



**Economic and Social
Council**

Distr.
GENERAL

ECE/ENERGY/GE.3/2007/3
7 August 2007

Original: ENGLISH

ECONOMIC COMMISSION FOR EUROPE

COMMITTEE ON SUSTAINABLE ENERGY

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

Fourth session
Geneva, 17-19 October 2007
Item 7 of the provisional agenda

**FUTURE GOVERNANCE OF THE UNITED NATIONS
FRAMEWORK CLASSIFICATION**

**OPTIONS FOR LONG-TERM GOVERNANCE OF THE UNITED NATIONS
FRAMEWORK CLASSIFICATION ON FOSSIL ENERGY AND MINERAL
RESOURCES**

Note by the secretariat

I. INTRODUCTION

1. The Third Session of the Ad Hoc Group of Experts on Harmonization of Fossil Energy and Mineral Resources Terminology, 11-13 October 2006, requested that the secretariat should identify the full range of possible long-term governance structures available within the United Nations system to manage the United Nations Framework Classification on Fossil Energy and Mineral Resources (UNFC), including financial support (ECE/ENERGY/GE.3/2006/2, paras 29-31). This document has therefore been prepared on that basis.

2. The objective of the paper is to provide the foundation for a constructive dialogue on long-term governance at the fourth session of the Ad Hoc Group of Experts. However, in order to provide a common basis from which to start the discussion, the paper provides a brief background on the evolution of the UNFC from initiation of the concept in 1992 through the

decision taken at the third session of the Ad Hoc Group of Experts in October 2006 to explore options for long-term governance. The paper then discusses general objectives for expert bodies within the United Nations system before clarifying general procedural and parliamentary standards applicable to such groups. Following these introductory sections, the paper presents a detailed survey of the known options available within the United Nations system for a body of experts to provide professional, consistent, and transparent governance of the UNFC over the long-term.

3. This paper does not address funding.

II. BACKGROUND

4. Under the Plan of Action for the UNECE, the Committee on Sustainable Energy and the UNECE Executive Committee can only approve the mandate of an Ad Hoc Group of Experts for renewable two-year periods. The mandate for the Ad Hoc Group of Experts on Harmonization of Fossil Energy and Mineral Resources Terminology was originally authorized in 2004 and renewed in December 2006 for a one-year term. Discussion at the second and third sessions of the Ad Hoc Group of Experts led some delegations to suggest that the Ad Hoc Group of Experts, being a temporary body, may not be the appropriate model to meet the need for long-term governance. Some other delegations considered the current structure of the Ad Hoc Group as appropriate on the basis that (i) it offers the required flexibility and inclusiveness, (ii) it has demonstrated its efficiency, and (iii) the previously adopted terms of reference are still valid and priority should be given to the development of Guidelines in collaboration with the SPE and CRIRSCO. At its third session, the Ad Hoc Group of Experts agreed to recommend renewal of its mandate for one year. It also agreed that it should work to further explore the option to create a long-term expert body provided that the objectives defined in the Ad Hoc Group's Terms of Reference are achieved. To support this effort, it requested the secretariat to prepare a summary of available long-term governance options for discussion and consideration at their fourth session in October 2007. This paper was prepared in response to that request.

5. The UNECE website contains additional background on the UNFC at <http://www.unece.org/ie/se/reserves.html>

III. PROCEDURAL/PARLIAMENTARY STANDARDS FOR UNITED NATIONS BODIES

6. All expert bodies within the United Nations system operate under approved Terms of Reference, but may also adopt Rules of Procedure. This is especially beneficial for long-term mandates. The two differ in that Terms of Reference provide overarching guidance for work to be undertaken by an expert body while Rules of Procedure provide direction for managing the work, organization and operations of the expert body.

7. The Terms of Reference of United Nations expert bodies range from the very general to the very specific depending on their objectives, the nature of the issues addressed, and the activities to be undertaken. In general, however, there is a desire to avoid defining Terms of Reference too narrowly to ensure that a degree of flexibility is retained. The check and balance on this is the requirement that the authorizing body review Terms of Reference on a regular basis

or when changes to them are proposed.

