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8 August 2023

**Comments on the International Sustainability Standards Board (ISSB) Exposure Draft
*Methodology for Enhancing the International Applicability of the SASB Standards and the SASB
Standards Taxonomy Updates***

Dear Chair Faber

The Expert Group on Resource Management (EGRM) of the United Nations Economic Commission for Europe (UNECE) welcomes the opportunity to comment on the exposure draft. UNECE is one of the five UN regional Commissions. Its member States are those of North America, Europe, the CIS Countries, Turkey and Israel. EGRM is a group of resource management experts representing a cross-section of the various stakeholders involved in resource estimation, reporting and management across the UNECE region and the rest of the world. We have members with expertise in a variety of extractive and renewable resources representing industry, government, the finance community, academia and non-governmental bodies. The focus of our activities is to provide guidelines, specifications and tools for resources estimation and management across the extractive and renewable energy industries with an aim to facilitate the successful attainment of the United Nations Sustainable Development Goals (SDGs).

We recommend that the standards and referenced standards should be international in scope, application, management and governance. The United Nations Framework Classification for Resources (UNFC) (pls refer to [UNFC Documents | UNECE](#)), the primary product of EGRM, meets these requirements, and as such, we would recommend that it be included as one option for use for extractive and renewable energy commodities.

UNFC is a global standard developed under a mandate from the UN Economic and Social Council. UNFC as shown in Figure 1 covers extractive oil, gas and mining as well as renewable energies bioenergy, geothermal, solar and wind, underground storage including carbon capture and storage (CCS), groundwater and, importantly for the circular economy, use of anthropogenic resources (anthropogenic resources are stocks that are found in the anthroposphere (mineral resources, energy resources, soil resources, water resources, biological resources). Usually, these stocks are designated as “wastes”).

EGRM is currently investigating the extension of the standard to cover hydrogen. All these commodities are covered with a single standard addressing technical feasibility and environmental, social, and economic viability using distinct categories linked to the SDGs. The production of a single strong standard to cover multiple activities reduces duplication of work for reporting entities and simplifies the interpretation and comparison of competing projects for users of such data. This was viewed as an important principle in the investigation of an International Financial Reporting Standard (IFRS) for extractive activities by the International Accounting Standards Board (IASB) in 2004 during which UNECE and EGRM were consulted.

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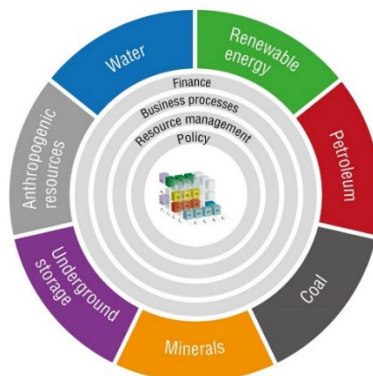


Figure 1 UNFC Commodities

UNFC is in current use in multiple regions across the globe, and its uptake is growing as governments and developers of comparative studies recognise its benefits. A partial list of current and planned applications includes:

- The proposed EU Critical Raw Materials Act includes UNFC as standard;
- Norway adopted UNFC through its mineral strategy launched in June 2023;
- The African Union has developed the African Mineral and Energy Resources Management System (UNFC-AMREC) reporting guidelines based on UNFC;
- Queensland, Australia, has legislated the use of UNFC for geothermal energy;
- Ukraine, the Russian Federation, China and others use UNFC as a mechanism to bridge their unique reporting codes to a common standard.

UNFC is mapped to many important standards, such as the Petroleum Resource Management System (PRMS) of the Society of Petroleum Engineers (SPE) and the Committee for Mineral Reserves International Reporting Standards (CRIRSCO) family of codes. For committed projects with final investment decisions, there is a simple mapping between UNFC, and the standards developed for petroleum and mining – providing an integration of these standards. UNFC, though, provides additional project detail on non-sales production such as waste, emission and consumption. For contingent projects not yet matured for commitment, UNFC provides critical detail on environmental, social and economic contingencies and technological challenges related to project maturity. This information is difficult or impossible to glean from standards designed principally for financial reporting. UNFC also provides coherency between projects and metrics not found in the Sustainability Accounting Standards Board (SASB) standards allowing investors to compare and contrast investment opportunities.

