SOCIAL AND ENVIRONMENTAL CONSIDERATIONS WORKING GROUP

Dr. David Elliott
SECTF Terms of Reference: address social and environmental considerations “at a high level”

- Essentially completed, issues remain

Draft reports, culminating in the 2018:

- Guidance report
- Supplementary report on Concepts and Terminology

Recommendations incorporated in the draft update of the UNFC
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<tr>
<th>Name</th>
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<tr>
<td>Campbell, Kathryn A.</td>
<td>Sullivan &amp; Cromwell</td>
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<td>Claudeville, Julio</td>
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<td>Julian Hilton</td>
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<td>Luis Martins</td>
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<td>Michael Lynch-Bell</td>
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<td>Carrie McClelland</td>
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SOCIAL AND ENVIRONMENTAL CONSIDERATIONS WORKING GROUP

- Task Force converted to a Working Group (SECWG).
- Draft Terms of Reference
  - Continue to develop high level general guidance
  - Work with Resource specific work groups on resource specific guidance
  - Determine any changes needed in guidance due to incorporating, in the UNFC:
    - Resource management
    - The SDGs and Paris Climate Change Accord
- Integrate the work of the SECWG with:
  - E-axis economic, the F and G-axes.
Case studies needed, following which the current guidance can be reviewed and revised as appropriate.

Few case studies at present.

- Pilot project for the classification of *Mexico’s petroleum resources* and reserves based on the United Nations Framework Classification for Resources (UNFC ECE/ENERGY/GE.3/2019/5)
  - Table 1 E axis evaluation matrix
  - Table 2 E axis evaluation, case study

- Specifications for the application of the United Nations Framework Classification for Fossil Energy and Mineral Reserves and Resources 2009 (UNFC-2009) to *Geothermal Energy Resources*
  - Annex II Decision tree to aid the classification of geothermal projects according to UNFC-2009

- Australian example (origin unknown)
SECWG: HIGH LEVEL GUIDANCE

- The 2018 report is a proposal for high level guidance.
  - Not formulated as a traditional guidance document.
- Need to:
  - Reformulate as a more conventionally structured guidance document, avoiding overlap with the UNFC.
  - Continue to develop guidance
  - Structure it to integrate with resource specific guidance as this is prepared (and vice versa)
SECWG: IMPLICATIONS OF USING THE UNFC WITH THE SDGS AND CLIMATE ACCORDS?

- SDGs heavily weighted to social and environmental issues.
- Provide guidance for the use of the SDGs for UNFC classification
- But SDGs are:
  - Poorly constructed to provide clear decision rules for classification.
  - Dependency issues.
SECWG: A DILEMMA?

- What is done? Preface*: “Establishing a complete picture of current and future supply …”
- What should be done? Introduction*: implies that SDG goals should factor into UNFC classification.
  - Different scenarios. E.g., with and without consideration of CO₂ production
- Will give different answers.
- Doing both can be informative.

* UNFC 2018 update draft
Decision rules are an explicit or implicit assessment of whether an event will occur or not.

They may be quantitative or qualitative, e.g.:
- There is a 70% probability that the well will be successful
- The well is likely to be successful
DECISION RULES

- “Traditional” method: relative frequency (e.g. tossing a coin, dice, etc.)
- “Subjective or Personal” method: “a degree of belief in a proposition”
- Social and environmental assessments are largely based on subjective judgments expressed in words, not numbers.

- Do we need guidance?
Studies have shown median probabilities and Interquartile ranges (IQR) associated with words, e.g.:

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<th></th>
<th>Median</th>
<th>IQR</th>
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<tr>
<td>Very likely</td>
<td>88%</td>
<td>10%</td>
</tr>
<tr>
<td>Likely</td>
<td>71%</td>
<td>15%</td>
</tr>
<tr>
<td>Unlikely</td>
<td>17%</td>
<td>13%</td>
</tr>
<tr>
<td>Possible</td>
<td>39%</td>
<td>43%</td>
</tr>
<tr>
<td>Useless!</td>
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HOW TO ESTABLISH SUBJECTIVE OR PERSONAL PROBABILITIES?

- Techniques range through:
  - “Back of the envelope”
  - Individual or committee
  - Delphi process; “a systematic, interactive forecasting method which relies on a panel of experts”
Social and environmental TF work emphasised the increased complexity of resource management decisions.

Decision makers need useable and complete information:
- UNFC Class and sub-class alone are not adequate.
- Sub-classes (e.g., Development on hold) tell what the status is, but not what needs to be done.
- UNFC has 50 boxes – too complex for decision makers.
A SUMMARY REPORT?

- Information on the conditions and the results of assessment:
  - E.g., Development plan, recovery technology, price, regulatory and fiscal regimes, value (NPV), social and environmental conditions, etc.

- What contingencies must be resolved to provide a resource to users?

- Information not too:
  - Simple – i.e., only the UNFC Class and sub-class
  - Complex – i.e., A full resource report
  - Aggregated UNFC boxes - simpler “super” classes.
  - Bridge to local usage terminology
IN SUMMARY

- Current document provides high level guidance
- Need SECWG TOR
- Need case studies
- Further development is needed of:
  - High level guidance
  - Resource specific guidance
- How to accommodate:
  - Expansion from resource classification to management
  - SDGs and Paris Climate Accords as classification factors
- Reporting to decision makers