

RTF Discussion Paper: The Need and/or Desirability to Develop Specifications and Guidelines for the UNFC

**Prepared for Seventh Session, Ad Hoc
Group of Experts on Harmonization of
Fossil Energy and Mineral Resources
Terminology**

**Presented by Jim Ross
Geneva, 29-30 October 2009**



AHGE Terms of Reference (Nov 2005)

- The **objectives** of the Ad Hoc Group of Experts are to (*inter alia*):
 - *facilitate the development of the Specifications and Guidelines to the UNFC*, through cooperation with the Society of Petroleum Engineers (SPE) for petroleum and the Committee for Mineral Reserves International Reporting Standards (CRIRSCO) for coal, uranium and minerals;
 - *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.

RTF Mandate (1)

- Report of the Fifth Session of the AHGE (April 2008):
 - Considered the provisional Report of the Mapping Task Force, and *generally agreed to use it as a basis for revising the UNFC and its specifications and guidelines*, subject to comments from members of the Ad Hoc Group of Experts following further review
 - Confirmed authorization of the Bureau of the Ad Hoc Group of Experts to act on the views received on revising the 2004 UNFC
 - Requested that a proposal for a revised UNFC be submitted to the Extended Bureau of the Committee on Sustainable Energy for consideration as early as possible

RTF Mandate (2)

- The objectives of the Ad Hoc Group of Experts (March 2009) are to:
 - (i) consider whether it is needed and/or desirable to develop specifications and guidelines for the UNFC
 - (ii) should the Ad Hoc Group of Experts consider that it is needed and/or desirable to develop specifications and guidelines, such development shall be undertaken through cooperation with the Society of Petroleum Engineers (SPE) for petroleum and the Committee for Mineral Reserves International Reporting Standards (CRIRSCO) for minerals, recognizing 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 reporting standards.

Potential Impact

- The options presented in the Discussion Paper have no impact whatsoever on users of other classification systems who choose to continue to use only those systems
- The options only impact those who choose to use UNFC-2009 directly or to report estimates made under other systems, which are then mapped to UNFC-2009
- The options must be considered from the perspective of a user of estimates that have been classified under (or mapped to) UNFC-2009 and claimed to be UNFC-compliant

Harmonization of Terminology

- TNK-BP reported its *proved reserves* under two systems in 2004:
 - SEC system: 4.3 billion barrels of oil equivalent
 - SPE system: 9.0 billion barrels of oil equivalent
- Terminology is the same, but the estimates are not equivalent
 - Substantial difference is a consequence of different specifications and guidelines (estimates were independently audited)
- Without specifications and guidelines for the UNFC, both estimates would map to 111 under UNFC-2009
 - Both estimates could be reported as UNFC-compliant
 - Would this improve global communications about resource estimates?
- Harmonization of terminology must not lead to a false sense of consistency and comparability

