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**ECONOMIC COMMISSION FOR EUROPE**

**COMMITTEE ON SUSTAINABLE ENERGY**

Ad Hoc Group of Experts on Harmonization of  
Energy Reserves and Resources Terminology  
Second session, 9-11 November 2005

**REPORT**

**I. INTRODUCTION**

1. The second session of the Ad Hoc Group of Experts on the Harmonisation of Energy Reserves and Resources Terminology was held in accordance with the decision of the Committee on Sustainable Energy at its fourteenth session (ECE/ENERGY/65, paragraph 35). The Committee decided that the Ad Hoc Group of Experts should revise its Terms of Reference to reflect the progress made in developing the United Nations Framework Classification for Fossil Energy and Mineral Resources (UNFC), its new programme of work and direction for the Ad Hoc Group of Experts as discussed at its annual meeting held in November 2004.

**II. PARTICIPATION**

2. The meeting was attended by representatives from the following UNECE member countries: Canada, France, Norway, Poland, Romania, Russian Federation, Slovenia, Switzerland, Turkey, Ukraine, United Kingdom and United States of America.

3. Representatives of the following countries participated under Article 11 of the Commission's Terms of Reference: Syrian Arab Republic, United Arab Emirates and Venezuela.

4. The following international organizations were represented under Article 12 of the Commission's Terms of Reference: International Atomic Energy Agency (IAEA), International Energy Agency (IEA), International Gas Union, Organisation for Economic Cooperation and Development (OECD), Nuclear Energy Agency (NEA) and Organisation of Petroleum Exporting Countries (OPEC).

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5. The following non-governmental organizations were represented under Article 13 of the Commission's Terms of Reference: American Association of Petroleum Geologists (AAPG); European Federation of Geologists (EFG); Combined Reserves International Reporting Standards Committee (CRIRSCO), International Gas Union (IGU), International Valuation Standards Committee (IVSC), Society of Petroleum Engineers (SPE) and World Energy Council (WEC).

### **III. OPENING OF THE MEETING**

6. The meeting was opened by Mr. George Kowalski, Director of the Industrial Restructuring, Energy and Enterprise Development (IREED) Division, who reviewed the development of the UNFC. He noted the important progress that had already been made in the development of a framework for the classification of fossil energy and mineral reserves and resources, including Resolution 2004/233 adopted by the United Nations Economic and Social Council (ECOSOC) last year. Mr. Kowalski pointed out the need to clarify the Ad Hoc Group of Experts' orientation, governance structure and programme of work and reconcile these with new Terms of Reference. He observed that global adoption of the UNFC would require meeting the needs of the many professional societies and international institutions concerned, including the International Accounting Standards Board (IASB).

### **IV. ELECTION OF OFFICERS**

7. Mr. S. Heiberg (Norway) was re-elected Chairman; Mr. Y. Podturkin (Russian Federation), Mr. A. Subelj (Slovenia), Mr. T. Ahlbrandt (United States), and Mr. M. Hamel (OPEC Secretariat) were re-elected Vice Chairmen.

### **V. ACTIVITIES AND PRIORITIES OF THE COMMITTEE ON SUSTAINABLE ENERGY, AND MATTERS FOR CONSIDERATION BY THE AD HOC GROUP OF EXPERTS**

8. The Director of the IREED Division introduced this agenda item with a brief description of the reform process underway in the United Nations system as a whole. He explained that member States had led a reform process within the UNECE that had included an external evaluation of the organization and subsequently produced concrete proposals on the role of UNECE, its intergovernmental structure and programme of work. He noted that the sustainable energy programme had been retained and had been requested to increase cooperation and coordination of its activities with other international organizations working in the energy field.

### **VI. DRAFT TERMS OF REFERENCE**

9. This agenda item was introduced by the Chairman, who presented the draft terms of reference circulated prior to the meeting and described how these related to the governance structure and future development of the UNFC. During the ensuing debate, delegations offered

their views and guidance on the terms of reference and proposed revisions to the draft text. Some delegations noted that the Ad Hoc Group of Experts needed to remain a technical body that could be flexible enough to manage the further development of the UNFC. They pointed out that the specifications, guidelines and case studies of the UNFC were the most important features of future work. The terms of reference needed to reflect how these would be developed in cooperation with the professional societies: the Combined Reserves International Reporting Standards Committee (CRIRSCO) and the Society of Petroleum Engineers (SPE). These delegations noted that this configuration would allow the Ad Hoc Group of Experts to address both minerals and petroleum adequately providing genuine value added by their work in this field. It was clarified that the Ad Hoc Group of experts will be concerned with the development of a harmonization code and not with the collection of information on the quantities of the reserves and resources it defines. All delegations noted their commitment to developing an energy/minerals harmonization code under the UNFC. They acknowledged that the terms of reference as revised during the meeting would serve the purposes of developing the specifications, guidelines and case studies (see Annex I).

