

The Road to a United Nations Framework Classification

Application to Mineral and Fossil Energy Reserves and Resources

Charlotte Griffiths

UNECE Ad Hoc Group of Experts on

Harmonization of Fossil Energy and Mineral Resources Terminology

What is the UNFC?

- **United Nations Framework Classification for Fossil Energy and Mineral Resources.**
- **A framework to harmonize existing terminologies and definitions worldwide.**
- **Incorporates the principal criteria recurring in classifications: Economic viability, project maturity and knowledge of the geological endowment.**
- **Simple, universally applicable scheme for classifying and evaluating energy and mineral reserves and resources.**
- **Allows a common and necessary international understanding.**
- **A flexible system for application at global, national, industrial, institutional or financial level.**

History of UNFC

- **UN Framework Classification for Solid Fuels and Mineral Commodities first initiated in 1992.**
- **Substantial work on the system by a UN Task Force in period 1992-1997.**
- **UN ECOSOC recommended all UN Members to use the system in 1997. Now used successfully or tested in more than 60 countries.**
- **In 2001, UNECE Committee on Sustainable Energy created an Ad Hoc Group of Experts (AHGE) to extend the principles of the UNFC to other energy resources (oil, natural gas and uranium).**

History of UNFC *continued*

- **AHGE worked intensively with design of the system and harmonization with other systems during 2002-2004.**
- **UN Framework Classification for Fossil Energy and Mineral Resources established.**
- **ECOSOC recommended use of the system worldwide in its Resolution 233/2004.**
- **UNECE Committee on Sustainable Energy requests AHGE should continue its work ...**
 - **cooperate with relevant institutions**
 - **promote the practical implementation**
 - **issue guidelines.**

Why one common global code for energy and mineral resources?

- **Global markets need global standards.**
- **Efficient markets need strong standards.**
- **The capital market became global after 1980.**
- **Global commodity markets are consolidating**
 - **The oil market is global. The gas market will follow soon.**

Why UNFC?

- **Enhance international communication.**
- **Support business processes and improve efficiency of resource management.**
- **Facilitate international financial reporting.**
- **Enhance the security of energy supplies and of the associated financial resources.**
- **Assist countries with transition economies in reassessing their resources, and so make them more available at affordable costs through use of the international markets.**

Why UN Patronage?

What are the options...

- **Standard produced by ISO?**
- **Standard produced by security regulators?**
- **One standard produced by several professional organizations in concert?**
- **A global framework classification maintained with support of the United Nations?**

Potential for success of UNFC?

- **Key to global adoption of UNFC lies in efficiencies offered to stakeholders through new global markets with strong global standards.**
- **Transparent and voluntary process.**
- **Ongoing, open dialogue with all stakeholders.**
- **Wide range of stakeholders offer UN strong and constructive support to date and this is growing:**
 - **Governments, incl.g G7 Ministers of Finance and Governors of Central Banks, NGOs and business community/private sector.**
 - **International organizations, incl. IAEA, IEA, IEF, OPEC, WEC and WPC.**
 - **Professional associations incl. AAPG, CRIRSCO, EFG, IASB, IOSCO, IVSC and SPE.**

Strong Representation in AHGE Bureau

- **Norway (1), Russian Federation (1) and United States (1)**
- **NGO (1) and private sector (2)**
- **OPEC (1)**
- **Now also Combined Reserves International Reporting Standards Committee (CRIRSCO) and Society of Petroleum Engineers (SPE) (1 from each)**
- **Potential to enlarge, if warranted, to reflect principle applications of harmonized code in:**
 - **Energy studies e.g. IEA**
 - **Resources management**
 - **Corporate business processes and**
 - **Financial standards e.g. IASB**

Key Objectives of the AHGE

- **Continue developing the harmonization code of the UNFC.**
- **Ensure that the development of a harmonization code be based upon cooperation with recognized industry professional societies by use of the framework facility provided by the UNFC.**
- **Facilitate development of Specifications and Guidelines to the UNFC, through the cooperation with SPE for petroleum and CRIRSCO for coal, uranium and minerals.**
- **Encourage development of UNFC education programme.**
- **Invite & facilitate development of case studies on voluntary basis.**
- **Seek to strengthen inter-agency cooperation and to cooperate and collaborate with all stakeholders.**

