



## **ECONOMIC COMMISSION FOR EUROPE**

### **WELCOMING STATEMENT**

**by**

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**Second Session, Ad Hoc Group of Experts on Harmonization  
of Energy Reserves and Resources Terminology**

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Good Morning Ladies and Gentlemen.

On behalf of Mr. Paolo Garonna, Acting Executive Secretary of the United Nations Economic Commission for Europe, it is my pleasure to welcome you to Geneva and to the Palais des Nations.

For those of you that may not know, our Executive Secretary, Ms. Brigita Schmognerova, resigned from the ECE, end of August, to join the EBRD in London. Mr. Garonna is currently the Officer-in-Charge of the ECE until the Secretary General appoints a new Executive Secretary.

Let me begin by informing you, first, on the current UN wide and UNECE Reform processes and their implications for your activities and, then, focus on the issues at hand, that is, those issues that you will be addressing over the course of the next three days.

#### **UN and ECE Reforms**

Let me now deal with the issue of UN Reforms.

Reforms are being carried out at two levels, at the level of the UN, that is, UN wide, and at the level of the ECE. These two reform processes are taking place in parallel.

At the level of the UN, Member countries have already agreed to the establishment of a UN Council on Human Rights to replace the existing Commission on Human Rights. They have also agreed to establish a UN Commission for Peace Building aimed at countries coming out of a situation of war or conflict. In addition, Member States have asked the Secretary General to

review and make proposals regarding the mandates of the various institutions comprising the UN as well as on management issues, such as oversight, monitoring, auditing, delegation of responsibility, and accountability, to mention a few. Progress is being made on all of these issues.

On the other hand, discussions on reforming the Security Council are proceeding slowly and the outcome of these discussions is more problematic.

Now turning to ECE Reforms.

In 2004, ECE Member States decided to initiate a review of the mandate, role and programme of work of the ECE. First, they commissioned an outside evaluation by 4 consultants. This report was prepared and transmitted to Member countries at the end of June 2005.

Starting this September, our Member countries commenced consideration of the Outside Evaluators Report. At this time, reform proposals are being discussed and negotiated by countries. The hope is that these negotiations can be concluded by end of November, in which case the reforms would be officially adopted in December of this year and implemented at the beginning of 2006.

The outside evaluators recommended that the Energy Programme be retained, largely in its current form. They did, however, urge ECE to collaborate much more closely with other international organizations and to continue to engage the private sector.

At this stage, proposals under consideration by Member States for the programme of work on Energy are in line with the recommendations of the Outside Evaluators. Hence, the proposed reforms are not likely to have a major direct impact on the energy programme of work. We will obviously have an obligation to follow up on the recommendation to have closer collaboration with other international organizations. Likewise we will continue to engage the private sector in our work as we have been doing.

While there may not be a direct impact on the energy programme from the reforms, there might, nonetheless, be some indirect implications stemming from the ECE wide reforms. For example, the governance structure of the ECE is likely to be significantly altered. However, the changes being contemplated are likely to result in a more focused overall programme of work, better coordination and decision making for the ECE. Moreover, it is likely to lead to a renewed sense of commitment and involvement of Member countries in the activities of the ECE.

To conclude on this particular issue, the signs are positive for the programme of work in energy and your activities. In any case, the reform process will not have a negative impact. It can only lead to the strengthening of the programme.

## **Activities of the Group on Harmonization of Energy Reserves and Resources Terminology**

Let me now turn to your activities.

A key change since the last session held in November 2004, is that the name of the Group has now reverted back to its former name, notably the Ad Hoc Group of Experts on the Harmonization of Energy Reserves and Resources Terminology. This change was made in response to the request of key stakeholders in this Group of Experts and this amendment was subsequently approved by the Committee on Sustainable Energy at its annual meeting held in June this year.

Ladies and Gentlemen, the UNECE has worked for over a decade to develop and encourage the use of a common, universal classification framework for improving the assessment and reporting of energy and mineral resources.

I don't want to go into the history of this process except to note that the Economic and Social Council of the UN, which is the equivalent of the UN Security Council in the sphere of economic and social matters, adopted two resolutions regarding the United Nations Framework Classification, one in 1997 and the other in 2004. These resolutions encourage Member States of the United Nations, international organizations and regional commissions to take appropriate measures for ensuring worldwide application of the Framework Classification both for energy and mineral resources.

In sum, these two resolutions give you a mandate for further work in this area.