Process

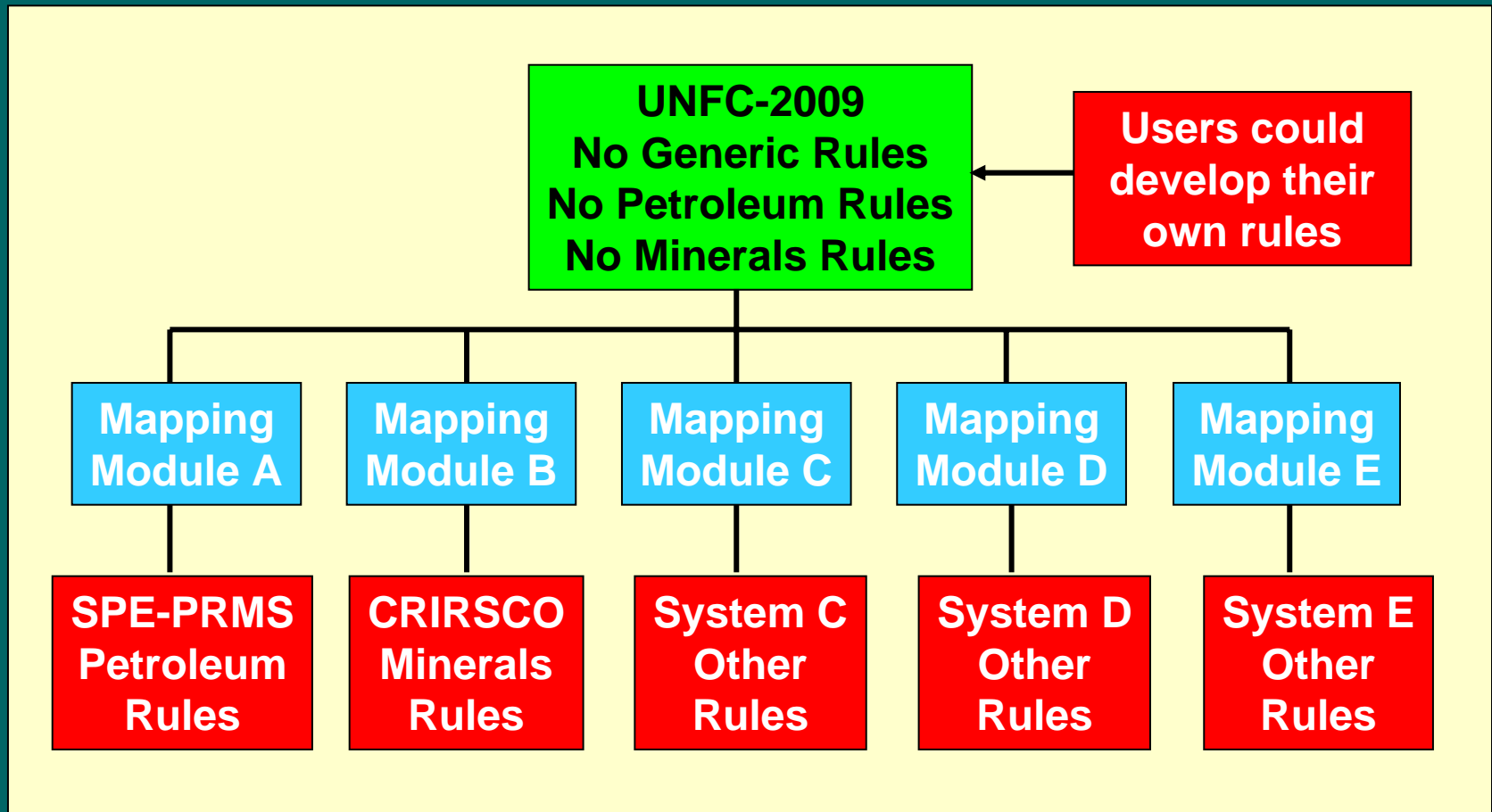
- Developed seven different options
 - One option was based on mapping only, i.e. no specifications and guidelines to be provided by the AHGE for UNFC-2009
 - Five options involving the development of, or linkage to, specifications and guidelines
 - One option combined options both with and without specifications as an attempt to reach a compromise solution
- Documented advantages and disadvantages
- Four options covered in detail in final report
 - Other three options are discussed briefly in the report, but not covered in detail due to lack of support in the RTF

Option 1

- No specifications or guidelines developed for the UNFC-2009
- Mapping documents prepared by owner of other classification systems on a voluntary basis
- No coordinating or approval role for AHGE
- Freely available regardless of any decisions of AHGE
- Only question is whether this option is the only one available to stakeholders (i.e. to the exclusion of other options) or in addition to other options

Option 1

(note: references to “rules” may include “guidelines”)

