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ECONOMIC COMMISSION FOR EUROPE

COMMITTEE ON SUSTAINABLE ENERGY

Ad Hoc Group of Experts on Supply of Fossil Fuels

First session, 10-11 November 2004

PROVISIONAL AGENDA FOR THE FIRST SESSION

to be held at the Palais des Nations, Geneva,
starting on Wednesday, 10 November 2004, at 10 a.m. *

I. Introduction

1. The first session of the Ad Hoc Group of Experts on Supply of Fossil Fuels is convened in accordance with the decision taken by the UNECE Committee on Sustainable Energy, at its thirteenth session, held in November 2003 (ECE/ENERGY/53, para.16). The purpose of this meeting is to launch a new programme providing an improved basis for considering more efficient and benign extraction of energy resources from the earth, including support for the development of strategies for their exploration, and that in line with the need for sustainable

* Delegates are requested to complete the attached registration form also available from the Internet Web site of the UNECE IREED Division (<http://www.unece.org/ie>) and to transmit it to the UNECE secretariat, at the latest two weeks prior to the session, either by fax (+41 22 917 00 38) or by e-mail: (charlotte.griffiths@unece.org). Prior to the session, delegates are requested to present themselves at the Pass and Identification Unit of the UNOG Security and Safety Section, located at the Villa Les Feuillantines, 13, Avenue de la Paix (a map is attached) for the issuance of an identification badge. In case of difficulty, please contact by telephone the UNECE secretariat (internal extension 74140).

energy supplies. This calls for improving the present methods of resource assessment, valuation, classification and reporting, based primarily on the principles of the United Nations Framework Classification for Energy and Mineral Resources (UNFC). The latter was adopted by the Economic and Social Council (ECOSOC) at its annual session in July 2004 and recommended to countries for worldwide application.

2. The UNECE secretariat has prepared draft terms of reference for the Ad Hoc Group of Experts, for discussion and adoption at the present session (see Annex I).

3. The meeting is open to participation of government officials, energy companies, financial institutions, professional organizations, both from UNECE member and non-member States. An invitation to the OPEC Member States will be extended through the OPEC secretariat and in cooperation with the United Nations Economic and Social Commission for Western Asia (UN ESCWA).

4. A number of case studies both at national and deposit level will be presented, in order to appraise the suitability of the UNFC for evaluation purposes and to elaborate further steps for its application, in particular to oil and natural gas resources.

5. The Ad Hoc Group of Experts will be informed about the results of the regional seminars and cooperation with other international institutions involved in this work.

6. Information regarding this project is available on the UNECE website [www.unece.org / Industrial Restructuring, Energy and Enterprise Development / Sustainable Energy/Energy Reserves and UNFC](http://www.unece.org/industrial_restructuring/energy_and_enterprise_development/sustainable_energy/energy_reserves_and_unfc).

II. Agenda items for discussion

1. Adoption of the Agenda.

The documents of the session will be posted on the web site, under [http://www.unece.org/ie/se/docs/reserves-unfc/supply .html](http://www.unece.org/ie/se/docs/reserves-unfc/supply.html).

2. Election of officers

The Ad Hoc Group of experts should elect a Bureau, or confirm/complete the Bureau of the previous Ad Hoc Group of Experts on Harmonization of Energy Reserves/Resources Terminology.

3. Decisions taken by the UNECE Committee on Sustainable Energy; the Commission and ECOSOC concerning UNFC development and application

The secretariat will report on the decisions with regard to UNFC promotion taken by the above-mentioned bodies since the last Ad Hoc Group session (November, 2003), and open the discussion of the terms of reference (Annex I)

4. Special Round Table Discussion: Energy resources/fossil fuels – until when? What should public power and industry urgently do to preserve/extend their life cycle?

Suggested issues:

First session:

- key policies for more sustainable extraction of energy resources: Priorities of the future;
- maximizing economic recovery in respecting the principles of sustainability;
- making global business more sustainable by increasing transparency of energy resources exploration and production processes;
- increasing the share of recoverable resources through technologies of tomorrow;
- securing investments through appropriate financial reporting.

Second session:

How the UNFC enhances knowledge of the resource base in order to:

- improve resource management and valuation;
- enhance accuracy of reserves/resource assessment/forecasting;
- provide sound ground for setting up international financial reporting standards and accounting procedures.

Delegations from countries and international organizations are invited to provide input on this issue, not later than 31 October with a view to posting presentations in advance on our web site.