## **VII. GOVERNANCE STRUCTURE FOR A GLOBAL COMMON CODE**

10. This agenda item was introduced by the Chairman with reference to a draft note on the subject that had been circulated to the Group of Experts prior to the meeting. He reviewed the process involved in the adoption of the UNFC both by countries and at the global level, in particular, following the ECOSOC Resolution 2004/233 which encourages, inter alia, Member States to consider taking adequate measures for ensuring the worldwide application of the UNFC. He noted that many countries had adopted the UNFC for solid fuels and minerals on a voluntary basis and that others were actively examining how this could be applied to fossil fuels, uranium and minerals more generally. The Chairman observed that the key to the global adoption of the UNFC lay in its acceptance by the many and varied technical, commercial, financial and governmental interests related to energy and mineral resources, in response to the need that the new global markets have for global standards. In particular, he explained that a common code was needed by the financial community for acceptance and use in the global capital market as a change in international financial reporting for extractive activities is being prepared at the moment. Clearly, the collaboration with the International Accounting Standards Board (IASB) would advance this process significantly. He pointed out that the status of the Ad Hoc Group of Experts at present could accommodate the immediate needs of developing the UNFC, but that the global adoption of the common code would require a governance structure and status that would provide long-term reliability of its implementation. He noted that the United Nations system did provide mechanisms and precedents for implementing a global standard under the UNECE or under the ECOSOC.

11. During the discussion that followed, some delegations stated that the current status and governance structure of the Ad Hoc Group of Experts was adequate to meet the needs of developing the UNFC. They pointed out that the priority should be to develop specifications and guidelines in order to ensure that the UNFC is a viable harmonizing classification system and flexible enough to be mapped with the existing classifications. Other experts pointed out that the UNECE was a regional commission of the United Nations system and did not reflect the global scope of the UN Member States that had been encouraged to apply the UNFC in ECOSOC

Resolution 2004/233. In addition, they observed that the temporary nature of the Ad Hoc Group was incompatible with the long-term institutional oversight requirements of the UNFC as a global common code, noting that its current term formally expires in November 2006. Other experts pointed out that an important function of the UNFC was to assist the financial community, providing it with a common format for evaluating reserves and resources. They noted that the institutional basis for the UNFC should be adapted to meet the various needs, including those in the financial community.

12. The meeting agreed that the current ad hoc status should be maintained, but that its governance structure should be strengthened to help develop the UNFC specifications, guidelines and case studies. In line with recommendations from its 2004 annual meeting, the Ad Hoc Group elected additional members to its Bureau for the present session (ENERGY/GE.3/2004/2). In addition, it strengthened its technical capacity by establishing two task forces, one for petroleum (oil and gas) and one for coal, uranium and minerals (Solid Minerals). The Task Force on Petroleum was to be led and organized by the SPE and the Task Force on Solid Minerals was to be composed of experts of CRIRSCO and other members of the Ad Hoc Group of Experts, recognizing the existing harmonization between the UNFC and the SPE and CRIRSCO classifications and definitions. The meeting also agreed to strengthen the Bureau further to include representatives of the SPE and the CRIRSCO, and noted with appreciation the offer from the SPE to consider the opportunity for the Ad Hoc Group to appoint an observer to its Oil and Gas Reserves Committee (SPE OGRC).

13. While observing that many countries had applied the UNFC for solid fuels, the Ad Hoc Group noted that the Ukraine had been the first UNECE member country to adopt the UN Framework Classification for Fossil Energy and Mineral Resources at the state level and acknowledged that this had been made possible by the work of the State Committee on Mineral Reserves of the Ukraine.

## VIII. TRUST FUND FINANCED ACTIVITIES

14. The meeting considered this agenda item in the context of its terms of reference and governance structure. The Director of the UNECE IREED Division informed the meeting as to how UNECE trust funds operate and are managed by the UNECE secretariat. Some of the delegations stated that the additional funding for specific tasks was welcome, but should be undertaken on a case-by-case basis. Other experts noted that the development of the specifications, guidelines and case studies would involve a significant level of effort, some of which would require financial support on a proper contractual basis. Indeed, they pointed out that there were a limited number of experts in this field available to carry out specific tasks required for the UNFC and that they should be engaged in the near future. The meeting agreed that, on a voluntary basis, financial support could be provided by interested members for activities of the Ad Hoc Group of Experts and requested the Bureau to consider further the need for financial support, including the modalities of how this could be the most effectively managed. When queried as to the need for such funds, the SPE responded that it would have no need for such funds.

