

Speaker: Mr Daniele Bosio

Open-ended Working Group of the Council on the financial terms of a contract

Thank you, Mr Chair.

I wish to thank you for your valuable work and for the great effort in updating the draft text in line with the information provided by experts on material, process and designs of the Material Systems Laboratory of the MIT and the inputs received by Member States during the last session of the Council.

Before getting into more details on your draft, there are some remarks we consider relevant to convey now.

We see that the draft text refers to a payment system premised on option 4, a two stage variable ad valorem royalty, without prejudice to the positions of delegations who expressed support to keep all four options open for further consideration and negotiations to arrive at a consensus option in the future.

However, before proceeding to text based negotiations, Italy believes that additional information is required in the following areas for a proper payment mechanism to be agreed upon: 1) the further understanding of the environmental costs associated to seabed mining; 2) a prediction of the risks in which future contractors as well as the other actors involved in deepsea-mining could incur; 3) the anticipation of possible disaster scenarios; 4) the clear allocation of responsibility among the actors directly involved in the exploitation activities.

In particular, impacts on ecosystem services, loss of biodiversity, resource waste and depletion have been defined by the experts as externality costs and the experts themselves declared that calculating the costs of externalities is beyond the scope of the current study and the research interests. Nonetheless, we consider such evaluations a priority, to ensure inter alia that the risks contractors actively seeking to start the exploitation phase can take are proportionally associated to possible revenues and that they have the proper financial capacity to possibly remediate environmental disasters.

In this perspective, Italy believes that the studies conducted so far lack a broader economic perspective and cannot be considered a final picture, but just as a piece of the entire puzzle. For the puzzle to be completed, and with a view to address points 1) e 2) we raised, we would at least need a matrix of risks and a matrix of responsibilities, which are also in use for land-based mining.

Coming to the technicalities of the payment mechanism, Italy has already expressed its preference for option 4 of the study of the research team of MIT. Indeed, according to the study, a mere profit-based system is not cost-effective for the ISA because it requires a heavy audit system, while a royalty-based mechanism is easier to manage from an administrative point of view for a small organization such as ISA.

Notwithstanding this apparent advantage, the royalty-based mechanism is with no doubt less progressive, less efficient on terms of risk control, less transparent in terms of access for ISA to information relating to contractors' profits and therefore less fair in terms of sharing of the profits.

In this regard, Italy wishes to thank the African Group for its position paper on the Payment Regime for Deep-sea Mining in the Area. We see merit that if deep seabed mining revealed such a risky endeavor with low profitability predicted for private contractors that only a payment mechanism with low royalty rates could encourage investments, then there could be no appetite for mankind to use common heritage reserves for such a low temporary revenue.

As a result, and while we express our gratitude to the Chair of the IWG for his very valuable work so far, Italy suggests that the issue of payment mechanism be tackled later in time, when the required additional information is available and once other associated issues have been dealt with by the Council. In particular, we see advancing negotiations on the environmental safeguards, the environmental performance guarantee, the environmental compensation fund, the effective control over contractors and their liability as crucial to also define a fully-fledged payment mechanism.

Thank you, Mr Chair.