5. Adapting the UNFC to countries and individual deposits: Pilot projects and case studies

This activity is well suited to demonstrating the use of the UNFC in practice, and advancing the work of the Ad Hoc Group with respect to longer-term supply of fossil fuels and uranium. It is suggested therefore that a pilot study be prepared for each of the three commodities (coal, oil and natural gas, uranium), for final completion after the Ad Hoc Group meeting. Each of the pilot studies may begin by demonstrating the use of the UNFC before proceeding to analyse large fields (For further details Annex II.)

- (a) UNFC and national classifications

The meeting will consider country case studies, to analysis the problems countries are facing in harmonizing national classifications with the UNFC. According to the decisions of the last meeting, the Ad Hoc Group will discuss the implementation of UNFC in countries and the creation of national teams.

- (b) UNFC application to individual deposits

The Ad Hoc Group of Experts will consider a number of case studies on the suitability of applying the UNFC to different individual deposits of oil, natural gas, coal and uranium. The regional seminar held in Beirut, in June 2004, encouraged the OPEC/ESCWA Middle East member countries to proceed with such case studies. Non-OPEC Member States, in particular the

Russian Federation, China and Norway, are also invited to present case studies, both onshore and offshore cases. A general outline providing an explanation of how the case studies should be done is given in Annex II. Further detailed guidelines may be developed by the relevant commodity sub-groups.

6. Preparation of Guidelines for practical application to each individual energy commodity (coal, petroleum (oil and natural gas) and uranium)

Draft guidelines on each commodity will be discussed by the Ad Hoc Group of Experts.

7. Technical /advisory assistance to the countries and regions: modalities and financing

The Ad Hoc Group of Experts will discuss the modalities of providing additional funds related to further implementation of the UNFC.

8. UNFC and international surveys of energy resources – latest developments (WEC, IEA, OPEC, IEF, IAEA)
9. Work programme for the year 2005
10. Concluding remarks

Note: Simultaneous interpretation in English, French and Russian will be provided during the meeting. If necessary, additional facilities will be available for holding parallel meetings of commodity groups.

ANNEX I

DRAFT TERMS OF REFERENCE FOR THE
AD HOC GROUP OF EXPERTS ON SUPPLY OF FOSSIL FUELS

The fossil and nuclear fuels, i.e. oil, natural gas, coal and uranium, are all non-renewable extractable energy resources that currently meet around 70% of the total world energy demand. Their availability over the longer term is of crucial importance to both energy producers and consumers. Maximizing the economic recoverable quantities requires a global and unusually long-sighted resources management perspective. This is to a large extent due to the irreversible nature of many recovery processes.

Mandate: The Ad Hoc Group of Experts on the Harmonization of Energy Reserves/Resources Terminology was created by the decision of the UNECE Committee on Sustainable Energy, taken at its eleventh session in November 2001 (ECE/ENERGY/47, para.13).

The title of the Ad Hoc Group of Experts has now been changed to Ad Hoc Group of Experts on the Supply of Fossil Fuels, in order better to reflect the nature of its work over the next two years, according to the decision of Committee on Sustainable Energy, November 2003 (ECE/ENERGY/53/ para. 16).

General Objective: To contribute to the global efforts in securing a longer-term supply of energy resources by improving the current methods of their assessment, valuation, classification and reporting, based mostly on the internationally accepted United Nations Framework Classification for Energy and Mineral Resources (UNFC).

Immediate objectives

Objective 1: To provide advisory/technical assistance to countries and regions on resource assessment, classification, and valuation, for the purpose of better supporting *the resource reporting and accounting procedures*, and thus improving the regulatory basis for a more sustainable pattern of resource exploration and extraction.

Objective 2: To develop *Guidelines* providing instructions and the explanations needed for the practical application of the UNFC to different energy commodities.

Objective 3: To create *national teams* for adapting national classifications to the UNFC.

Objective 4: To consider *case studies* and promote *best practices* on resource management, at industrial, national and international level.

Objective 5: To maintain close cooperation with WEC, OPEC, IEA, IAEA, IEF, WPC/SPE, CRISCO and other relevant bodies, with a view to introducing the UNFC principles into the international reporting surveys of fossil energy resources or in considerations related to their supplies; and with the IASB and IVSC in its endeavour to develop international financial reporting standards for the extractive industries.

Work methods: The Ad Hoc Group of Experts will work under the auspices of the UNECE Committee on Sustainable Energy. A strong link and cooperation is recommended with the newly-created UNECE Energy Security Forum (ESF) as far as both programmes provide/offer synergies, notably of the Forum at the political level while of the Ad Hoc Group at the technical/managerial level. The latter programme is closely related to financial risks, security and reserves categorization, longevity of resources, commerciality of reserves and related economic factors. The Ad Hoc Group of Experts will meet annually in Geneva. Regional/national seminars shall provide technical assistance to countries and regions. Consultations may also be held through Internet communication. If necessary, additional meetings can be organized for the Bureau of the Ad Hoc Group of Experts.

