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Ad Hoc Group of Experts on Harmonization of
Fossil Energy and Mineral Resources Terminology

Seventh session
Geneva, 29-30 October 2009

**REPORT OF THE AD HOC GROUP OF EXPERTS ON HARMONIZATION OF
FOSSIL ENERGY AND MINERAL RESOURCES TERMINOLOGY
ON ITS SEVENTH SESSION**

INTRODUCTION

1. The seventh session of the Ad Hoc Group of Experts on Harmonization of Fossil Energy and Mineral Resources Terminology was held on 29-30 October 2009.¹
2. In his welcoming remarks, the Director of the Sustainable Energy Division noted that there were three key issues for consideration at the session, notably (a) the text of the revised United Nations Framework Classification for Fossil Energy and Mineral Reserves and Resources 2009 (UNFC-2009) as proposed by the UNFC Revision Task Force and issued as a draft document (ECE/ENERGY/GE.3/2009/L.5); (b) the discussion paper prepared by the Revision Task Force on the Need and/or Desirability to Develop Specifications and Guidelines for the UNFC; and (c) the future governance of the UNFC.

¹ Official documents of the session are available at <http://documents.un.org/>. Presentations delivered at the meeting are available on the UNECE website at: <http://www.unece.org/energy/se/docs/spf7.html>.

3. The Director noted the significant amount of detailed work and consultations undertaken by the Revision Task Force since the sixth session and extended thanks to all members and, in particular, the Chairperson of the Task Force.
4. With regard to the proposed text of UNFC-2009, the Director further noted that this proposed revision of the United Nations Framework Classification for Fossil Energy and Mineral Resources of 2004 (UNFC-2004) adopted by the United Nations Economic and Social Council (ECOSOC) Resolution 2004/233 was the result of a concerted effort to make UNFC-2004 much simpler, more generic and user-friendly.
5. On the issue of governance and future mandate of the Ad Hoc Group of Experts, the Director observed that its current term was due to expire at the end of 2009 and therefore a proposal on its future would need to be presented to the eighteenth session of the Committee on Sustainable Energy, 18-20 November 2009.
6. It was noted that the report "Mapping of the United Nations Framework Classification for Fossil Energy and Mineral Resources" had been released as a publication under the ECE Energy Series; the Russian version was due to be issued shortly.
7. The Director underlined that the Ad Hoc Group of Experts was advisory in nature and did not have decision-making authority. He observed that the Ad Hoc Group of Experts worked on a consensus basis and should consensus be achieved on any particular issue then that would normally be enough for it to proceed with its work. However, should consensus not be reached then decision-making would naturally fall to the next level intergovernmental body to which the Ad Hoc Group of Experts reported, namely the Committee on Sustainable Energy where formally the rules of procedure of the Economic Commission for Europe (ECE) would apply mutatis mutandis. The Director encouraged the Ad Hoc Group of Experts to strive to reach consensus on the issues before it for decision and noted that it had so far succeeded in doing so.
8. This report provides a succinct summary of the decisions reached on the work of the Ad Hoc Group of Experts at its seventh session. For background information, the documents and presentations of the seventh session are available on the ECE website.²

I. ATTENDANCE

9. The meeting was attended by participants from the following ECE member countries: Austria, Bulgaria, Canada, Czech Republic, France Germany, Hungary, Norway, Poland, Russian Federation, Slovakia, Slovenia, Switzerland, Turkey, Ukraine, United Kingdom of Great Britain and Northern Ireland, and United States of America.
10. The following international organization was represented: Organization of the Petroleum Exporting Countries Secretariat (OPEC).
11. Representatives of the following non-governmental organizations also participated: American Association of Petroleum Geologists (AAPG), Committee for Mineral Reserves

² <http://www.unece.org/energy/se/reserves.html>.

International Reporting Standards (CRIRSCO), International Accounting Standards Board (IASB), Society of Petroleum Engineers (SPE), Society of Petroleum Evaluation Engineers (SPEE), and World Energy Council (WEC).

II. ADOPTION OF THE AGENDA (AGENDA ITEM 1)

12. The provisional agenda was adopted without amendment.

III. OPENING REMARKS FROM THE CHAIRPERSON (AGENDA ITEM 2)

13. The Chairperson noted that this was his first meeting in this capacity and thanked the Ad Hoc Group of Experts for the confidence placed in him.