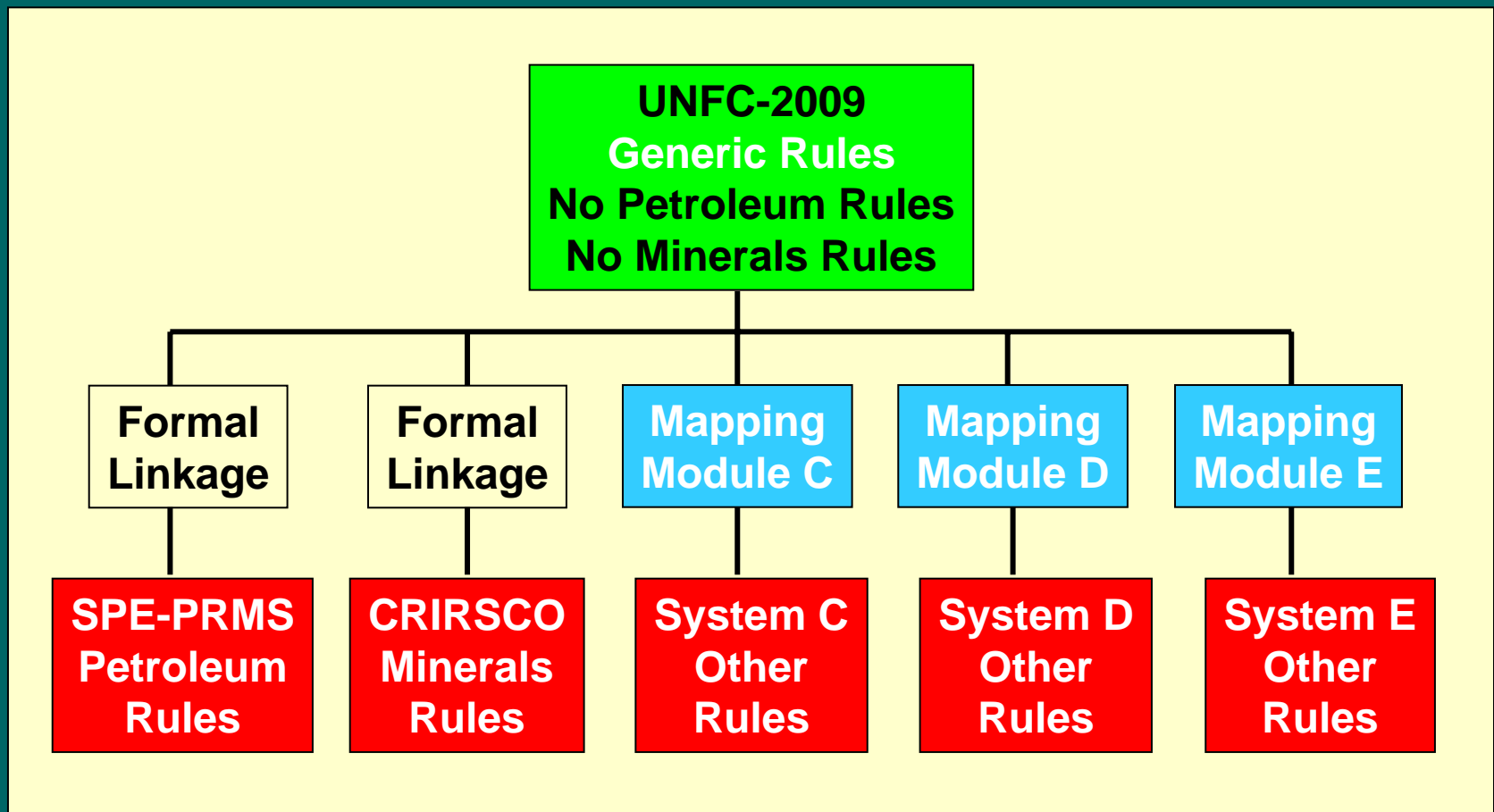


Option 2

- Generic specifications/guidelines developed for the UNFC-2009
- Commodity-specific specifications/guidelines provided through formal linkage (i.e. written agreements) to:
 - CRIRSCO Template for minerals
 - SPE-PRMS for petroleum
- CRIRSCO Template and SPE-PRMS would remain as standalone systems

Option 2

(note: references to “rules” may include “guidelines”)