UNFC and EGRM activities cover only a small part of those included under the SASB industry guides, but these are essential in assessing opportunities and risks associated with climate change and to steer the regulatory reforms required to reach the SDGs. We limit our comments to the enhancement of SASB standards and SASB Taxonomy updates to activities for which UNFC is specifically developed.

We commend ISSB for issuing this Exposure Draft in time for enhancing the SASB standards before ISSB Standards S1 and S2 take effect. To introduce them after industry has tooled up to report would be a burden to reporting entities and not provide the investor with clarity or the breadth and depth of information necessary.

For example, in the oil & gas industry, this information is typically limited to proved reserves with a 90% expectation of being exceeded that is associated with a committed project, where a final investment decision (FID) is in place. This is a prudent value for investors to consider, as it reflects a conservative estimate of future production. However, reporting the emissions associated with only the proved reserves for a committed project, may seriously underestimate the total expected emissions for the total planned development. The committed project will have an expected mean value (ca. proved & probable reserves), larger than the proved reserves alone. To change the requirement for reporting emissions associated with proved reserves only to expected emissions could be such an enhancement of the current SASB standard for oil and gas.

Many projects are part of a larger planned development that will be approved in activity sets as part of a capital value process applying metrics both in the form of life cycle totals (scalars) and time distributed forecasts (vectors). A mine with a 30-year planned life may have only 5 years of proved reserves.

We are however not recommending that ISSB extends its industry-based standards to include the full scope of committed, contingent and exploration projects at this time. This wider perspective is at the heart of business process management, government resource management and scenario analyses. By referencing UNFC within the ISSB standard, there will be consistency and coherence between sustainability financial reporting and current project management processes.

We also commend ISSB for addressing the need to have a consistent taxonomy together with the enhanced standards. To be effective for investors, insurers and other stakeholders, disclosures need to be consistent and comparable. A key part of this consistency is having a common taxonomy used across multiple economic activities.

When ISSB adopts its standards, the IFRS taxonomy should be extended to include the reporting as part of the eXtensible Business Reporting Language (XBRL). Investors will need to examine the sustainability reports and conventional financial reports using the XBRL tools available to them. A separate taxonomy for SASB standards would not be helpful as some reports may not follow the SASB standards.

Development of this taxonomy will not be a trivial exercise, and release of an incomplete or imperfect system could harm uptake and investor confidence. Changes to the system will be difficult for preparers and users. IFRS and XBRL.org may have observations in this regard and should be included in the activity.

Specific comments

- Scope of reporting versus scope of projects

UNFC is a classification of projects that convert sources to products. Projects are categorized relative to their maturity from early exploration to abandonment (technical feasibility) and relative to their level of environmental, social, and economic viability from non-viable in the sense that no products for sale or use can be foreseen, to fully viable. The project metrics considered by the UNFC reflect those relevant to an understanding of projects and that users including ISSB stakeholders need. In the interest of ensuring quality of estimates, it is important that the estimated metrics of future production and other events are coherent with an entity's reporting to stakeholders, and distributed in time to allow an assessment of how targets have been met.

UNFC provides a framework to understand emissions and other metrics associated with the entire development. UNFC additionally allows the capture and investigation of metrics associated with the SDGs appropriate for each jurisdiction. For example, in areas where indigenous rights are relevant, the maturity of a project on the social-environmental-economic axis will reflect how the project is addressing these concerns.

- Consistency between SASB standards

We note that there appear to be some inconsistencies in the current SASB standards where references are made to reserves. The oil & gas and the coal standards specify reserves (future production from committed projects) as metrics. However, the mineral and renewable energy standards do not. Forward-looking estimates in these sectors affect the understanding of climate change and regulatory opportunities and risks. This is an opportunity for a more common standard for extractive and renewable energy industries which would enhance reporting, disclosure, and use, including the handling of the forward-looking statements.

In closing, UNECE remains committed to exploring opportunities for ISSB and the UNECE Expert Group on Resource Management to collaborate and in doing so enhance the usefulness and consistency of reporting to stakeholders.

Yours sincerely,

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