14. He noted that the only change to the composition of the Bureau since the sixth session was that the representative of the SPE Oil and Gas Reserves Committee had been replaced by Mr. J. Tenzer. He thanked the previous incumbent, Mrs D. Hinkle, for her efforts during her two-year term on the Bureau. The Bureau is now as follows: Mr. M. Lynch-Bell (United Kingdom) as Chairperson, Mr. S. Heiberg (Norway) as Chairperson ex-officio until April 2010; and Ms. K. Ask (Norway); Mr. F. Birol (IEA), Mr. F. Camisani-Calzolari (CRIRSCO), Mr. D. Elliott (Canada), Mr. M. Hamel (OPEC Secretariat), Mr. J. Tenzer (SPE), Mr. T. Klett (United States of America), Mr. I. Lambert (Australia), Mr. Y. Podturkin (Russian Federation), and Mr. J. Ross (United Kingdom) as Vice-Chairpersons and with Ms. M. Ersoy (Turkey) and Mr. P. Blystad (Norway) as Coordinator of the Minerals (including coal) Stakeholders and Coordinator of the Petroleum Stakeholders respectively. These last two positions form part of the Extended Bureau.

15. The Chairperson briefed participants on the stakeholders he had met with since being elected at the sixth session: Norwegian Petroleum Directorate, May; Statoil, May; State Commission of Ukraine on Mineral Resources, July; OPEC Secretariat, July; State Commission for Mineral Reserves of the Russian Federation, August; and Geoscience Australia, October. He noted that all the meetings had provided a valuable opportunity to strengthen collaboration and cooperation with the stakeholders, as well as serving to broaden his knowledge of the needs of these stakeholders.

16. He then summarized the key issues for discussion and decision during the session: notably (a) the text of UNFC-2009 as proposed by the Revision Task Force; (b) the Revision Task Force discussion paper on the Need and/or Desirability to Develop Specifications and Guidelines for the UNFC; and (c) the future governance of the UNFC.

17. The Chairperson finally noted that the Ad Hoc Group of Experts comprised a very diverse array of stakeholders, all of which had different needs with regard to the UNFC; respecting all these needs and accommodating them was not an easy task and would require compromise from all sides.

IV. UNITED NATIONS FRAMEWORK CLASSIFICATION FOR FOSSIL ENERGY AND MINERAL RESERVES AND RESOURCES 2009 (AGENDA ITEM 3)

18. The following presentations were made by a member of the Revision Task Force:

(a) a report outlining the work of the Revision Task Force in arriving at the proposed revised UNFC-2009 “UNFC Revision Task Force Report on Revision of the UNFC” (ECE/ENERGY/GE.3/2009/6);

(b) the proposed revised UNFC-2009 (ECE/ENERGY/GE.3/2009/L.5); and

(c) a summary of the Revision Task Force discussion paper on “The Need and/or Desirability to Develop Specifications and Guidelines for the UNFC” (ECE/ENERGY/GE.3/2009/7), including a review of the four options considered in detail as a possible basis for complementary texts to UNFC-2009.

19. It was noted that all three presentations were a factual review of the extensive consultations and work undertaken by the Revision Task Force since the sixth session, but that they were not presented on behalf of the Revision Task Force since there had not been enough time to seek feedback.

20. The presentations also highlighted that all members of the Revision Task Force had been consulted and had taken an active role during the preparation of the three documents. The mandate of the Revision Task Force ended on 30 September 2009 and the three documents were completed on this date.

21. It was, however noted that all but one of the members of the Revision Task Force were in agreement with the three documents. On 1 October 2009, the OPEC Secretariat requested to be disassociated with the three documents on the grounds that not all its requested text changes had been accommodated. The OPEC Secretariat referred to the “Comments of the OPEC Secretariat on the Draft UNFC 2008” as submitted on 17 March 2008.³

22. Following the three presentations, the following issues were discussed in detail:

(a) revision of the UNFC;

(b) need and/or desirability to develop specifications and guidelines for the UNFC; and

(c) options for governance of the UNFC.

