

**Prospects for the
implementation of the UNFC
("UNRMS") for the purpose of
improving the efficiency of
public administration and
investment climate in the
hydrocarbon sector of Republic
of Kazakhstan**



**11th INTERNATIONAL FORUM ON ENERGY FOR SUSTAINABLE
DEVELOPMENT**

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**VICTOR BABASHEV, DEPUTY CHAIRMAN, UNECE GROUP OF EXPERTS
ON RESOURCE MANAGEMENT (REPUBLIC OF KAZAKHSTAN)**

Address of the President of the Republic of Kazakhstan Plan of the Nation - 100 Concrete Steps to Implement the Five Institutional Reforms

Step 74. Increasing the transparency and predictability of subsoil use through the introduction of an international system of standards for reporting on hydrocarbon reserves

In 2015, the First President of the Republic of Kazakhstan Nursultan Nazarbayev announced **the Plan of the Nation - 100 concrete steps to implement five institutional reforms**. The First President noted that this is a response to global domestic challenges and at the same time the PLAN of the NATION to join the top 30 developed nations in the new historical conditions.

Step 74 of the Plan of the Nation is aimed at increasing the transparency and predictability of the sphere of subsoil use through the introduction of the international system of reporting standards for solid minerals reserves CRIRSCO and hydrocarbon raw materials.

Currently in terms of hydrocarbons, work is being done to implement the President's Address.

To ensure the goals and objectives of the Address, it is necessary to introduce in the Republic of Kazakhstan a system that will meet all international requirements for the calculation and accounting of hydrocarbon reserves.

During the implementation, it is necessary to consider both **State interest** and specifics of the legislation and investment attractiveness of the proposed initiatives.

For the effective implementation of step 74 of the President's Address, the following mandatory components of the process are necessary.



Using the International Reserves and Resources Reporting System.



Availability of the necessary technological and methodological tools.



Availability of qualified experts (Competent Persons) recognized by the international community.



Current status

- By order of the Minister of Energy of the Republic of Kazakhstan in 2019, the Working Group was established, with the main task - to develop proposals for the transition and implementation of the international system of reporting on hydrocarbon reserves.
- In early 2020, the Working Group conducted a Pilot Project on the practical application of various international classifications (**SPE-PRMS, UNFC, GKZ RF-2013, NPD, SEC**) with comparison to existing system of **GKZ RK** using the example of a real field in the Republic of Kazakhstan.
- The results of the Pilot Project were submitted for review to the Ministry of Energy of the RK, the Ministry of Ecology, Geology and Natural Resources of the RK, industry associations and members of the State Commission for Development and Exploration of hydrocarbon of RK.
- In general, the results of study were endorsed.
- Currently, the proposed concept of the implementation of the First President's Address of 74 step for hydrocarbons is under consideration in the Government of the Republic of Kazakhstan.



Pilot project results

According to the results of possible effect assessment for transition to SPE-PRMS, UNFC, GKZ RF-2013, NPD, SEC systems, performed on a real oilfield, the following significant risks were identified as possible outcomes of transition for several above-mentioned systems:

- **Reduction** of the role of the State as the main regulator of activities of subsoil users;
- **Violation** of the technological integrated approach to studying the prospect at the exploration stage and development at the production stage;
- **Reduction** of recoverable reserves compared to the current recoverable reserves on the state's balance sheet;
- **Decrease** in State tax revenues over the entire period of field development;
- **Problems** with the accounting of hydrocarbons on the State balance sheet;
- **Risks** associated with the future development of Republic scientific and technical potential.

The working group proposed a **Roadmap** of possible implementation of the Address in terms of hydrocarbons, based on the preservation and modernization of its own system of classification of hydrocarbon reserves and resources, and the subsequent harmonization with the UNFC-2009 system through a Bridging document.

Roadmap of possible implementation

Amendments and additions to the existing State Classification of Hydrocarbon Reserves and Resources.

Adaptation of the legislation of the Republic of Kazakhstan by making amendments and additions to the Code "On Subsoil and Subsoil Use".

Elaboration of the issue at the UNECE platform on the recognition of Kazakhstani experts as competent persons for hydrocarbon reserves assessment.

Harmonization of the "new" Kazakhstan classification with the UNFC, by means of a Bridging document.



Anticipated effect of proposed implementation

- Retaining the role of the State as the main regulator of activities of subsoil users.
- Improvement of the accounting system of proven HC reserves and resources on the state balance sheet of the Republic.
- Maintaining a unified approach to the integrated and rational study and use of hydrocarbon resources.
- Improvement of investment attractiveness for investors through transparency of hydrocarbon reserves assessment.
- Development of State scientific and technical potential, through integration with the world community of experts.

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THANK YOU FOR YOUR ATTENTION!

VICTOR BABASHEV

**DEPUTY CHAIRMAN OF THE UNECE GROUP OF
EXPERTS ON RESOURCE MANAGEMENT (REPUBLIC OF
KAZAKHSTAN)**



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