8. Terms of Reference can be drafted by an authorized intergovernmental body such as ECOSOC or the Committee on Sustainable Energy or by the expert group itself. However, an intergovernmental body with appropriate jurisdiction must approve any Terms of Reference. In the case of economic and social programmes, this could be ECOSOC, a standing committee within ECOSOC, a regional commission (e.g., UNECE), a standing committee within a regional commission (e.g., Committee on Sustainable Energy), or governing compacts/conventions for which the United Nations serves as a secretariat.

9. In the case of the expert bodies within the UNECE's sustainable energy programme, the Committee on Sustainable Energy authorizes the Terms of Reference and work programmes of its subsidiary bodies. However, there are instances in other programmes such as the transport of dangerous goods where the expert body reports directly to ECOSOC because of it is an ECOSOC body, or in the Environment, Housing and Land Management Division where there are expert groups to serve environmental conventions on transboundary air and water issues.

10. While Terms of Reference provide the overarching guidance and boundaries for an expert group, they alone may not be sufficient to conduct the business of an expert group, especially where the Terms of Reference are general. In these instances, the bodies often adopt specific Rules of Procedure to ensure full transparency and credibility in the decisions reached by the expert groups. The Rules of Procedure can be very detailed and address organizational, operational, and managerial aspects of programme implementation and operations. The Rules of Procedure may, for example, spell out the membership of the expert body and its bureau, basis for decisions including voting rights and whether decisions are based on majority or consensus. While it is important to ensure that the Rules of Procedure are thorough and clear, it is also critical that they are simple, succinct and address major procedural issues rather than minute details which could lead to greater confusion.

IV. GENERAL OBJECTIVES FOR A LONG-TERM GOVERNING BODY FOR THE UNFC

11. The existing Terms of Reference for the Ad Hoc Group of Experts (ECE/ENERGY/GE.3/2005/2) provide a sound basis for defining the objectives of a long-term structure. Depending on the structure chosen, it may be appropriate, however, to supplement these with higher ambitions for achievement of the objectives that are to be sought, facilitated and invited in the current one-year extension period.

12. In considering the objectives for long-term governance, the Ad Hoc Group of Experts may wish to consider the existing Terms of Reference, but also potential responsibilities that have been identified previously:

- (a) Ensure that the recommended global terminology for fossil energy and mineral resources under the UNFC is communicated clearly and consistently over time to users;
- (b) Provide users with assistance in its application as required;

- (c) Develop clear national and local specifications and guidelines for compliance with the global functional standard and to advise on conflicts with specifications and guidelines developed by other national or local entities;
- (d) Adopt global specifications and guidelines; and
- (e) Recommend changes to the UNFC when there are strong reasons for doing so.

13. The general objectives of a long-term governance structure, whether sufficient within the existing Terms of Reference or supplemented by additional objectives, should drive the decision on the appropriate long-term governance structure.

V. OPTIONS FOR LONG-TERM GOVERNANCE

14. This section presents options within the United Nations system for long-term administration and management of the UNFC. The following options are presented and are accompanied with brief explanatory notes:

- (a) No need for the Ad Hoc Group of Experts or any other body:
 - (i) After the Ad Hoc Group of Experts finalizes the development of the Specifications and the Guidelines of the UNFC system through the cooperation with the SPE for petroleum and CRIRSCO for coal, uranium and minerals, the Committee on Sustainable Energy, the UNECE or ECOSOC may decide not to renew its current mandate nor create another body.
 - (ii) Over the past 100 years, there has been a regular evolution of the reserves and resources classifications and definitions, both in the market based and centrally planned economies, in response to technical, industrial and market developments. The US Securities and Exchange Commission has recently issued a proposed rule for comments that demonstrates the need for common standards in the global financial market. Emerging global markets for fossil energy and mineral resources have a similar basic need. It is clearly advantageous to serve several needs with one standard reserves and resources terminology. The United Nations must be prepared to find itself under permanent pressure to adjust the UNFC through guidelines, specifications and, if need be, changes to the basic code in order to facilitate the evolution of the required global standards, while accommodating local needs. Without a body that can deal with this, the process cannot take place.
 - (iii) For the reasons mentioned, it is unlikely, but not impossible that the UNFC is so robust to changes in the global environment, so well defined and so widely adopted that it can stand without further central development and communication services. It is therefore justified to keep the option open to disband any expert or other body at a point in the future where it has been ascertained beyond reasonable doubt that this is safe to do. This option should be open regardless of the model chosen.

