The Assembly of the International Seabed Authority, meeting in Kingston today, took note of the report of the Secretary-General Nii Allotey Odunton (Ghana), after discussing issues covered in the report, including the increased work load of the Authority, the need for formulation of an exploitation code, and the level of contributions to the Voluntary Trust Fund.

Mr. Odunton, who is seeking a second four-year term of office as Secretary-General, delivered his report in the morning as the Authority’s eighteenth session continued in Kingston. Immediately after the report was presented delegations began the discussions which carried over into the afternoon.

The Secretary-General’s 36-page report (ISBA/18/A/2) provided an account of the Authority’s work over the past twelve months, including the status of regulatory regime for activities in the deep oceans. It also provided an overview of scientific research related to the marine environmental, and current world metal market trends, conditions, prices, and trends with regard to seabed mining activities.

As the number of contracts for exploration increases, the International Seabed Authority will come under increased pressure to develop equitable policies and regulations for commercial exploitation of marine minerals, and to deliver appropriate level of environmental protection for the Area, the Secretary-General said.

Mr. Odunton told the 162-member Authority that demand for rare earth elements is expected to outstrip supply by 2014. Rare earth elements, present in a number of mineral deposits in the international seabed Area, are used in hybrid and electric cars, wind turbines, motors and magnets for many applications and electronic devices.
Summary of the Secretary-General’s report

The Secretary-General’s report, submitted to the Assembly under article 166, paragraph 4 of the United Nations Convention on the Law of the Sea, reviews the Authority’s activities since the last session and outlines its plans and projects under the current work programme (2012-2014). The report also covers administrative matters, the Authority’s budget as well as special funds held by it such as the Voluntary Trust Fund, and the Endowment Fund for Marine Scientific Research.

As at 12 May 2012, there were 162 members of the Authority (161 States and the European Union). Since the last sessions of the Authority, no States have become parties to the Convention or the 1994 Agreement. Twenty States and the European Union maintained permanent missions to the Authority in Kingston, Jamaica as at 30 April 2011.

Financial matters

As at 24 July 2012, 82.6 per cent of the value of contributions to the 2012 budget due from member States and the European Community had been received from 46.3 per cent of the Authority’s membership. Thirty-nine members were in arrears for a period of two years or more. Contributions outstanding from member States for prior periods (1998-2011) amounted to US$240,545. Also as at 24 July 2012, the balance of the Working Capital Fund stood at US$499,573.

The Voluntary Trust Fund, made up of voluntary contributions from members of the Authority and other donors, was established to support the participation of members of the Legal and Technical Commission and Finance Committee from developing countries. The Secretary-General noted that, to date, contributions totalling US$228,939 had been received. The last three contributions were made in July 2012 by the United Kingdom (US$20,000), China (US$20,000) and Mr. Duncan Muhumuza Laki (Uganda) who made a personal contribution of US$622. In addition, the sum of US$195,000 had been advanced to the Voluntary Trust Fund from the interest accrued from Endowment Fund for Marine Scientific Research as allowed under the financial rules of the latter Fund.

In spite of these contributions, the Secretary-General stressed that the Voluntary Trust Fund was in a “tight situation”, as after disbursements to members of the Legal and Technical Commission and Finance Committee, the fund stood at US$14,671. The average annual expenditure of the fund was US$46,156 which pointed to an anticipated shortfall of over US$30,000. The Secretary-General further stated that only US$2,357 of the interest from the Endowment Fund remained available for disbursement after disbursements of US$368,644.

The approved budget for the financial period from 2011 to 2012 was US$13,014,700. That represented an increase of 3.9 per cent over the budget for the previous financial period. The proposed budget for the financial period from 2013 to 2014 (ISBA/18/A/3-ISBA/18/C/7), which was presented to the Finance Committee for consideration at this session takes into account the evolution in the work of the Authority and the need for increased resources to carry out this work including the increased costs associated with processing applications for plans of
work for exploration and reviewing the annual reports of contractors. The Secretary-General pointed out that there were no concomitant resources allocated in the current budget of the Authority to cover the increased workload.

