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

Fourth session
Geneva, 17-19 October 2007

REPORT OF THE FOURTH SESSION

Summary

This document provides a summary of the discussions and decisions reached at the Fourth Session of the Ad Hoc Group of Experts on Harmonization of Fossil Energy and Mineral Resources Terminology. The principal focus of the meeting was continued discussion on alignment of the United Nations Framework Classification for Fossil Energy and Mineral Resources (UNFC) with the major national and commercial classification systems for petroleum and minerals. In addition, the meeting continued discussions on long-term governance of the UNFC, including background information on management of extrabudgetary resources within the United Nations.

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I. INTRODUCTION

1. The report is a succinct summary of the decisions reached on the work of the Ad Hoc Group of Experts relating to the United Nations Framework Classification on Fossil Energy and Mineral Resources (UNFC) at its fourth session. Further background information can be found in the following documents, all of which are available on the UNECE website at <http://www.unece.org/ie/se/docs/spf4.html> with the exception of the report of the third session which is available at <http://www.unece.org/ie/se/docs/spf3.html>.
- (a) Annotated provisional agenda for the fourth session (ECE/ENERGY/GE.3/2007/1);
- (b) Future governance of the United Nations Framework Classification (ECE/ENERGY/GE.3/2007/3);
- (c) Report of the Special Task Force on Mapping the UNFC;
- (d) Presentations at the fourth session; and
- (e) Report of the third session of the Ad Hoc Group of Experts on Harmonization of Fossil Energy and Mineral Resources Terminology (ECE/ENERGY/GE.3/2006/2).

II. ATTENDANCE

2. The meeting was attended by representatives of the following UNECE member countries: Austria, Bulgaria, Canada, 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.
3. Representatives of the Islamic Republic of Iran participated under Article 11 of the Commission's Terms of Reference.
4. Representatives of the following international organizations were in attendance: Organisation for Economic Cooperation and Development (OECD)/Nuclear Energy Agency (NEA); International Energy Forum Secretariat (IEFS); and Organisation of Petroleum Exporting Countries (OPEC).
5. The following non-governmental organizations were represented: American Association of Petroleum Geologists (AAPG); Committee for Mineral Reserves International Reporting Standards (CRIRSCO); European Federation of Geologists (EFG); International Accounting Standards Board (IASB), Society of Petroleum Engineers (SPE), Society of Petroleum Evaluation Engineers (SPEE); and World Energy Council (WEC).

III. ADOPTION OF THE AGENDA (Agenda item 1)

6. The agenda was adopted without amendment.

IV. ELECTION OF THE BUREAU (Agenda item 2)

7. The meeting elected Mr. S. Heiberg (Norway) as Chairperson; and Mr. T. Ahlbrandt (United States of America); Mr. F. Birol (IEA), Mr. F. Camisani-Calzolri (CRIRSCO), Mr. M. Hamel (OPEC Secretariat), Mr. Y. Podturkin (Russian Federation), Mr. J. Ritter (SPE) and Mr. A. Subelj (Slovenia) as Vice-Chairpersons for the approved term of the Group of Experts. The SPE noted that Ms. Delores Hinkle would replace Mr. Ritter as Chairperson of the SPE Oil and Gas Reserves Committee (OGRC) effective 14 November 2007, and would then replace Mr. Ritter on the Bureau of the Ad Hoc Group of Experts.

V. ACTIVITIES AND PRIORITIES OF THE COMMITTEE ON SUSTAINABLE ENERGY AND MATTERS FOR CONSIDERATION BY THE AD HOC GROUP OF EXPERTS (Agenda item 3)

8. The secretariat briefed the meeting on the outcomes of the fifteenth session of the Committee on Sustainable Energy and the sixty-second session of the United Nations Economic Commission for Europe. Specifically, the secretariat noted that both bodies had approved the 2007 work programme for the Ad Hoc Group of Experts on Harmonization of Fossil Energy and Mineral Resources Terminology thus recognizing the continuing progress of the Ad Hoc Group of Experts. The secretariat noted, however, that its mandate had been extended for only one year, up to 31 December 2007 at its request, and recommended that the Ad Hoc Group of Experts agree on a new mandate and propose such mandate to the Committee on Sustainable Energy for consideration at its sixteenth session in November 2008.