- (b) The SPE and CRIRSCO will maintain the Code:
- (i) This option is similar to Option (a); however, in this option the Ad Hoc Group of Experts may decide to delegate SPE and CRIRSCO as the technical bodies to maintain and manage the UNFC.
 - (ii) Today, SPE has established an Oil and Gas Reserves Committee (OGRC) to provide advice to the Board of directors. OGRC is composed of members of SPE and observers from WPC, AAPG, SPEE, IASB, EIA and SEG. The SPE president appoints members of the committee.
 - (iii) As a professional organization, the SPE represents individual professional members. SPE stands for professional excellence. It cannot represent the members' employers or governments, act to have a standard adopted, nor take instructions from stakeholders.
 - (iv) CRIRSCO, which was formed in 1994 under the auspices of the Council of Mining and Metallurgical Institutes (CMMI), is an informal grouping of representatives of organizations that are responsible for developing mineral reporting codes and guidelines in Australia (JORC), Chile (National Committee), Canada (CIM), South Africa (SAMREC), the United States (SME), United Kingdom (National Committee) and Western Europe (IGI and EFG).
 - (v) On the initiative of the IASB, contact has been established between SPE and CRIRSCO to converge their standards.
 - (vi) CRIRSCO recognises the need for a more formal organization that can respond effectively to the needs of a global economy.
 - (vii) It seem highly unlikely that the United Nations Member States can delegate the authority to maintain the UNFC to SPE, as SPE is not a regulatory body, nor is it likely to become one.
 - (viii) CRIRSCO does not appear to have the structure required to accept such a charge today.
 - (ix) This may not preclude the delegation of responsibility to maintain the UNFC to a body outside the United Nations system (but it may be problematic for Member States to do so). It would then be natural to consider a body with a similar structure to that of the Ad Hoc Group of Experts where the professional organizations and the stakeholders may cooperate in a forum assuring professional excellence, stakeholder relevance and global acceptance.
 - (x) This can probably be better achieved inside rather than outside the United Nations system.

(c) Ad Hoc Group of Experts within UNECE (status quo):

- (i) An ad hoc group of experts is a body of experts established to address specific technical or policy issues in support of an intergovernmental body rather than being an intergovernmental body itself. An ad hoc group of experts is limited to 2-year mandates, but these can be renewed if warranted. Thus an on-going activity would require review by the Committee on Sustainable Energy and the UNECE Executive Committee every two years. Its task can be very specific or very general, and participation may be open to a wide range of stakeholders as is the case with the current Ad Hoc Group of Experts. Members' participation is voluntary, and the administrative functions are serviced by the UNECE secretariat. For the Ad Hoc Group of Experts on Harmonization of Fossil Energy & Mineral Resources Terminology, this option would continue the status quo and a renewed mandate would be necessary every two years. The existing Terms of Reference of the Ad Hoc Group of Experts (ECE/ENERGY/GE.3/2005/2) is available on the UNECE website at <http://www.unece.org/ie/se/reserves.html> under documents for the fourth session. The UNECE has adopted formal guidelines for the formation and operation of "Teams of Specialists" (ECE/EX/2), also available on the UNECE website. These guidelines would not represent new procedures or practices for the Ad Hoc Group of Experts. Further, the Committee on Sustainable Energy and UNECE Executive Committee have recognized that the Ad Hoc Group of Experts meets these standards by having approved a new mandate for the Group in November 2006.
- (ii) This option has the advantage of allowing the Ad Hoc Group of Experts to continue its work without disruption. In addition it offers the required flexibility and inclusiveness, and has demonstrated its efficiency. Furthermore, its Terms of Reference are still valid. In the long-term this may not be the most effective system. Its short-term nature does not lend itself to effective management of a system where standards must remain reliable and credible over the long-term so that continuous time series are assured. The intent and name of an ad hoc group of experts does not communicate that this is assured and may ultimately make it more difficult to obtain the required consensus for applying a global common code. It may also be difficult for some participants to continue justifying their participation in a "temporary" body, and the temporary nature will make it difficult to attract extrabudgetary funds.