The Secretariat continued to implement cost-saving and efficiency measures where possible: these included upgrading of the telephone system; the adoption of energy efficient measures and reduction in expenditures on overtime through improved management.

**Programme of work**

In an overview of its substantive programme of work for 2011-2013, the report states that the Authority continues to focus primarily on the scientific, technical, legal, and policy work necessary for it to carry out its functions under the Convention and the 1994 Agreement. Its functions include ongoing supervision of exploratory contracts; progressive development of the regulatory regime for activities in the Area; promotion and encouragement of marine scientific research in the Area; and database development; as well as monitoring of trends and developments relating to deep seabed mining activities.

As of 2014, the Secretariat will be responsible for reviewing 17 contracts held by entities which now have licences for exploration in the Area. The contractors are Yuzhmorgeologiya (Russian Federation); the Interoceanmetal Joint Organization (IOM); Federation and Slovakia); the Government of the Republic of Korea; the ChinaOcean Mineral Resources Research and Development Association (COMRA) (China); Deep Ocean Resources Development Ltd. (DORD) (Japan); the French Research Institute for Exploration of the Sea (IFREMER) (France); the Government of India; and the Federal Institute for Geosciences and Natural Resources of Germany (BGR) (Germany); Nauru Ocean Resources Inc. (NORI) (Nauru); Tonga Offshore Mining Ltd. (TOML) (Tonga) and the Russian Federation.

The Mining Code so far comprises the Regulations on Prospecting and Exploration for Polymetallic Nodules in the Area (the Nodules Regulations), dated 13 July 2000 (ISBA/6/A/18, annex) and the Regulations on Prospecting and Exploration for Polymetallic Sulphides in the Area (the Sulphides Regulations), dated 15 November 2010 (ISBA/16/A/12/Rev.1, annex).

At its seventeenth session, Fiji, supported by other delegations called for the formulation of an exploitation code, and the Council requested that the Secretariat produce a strategic workplan for preparing such a code. The Secretary-General presented the workplan in a report (ISBA/18/C/4) which contains a review of the status of the existing regulatory regime, and the issues involved in the elaboration of an exploitation code. The report recommends that the Legal and Technical Commission be asked to commence work on an exploitation code in 2013 as a matter of priority and to report to the Council on its work at the nineteenth session with the hope of producing such a code by 2014.

During the seventeenth session in 2011, in exercise of its powers under article 165(2)(e) of the Convention, the Legal and Technical Commission adopted and submitted to the Council an environmental management plan for the Clarion-Clipperton Zone (ISBA/17/LTC/7). The plan had been formulated by the Commission over a period of three years, taking into account data and assumptions from workshops in 2007 and 2010. The plan included the establishment of nine
areas of particular environmental interest intended to protect the biodiversity and ecosystem structure and functioning of the Zone from the potential impacts of seabed mining. The Council took note of the recommendations of the Commission and adopted a decision relating to the environmental management plan.

In response to requests of the Council during the seventeenth session, the Secretary-General convened an informal meeting of contractors from 9 to 11 January 2012. The Secretariat is reviewing and assimilating the new data provided and will report on them and their potential use in due course.

Making reference to the presence of rare earth elements in a number of mineral deposits to be found in the Area, including polymetallic nodules and cobalt-rich ferromanganese deposits, the Secretary-General pointed out that demand is expected to outstrip supply. It was possible, he said, that if economical processing routes could be established, they would enhance the profitability of nodule mining. In this regard, the Secretariat was currently undertaking a technical study to evaluate whether seafloor deposits have the potential to become an alternative source of rare earth elements as a by-product of seabed mining.

The Secretary-General reported that progress had been made on the production of a user’s guide to the regulatory regime for deep seabed mining. The guide will explain in non-technical language the fundamental principles and sources of law on which the system for prospecting, exploration and exploitation is based, as well as the process for applying for an exploration licence, its terms and conditions, including provisions relating to environmental protections, and the steps contractors are required to take to comply with them.