VI. OPENING REMARKS FROM THE CHAIR (Agenda item 4)

9. The Chairperson delivered brief opening remarks to frame the discussions of the meeting. In particular, he highlighted the need to harmonize existing practices before implementing a truly global terminology, and suggested that the Ad Hoc Group of Experts should target 2008 as the date for launching a global terminology.

VII. REVIEW OF THE PROGRAMME OF WORK FOR 2007 (Agenda item 5)

10. The Chairperson reviewed the 2007 programme of work agreed to by the Ad Hoc Group of Experts at its third session, addressing each commitment. The majority of items in the 2007 programme of work were also included in the provisional agenda for the fourth session, and, as such, are addressed in the other sections of this report. However, two items in the 2007 programme of work are not addressed elsewhere. The Ad Hoc Group of Experts agreed to provide comments on the proposed SPE Petroleum Resource Management System (PRMS), and did submit comments to the SPE in February 2007. Due to the limited amount of time to prepare comments and the logistics necessary to coordinate amongst Bureau members and the entire Ad Hoc Group of Experts, the comments reflected the views of the Bureau based on the work of a special task force charged with developing the initial draft comments. The cover letter to SPE and the comments are available on the UNECE website at <http://www.unece.org/ie/se/reserves.html>. In addition, the Ad Hoc Group of Experts agreed to explore cooperation with the International Energy Forum Secretariat (IEFS). Efforts were made

to coordinate a joint workshop with the IEFS in Stavanger, Norway in September 2007, but this idea was postponed at the request of the IEFS.

IX. REVIEW OF THE AMERICAN ASSOCIATION OF PETROLEUM GEOLOGISTS (AAPG)/SOCIETY OF PETROLEUM ENGINEERS (SPE) INTERNATIONAL MULTIDISCIPLINARY RESERVES CONFERENCE (Agenda item 6)

11. The SPE delivered a summary of the outcomes of the AAPG/SPE International Multidisciplinary Reserves Conference held in Washington DC, United States of America in June 2007. The presentation is available on the UNECE website and reference is also made to <http://www.aapg.org/geoDC/ResConf/index.cfm> where the Executive Summary and other associated documents can be found.

12. The meeting expressed appreciation for the summary, and noted with gratitude the inclusion of the Ad Hoc Group of Experts and the UNECE in the planning and execution of the event. In particular, the meeting made particular note of the high quality of the discussions at the conference, emphasizing the importance of ensuring that all efforts focusing on a more cohesive system for classifying and reporting petroleum and mineral resources move forward in a coordinated effort. In addition, the meeting recommended that AAPG and SPE consider locating the next event outside the United States of America, and also suggested giving additional consideration to the needs of producing countries in addition to consuming countries.

X. FUTURE GOVERNANCE OF THE UNFC (Agenda item 7)

13. The Ad Hoc Group of Experts was presented with six options for governance outlined in the background paper prepared by the secretariat (ECE/ENERGY/GE.3/2007/3): (i) No formal governance structure; (ii) SPE and CRIRSCO (or some other bodies external to the United Nations System) manage the UNFC; (iii) Continue as an Ad Hoc Group of Experts (status quo); (iv) Working Party; (v) United Nations Global Centre for Fossil Energy and Mineral Resources; and (vi) Expert body directly under United Nations Economic and Social Council (ECOSOC). Reference is made to the paper and a presentation given by the secretariat for additional background information. Discussion of this agenda item was postponed until after items 12, 13 and 14, so that the Ad Hoc Group of Experts could consider the six options in the light of the discussions on mapping the UNFC against the SPE PRMS, the CRIRSCO Template and the Russian systems and next steps for moving toward a globally harmonized system. .