A. Revision of the UNFC

23. Following a tour de table, all of the participants, with the exception of the representatives of the OPEC Secretariat, were in favour of the following: (a) the proposed text of UNFC-2009 should be adopted now as UNFC-2009, and not as a draft; (b) the final text of UNFC-2009 should be published in all the working languages of the United Nations; and (c) a testing period of two years should be put in place to ensure that UNFC-2009 remains current.

24. The representative of the OPEC Secretariat was in favour of the proposed revised UNFC-2009 remaining as a draft document with a testing period of no less than two years. The

³ http://unece.org/energy/unfc/comments/OPEC_UNFC_2008_17.03.2009.pdf.

representative requested that this view be included during the Chairperson's presentation to the Committee on Sustainable Energy on 19 November.

25. It was *agreed* that both points of view would be presented to the Committee on Sustainable Energy at its eighteenth session for its decision on this issue.

B. Need and/or desirability to develop specifications and guidelines for the UNFC

26. There was detailed discussion on the recommendations provided by the Revision Task Force in its discussions on whether it is needed and/or desirable to develop specifications and guidelines for UNFC-2009.

27. Following a tour de table, all participants, with the exception of the representatives of the OPEC Secretariat, were in favour of the following:

(a) the UNFC-2009 should be adopted and published immediately in its current short form without specifications and guidelines so that Governments and institutions could test it against their current classification systems;

(b) the Ad Hoc Group of Experts should establish a Technical Advisory Group to provide assistance and advice on how to interpret and apply UNFC-2009 as and when requested;

(c) stakeholders should be invited to map their systems to UNFC-2009 and to report on the outcome to the Technical Advisory Group, which would in turn ensure that the Ad Hoc Group of Experts and its Bureau were kept informed. As part of this process, user recommendations for additional specifications and guidelines should be requested and compiled;

(d) stakeholders should be encouraged to carry out cross-mapping with other systems (e.g. as CRIRSCO is currently doing with the Russian Federation); ideally this would include government to government mapping as well as commercial systems. Results would be compiled and analysed by the Technical Advisory Group; and

(e) four small working groups should be established to focus on each of the four needs identified to which UNFC-2009 should respond: industry business processes, Government resources management, international energy and mineral studies, and financial reporting. The working groups should report to one overall Chairperson. The working groups would document the specific requirements for specifications and guidelines that can be identified for each of the four areas and indicate whether or not those needs are sufficiently well addressed in the CRIRSCO Template and/or the SPE Petroleum Resources Management System (SPE-PRMS). By considering all four needs together, there would be assurance that consideration would be given to the potential for applying consistent specifications and guidelines across all four needs, thus creating an added value for all. The working groups, however would not be tasked to write new specifications and guidelines, but to report back on their findings to the Ad Hoc Group of Experts at its eighth session. The Ad Hoc Group of Experts would then consider what action should be taken, based on the conclusions of the working groups.

28. The representative of the OPEC Secretariat was in favour of Option One of the Discussion Paper i.e. that no specifications (or guidelines) are written for UNFC-2009. Instead, UNFC-2009 would be subject to the specifications and guidelines of the classification systems mapped to it. In the opinion of the representative of the OPEC Secretariat, this approach would retain the flexibility to align the UNFC to other classification systems and maximise the potential for acceptance by users. Further, it was the view of the representative that specifications and guidelines are commodity-, country- or institution-specific and that mapping modules developed by users on a voluntary basis would provide and facilitate an improved understanding of the UNFC, clarify the similarities and the differences between classification systems and might lead to further convergence of classification systems and/or further revisions of the UNFC in the future, in a bottom-up, user-driven and merit-based process.

29. It was *agreed* that both points of view would be presented to the Committee on Sustainable Energy at its eighteenth session for its decision on this issue.

C. Options for governance of the UNFC

30. The secretariat presented the note by the secretariat prepared for the session on this issue “Options for Governance of the United Nations Framework Classification for Fossil Energy and Mineral Resources” (ECE/ENERGY/GE.3/2009/8).

