub-categories boxes. Indeed, it is believed that G1, G2, and G3 (geological knowledge) can be combined with E and F axis as follows:

**E2.2 (currently inexistent) can be created and combined with F2.2 to classify "Extraction Suspended"**

**E2.3 (currently inexistent) can be created and combined with F2.1 to classify "Stop Being Economic"**

Therefore, we propose to create E2 sub-categories E2.1, E2.2 y E2.3 as follows:

Proposed new E2 Sub-categories:

**E2.1:** Extraction and sale is expected to become economically viable in the foreseeable future; further appraisal/evaluation activities are on hold pending the removal of significant contingencies external to the project. Development may be subject to a significant time delay.

**E2.2** (suitable for former commercial on-production projects): Extraction and sale have been suspended due to legal or regulatory actions, "force majeure", or economic reasons and there are no evidences that extraction and sale will be resumed in a reasonable period of time. Moreover, a change in circumstances, such that there is no longer a reasonable expectation that a critical contingency can be removed in the foreseeable future, for example, could lead to downgrade the classification of the project.

**E2.3** (suitable for former commercial on-production projects): Extraction and sale have stop being economic but the entity continues the extraction despite economic constraints. Extracted volumes shall be booked in such a way that remaining quantities as of the effective date shall state 0, i.e., production minus on production quantities of the period equals 0.

## References

### **Established E2 category (social and economic conditions)**

Definition: Extraction and sale is expected to become economically viable in the foreseeable future.<sup>d</sup>

Supporting Explanation: Extraction and sale has not yet been confirmed to be economic but, on the basis of realistic assumptions of future market conditions, there are reasonable prospects for economic extraction and sale in the foreseeable future.



d The phrase “economically viable” encompasses economic (in the narrow sense) plus other relevant “market conditions”, and includes consideration of prices, costs, legal/fiscal framework, environmental, social and all other non-technical factors that could directly impact the viability of a development project.

#### **Established F2 category (maturity of studies and commitments)**

Definition: Feasibility of extraction by a defined development project or mining operation is subject to further evaluation.

Supporting Explanation: Preliminary studies demonstrate the existence of a deposit in such form, quality and quantity that the feasibility of extraction by a defined (at least in broad terms) development project or mining operation can be evaluated. Further data acquisition and/or studies may be required to confirm the feasibility of extraction.

#### **Sub-categories**

F2.1: Project activities are ongoing to justify development in the foreseeable future.

F2.2: Project activities are on hold and/or where justification as a commercial development may be subject to significant delay.

F2.3: There are no current plans to develop or to acquire additional data at the time due to limited potential.

#### **Economic limit**

The UN Framework as well as other classification framework for reserves and resources, define the term “Economically Viable” too wide open, which might undermine the base oriented philosophy of the UN framework. It is a concept very often stated to define reserves and resources categories. However, the UN and, as mentioned, other regulators or classifications frameworks, do not clearly define its meaning and scope. We believe this is a pending issue regulators must come across in order to clarify and set market standards. The SPE has defined “Economic Limit”, which is commonly stated and used across the Oil and Gas industry. However, its definition lacks of detailed instructions and leaves aspects to interpretation. We believe that a more narrow base definition would enhance the usefulness of the UN Framework.

#### **CiO - Consumed in Operations issues**

In Annex IV of “Specification for Applications of the UN Framework...”, “bridging document between SPE-PRMS and UNFC-2009”, paragraph 21 and 22 “lease fuel” is mentioned. However, even though a requirement to report those volumes separately is suggested we believe the framework should also require that in those cases fuel is considered as reserves, that situations must be clearly represented in operating expenditures figures.

Finally, Repsol, S.A., appreciate the Commission’s effort to revise the current disclosed framework and for providing us with this opportunity for comments. We remain open to provide further details at your convenience.

Respectfully submitted,