14. The Ad Hoc Group of Experts did not approve a specific governing structure for the long-term governance of the UNFC, but did agree to propose to the Committee on Sustainable Energy that the Ad Hoc Group of Experts (iii) be granted a new two-year mandate to continue the work on aligning the UNFC with other classifications, not excluding shortening the term if another governing structure was introduced in the interim. While the United Nations Global Centre (v) received the strongest support from the meeting, it was acknowledged that continuing as an Ad Hoc Group of Experts would be an acceptable option to all, as the two did not differ in substance as much as in form.

15. In considering the options, the meeting expressed concern that any option that excluded broad participation by the full range of stakeholders or that introduced significant bureaucratic

processes and institutional hurdles would have little support. Based on this view, the Working Party (iv) was not viewed as a viable option for long-term governance. Discussions on Option (ii), management by SPE and CRIRSCO, revealed that it could be very difficult to have external bodies take full responsibility for a United Nations classification without United Nations involvement, although it is both necessary and desirable that the United Nations effort be inclusive, incorporating both stakeholders and professional organizations. Option (vi), a body directly under ECOSOC, would have significant procedural and administrative hurdles to clear and could also be limited to an intergovernmental body limiting participation of other stakeholders. The option of not having a governing structure (i) could deprive users of the flexibility required to respond to changing needs, but the Ad Hoc Group of Experts agreed that this option should be a consideration at any time for any governing structure chosen.

XI. EXTRABUDGETARY SUPPORT (Agenda item 8)

16. The secretariat provided a brief overview of management of extrabudgetary funds within the United Nations system as background information. The presentation is available on the UNECE website for the fourth session of the Ad Hoc Group of Experts.

XII. EDUCATION AND TRAINING PROGRAMME (Agenda item 9)

17. The Chairperson briefed the meeting on education, outreach and training. He noted the importance of conveying a coherent message over time, but noted that 2007 was not the year to be undertaking this due to the important and constructive discussions that were taking place internally within the group on the appropriate message.

XIII. UNFC AND RECIPIENT RESERVOIRS (Agenda item 10)

18. The secretariat updated the meeting on introductory discussions with SPE and others regarding use of the UNFC for recipient reservoirs in support of carbon capture and natural gas storage. The meeting postponed further discussion on this issue to the fifth session of the Ad Hoc Group of Experts.

XIV. UNITED STATES SECURITIES AND EXCHANGE COMMISSION (SEC) PROGRAMME TO HARMONIZE SEC AND IASB FINANCIAL REPORTING REQUIREMENTS AND TO INTRODUCE XBRL TO ENHANCE FINANCIAL REPORTING (Agenda item 11)

19. The Ad Hoc Group of Experts received five presentations including a report from the SEC; an overview of the reporting of reserves and resources in Canada; an update from the IASB Extractive Activities Research Project; the perspective of a preparer and user of financial reports, Ernst & Young, LLP; and an overview of XBRL (Extensible Business Reporting Language). The presentations and ensuing discussion demonstrated that demand remains strong for further harmonization of International Financial Reporting Standards and US Generally Accepted Accounting Principles, with special emphasis on developing a global terminology for fossil energy and mineral reserves and resources. The users and preparers of financial documents emphasized the importance of comparability of reserve/resource information, and the presentation from the Canadian delegation demonstrated that it is feasible to report the full

resource base rather than just proved reserves. Tools such as XBRL may further facilitate this through the use of industry-specific taxonomies. The development of the UNFC can be seen as an effort to develop such taxonomies for fossil energy and mineral resources.