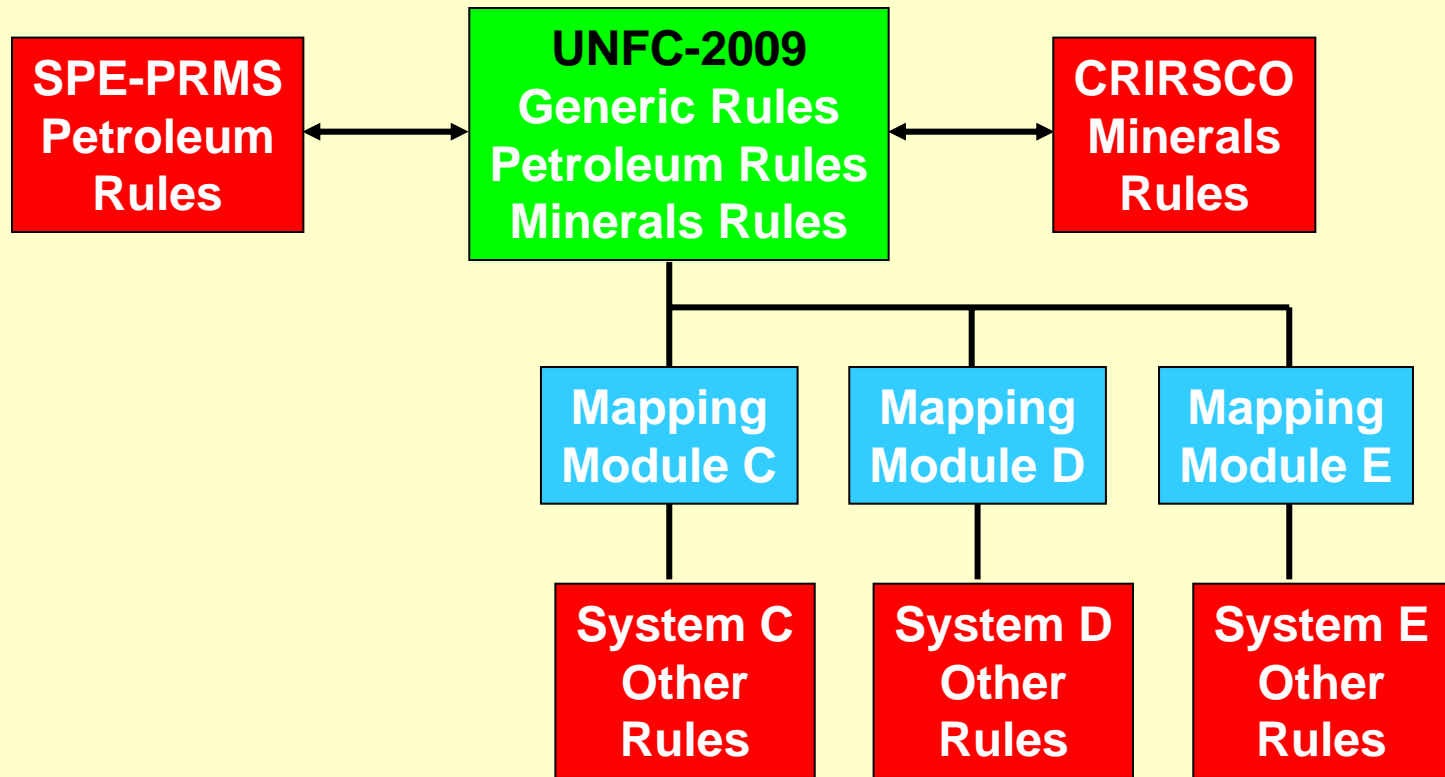


Option 3

- Generic specifications/guidelines developed for the UNFC-2009
- Commodity-specific specifications/guidelines developed and integrated into UNFC structure:
 - CRIRSCO would retain responsibility for minerals
 - SPE would retain responsibility for petroleum
 - AHGE would consider and recommend adoption of proposed specifications/guidelines