One of the specific responsibilities of the Authority under Article 82, paragraphs 1 and 4, of the Convention is that of distributing to States parties to the Convention the payments or contributions in kind derived from exploitation of the non-living resources of the continental shelf extending beyond 200 nautical miles from the baselines of the territorial sea (the “outer continental shelf”).

Under article 82 of the Convention, States or individual operators who exploit the non-living resources of the outer continental shelf are required to contribute a proportion of the revenues they generate from such exploitation for the benefit of the international community as a whole. This proportion is defined as 1 per cent of the value or volume of production at the site, rising by 1 per cent annually until it reaches 7 per cent, at which level it remains. Article 82, paragraph 4, gives the Authority responsibility for distributing these revenues “on the basis of equitable sharing criteria, taking into account the interests and needs of developing States, particularly the least developed and the land-locked among them”.

The Secretary-General reported that two technical studies were published in 2009 and 2010 dealing with the legal and policy issues associated with the implementation of Article 82, and the technical and resource issues associated with the outer continental shelf, respectively. An expert group would be convened in Beijing in November 2012 in collaboration with the China Institute for Marine Affairs of the State Oceanic Administration of China, with a view to preparing draft recommendations to the Council on the implementation of this Article.
The Secretary-General drew attention to the persistent problem of poor attendance at its meetings held in Kingston. His report pointed out that between 2000 and 2011; the Assembly had a quorum on only two occasions, in 2004 and in 2008. In spite of holding the annual session at different times of year, there had been no discernible difference to the overall level of attendance. In recent years, owing to its increasing workload, the Legal and Technical Commission has commenced its meetings one week in advance of the main session of the Authority.

It had been suggested that a more efficient way of organizing the meetings of the Authority would be to minimize the overlap between the meetings of the different organs and to hold meetings sequentially. In this scenario, meetings of the Legal and Technical Commission and the Finance Committee would take place in parallel during the first week of a session. The Council would then meet during the second week of the session, which would also allow time for the proposals and recommendations of the subsidiary organs to be translated for the consideration of the Council. The annual session of the Assembly would then be focused over a three-day period immediately following the conclusion of the meetings of the Council. This would provide members of the Assembly who are not members of the Council with an incentive to attend and participate in a more efficient manner in the work of the Assembly, while still allowing those who wish to attend the Council as observers to do so. In the event that the Assembly needed to return a matter to the Council for further consideration, members of the Council would still be present in Kingston and a meeting could be convened for this purpose.

The Secretary-General informed the Assembly that the Legal and Technical Commission had been unable to complete its work for this session in spite of the extra effort made by its members by working on weekends, and that it needed more time for its meetings. He was pleased to note that the Finance Committee had included in its recommendations that the Commission meet twice per year in 2013 and 2014. Under this arrangement, the Commission would hold an additional preparatory meeting several months prior to the main session of the Authority. Its work would then be divided so that the Council would have the necessary reports before it meets for the regular annual session.

Discussion on the report

Several delegations stressed the important role of the Voluntary Trust Fund in supporting the participation of developing countries in international seabed affairs. Norway announced its government’s intention to contribute US$150,000 this year, and China said it hoped to make a further contribution of $20,000 to the Fund in the near future. Japan announced that it had made a contribution, last September, of US$100,000 to the Endowment Fund to support marine scientific research.

With regard to the issue of the lack of resources in the Authority’s budget to keep up with the heavy workload associated with the increasing number of contractors, Cameroon, with support from Chile and Mexico, said that an urgent solution was needed in order to avoid compromising the smooth functioning of the Authority, and said that the administrative costs for the review of contracts should be borne by the contractors themselves.

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Cameroon, China, Cuba, France, Japan, New Zealand on behalf of the CANZ group, Suriname, and the United Kingdom supported the need for regulations to govern commercial exploitation of resources in the Area. Norway said the Authority also needed to move forward and adopt the regulations on cobalt-rich ferromanganese crusts.