**XV. ALIGNMENT OF UNFC FOR PETROLEUM WITH THE SPE PETROLEUM
RESOURCE MANAGEMENT SYSTEM (PRMS) (Agenda item 12)
ALIGNMENT OF UNFC FOR MINERALS WITH THE COMBINED
RESERVES INTERNATIONAL REPORTING STANDARDS
COMMITTEE (CRIRSCO) SYSTEM
(Agenda item 13)
HARMONIZATION OF UNFC PETROLEUM AND MINERALS
CLASSIFICATIONS (Agenda item 14)**

20. The primary focus of the fourth session was the report of the Special Task Force on Mapping. The report demonstrates the strength of the UNFC in both providing a tool to map other classifications to one another, and as a source of a globally applicable terminology. As a three-dimensional system capable of serving petroleum, minerals and unconventional resources, the UNFC is viewed as a system that can meet these needs. With this in mind, the Bureau of the Ad Hoc Group of Experts created the Task Force in July 2007, and mandated the Task Force to map the UNFC for Petroleum to the SPE PRMS, the UNFC for Minerals to the CRIRSCO Template and the UNFC for Petroleum and Minerals to the classification systems of the Russian Federation. The Task Force was directed to build on the mapping of the SPE and CRIRSCO Systems that was already underway in support of the IASB Extractive Activities Research Project. The Task Force was further mandated to provide suggestions for changes to the UNFC that could facilitate alignment with these systems. It should be noted that the Task Force mandate did not include revisions to the full UNFC texts nor did it extend to classification systems beyond the three identified systems. Substantial documentation including the Task Force report and associated presentations delivered at the fourth session are available on the website.

21. The Task Force determined that changes to the definitions of UNFC categories were necessary to facilitate mapping. The definitions, together with the SPE PRMS/CRIRSCO Template mapping exercise for IASB, were the underlying basis for the UNFC mapping exercise. More specifically, the Task Force proposed moving to short, commodity-independent (i.e. generic) definitions of categories that are principle-based. Another principle recommended by the Task Force is to rely on the numerical codification of the UNFC rather than labels to facilitate mapping the UNFC to any system.

22. Following the introduction of the revised definitions, the Task Force delivered presentations on the UNFC Petroleum/SPE PRMS mapping and UNFC Minerals/CRIRSCO Template mapping. These systems are not the only the classification systems used. In fact, there are many other classification systems, especially at the national level where governments such as Canada, Norway, Poland, and Ukraine have their own established systems in place. The PRMS and the CRIRSCO Template, however, are widely used within their respective industries, and represent a logical starting point.

23. The mapping of the UNFC for Petroleum to the PRMS was helped by the close dialogue between the Ad Hoc Group of Experts and the SPE during the PRMS comment period in January 2007. In addition, the UNFC for Petroleum was developed more recently than the UNFC for Minerals and is not as deeply embedded in the reporting frameworks of many countries. There is also reasonably close alignment between the SPE PRMS and major national systems such as the Norwegian Petroleum Directorate's system and the Canadian system. The Russian Federation expressed strong support for the efforts made.

24. The mapping of the UNFC for Minerals to the CRIRSCO Template is more challenging. The UNFC was originally developed to support solid minerals classification, and it has been adopted or adapted in several countries. A change in the UNFC could have significant consequences for systems that use or are based on UNFC 2004, UNFC 1997 or a variant. A number of delegations including Poland and Ukraine recommended that any effort to revise the UNFC for Minerals must consider their needs and resolve any problems.

25. Mapping of the UNFC to the systems of the Russian Federation included mapping of both the solid minerals and petroleum resources. The discussions showed that the UNFC maps to the new Russian classification system for solid minerals, especially at a high level. For petroleum, it also maps against the SPE PRMS and the UNFC.

