

The Russian Working Group's View of the Key Agenda Items

Russia is actually represented in the AHGE by the Russian Working Group. Through participation in the development of the UNFC the Group has acquired valuable knowledge in the field of international classification systems and the opportunities to demonstrate and explain those of its own. Today, Russian specialists and international experts - due to their joint solid work on the UNFC - can speak to some or other extent the same language and have much better understanding of each other than was possible only several years ago.

The participation in work on the UNFC opened for Russia new vistas in improvement of its own normative/methodological regulation of the national systems dealing with inventories and reporting on mineral and petroleum assets, related to the Classification of oil and gas reserves in particular.

In perspective, the use by Russia of the new format of booking and reporting on mineral and petroleum assets will enable the creation of a reliable basis for cooperation of Russian mining and petroleum companies, its organizations engaged in geological and economic auditing with international credit/financial circles which is indispensable for independent and objective geological/economic assessment of potential investment targets, their commercial attractiveness for investors and stockholders, self supported authoritative quotations through regular listing procedures, etc. One of the main tasks is to ensure the acceptance of the Russian mineral and petroleum assets classification as an obligatory listing document confirming the certainty and reliability of data submitted to stock exchanges. And it is not in vain that implementing this objective is considered as one of the main public needs to be serviced by the UNFC.

New Version of the UNFC and associated Specifications

As a whole the new wording of UNFC is an efficient normative document with clear internal logic of construction and meaningful coherence of contents of individual taxonomic units. Compiling such a document the authors were successful in evading the use of specific characteristics, terminology and definitions typical for more detailed subdivisions of separate industry related groups of mineral and petroleum raw materials.

To be considered as the main merit and advantage of the renewed version of UNFC is its overall aim to create a single Global Code for the booking and reporting of mineral and petroleum reserves/resources in the subsoil based on comparability and compatibility of reporting data, a single methodology of collecting and processing them, a single format of submitting and disclosure of information to interested stakeholders.

Nonetheless the Russian Working Group has a number of separate recommendations concerning further work for improvement of the UNFC and development of Complementary Documents for its successful application. First of all the normative/methodological regulation documents are meant, namely the Guidelines and Specifications, with the emphasis on their contents and structure. In accordance with the Russian approach, the "Guidelines" serve to clarify the main conceptual provisions and concepts of any classification, facilitate under-

standing of some or other formulations, disclose specific features, conditions and rules of its practical application. The “Specifications” in Russia are usually instructions and technical requirements complementing “methodological recommendations”, normally of compulsory application, providing more details on the rules, conditions and reservations containing in a classification as applied to specific fields of its use.

In our opinion more consideration both in the Guidelines and UNFC as a whole should be given to the main rules and techniques of mapping UNFC to other most well known national and industry specific classifications with the objective of ensuring reliability of comparing and equalizing different systems subdivided into differently composed categories, subcategories and classes with the account taken of differences by the kinds of mineral/petroleum raw materials, geological deposit types and degree of complexity of their geological structure.

It is expedient to exclude unnecessary details from the Classification in specifying categories and subcategories: too high granularity of defined subdivisions, as it seems to us, does not fit well to the document of such rank as the UNFC. At the same time, what must be strengthened in the Classification is the justification of defining categories and subcategories along the individual axes. It is desirable that the requirements for subdivisions along axis “G” determined an objective measure of the degree of geological confidence in estimates of quantities and quality of reserves/resources in the subsoil.

More detailed recommendations for improvement of the UNFC were stated in the last comments of the Russian Working group to the Draft Revised Version of the UNFC.

What is most desirable to be achieved in foreseeable future is to ensure matching of classes of “reserves” and “resources” defined in public reporting according to banking and stock exchange regulations with categories and subcategories of the UNFC preserving their meaning orientation and terminology which have become integral parts of international reporting standards to which stockholders, investors and organizations- regulators of financial markets have got already accustomed.

