



International Centre of Excellence on Sustainable Resource Management (under the aegis of the UNECE)

Project of establishment “System of National Audit of International Reserves”

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Brief project description

GOALS

Main objective for the project is to establish an international centre for the sustainable and harmonious management of natural resources (renewable and non-renewable)

OBJECTIVE

- Creation of a unified system of independent auditing of natural resources and reserves
- Harmonization of national classifications of natural resources of CIS and developing countries on the basis of the UNECE system and Bridging document of the Russian Federation
- Ensuring sustainable development of the mineral resource base of CIS countries
- Introduction of common standards for valuation and audit of reserves to attract investments for exploration and development of natural resources in CIS countries
- Creation of the unified system of accreditation and mutual recognition of experts (competent persons) in the field of subsoil management

ICE-SRM was founded by Moscow State University and the Eurasian Union of Experts on Subsoil (EUES), supported by the Ministry of Natural Resources and Environment of the Russian Federation and Innopraktika - a non government development institution which mission is to promote the growth of Russian national human capital



The problem that project aims to address

Russian Federation has two systems for estimation of mineral reserves: one for regulatory purposes and one for financial institutions, investors and subsoil users, based on international classifications (PRMS and SEC for hydrocarbons) and used to value upstream assets, primarily securities issuing companies on foreign exchanges, but not focused on developing social and economic issues

The public Russian oil and gas companies conduct annual PRMS and SEC estimations (predominantly an annual technical and economic evaluation of assets when preparing financial statements of traded companies and carrying out valuations)

There is a need for the unified reserves estimation system that would combine long-term planning, socio-economic development, environmental issues, and provide opportunities to attract investment.

Non-recognition of Russian experts by international organizations means that they do not have the right to carry out appraisal (audit) and sign off on stockpile evaluation reports according to international standards. Due to the fact that the institute of experts in the field of hydrocarbon reserves assessment has not yet been established by law in Russia, financial institutions have no confidence to Russian experts.



Solution

1. Establishment of an "International Centre of Excellence on Sustainable Resource Management" in Russia (under the direction of UNECE)
2. Creation of a national audit system for mineral reserves, including:
 - Development and implementation of reporting standards for auditing hydrocarbon reserves and certification of specialists for major vertically integrated oil companies based on international UNECE standards and Russian classification;
 - Establishment of an Institute of accredited experts and competent persons recognized by the Russian Federation and the international community;
 - Introduction of financial reporting based on Russian classification and UNRMS (UN Resource Management System);
 - Integration of the system of national audit of mineral reserves into the system of Russian State Audit of reserves with implementation of the advantages of both systems: recognition of the results of the state audit of reserves by the state authorities and their use for the purposes of strategic state planning, elimination of affiliation during the assessment of reserves, ensuring rational use of mineral resources, promptness of national audit (annual assessment of reserves in order to make investment decisions)
3. To create the platform in Russia for sharing experience and information, also introducing innovative technologies in resource management. To develop an integrated approach to natural resource management that takes into account infrastructure, environmental and social aspects
4. To improve competencies in creating 'bridging documents' between the UNFC (UN Framework Classification) and national resource classifications of producing countries.

Expected outcome of the project

01

Creation of the national audit system

To create a unified system to ensure the development of society, the state and attract investment in exploration and production, initially for hydrocarbons and subsequently for all minerals based on the Oil & Gas Reserves and Resources Classification of the RF and the UNFC

02

Creation and implementation of the UNRMS

Recognition will provide an alternative to PRMS and as well give an opportunity for CIS and developing country members to engage with BRICS banks and international exchanges to enhance their investment potential

03

Mutual recognition of classification based on UNFC and UNRMS

One of the purposes of mutual recognition by participating countries the UNFC is the transition to mutual settlements in national currencies



The uniqueness of the project

The creation of ICE-SRM in Russian Federation and the implementation of the proposed solutions will ensure interstate cooperation between:

- CIS and BRICS countries
- financial institutions
- producing and auditing companies in the field of reserves evaluation and financial reporting based on unified approaches defined by UNFC and UNRMS

The introduction of UNFC and UNRMS in the CIS and developing countries will give an opportunity:

