

**“RESPONSE BY THE COMMITTEE ON SUSTAINABLE ENERGY TO
THE WORK PLAN ON ECE REFORM”
DOCUMENT: ECE/ENERGY/2006/12**

**FOR
COMMITTEE ON SUSTAINABLE ENERGY, 15TH SESSION
Geneva, 28 – 30 November 2006**

**EXTRACT FROM DOCUMENT RELATING TO
ENERGY RESERVES AND RESOURCES
TERMINOLOGY**

INTRODUCTION

1. On 2 December 2005, the Commission officially adopted the Work Plan on ECE Reform. This Work Plan specifically asks the Committee on Sustainable Energy to (i) streamline its activities and improve cooperation with other relevant institutions, in particular the International Energy Agency (IEA) and the Energy Charter; and (ii) strengthen activities in the fields of energy efficiency, cleaner energy production, energy security and diversification of energy sources, taking into account environmental concerns.
2. The purpose of document ECE/ENERGY/2006/12 is to provide delegates to this session of the Committee with a set of options/alternatives in a number of work areas to give effect to the recommendations of the Commission. These alternatives relate to the programmes of work in energy security, reserves and resources terminology, coal and electricity, and natural gas. However, these are not intended to be exhaustive. Delegates might wish to consider other changes in the structure, programme of work or methods of work of the Committee's subsidiary bodies.
3. Committee members will be invited to consider these alternatives and any others proposed by member countries during the upcoming session. The recommendations of the Committee on Sustainable Energy will then be transmitted to the Executive Committee for endorsement. Under the Work Plan on ECE Reform, the Executive Committee, composed of representatives from UNECE member States, has been tasked to approve the set-up, renewal, discontinuance, terms of reference and work plans of groups under the Sectoral Committees, based on the criteria of their relevance to the subprogramme, resource implications, avoidance of duplication and overlap in the ECE activities.

II. RESERVES AND RESOURCES TERMINOLOGY

11. Accurate and consistent methodologies for estimating and reporting fossil energy and mineral reserves and resources are necessary to establish a complete picture of the current and future energy supply base for more effective management of global resources and the economic and social impacts so closely linked with changes in energy and commodities pricing. With the consolidation of international capital and commodities markets, demand is growing for strong, reliable, common and universally applicable standards for estimating and reporting reserves and resources for a range of needs, notably international energy studies, government resources management, industry's business process management and international financial reporting standards. Such standards must also be governed by a transparent process so that they are kept current and remain credible and relevant.
12. As the only existing classification system that can be applied to both fossil energy and mineral resources, the United Nations Framework Classification on Fossil Energy and Mineral Resources (UNFC) offers a strong and elegant solution to the need for one global common code. The UNFC was originally developed in the 1990s by the UNECE and its member States with the goal of creating a simple, user-friendly and uniform system for classifying and reporting reserves and resources of solid fuels and mineral commodities. Following endorsement of the UNFC for solid fuels and minerals by the Economic and Social Council in 1997, the UNFC was extended in 2004 to apply to petroleum and uranium and renamed the UNFC for Fossil Energy and Mineral Resources. Furthermore, ECOSOC in its resolution 2004/233 invited United Nations Member States, international organizations and the UN regional commissions to consider taking appropriate measures for ensuring its worldwide application.

13. In order to encourage UN Member States and international organizations to implement the ECOSOC resolutions, UNECE established the Ad Hoc Group of Experts on Harmonization of Fossil Energy and Mineral Resource Terminology (previously called the Ad Hoc Group of Experts on Supply of Fossil Fuels), which held its first meeting in November 2004. Given the global nature of the ECOSOC resolution and the global implications of the work, the Ad Hoc Group of Experts is now a diverse body consisting of representatives from both UNECE and non-UNECE member governments. International organizations, NGOs, the private sector and professional societies are also important participants and include: IEA, IEF, OPEC, International Accounting Standards Board, Society of Petroleum Engineers, and Combined Reserves International Reporting Standards Committee.