## **IX. GUIDELINES AND DEFINITIONS**

15. This agenda item was introduced by two presentations: one on solid minerals and the second on petroleum. Vice Chairman Mr. Andrej Subelj introduced the UNFC as it applied to solid minerals by setting out the principles of the framework that account for economic, feasibility and geological dimensions. He described the origins of the classification system for solid fuels and the history of its adoption by countries within and outside the UNECE region. The coordinator of the Solid Minerals Group, Ms. Mucella Ersoy, provided additional information of the current status of the UNFC application and opportunities for improvement. The coordinator of the Petroleum (oil and gas) Group, Mr. Per Blystad, outlined the application of the UNFC in the petroleum sector. During the ensuing presentations and interventions, experts from professional societies, government departments and the financial sector confirmed the value added of the UNFC as a mechanism to harmonize different reserve and resources classification systems. Senior representatives of the SPE and CRIRSCO outlined how the specifications and guidelines for the UNFC would be developed and reconciled with their own classification systems. The specific issue of uranium was also discussed and the Meeting requested the Bureau to explore further the development of the UNFC guidelines and specifications for uranium.

## **X. CASE STUDIES**

16. The meeting considered a selection of case studies developed for solid fuels and for the petroleum reserves and resources in a plenary session. The meeting then divided into two working sessions each led by the relevant Group coordinators to examine case studies for Solid Minerals and case studies for the petroleum sector. Upon completion of these separate working sessions, the Group Coordinators reported back to the plenary session with the views and guidance of the Group members. The plenary session and working sessions stressed the need for close coordination between the development of the UNFC specifications, guidelines and the case studies. The guidelines should be based on the UNFC specifications and definitions prepared by the two Task Forces. In a general sense, the case studies should be developed on a voluntary basis and in accordance with the guidelines and to a standard format. Indeed, a structured approach needed to be taken with regard to the case studies so that they could validate selected aspects of the guidelines.

## **XI. PROGRAMME OF WORK FOR 2006**

17. The meeting considered this agenda item in its deliberations on the UNFC specifications, guidelines and case studies. The representatives of CRIRSCO, leading the Task Force on Solid Minerals, expressed their commitment to undertake the reconciliation of the UNFC specifications with their own system and to produce the guidelines for application of the UNFC in their sector by the next annual meeting of the Ad Hoc Group. The SPE, leading the Task Force on Petroleum, confirmed its commitment to pursue the development of relevant UNFC specifications, harmonization with its own system and preparation of guidelines for the application of the UNFC in the petroleum field. This will be carried out under a memorandum of understanding to be agreed between CRIRSCO, SPE, the Bureau (not including SPE and CRIRSCO) and UNECE. The leaders of both Task Forces agreed to provide details of their

work programmes, deliverables and schedules to the Bureau during the coming weeks. In addition, the meeting agreed to develop case studies on a voluntary basis in response to and in coordination with the needs of the two Task Forces.

## XII. CONCLUDING REMARKS AND RECOMMENDATIONS

18. After discussion the Ad Hoc Group of Experts:
- (a) Agreed on its revised Terms of Reference, which provide a new name, mandate and objectives for the Ad Hoc Group (see Annex I);
  - (b) Agreed that the structure and status of the Ad Hoc Group is adequate for the immediate needs of developing the UNFC specifications, guidelines and case studies;
  - (c) Further agreed that two Task Forces, one for petroleum (oil and gas) and one for Solid Minerals, should be established to develop a harmonized code by use of the framework facility of the UNFC, including specifications and guidelines required to meet international needs;
  - (d) Welcomed with appreciation the proposal of the Society of Petroleum Engineers (SPE) to serve as the Ad Hoc Group of Experts Task Force on Petroleum;
  - (e) Welcomed with appreciation the agreement of the Executive Committee of the Combined Reserves International Reporting Standards Committee (CRIRSCO) to serve as the Task Force on Solid Minerals, together with other members of the Ad Hoc Group of Experts;
  - (f) Decided to enlarge the Bureau of the Ad Hoc Group of Experts to include representatives of the SPE and the CRIRSCO;
  - (g) Agreed that the Bureau review its possible enlargement and accept additional Bureau members if warranted to adequately reflect the principle applications of the harmonized code in:
    - energy studies,
    - resources management,
    - corporate business processes and
    - financial standards;
  - (h) Requested the Bureau to consider the future status (beyond 2006) of the Ad Hoc Group of Experts in view of ECOSOC Resolution 2004/233 inviting international application of the UNFC and in the light of the requirement for long term reliability of its implementation;
  - (i) Agreed that, on a voluntary basis, financial support could be provided by interested members for activities of the Ad Hoc Group of Experts;
  - (j) Requested the Bureau to determine the needs for financial support and the modalities of applying this to selected activities.

**XIII. ANY OTHER BUSINESS**

19. The dates of the next meeting are 11-13 October 2006.

## ANNEX I

### TERMS OF REFERENCE

#### UNECE AD HOC GROUP OF EXPERTS ON HARMONIZATION OF FOSSIL ENERGY AND MINERAL RESOURCES TERMINOLOGY

**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 to:

- (a) seek to continue developing the harmonization code of the United Nations 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 UN, 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)(i) 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) encourage the development of education programmes on the UNFC, using in particular industry professional societies capabilities.
- (d) 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) 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).