- to evaluate more objectively the potential resource of the CIS countries
- to enable the creation and development of additional economic and production connections
- to increase energy security of the CIS countries with the formation of important elements of strategic planning





The effect of the project on the development of national human capital and on the innovation chain of the country



For the state

- Quality planning
- Reliable assessment of the investment attractiveness of commodity companies
- Development of the financial market and improvement of the investment climate

For the financial regulators

- Confidence (trust, transparency) in the presented reserves estimates
- Possibility to compare data on Russian reserves with those of other countries
- Involvement of experts in the evaluation of reserves of other countries (including CIS and BRICS countries) to determine their investment attractiveness
- Efficiency of decision-making

For the producing companies

- Reduction of costs, simplification of reserves assessment procedure
- Confidence (trust, transparency), full awareness
- Unification of rules for provision of information for state expertise and attraction of financing
- Decision making based on real data and company perspective
- Simplification of the process of approving tax incentives by switching to an annual rapid assessment of profitable reserves and concluding investment agreements on the basis of state-examined Project Technical Documentation (PTD)

For the experts

- Recognition (including international recognition), status
- Extensive opportunities / potential for growth
- Clear rights and responsibilities (rules of the game)

For the partner countries

- Establishment of new independent investment decision-making centres
- Expansion of the number of highly qualified participants in the assessment of mineral reserves
- Creating a competitive environment in the reserves audit segment

Five elements are needed to establish a new unified reserves assessment system:

State commissions, experts, a professional organization, independent consultants and the Bank of Russia

The State Commissions (GKZ Rosnedra, CDC Rosnedra) ensure:

- balancing the interests of the state and investors
- rational use of subsoil resources (approval of development projects).
- conducting a reliable examination of reserves, including an independent audit
- involvement of accredited experts and competent persons in state expertise
- accreditation, maintenance of the Register of Auditors

Experts in the field of subsoil management, competent persons

- members of a professional organization
- certified, accredited
- Comply with the Code of Ethics

A professional organization of experts ensures that:

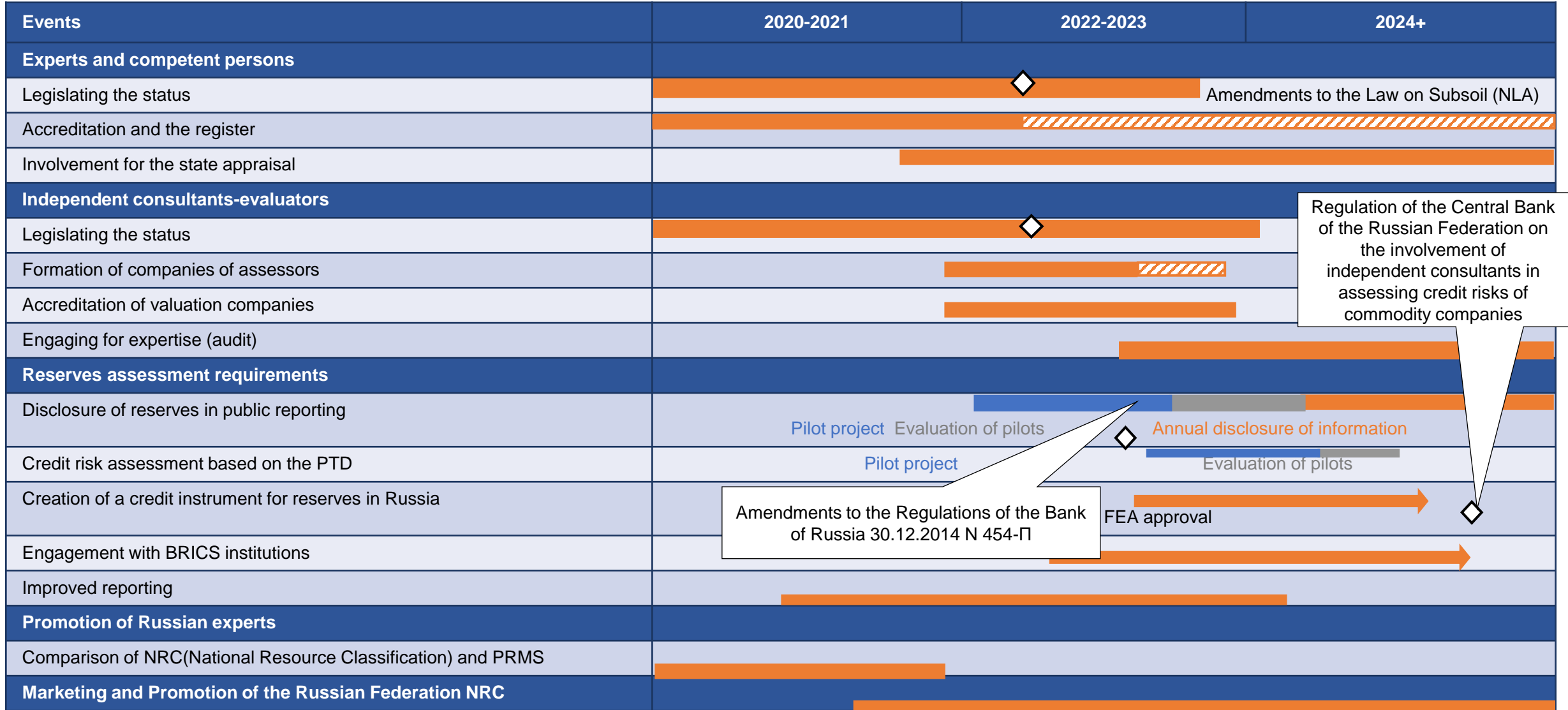
- training, certification, accreditation of experts and competent persons
- maintain a Register of experts and competent persons
- share reputational risks with experts and competent persons
- compliance of experts and competent persons with the Code of Ethics
- training of new experts