14. In November 2003, the Committee on Sustainable Energy approved the programme of work for the Ad Hoc Group of Experts for a period of two years (ECE/ENERGY/53, para 16(viii)). Under the direction of an active and involved Bureau and membership, the Ad Hoc Group of Experts has made substantial progress in implementing its programme of work through the ongoing development of guidelines and case studies for the application of the UNFC. The Ad Hoc Group of Experts is a temporary body with a sunset clause. The nature of the activity, however, necessitates a long-term governance structure to: (a) ensure that the recommended global terminology for fossil energy and mineral resources is communicated clearly and consistently over time to users, and that users receive assistance in its application as required; (b) clear national and local specifications and guidelines for compliance with the global functional standard and advise on conflicts with specifications and guidelines developed by other national or local entities; (c) approve global specifications and guidelines and recommend changes; and (d) recommend changes to the UNFC when there are strong reasons for doing so. These items are critical to achieve the goal of ECOSOC resolution 2004/233 and to meet the growing demand for one common global code for energy reserves and resources reporting that is both current and relevant locally.

15. In view of the global nature of the activity and the wide range of stakeholders involved and whose future engagement is critical for the success of the initiative, there is a need to change or evolve the body under which the activity is conducted. Among the options the Committee might wish to consider are the following:

- (a) Create a new body, provisionally named the “United Nations Global Centre for Fossil Energy and Mineral Resources” to be located within the UNECE. Draft Terms of Reference for such a Centre are attached (Annex III). The name implies a greater level of permanence and would signify a stronger commitment by the UN and Member States to implement the ECOSOC resolutions. Under this model, the governments are active participants and take decisions with the strong involvement of other international organizations, the private sector and NGOs. Conversion from an Ad Hoc Group of Experts to a Centre will provide confidence in the UN’s commitment and will deliver a strong message that a wide range of participants are welcome in the development, implementation and maintenance of the UNFC. Conversion to a body of a more permanent, as opposed to ad hoc, nature would also strengthen efforts to secure the extrabudgetary funding essential to facilitate global adoption and management of the UNFC.
- (b) Elevate the UNFC to a Working Party within UNECE. The Working Party structure is effective for intergovernmental matters and it could raise the visibility of the UNFC within governments. However, it is not clear whether a UNECE Working Party could accommodate the very active and necessary participation 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.

- (c) Retain the status quo and continue as an Ad Hoc Group of Experts within UNECE. This has the advantage of allowing the Ad Hoc Group of Experts to continue its work without disruption; however, the concept of “ad hoc” generally refers to an action or body that has a short life. In this case, the support to international energy studies, government resources management, industry’s business process management and international financial reporting standards requires that the standards be reliable over the long-term so that continuous time series are assured. The intent and the name of Ad Hoc Groups of Experts do not communicate that this is assured and may make it more difficult to obtain the required consensus for applying a global common code. Should this option nevertheless be preferred, the Committee would need to approve the Terms of Reference for the Ad Hoc Group of Experts as contained in Annex IV.

ANNEX III

UNITED NATIONS GLOBAL CENTRE FOR FOSSIL ENERGY AND MINERAL RESOURCES (UN/CEFEM) DRAFT TERMS OF REFERENCE

Mandate: The decision of the UNECE Committee on Sustainable Energy, November 2006, and the decision of the UNECE Executive Committee, December 2006, which approved the setting up of the Centre, its terms of reference, and work plan for a period of five years starting in 2007.

Mission Statement

1. UN/CEFEM is the Global Centre for Fossil Energy and Mineral Resources. The Centre provides a responsive, transparent, and accountable governance structure to administer and maintain the UN Framework Classification for Fossil Energy and Mineral Resources (UNFC) in support of the United Nations Economic and Social Council (ECOSOC) resolution 2004/233, which invites the Member States of the United Nations, international organizations and the UN regional commissions to consider taking appropriate measures for ensuring worldwide application of the UNFC.