UNFC Governance

The Russian Working Group is quite sure that the creation of the UN International Center on the Problems of Energy and Mineral Supply of the World Economy in Geneva could be the optimal form of governance of the UNFC on further stages of its development. Large scale cooperation between stakeholder countries, the UN regional centers and non-governmental organizations could be unfolded within the framework of this Center based on strengthened international ties to be facilitated by introduction of the UNFC as an interface of comparing views and opinions upheld by different countries and professional communities with respect to the amount and quality of mineral potential of countries and regions. In this field the development of cooperation could be especially productive if focused on establishing uniform principles of taking stocks and reporting of available and prospective energy and mineral wealth, balanced and proportionate development of geological exploration work, rational and efficient use of raw materials assets, providing governing bodies with information needed for the control over up-to-date status, rates and trends of reproduction of the fossil energy and mineral base.

Governance of mineral and petroleum reserves/resources on the state level in Russia: the essence and interests of the State

In Russia, as distinct from some other countries the subsoil within the boundaries of its territory is a State property. This is established by the law “On the Subsoil” underpinning the governance of resources and defining all the regulations of use of the subsoil.

The State regulation of subsoil use relations in the country is carried out by means of managing, licensing and auditing under state control.

The main objectives of the State governance of reserves/resources include:

- reproduction of the mineral resources base;
- evaluation of the degree of integrity and the depth of integrated use of reserves, exclusion of selected mining of best portions of deposits, reduction of losses in recovery of mineral raw materials caused by erroneous exploitation of deposits;
- state booking and updating of the status and changes in petroleum and mineral reserve/resource assets for further use of the data obtained in planning and long-term forecasting of development of the people’s economy;
- improvement of the system of taxes and payments generated by the use of the subsoil.

Both the revised UNFC and new Russian Classifications (for mineral and hydrocarbon commodities) are universal, oriented to solution of a wide range of tasks related to estimation, evaluation and monitoring of the mineral resource base of the country. With the use of 3D newly revised UN document experts are expected to complete most comprehensive geological/economic reassessment of oil-and-gas and mineral deposits with the account taken of such factors as geopolitical aspects of their distribution, deficiency, strategic importance of some kinds of commodities, export potential, innovation/technological progress associated with the new methods of mining and processing commodities recovered from the subsoil.

The State governance of mineral and petroleum reserves and resources, the reproduction of these most important raw materials base in particular, as well as estimation of prognostic resources and justification of analogies when making assessments of potential mineral and oil-and-gas sources as well as at the stages of their development and extraction, are implemented with the prospects of integration in the world economy being taken into consideration.

The diversity of national and international standards and the professional terminology applied is keeping back information exchanges, complicating compilation of global inventories of the world energy and mineral reserves and resources. Therefore, in our opinion, from the viewpoint of the State the role and importance of the UN efforts directed to development of the multi-purpose Framework Classification and Specifications that would meet the above requirements are essentially growing.

Assessment and comparison of energy and mineral potentials of countries and regions need a single approach to mapping of UNFC and national classification systems which is based upon the uniformity of principles of geological exploration and development, economic, commercial and financial criteria of evaluation of mineral deposits, the use of standardized formats of reporting reserves and resources with generic presentation of classified high level subdivisions and disclosing them in more detail on lower general classification levels and in the commodity specific guidelines.

UNFC as applied to recipient reservoirs

UNFC can also be used as a suitable basis for classification of natural recipient reservoirs. In this case the analogy can be observed with artificially created accumulations of natural gas. For the creation of such “artificial deposit” studies of geological structure, hydrogeological and engineering geological conditions of subsoil portions which are needed to be conducted are absolutely the same. And similar technological and economic feasibility studies are also required to justify the arrangement of recipient reservoirs confined to these portions.

In particular, the Methodological Recommendations on Justification of Choice of Subsoil Plots Intended for Purposes Not Related to Mining was recently developed in the Russian Federation. Provided for in this document are the approaches to selection and geological study of subsoil plots intended for creation and exploitation of underground gas and oil storage facilities. Also stipulated are stages of geological exploration related to creation of storages and, to a lesser extent, as it stands today, technological and economic grounds of arranging them. Thus the UNFC can meet all the requirements on classifying information needed for the creation and use of recipient natural gas storages.

***Russian Working Group
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