(d) Working Party (intergovernmental body) within UNECE:

- (i) Working parties within the UNECE are intergovernmental bodies composed of member States and are subsidiary to a Sectoral Committee. Other stakeholders are allowed to participate as observers. A working party is served by the UNECE secretariat. Depending on the nature of their mission, the working environment for working parties can range from one that is very formal and structured with detailed rules of procedure and voting rights to a relatively informal setting similar to an ad hoc group of experts. Examples of the former are Working Parties supporting international conventions that must provide support to the decision-making authority and often meet multiple times per year. This is especially true for bodies responsible for norm setting and standards. An example of the latter is the UNECE's Working Party on Gas, which serves as a forum for assessing changes and trends in the European gas situation rather than as a decision-making body. It facilitates the exchange of information and experience between ECE Member States and fosters international cooperation on problems of common interest. The less formal structure allows the Working Party on Gas maximum flexibility in meeting the most pressing needs of the natural gas industry in the ECE region.
- (ii) As more formal intergovernmental bodies, working parties are given longer mandates. In the UNECE they are authorized for renewable 5-year terms rather than the 2-year term of An Hoc Group of Experts leading to greater permanence and stability. The UNECE has adopted formal guidelines for the formation and operation of working parties (ECE/EX/1), but these are quite general. Document (ECE/EX/1) is available on the UNECE website in documents section for the fourth Session at <http://www.unece.org/ie/se/reserves.html>. The Working Party structure has proven very effective for intergovernmental matters, and it could raise the visibility and support of the UNFC within governments. Greater permanence would also likely result in more opportunities to secure external financial support. On the other hand, the greatest challenge with working parties is their intergovernmental structure. It is unlikely that a UNECE working party could accommodate the very active and necessary representation from respected professional societies, international organizations and the private sector, all of which must continue to play key roles if success is to be achieved. One alternative may be to create a working party of government officials with a subsidiary ad hoc group of experts to conduct the substantive work, but this would just create an additional bureaucratic layer.
- (e) Create a new body, provisionally named the "United Nations Global Centre for Fossil Energy and Mineral Resources":

