

To: AHGE Members

From: AHGE Special Task Force on Classification Harmonization

October 9, 2007

Background

In August 2007, the AHGE Bureau created a special task force to examine existing major petroleum and minerals classification systems and their alignment with the 2004 UNFC system. The mandate was:

The team is to complete the mapping of the various classifications and definitions to the UNFC. Specifically, this will be the CRIRSCO/JORC, New Russian Classification and SPE PRMS terminologies. The results of this initial effort can then be leveraged to support mapping of other national and international classification systems to the UNFC.

In doing this work, you are invited to consider the changes that will be required to bring the classifications and definitions together for wide acceptance and global adoption with UN support. This should include changes to the UNFC for minerals and for petroleum to align these on a project status based framework. It should also include recommended changes to the three underlying classifications for further consideration. It is important to recognise that it is costly to change any of the systems. It may therefore be wise, in the first instance to exploit flexibility inherent in the current systems in the form of specifications and guidelines that may affect practise within the current systems. Substantive changes to classifications and definitions would probably be best handled in the context of an International Financial Reporting Standard for extractive activities in order to avoid impacting existing reporting standards.

The AHGE task force was led by Ms. Mucella Ersöy and Mr. Per Blystad with Mr. Niall Weatherstone, Mr. Ferdi Camisani-Calzolari, Mr. John R. Etherington, Mr. Kirill Kavun, Mr. James G. Ross, and Mr. Andrej Subelj as members.

Results and Recommendations

Based on prior joint studies on behalf of the IASB, SPE and CRIRSCO had concluded that there were significant technical and cultural issues that would prevent complete merging of these systems. An alternative approach, endorsed by the IASB, was to create a “mapping” between the two systems to enable external users to clearly understand equivalencies and differences in reported results.

The AHGE task force reached a majority decision to build on the IASB mapping project and extend the concepts to include the UNFC 2004 system. Given the time constraints, it was recommended to defer mapping of the Russian Federation’s 2005 petroleum classification in the first instance.

The Task Force recognized that a revision of the UNFC definitions for categories and sub-categories by utilizing the strength of the codification and by applying a generic approach to embrace the different commodities in one definition might remove ambiguity and misunderstanding and provide a better basis for the mapping exercise.

The Task Force presented its findings and recommendations in the attached report to the Bureau on October 2, 2007. It was accepted as an interim report subject to further refinement. Minor edits have been made to the interim report, notably to the proposed new definitions, Section 4 in the main report and Attachment 1 – 2004 UNFC definitions and proposed changes. These edits are made to ensure consistency and are not seen to affect the meaning of the definitions as written in the interim report of October 2, 2007. A few amendments have also been made to Attachment 2 – Discussion of key Issues.

The final report should incorporate comments from ongoing reviews by the cooperating organizations (SPE and CRIRSCO) in addition to feedback from the AHGE members as gathered in our annual meeting.

The Co-Chairs want to extend their gratitude to the members of the Task Force for the considerable amount of work they have contributed to this task. In particular the work and input provided by Ferdi Camisani-Calzolari, John R. Etherington, James G. Ross and Niall Weatherstone has contributed to the results presented in this report.

Date: 9th October 2007

On behalf of the Task Force

Per Blystad
Co-Chair

Mucella Ersoy
Co-Chair