26. In summary, there is strong support for the UNFC amongst the Ad Hoc Group of Experts. The meeting recommended finalizing the mapping exercise by 29 February 2008 by seeking comment from the Ad Hoc Group of Experts on the Task Force Report by 30 January 2008. In addition, the meeting encouraged volunteers for additional mapping opportunities, especially with national systems recognizing that additional adjustments may be necessary. It was recognized that the three dimensional presentation of the UNFC is challenging to communicate and that a two dimensional classification, developed through the mapping exercise may be advisable. This would still use the categories of the UNFC to define the classes. In such a scheme, the UNFC will remain as a strong classification in the background, from which other classifications and their inventories may be generated. However, care should be taken in proposing any modifications to the UNFC, and modification to the UNFC text should wait until the impact of such changes on existing classification systems is clear.

XVI. CASE STUDIES (Agenda item 15)

27. The meeting received case studies from the US Geological Survey on the classification of discovered quantities that can be added to reserves, Petoro AS in Norway on Norway's experience with project status-based classification, and the Ministry of Environment in Poland on the systematic estimation of reserve/resources in Poland. The conclusions drawn in the case studies contributed to the discussions on other items throughout the session, especially on financial reporting and the mapping activities.

XVII. OTHER BUSINESS (Agenda item 16)

28. The dates for the fifth session of the Ad Hoc Group of Experts were set for 15-17 April 2008 in Geneva.

29. The meeting discussed development of specifications and guidelines for the application of the UNFC. Varying views were presented in the discussion, with some delegates stating that the specifications and guidelines are contained within the existing systems to which the UNFC will map against (e.g. SPE PRMS, CRIRSCO). In their view, this eliminates the need to develop separate specifications and guidelines for the UNFC. In contrast, other delegates emphasized the necessity of having specifications and guidelines developed for the UNFC where it would be adopted or adapted directly as a classification system but also to ensure proper application of mapping. In an effort to further these discussions toward a consensus decision, the meeting directed the Bureau to prepare a discussion document for consideration at the fifth session relating to options for specifications/guidelines for the UNFC.

XVIII. PROGRAMME OF WORK FOR 2008 (Agenda item 18)

30. After discussion, the Ad Hoc Group of Experts:

(a) Agreed to recommend to the Committee on Sustainable Energy that it renew the mandate of the Ad Hoc Group of Experts for a period of two years, re-emphasising the importance of the Objectives contained in its Terms of Reference, but also to continue consideration of other future options;

(b) Elected a Bureau to serve for the approved term of the Ad Hoc Group of Experts recognizing that organizations and professional associations represented on the Bureau might need to change their representatives during the term of service;

(c) Noted that the Fifth Session of the Ad Hoc Group of Experts would be held in Geneva on 15-17 April 2008;

(d) Considered the report of the Special Task Force on Mapping including the mapping of the UNFC to the CRIRSCO template, SPE PRMS and systems of the Russian Federation, and mapping of the petroleum and minerals classifications; expressed appreciation to the Special Task Force for the high quality effort in preparing and delivering the report, noting the contributions of the experts on the Task Force; and agreed to set a schedule for seeking and incorporating comment and finalizing the Task Force Report;

(e) Agreed to build on the success of the mapping exercise by authorizing the Bureau to conduct due process in seeking input on the mapping of the UNFC to other codes, and to act on the views received on revising the 2004 UNFC;

(f) Agreed to request the Bureau to prepare a discussion document for consideration at the fifth session relating to options for specifications/guidelines for the UNFC;

(g) Recognized the success of the AAPG/SPE International Multidisciplinary Reserves Conference and Expressed appreciation for full inclusion of the Ad Hoc Group of Experts and the UNECE in the conference planning and proceedings;

(h) Agreed to continue supporting the IASB research project as appropriate;

(i) Agreed to postpone the discussion on how the UNFC could be used in classifying recipient formations (ie, CO2 storage) until the fifth session; and

(j) Agreed to continue education and outreach efforts including recognition of the excellent contributions of many delegates to the Group of Experts in speaking at conferences, workshops and other events and posting a brief presentation on the UNECE website.