The Bank of Russia provides:

- accreditation of auditors
- Regulatory regulation for the use of state expertise and auditing of reserves for making decisions on allocation and/or attraction of finances
- establishment of rules for disclosure of information by public companies on the Russian stock market
- unifying the rules for the provision of reserves valuation data with regard to the needs of the financial market



A general road map for the creation of the national system for assessing reserves in Russia



Road map (project)

Key challenges		Respons.	2019	2020	2021	2022	2023	2024	
I	<ul style="list-style-type: none"> Establishment of an inter-ministerial working group. Inclusion of the Concept in the Russian Federation Government's Priority Project Portfolio, appointment of a project manager, development and approval of a project plan, including a financial plan. 	MN	→						
II	IMPROVEMENT OF REPORTS <ul style="list-style-type: none"> Reporting format agreed with stakeholders and approved by regulations of the Ministry of Natural Resources and Environment of the RF (MN) New classification of reserves for solid minerals will be approved/implemented Electronic document flow was introduced in the preparation of statistical forms for the movement of the reserves Approve Case studies between the NRC of HC Reserves of the Russian Federation, UNFC-2009 and PRMS Approve Bridging Document and Case studies between NRC solid minerals of the Russian Federation, UNFC-2009 and CRIRSCO The reporting format will be agreed with the stakeholders of the BRICS partner countries + the BRICS Development Bank 	ICE-SRM	- - - - - →						
		MN	→		→		→		
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		ICE-SRM	→		→		→		
III	RECOGNITION OF RUSSIAN EXPERTS <ul style="list-style-type: none"> The NLA(Legal act) describes the Institute of Subsoil Experts and Competent Persons. Approbation of the involvement of experts in the state expert review of reserves is carried out on the basis of draft NLAs describing the Institute of experts In NLA will be approved the requirements for the pro-organization/auditing (consulting) companies Agreements will be signed on mutual recognition of competent persons between Russia and partner countries 	MN	→		→				
		MN (GKZ State Commision of Mineral Reserves RF)	→		→				
		MN MN and ICE- SRM	→		- - - - - →				
IV	INTEGRATION OF THE NATIONAL AUDIT INTO THE STATE ASSESSMENT OF RESERVES <ul style="list-style-type: none"> A scheme for integrating the national audit into the state's assessment of reserves will be approved by the NLA Investment decisions takes by the BRICS Development Bank on the basis of Russian reporting forms and certified by Russian competent persons 	MN ICE-SRM	→		→		- - - - - →		



Thank you for attention!

**Lovchuk
Ekaterina**
CEO ICE-SRM