Jamaica said that in light of consideration being given to the use of renewable energies to power mining operations, the Authority is being positioned to contribute to the drive towards renewable energy given the direct link between the development of renewable energy and the availability of rare earth elements. The representative said small island developing states in particular were well positioned to benefit from, and take advantage of the growth in marine renewable energy technologies.

The Authority’s host country said it will launch a campaign in schools to raise awareness about the Convention and the contribution of the world’s oceans to global development. This, Jamaica said, is being done in observance of the thirtieth anniversary of the opening for signature of the Convention, and to coincide with this year’s theme for World Oceans Day.

Jamaica made the suggestion that the Authority could collaborate with the University of the West Indies on the matter of training in geographic information systems. Brazil expressed concern about the training issues cited by the Secretary-General with regard to Secretariat staff.

New Zealand, speaking on behalf of the CANZ group, urged the adoption of the Clarion-Clipperton Zone environmental management plan at this session. It stressed that the plan needed to be put in place before further activities were approved in this area, to ensure the effective protection of the marine environment. Kenya and Norway also expressed the view that this would count as a major achievement for this session.

Mexico noted that the United Nations General Assembly (through its Ad Hoc Working Group to Study Issues Relating to the Conservation of Marine Biodiversity Beyond National Jurisdiction) had a central role to play in the conservation of biodiversity in these areas. The representative expressed the view that the Authority, given the significant pool of scientific and technical information it had gathered on marine biodiversity, should assume a leadership role in the work of this group, particularly in light of the possible formulation of an instrument complementary to the Convention on the Law of the Sea. This view was endorsed by Argentina, Bangladesh and Brazil.

India commended the steps made by the Authority to convene an expert group to address issues relating to the implementation of Article 82, paragraph 4 of the Convention. The representative of Trinidad and Tobago echoed this sentiment noting that the resources of the outer limits of the continental shelf beyond 200 nautical miles was assuming greater importance given the work being done by the Commission on the Limits of the Continental Shelf (“the Commission”) which had already made recommendations to some coastal states allowing them
to establish the outer limits of their continental shelf. This would place these states in a position to explore and exploit the mineral resources and sedentary species of this maritime zone.

The proposed new pattern of meetings, which would see the Legal and Technical Commission meeting twice annually, met with support from Fiji, India, Kenya and New Zealand. The United Kingdom also deemed this to be the best way forward but warned that these new arrangements should be undertaken in the most cost-effective manner possible.

Several members, including Cameroon, Cuba, France, Italy, Japan, Kenya, Mexico and the United Kingdom, expressed widespread support for the candidacy of Nii Allotey Odunton (Ghana) for a second four-year term as Secretary-General of the Authority. Trinidad and Tobago urged the Assembly to support this “outstanding international civil servant” as he guided the Authority into a new era.

A number of delegations, including Bangladesh, Cuba, Cameroon, Fiji, France, Italy, Jamaica, Japan, Mexico, New Zealand, Norway, Suriname, and Trinidad and Tobago expressed their condolences to the people of Ghana on the recent passing of their President, His Excellency John Atta Mills. During its meeting yesterday, the Assembly had observed a moment of silence as a mark of respect for the late President.

**Secretary-General responds**

Regarding the Russian Federation’s appeal for information on the Authority’s website to be translated in languages other than English, Spanish and French, the Secretary-General said there were no resources to expand the website at this time.

In response to the comment from Brazil concerning training of staff, the Secretary-General differentiated between the training opportunities funded by the Endowment Fund and skills training for members of the secretariat staff for which there was inadequate funding. He however assured the Assembly that funds were in place for the taxonomy workshops planned over the next biennium.

In response to questions concerning user’s guide the Secretary-General informed the Assembly that a draft guide had been sent to twenty experts and that the Secretariat was now waiting for comments from those experts.

The Assembly will hold its final meeting for this session on Friday. Tomorrow, the Council is expected to complete its agenda for this session.

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