Activities

2. The Centre, acting within the framework of the policies of the United Nations in the development of norms and standards, will conduct the following activities to achieve its mission:
 - (a) Monitor and update the UNFC, as appropriate and necessary, to ensure that the UNFC remains relevant, reliable, credible, applicable, and facilitates comparability;
 - (b) Develop the specifications and guidelines to encourage successful implementation of the UNFC; and
 - (c) Develop and administer an effective education and outreach programme to promote the application of the UNFC.
3. The Centre shall adopt its own rules of procedure including the establishment and administration of subsidiary bodies to facilitate carrying out its responsibilities.
4. To generate the most effective outcomes in pursuit of its mission, the Centre encourages participation by other UN Member States, intergovernmental organizations, and non-governmental organizations recognized by ECOSOC to participate in the work of the Centre. Additionally, the Centre may extend invitations to observers representing other public and private organizations.
5. The Centre will be serviced by Staff of the UNECE who will assist UN/CEFEM in the accomplishment of its mission and programme of work, within existing resources. Additional services and extrabudgetary funds may be provided by external sources in accordance with United Nations rules.
6. The Centre will report on its achievements and plans on an annual basis to the Committee on Sustainable Energy.

ANNEX IV

AD HOC GROUP OF EXPERTS ON HARMONIZATION OF FOSSIL ENERGY AND MINERAL RESOURCES TERMINOLOGY TERMS OF REFERENCE

(approved by the Ad Hoc Group at its Second Meeting, 9-11 November 2005, and now requiring approval by the Committee)

Background: The Ad Hoc Group of Experts on the Harmonization of Energy Reserves and Resources Terminology was created by the decision of the UNECE Committee on Sustainable Energy at its eleventh session in November 2001 (ECE/ENERGY/47, para.13).

Mandate: The decision of the UNECE Committee on Sustainable Energy, November 2003 (ECE/ENERGY/53/ para. 16(viii)), which requested that the Ad Hoc Group continue its work for a period of two years starting in 2004 and report its achievements and plans yearly.

The objectives of the Ad Hoc Group of Experts are:

- (a) to seek to continue developing the harmonization code of the UN Framework Classification for Fossil Energy and Mineral Resources (UNFC) with the existing commodity definitions, bearing in mind ECOSOC Resolution 2004/233, which encourages Member States of the United Nations, the UN regional commissions and international organizations to consider taking appropriate measures for ensuring worldwide application of the UNFC. It would be appropriate to 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.
- (b) to facilitate the development of the *Specifications* and *Guidelines* to the UNFC, through cooperation with the Society of Petroleum Engineers (SPE) for petroleum and the Combined Reserves International Reporting Standards Committee (CRIRSCO) for coal, uranium and minerals; (ii) in facilitating the development of these Specifications and Guidelines the Ad Hoc Group of Experts recognizes that it is useful that they be tailored to meet, to the extent possible, the needs of applications pertaining to energy studies, resources management functions, corporate business processes and financial standards.
- (c) to encourage the development of education programmes on the UNFC, using in particular industry professional societies capabilities.
- (d) to invite and facilitate development of *case studies* on a *voluntary basis, using the developed Specifications and Guidelines*, to fully assess the suitability of applying the UNFC to a comprehensive range of individual deposits of fossil energy and mineral resources. Such case studies would serve to demonstrate the various strengths of the UNFC under diverse applications.
- (e) to seek to strengthen inter-agency cooperation and to cooperate and collaborate with all stakeholders, including other governmental and non-governmental organizations and the business community/private sector and professional associations in order to realize the above objectives. The international organizations include the International Atomic Energy Agency (IAEA), the International Energy Agency (IEA), the International Energy Forum (IEF), the Organization of Petroleum Exporting Countries (OPEC), the World Petroleum Council (WPC) and the World Energy Council (WEC). The professional associations include the American Association of Petroleum Geologists (AAPG), the Combined Reserves International Reporting Standards Committee (CRIRSCO), the European Federation of Geologists (EFG), the International Accounting Standards Board (IASB), the International Valuation Standards Committee (IVSC) and the Society of Petroleum Engineers (SPE).