- (i) A Centre is not an intergovernmental body, but a chartered organization to serve a specific purpose. The name implies a greater level of permanence and would signify a strong commitment by the United Nations and its Member States to implement the ECOSOC resolutions. To be successful, this model would require that governments remain active participants and decision-makers since it is they who will adopt the UNFC into their legal, regulatory and policy frameworks. Other international organizations, the private sector and NGOs are also critical stakeholders and would play key roles in the Centre. Conversion from an Ad Hoc Group of Experts to a Centre could provide confidence in the United Nations' commitment delivering a strong message that non-governmental actors are welcome participants in the development, implementation and maintenance of the UNFC. Conversion to a Centre might also strengthen efforts to secure the extrabudgetary funding that are essential to facilitate global adoption and management of the UNFC.
- (ii) Several models exist within UNECE, notably the UNECE Gas Centre and the United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT).
- (iii) The Gas Centre reports to the Committee on Sustainable Energy and nominally reports to the Working Party on Gas. The Committee on Sustainable Energy reviews and approves the Centre's mandate every two years. Although the Gas Centre cooperates with the Working Party on Gas, the latter does not have veto power or control over the Centre. The members of the Centre are all commercial companies, both state-owned and private. Whilst there is no formal Terms of Reference or Rules of Procedure, the Centre must still operate according to the general Terms of Reference and Rules of Procedure of the Committee on Sustainable Energy and UNECE. In practical terms, the Gas Centre operates on a sunset basis of one year with the budget and work programme approved annually. In 2000, the development of the work programme and budget was standardized. Voting rights within the Gas Centre are equal, and the Centre operates on consensus. It is important to note that the Gas Centre operates on an independent budget based on contributions from members of the Centre. Annual fees are set once the budget is defined, and are apportioned based on a formula considering a number of different factors. Information on the Gas Centre can be found at <http://www.gascentre.unece.org/>
- (iv) UN/CEFACT operates on a more formal basis with very detailed Terms of Reference and Rules of Procedure (see: http://www.unece.org/cefact/cf_docs.htm) and with wide participation.

- (v) An example Terms of Reference for a Centre on the UNFC can be found in Annex III of the document, Response by the Committee on Sustainable Energy to the Work plan on UNECE Reform (ECE/ENERGY/2006/12), available on the UNECE website at <http://www.unece.org/ie/se/docs/comm15.html>.
- (f) Create an expert body directly under ECOSOC, but housed and staffed by the UNECE in Geneva:
 - (i) This concept is put forward for consideration because there is a precedent. The Transport Division of the UNECE serves as secretariat to the Committee of Experts on the Transport of Dangerous Goods, a subsidiary body to ECOSOC.
 - (ii) There are several potential advantages. Direct association with ECOSOC would recognize the global application of the UNFC and the substantial participation from non-ECE member countries. Initiatives that report directly to ECOSOC can realize a significantly higher profile and remove several layers of bureaucracy in seeking ECOSOC endorsement. This could be very beneficial for the UNFC given that the UNFC has received ECOSOC endorsement twice and any major changes in the future will probably require ECOSOC approval.
 - (iii) There are two significant challenges to this model. The first is that it would probably need to operate as an intergovernmental body, although it could be directed to cooperate with other stakeholders. The second challenge is that a decision to report to ECOSOC would probably be a “top-down” decision with the General Assembly or ECOSOC making the decision. Such was the case with the Committee of Experts on Transport of Dangerous Goods. Taking a bottom-up approach would require the support and approval of the Committee on Sustainable Energy, UNECE Executive Committee, and the UNECE before it could be put forward to ECOSOC for consideration.
 - (iv) Although this is an option, the secretariat has been advised that this option would be highly unlikely unless member States pursued such action within ECOSOC and the UNECE. However, additional information on the Transport model is available at <http://www.unece.org/trans/main/dgdb/dgcomm/ac10age.html>.

15. The Ad Hoc Group of Experts may wish to consider other options, but it is expected that they would need to conform to the models listed in this section. Although this paper assumes that governance of the UNFC will remain within the United Nations system and most probably within the UNECE, except for Option (b), other alternatives may exist. Locating the administration of the UNFC outside the United Nations system, however, would require the approval of the member States, which may prove problematic.

16. In all cases, use of extrabudgetary funds to support the activities of the expert body is not

prohibited.

VI. CONCLUSIONS

17. In response to the directive from the Ad Hoc Group of Experts at its third session in October 2006, the secretariat has researched possible long-term governance options for discussion at the fourth session. Based on this research, the secretariat has identified six potential models, but does not offer a recommendation on the “best” model. The decision will be left to the Ad Hoc Group of Experts to debate before endorsing a governance structure to the Committee on Sustainable Energy and UNECE Executive Committee. However, the secretariat does note that only two of the options presented, an Ad Hoc Group of Experts and a United Nations Centre, provide the opportunity for substantial and necessary participation by the full range of users in a multistakeholder forum.