Option 3

(note: references to “rules” may include “guidelines”)

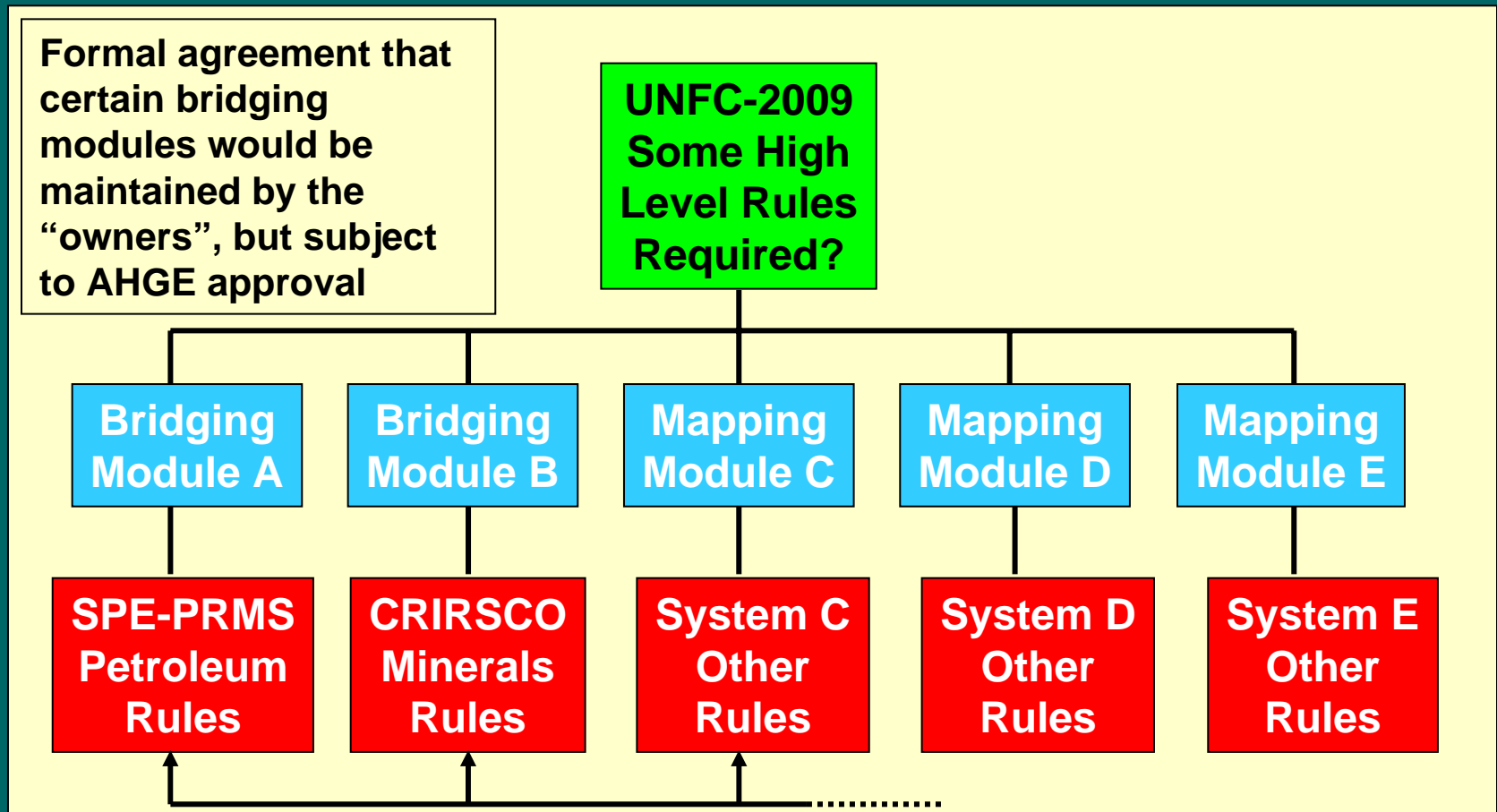


Option 4

- Preferred option of CRIRSCO/SPE
- Mapping (“bridging”) modules prepared by owners of other classifications systems but with formal agreements such that modules would be subject to AHGE approval
- Systems to be mapped to UNFC and also to each other to ensure coherence
- Need for additional specifications/guidelines for some applications
 - E.g. government inventory reporting
- Other specifications/guidelines would remain as documented in other systems