Participation: The Ad Hoc Group of Experts is open to the representatives of Governments, extractive energy industries, energy companies, international organizations and professional associations, and financial institutions.

Financing the activities: The Ad Hoc Group should discuss, at its first session in November 2004, the modalities of providing extrabudgetary resources, to complement those of the UNECE regular budget. Extrabudgetary resources are needed to finance training and assistance to countries in applying the UNFC principles.

ANNEX II

SUGGESTIONS FOR THE PREPARATION OF CASE STUDIES

It is suggested that each commodity sub-group establishes one pilot study consisting of several case studies, predominantly of large fields. The basis for this may be demonstrated by examining the petroleum sector where it is well established that:

1. Most of the recoverable quantities are concentrated in a limited number of large fields. This holds true for regions, countries and the world.
2. Old large fields have, on the average, had their reserves estimates revised upwards substantially over the last two decades (reserves growth). (*Reference: T. A. Ahlbrandt, 2002; T.R. Klett and J.W. Schmoker, 2003*)
3. Reserves growth has occurred to different degrees, and at different times in different regions of the world. This may be due to known differences in definitions of reserves, geological differences, differences in available technology, industrial infrastructure and urgency to maximize economic recovery, as well as differences in economic and commercial conditions.
4. Recovery processes are physically irreversible to a large extent. Application of policies and technologies to maximize economic recovery will therefore be more effective now than later.

Similar but less dramatic effects are expected in the coal and uranium sectors.

This approach may help meet the overall objective of the case studies, which are to demonstrate the use of the UNFC in providing a basis for maximizing the economic recovery of energy resources.

The following sequence of work is suggested:

1. Apply the UNFC for Energy and Mineral Resources to a select number of well-documented fields in order to refine effective and accurate procedures.
2. Establish a representative list of large fields and call for studies on them.

For example, in the petroleum sector, relevant member countries and companies are strongly encouraged to examine large fields in the following prolific basins:

- (i) Western Siberia
- (ii) Zagros of Iran and Iraq
- (iii) Central Arabian foreland of Iraq, Kuwait and Northern Saudi Arabia
- (iv) Southern Saudi Arabia, United Arab Emirates and Qatar
- (v) Indonesia (Sumatra)
- (vi) Libyan Arab Jamahiriya and Algeria
- (vii) Nigeria
- (viii) Eastern Venezuela and Orinoco
- (ix) Alaska (North Slope)
- (x) North Sea (Chalks and Tampen spur)
- (xi) China (Dachin and Xifeng)

Angola may be included, but activities may not yet have progressed far enough.

3. Compile the results to identify:
 - (a) Differences between recoverable quantities, as defined by the UNFC relative to those quantified using earlier definitions.
 - (b) Potentials for maximizing economic recovery through measures in:
 - The economic and commercial realm (E-axis)
 - Field project progress and feasibility realm (F-axis)
 - Improvement of geologic knowledge (G-axis)

4. Each commodity sub-group should provide appropriate and more detailed guidelines. At the end of each phase, the commodity sub-group should summarize the results in a report to the Ad Hoc Group giving their recommendations for further work. The report should always include a review of earlier guidelines for the application of the UNFC to ensure that best practices are maintained.

References:

[1] Ahlbrandt, Thomas A., 2002; “*Oil and Natural Gas Liquids: Global Magnitude and Distribution*” In Encyclopedia of Energy, Volume 4, Elsevier Inc.

[2] Klett, T. R.; Schmoker, J. W., 2003; “*Reserves Growth of the World’s Giant Oil Fields*” in M. T. Halbouty, ed., Giant oil and gas fields of the decade 1990-1999, AAPG Memoir 78, pp. 107-122.

ANNEX III

AD HOC GROUP OF EXPERTS ON SUPPLY OF FOSSIL FUELS

First session, 10-11 November 2004, Palais des Nations, Geneva, Switzerland
Opening on Wednesday, 10 November 2004 at 10 a.m.

REGISTRATION FORM

Each delegate attending the session is requested to fill out the attached registration form and return it by fax (+41 22 917 0038), or by e-mail no later than two weeks before the session commences, to:

Ms. Charlotte Griffiths
Economic Affairs Officer
IREED Division
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Mr. Atmane Dahmani
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The invitation to OPEC Member States will be extended through the OPEC Secretariat. For this reason, delegates coming from OPEC countries are requested, in addition, to forward a copy of the completed registration form to the OPEC Secretariat, for the attention of Mr. A. Dahmani (address indicated above).



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