31. Following detailed discussion and a tour de table, all the participants, with the exception of the representatives of the OPEC Secretariat, were in favour of a new name “Expert Group on Resource Classification” i.e. that “ad hoc” be dropped, and that a mandate of five years be requested i.e. from 2010 to the end of 2014. It was noted that a five year mandate would be in line with the long-term nature of the work of the Ad Hoc Group of Experts which had been in existence since 1992.

32. The representative of the OPEC Secretariat was in favour of retaining the current name of the Ad Hoc Group of Experts and the two year mandate. He requested that this view be presented by the Chairperson to the Committee on Sustainable Energy on 19 November.

33. It was *agreed* that both points of view would be presented to the Committee on Sustainable Energy at its eighteenth session for its decision on this issue.

V. INTERNATIONAL ACCOUNTING STANDARDS BOARD’S RESEARCH PROJECT ON EXTRACTIVE ACTIVITIES (AGENDA ITEM 4)

34. The representative of IASB provided an update on the status of the IASB’s Research Project on Extractive Activities. It was noted that a discussion paper requesting views and feedback would be published by IASB in the first quarter of 2010. A comment period of six months was anticipated. The discussion paper formed the initial due process document for the Board’s deliberations on extractive activities. It was further noted that a working draft version of the discussion paper had been posted to the IASB website in August 2009 and that a summary of this had been produced as an official document for the session “Briefing on the International Accounting Standards Board’s Discussion Paper on Extractive Activities” (ECE/ENERGY/GE.3/2009/9).

35. The discussion paper is the first step by IASB towards developing an International Financial Reporting Standard (IFRS) for extractive activities. It is anticipated that this issue will be placed on the agenda of IASB for decision at the end of 2010

36. IASB is currently taking a fresh look at how to account for mineral and oil and gas resources for a number of reasons, including: IFRS 6 *Exploration for and Evaluation of Mineral Resources* is only an interim solution; existing IFRSs do not adequately address unique features of mining and oil and gas extractive activities; and the relevance of existing practices in accounting for extractive activities is currently a question of debate in some quarters.

37. The scope of the discussion paper was noted to cover: financial reporting issues associated with minerals and oil and gas extractive activities; minerals including metallic ores, industrial minerals, gemstones, uranium, coal; and oil and gas (or petroleum) including hydrocarbons in liquid, gaseous or solid form. Extractive (or upstream) activities only were covered, including exploration, evaluation, development and production.

38. Amongst the key issues covered by the research project were: how mineral and oil and gas reserves and resources should be defined; when an asset relating to mineral and oil and gas reserves and resources should be recognized on the balance sheet; how this asset should be measured; and what information about mineral and oil and gas reserves and resources should be disclosed in the financial report.

39. A presentation was delivered by a representative from Ernst & Young on “The Impact of the IASB Proposals on Companies and Disclosure”. It was noted that the IASB project was the first step towards a new standard for an industry that had not had comprehensive guidance under IFRS. The draft discussion paper offered the potential for significant changes in accounting for extractive activities compared to the current practice. The importance of stakeholders providing early comments and feedback on the discussion paper once issued by IASB was underlined.

VI. PROJECT ON PROMOTION OF THE UNITED NATIONS FRAMEWORK CLASSIFICATION FOR FOSSIL ENERGY AND MINERAL RESERVES AND RESOURCES IN CENTRAL ASIA AND THE CAUCASUS (AGENDA ITEM 5)

40. The secretariat provided an update on the status of the project. The project received approval for funding in April 2009 with total funds of \$36,000 to be spent before end-2009. The key activity was a workshop to facilitate capacity building on UNFC-2009 which was planned to be held in Almaty, 10-11 December 2009. A draft programme had been prepared focussing on both minerals and petroleum. Participants had been identified in Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Mongolia, Tajikistan, Turkmenistan and Uzbekistan.

VII. PROJECTS AND EVENTS IN 2009 AND 2010 TO PROMOTE THE UNITED NATIONS FRAMEWORK CLASSIFICATION FOR FOSSIL ENERGY AND MINERAL RESERVES AND RESOURCES 2009 (AGENDA ITEM 6)

41. A presentation on the EuroGeoSource Project Proposal on development of a European Union Information and Policy Support System for the Sustainable Supply of Europe with Energy and Mineral Resources (EU PSS for Energy and Minerals) was delivered by the representative of

the Slovenian Geological Survey on behalf of the Project Consortium. The Consortium consists of eleven EU Geological Surveys, one university and two commercial data added value companies.