Option 4

(note: references to “rules” may include “guidelines”)



Support for Option 1 only

- The OPEC Secretariat:
 - 17th March, 2009
“Therefore, the OPEC Secretariat sees no need to develop specifications and guidelines for the revised UNFC.”
 - 2nd October 2009
*“In addition, **the OPEC Secretariat will not support the revision of the UNFC, should specifications and guidelines be developed for the UNFC**, as per our letter of 17th March and our position contained in the 6th Session Report.”*

Support for other Options

- Overwhelming request from AHGE stakeholders that specifications and guidelines are provided for UNFC-2009
- AHGE must decide if it has an obligation to respond to these expressed needs or ignore them
- RTF agreed (other than OPEC Secretariat) that certain recommendations should be pursued while the optimum solution is considered further in the light of more detailed consideration of identified needs for specifications and guidelines

The Majority RTF View

Recommendations

- The UNFC-2009 should be *adopted and published immediately* in its current short form (i.e. without specifications and guidelines, but not as a draft) so that Governments and institutions can test it against their current classification systems
- It is recommended that the Ad Hoc Group of Experts establishes a *Technical Advisory Group* that could provide assistance and advice on how to interpret and apply the UNFC-2009, should that be requested
- The need for ongoing assistance in this area suggests very strongly that *a longer term mandate* should be sought for the Ad Hoc Group of Experts, based on an appropriate governance structure
 - A minimum of five years would be considered appropriate initially

The Majority RTF View

Recommendations

- Stakeholders should be invited to map their systems to the UNFC-2009 and to report back on the outcome to the Technical Advisory Group which will, in turn, ensure that the Ad Hoc Group of Experts and its Bureau are kept informed
- As part of this process, *user recommendations for additional specifications and guidelines should be requested and compiled*
- This is effectively Option 1, but with closer technical involvement of the Ad Hoc Group of Experts (through its Technical Advisory Group)

The Majority RTF View

Recommendations

- Stakeholders should be *encouraged to carry out cross-mapping* with other systems (e.g. as CRIRSCO is currently doing with the Russian Federation); ideally this would include government to government mapping as well as commercial systems
- Results *would again be compiled and analysed by the Technical Advisory Group*
- This system of integrated mapping of detailed systems against each other and to the higher level UNFC-2009 is effectively Option 4 as proposed by CRIRSCO and SPE as their preferred option

The Majority RTF View

Recommendations

- While CRIRSCO and SPE are firm in their belief that the need for detailed specifications is effectively met by the CRIRSCO Template for minerals and SPE-PRMS for petroleum, *it is clear that there are no equivalent detailed specifications available for other UNFC users such as governments*
- Therefore CRIRSCO and SPE proposes that financial, government and energy study members of the Ad Hoc Group of Experts should be asked to consider their own needs for specifications in parallel with the mapping work, possibly in small committees set up for the purpose

The Majority RTF View

Recommendations

- The RTF recommends that *a small task force, with members representing all four needs* (i.e. including business processes), is established to document the specific requirements for specifications and guidelines that that can be identified and to indicate whether or not those needs are well enough addressed in the CRIRSCO Template and/or SPE-PRMS
- By considering all four needs together, there will be assurance that consideration will be given to the potential for applying *consistent specifications and guidelines across all four needs*, thus creating an added value for all

The Majority RTF View

Recommendations

- The task force will not be requested to attempt to write new specifications and guidelines, but to report back on its findings to the Ad Hoc Group of Experts at its Eighth Session (April 2010)
- The Ad Hoc Group of Experts will then consider what action should be taken, based on the conclusions of the task force