Key Developments / Activities in 2005

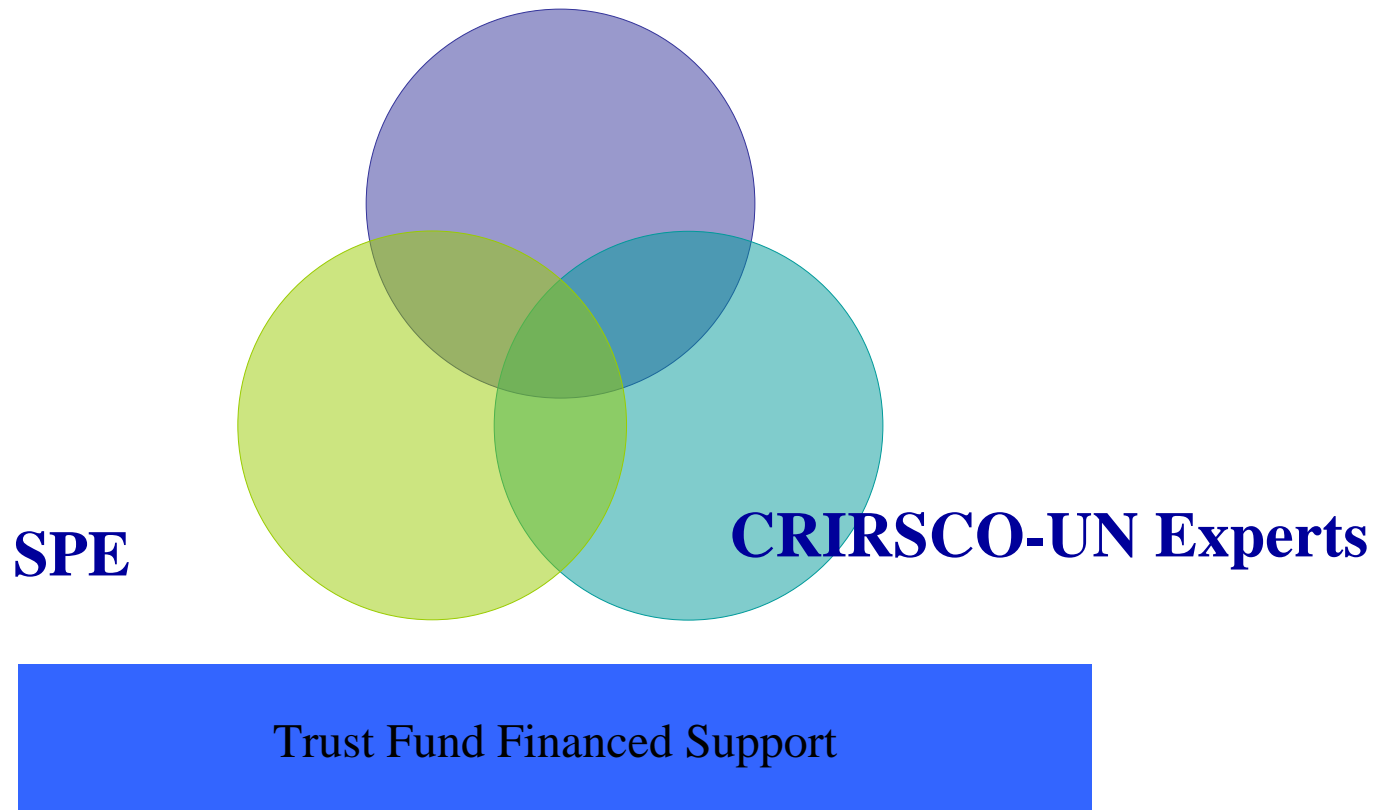
- **22+ presentations worldwide ... making the UNFC known in environments of importance as powerful code that it is.**
- **Developing a strong consensus for the need for one common code for fossil energy and mineral resources.**
- **Discussed formulation of specifications and guidelines under the UNFC with the professional organizations:**
 - **SPE (for petroleum)**
 - **CRIRSCO (for coal, uranium and minerals).**
- **Discussed formulation of Terms of Reference for work under UN Trust Fund to provide support to UN member countries and other stakeholders to facilitate application of one common code worldwide.**
- **Informal discussion meetings with stakeholders**
 - **IEA, OPEC, IEF**
 - **IEA, OPEC, IEF, SPE, CRIRSCO, WEC, IAEA,more.**

Establishment of UNFC Task Forces

- **Two Task Forces established: for Petroleum (oil and gas) and for coal, uranium and other minerals (Solid Minerals) to develop a harmonized code by use of the framework facility of the UNFC, including specifications and guidelines required to meet international needs.**
- **Society of Petroleum Engineers (SPE) offered to lead the Ad Hoc Group of Experts Task Force for Petroleum.**
- **Executive Committee of the Combined Reserves International Reporting Standards Committee (CRIRSCO) offered to lead the Task Force on Solid Minerals, together with other members of the Ad Hoc Group of Experts.**

UNFC Governing Structure

Ad Hoc Group – Main Group



Case Studies

- **Case studies regarded as vital for application of the UNFC.**
- **Many case studies already undertaken for the coal, uranium and minerals (available on UNECE website).**
- **Only a few case studies undertaken for petroleum.**
- **Recognition of need for close coordination between development of the UNFC specifications, guidelines and the case studies so that they can validate selected aspects of the guidelines.**
- **Case studies are voluntary ... however countries have been encouraged to carry out case studies.**

Collaboration with Financial Community

- **Common code is needed by the financial community for acceptance and use in the global capital market. A change in international financial reporting for extractive activities is currently being prepared.**
- **IASB charged with development of International Financial Reporting Standard for extractive activities. International Organisation of Securities Commissions (including US SEC) and UNECE AHGE dialogue to help guide the research.**
- **Agreement between IASB and US SEC to harmonize their rules.**

Maximising Reserves

Requires:

- Long sighted strategies,
- Excellence in communication, technology, management
- Industrial and financial capacity
- Quality partnership

From Closing Address of World Petroleum Council President at the 18th WPC Johannesburg, 29 September 2005

... For some time WPC/SPE/AAPG have focused on a code for classification of reserves. This is reinforced under UN auspices (UN Framework Classification for Fossil Energy and Mineral Resources) supported by the WPC. It is important that such a standard be employed universally and preferably also by the international accounting standards community. This is central for consistent and uniform reporting from both business and government...

Statement by G7 Finance Ministers and Central Bank Governors, London, 2-3 December 2005

...We reviewed the steps taken since our last meeting to improve stability of the oil market and the global energy outlook, and our enhanced dialogue with oil producers. Significant investment is needed in exploration, production, energy infrastructure, and refinery capacity. We welcome the launch of the Joint Oil Data Initiative (JODI) database and stress the need to improve further the transparency of demand and supply data in the oil market, including through development of a global common standard for reporting oil reserves....

Statement from the General Director, Commission on Mineral Resources, Russian Federation, November 2005

...It is important that governments of the UNECE member countries take adequate measures for ensuring the worldwide application of the UNFC (following the ECOSOC Resolution 2004/233)....