42. It was noted that the Project would run for three years from 1 February 2010 to 31 January 2013, with a budget of 2.5 million Euros.

43. The Ad Hoc Group of Experts was a member of the EuroGeoSource Advisory Board, which comprised eleven members in total.

44. The key objective of the project is to develop an internet Policy Support System that can be used to deliver Europe with a sustainable supply of energy and mineral resources. The Web GIS-based system will make it possible to visualize and deliver spatial and attribute information regarding the hydrocarbon and mineral resources in the EU member countries, as well as data about depleted and prospective reservoirs and also the transportation network. These detailed data will be able to be used for modelling scenarios relating to production, transportation, accumulation, and delivery to end-users on a long-term and short-term basis. The system will supply the data required for creating a comprehensive energy and mineral resources strategy for the EU, as well as developing measures against supply disruption, including buffering spare hydrocarbon volumes in depleted reservoirs or caverns and emergency transportation routes in the event of an export pipeline being shut down.

45. The six work packages that will be needed in order to fulfil the project objectives were described.

46. The representative of the Polish Geological Institute presented details on the rescheduled “International Workshop on UNFC Theory and Practice”, which would now be held in Warsaw, 21-22 June 2010. The key topics to be addressed during the event would include: UNFC-2009; mapping of UNFC-2009 at the national level; the System of Management and Protection of Polish Mineral Raw Materials; management of mineral commodities in selected countries; and application of the UNFC in selected deposits in the Polish mining sector.

47. Attention was drawn to the following planned events and proposals to promote the UNFC:

(a) The representative of Turkey advised that she was planning to organize a national workshop on UNFC-2009 in 2010, which would also involve mapping Turkey’s classification to UNFC-2009. Following this event, consideration might be given to organizing an international event on UNFC-2009 in Turkey;

(b) The Chairperson advised that he and a number of members of the Ad Hoc Group of Experts would be speaking at the Global Reserves Summit 2009 in London, 24-25 November 2009. The Chairperson noted that his presentation would focus on UNFC-2009;

(c) The Chairperson advised that he had been invited to speak at the SPE Hydrocarbon Economics and Evaluation Symposium, Dallas, Texas, 8-9 March 2010;

(d) The Chairperson noted that he had been asked to moderate a roundtable on “Reserves

and Resources Classification: lessons of new regulations” at the 20th World Petroleum Congress, Doha, 4-8 December 2011;

(e) The representative from SPE indicated that an SPE Applied Technology Workshop might be held in Moscow in 2010 or 2011 and that this would provide a useful opportunity to promote UNFC-2009;

(f) The representative of WEC advised that she would enquire about the possibility of organizing a presentation on the UNFC or a stand promoting the UNFC at the 21st World Energy Congress in Montreal, 12-16 September 2010; and

(g) The representative of AAPG expressed interest in organizing a conference to promote the UNFC to Governments and proposed that this should be a joint AAPG, SPE, SPEE and WPC event, perhaps in 2011. He further advised that he would explore this proposal at the European Annual meeting of AAPG to be held in Paris in November 2009.

VIII. REVIEW OF THE PROGRAMME OF WORK FOR 2009/2010 (AGENDA ITEM 7)

48. The programme of work for 2009/2010 as agreed at the sixth session was reviewed and no changes were proposed.

IX. OTHER BUSINESS (AGENDA ITEM 8)

49. In view of the proposal to change the name of the Ad Hoc Group of Experts and to request a five-year mandate, slightly modified terms of reference were prepared for presentation to the Committee on Sustainable Energy at its eighteenth session in November 2009. It was noted that if approved the revised text would be annexed to the provisional agenda for the next session of the Ad Hoc Group of Experts.

50. It was noted that the eighth session of the Ad Hoc Group of Experts would be held in Geneva, 28-30 April 2010.

X. ADOPTION OF THE REPORT OF THE MEETING (AGENDA ITEM 9)

51. It was *agreed* that the report of the meeting would be drafted in consultation with members of the Bureau, approved by the Bureau and then circulated to the Ad Hoc Group of Experts.