Since the UNFC was first developed in 1990s, the need for one common global code covering extractive activities has intensified. This requirement will continue to prevail and will need to be met urgently as global capital and commodity markets mature.

Obviously, the implementation of a common framework and common code worldwide is an enormous challenge. But frankly, this is a challenge you have to face up to and to take on.

The need for a global common code is best exemplified by the International Accounting Standards Board (IASB), charged with the development of International Financial Reporting Standards (IFRS). The Board has placed extractive industries on its research agenda for the purpose of evaluating a future International Financial Reporting Standard for extractive activities. General International Financial Reporting Standards are already enforced in many countries and starting in 2005 also in the European Union. In addition, there is an agreement between the IASB and the US Securities and Exchange Commission to harmonise their rules. One way or another convergence in standards for the extractive industries will take place and you should actively contribute to this process.

A wide range of international organizations, governmental bodies and renowned experts have expressed their interest and offered their support to the UNECE to facilitate this initiative. The international organizations include the International Atomic Energy Agency (IAEA), the International Energy Agency (IEA), the International Energy Forum (IEF), the Organisation of

Petroleum Exporting Countries (OPEC), the World Petroleum Council (WPC) and the World Energy Council (WEC). A number of professional associations, including the Association of American Petroleum Geologists (AAPG), the Combined Reserves International Reporting Standards Committee (CRIRSCO), the European Federation of Geologists (EFG), the International Accounting Standards Board (IASB) and the Society of Petroleum Engineers (SPE) have also indicated their willingness to cooperate on this initiative.

I wish to express our gratitude to all those organisations, associations and individual experts - many of whom are represented here today - for their ongoing cooperation and collaboration.

You have two documents in front of you today on which your input is being sought, notably the draft Terms of Reference for this Group and also very importantly the draft Proposed Governance Structure for the Classification and Definition of Fossil Energy and Mineral Resources.

The latter is a key text and one on which your comments are essential. Please note that this document is only a very initial draft designed to serve as the starting point for discussions. Your input is strongly encouraged – this is your document and it is critical that you, the stakeholders, take ownership of the words since this will serve as the foundation for the work on the development of a global common code for reserves and resources reporting. Success for our work requires that the Governance Structure is the right one.

In your discussions, you may wish to review the needs for both efficiency and transparency through due process. Efficiency is required as the cde is overdue in many respects. We should be prepared to secure delivery of an implementation plan for application in government resources management, in corporate business process management and in financial reporting very quickly. We shall not succeed without broad public acceptance, and that will depend on the processes followed in the development and adoption of the plan, and on the transparency of the processes.

We in the UN are ready to propose to our Member countries for their consideration and decision the following:

- a proposal to upgrade this body to a standing body, such as a Working Party, which would have continuity through time rather than be an Ad Hoc Group of Experts whose mandate has to be renewed every two years;
- a proposal to move this activity directly under the UN Economic and Social Council so that there is a more direct, transparent global mandate;
- a proposal to host and service the activity at the UNECE on behalf of ECOSOC (there is already such a precedent established).

Having said this, I would however stress that the UN has its own clock that does not necessarily reflect standard time. Given its composition, structure and nature, the UN moves at its own pace and rhythm. Hence, I would urge you to move forward with what needs to be done quickly under current arrangements and the UN will catch up to you in due course. These are decisions that

Member States will have to take and not the Secretariat. Therefore, we will have to go through the appropriate procedures that take time.

Your agenda for the coming three days is a full one. You are scheduled to discuss a wide range of key issues, including the Governance Structure for a Global Common Code that I have just mentioned; then there is the matter of the financing of a dedicated Trust Fund under the UNECE to carry out activities related to the development and implementation of a global common code as an alternative to ad hoc in kind contributions. Preparation of draft Guidelines and Definitions for both petroleum and minerals will also need to be discussed as will the preparation of both petroleum and solid fuels and minerals case studies, including the identification of fields and volunteers to undertake the studies.

The Meeting today, tomorrow and Friday offers a great opportunity for a full and constructive dialogue. It will, however also be a challenging dialogue since so many views are represented here today in this room. Accommodating all these views will require an open minded and flexible approach by all parties and I urge you to have this in mind when we begin our discussions in earnest later this morning.

The Cocktail Reception this evening kindly sponsored by Chevron also offers an informal setting for you to continue your discussions.

Thank you for your attention and I wish you every success in your deliberations.