

BRIEFING NOTE FROM H.E. OLAV MYKLEBUST, CHAIRMAN OF THE OPEN-ENDED INFORMAL WORKING GROUP OF THE COUNCIL IN RESPECT OF THE DEVELOPMENT AND NEGOTIATION OF THE FINANCIAL TERMS OF A CONTRACT.

Second Meeting, 11-12 July 2019, Jamaica Conference Center, Kingston, Jamaica.

Dear colleagues,

1. As delegations will recall, during the second part of the twenty-fourth session of the International Seabed Authority, the Council agreed to a proposal by Germany to establish an open-ended working group to discuss the financial model. The Council also mandated the working group to meet before its twenty-fifth session. The first meeting of the working group was convened on 21 and 22 February 2019 and was open to all stakeholders.
2. As you may also recall, the mandate of the working group was to focus on how to develop the best possible payment mechanism and payment terms in order to determine how much a contractor would pay for the minerals recovered from the Area under an exploitation contract.
3. In view of the recommendations of the open-ended working group, the Council, at the first part of the present session, decided to convene, preferably before the second part of the twenty-fifth session of the Council, a second meeting of the working group to advance further the work on the payment mechanism.
4. Therefore and based on the precedent of the first meeting, I propose that the working group convenes again in Kingston on 11- 12 July (that is, immediately prior to the next meeting of the Council). Like the first meeting, the format would be an open-ended informal working group of the whole and open to all stakeholders. As delegations will recall, the Council stressed the need for a broad participation of member States of the Authority in the second meeting and for that purpose agreed to the use of the voluntary trust fund to support the participation of members of the Council from developing States.
5. Among the key issues that were discussed to advance the development of the financial terms of a contract during the first meeting of the open ended-working group, were the system of payments and rates of payment.
6. In that regard, the Council endorsed the recommendation of the open-ended working group to request the secretariat to prepare two or three options regarding the payment mechanism on the basis of the discussions of the working group for consideration at our next meeting. I understand that the secretariat is advancing this work and in the week of 17 June 2019 will issue a note, including a number of driving questions to help advance our discussions in the working group. In addition, I take this opportunity to mention that the Massachusetts Institute of Technology's experts are finalizing the *Report to the International Seabed Authority on the Development of an Economic Model and System of Payments for the Exploitation of Polymetallic Nodules in the Area*, which will be posted on the Authority's website as soon as available.
7. I suggest that our deliberations mainly focus on the options. In doing so, and as requested by the Council, consideration should be given to the nature of the payment mechanism, to ensuring that

the rate of payment maximized returns to the Authority, also to ensuring that mining was commercially viable, and to a trigger or triggers for a review of the payment mechanism.

8. Another important issue addressed in the discussions at the first meeting of the open-ended working group was the environmental aspects of the financial model. I suggest that we continue to address this question. On this matter see paragraph 6 of ISBA/25/C/15.

9. Another matter that will benefit from discussions will be the clarification as to whether the same payment mechanism would apply to polymetallic nodules and also to polymetallic sulphides and cobalt-rich ferromanganese crusts. In this regard, see paragraph 15 of ISBA/25/C/15.

10. Likewise the first meeting, the purpose of the second meeting is not to make decisions but to help to advance discussions on the system of payments and rates of payment by providing recommendations to the Council.

11. I very much trust that the open-working group is well-positioned to make significant contributions to this process by further assisting the Council to continue its work on the exploitation regulations in accordance with the timeline that it has set for itself.

12. Whilst formal credentials will not be required for the meeting of the open-ended working group, I kindly request those who wish to attend to inform the Secretariat in advance to: cgriffiths@isa.org.jm

31 May 2019