

**PART I OF 25TH SESSION OF ISA COUNCIL MEETINGS  
AGENDA ITEM 11 ON  
DRAFT REGULATIONS FOR EXPLOITATION OF  
MINERAL RESOURCES IN THE AREA:  
FINANCIAL MODEL**

**INTERVENTION BY SINGAPORE**

Madam President,

1           On the outset, since this is the first time I am participating in an ISA Council meeting, I would like to thank the Government of Jamaica for its generosity in hosting the ISA Secretariat in Kingston and in welcoming us here every year. I would also like to express our support to His Excellency, Mr Michael Lodge, for his work as Secretary General.

Madam President,

2           The Singapore delegation warmly congratulates you on your election as the President of the 25th session of the Council of the ISA. We are confident that under your leadership, we will be able to make good progress on a number of key issues this coming year. You can count on Singapore's and my personal support during your Council Presidency. At the same time, we would like to express our sincere appreciation to Ambassador Olav Myklebust for his stewardship of the Council in the last Session, as well as his very effective work as the Chair of the Informal Open-ended Working Group last week.

3           On the report of the Chairman on the outcome of the first meeting of the Informal Open-ended Working Group and the recommendation contained in the report, we have the following comments.

4           The Singapore delegation found the discussion of the Working Group useful. In this regard, we can support the convening of a second meeting of the Working Group if there is consensus. If it is held, we agree with comments made by other delegations that the modality of the meeting should allow for wider participation. Second, Singapore supports the recommendation for the Secretariat to prepare two or three options regarding the payment mechanism for consideration at the next meeting of the working group.

5           Specifically, on the issue of the payment mechanism, the Singapore delegation would like to make three points. First, the starting point should be the principles set out in UNCLOS, in particular, the 1994 Agreement, regarding the financial terms of contracts. These principles include the need to be fair to both the Contractor and the Authority, as well as ensuring that the payment system is not complicated and should not impose major administrative costs to the Authority or the Contractor. In this regard, we note that a majority in the Working Group, including Singapore, favoured an ad valorem royalty based system. At the same time, we note that some Member States would like to keep the option open for a hybrid payment system. To elaborate on our comments made last week, Singapore is of the view that in the initial phase, it should ensure a stream of revenue for the Authority from the commencement of production and is administratively simpler to manage. In the medium to longer term, as the points of valuation and prices of nodules become clearer, the royalty based financial mechanism could develop into a model that takes into account profitability to ensure both a minimum guaranteed return to the common heritage of mankind as well as a sharing of profits.

6           Second, in coming up with the options, considerations must be taken to what is currently being proposed in the draft regulations regarding the payment mechanism, namely, what is to be proposed for the payment

mechanism must be coherent with the work on the draft regulations. Therefore, in proposing options for consideration by the Working Group, we should bear in mind the decisions that the Council will have to make in relation to the payment mechanism as reflected in the draft regulations. Key decisions should include the following: first, the nature of the payment mechanism, namely, whether it should be ad valorem, profit-based or a combination. Second, the rate of payment that would maximise the returns to the Authority, while ensuring a reasonable rate of return to the Contractor that renders deep seabed mining commercially viable. And third, the trigger or triggers for a review of the payment mechanism, bearing in mind what is proposed in the draft regulations.

7           Last but not least, this relates to a question our delegation had raised in the Council last year, Madam President. We understand that in the current discussion of the model of the payment mechanism, it is designed on the basis of the exploitation of polymetallic nodules. We note, however, that the draft regulations are intended to apply to Contractors of nodules, sulphides and crusts. Therefore, we would appreciate clarification on whether the same system would apply to all three mineral groups as we understand that the rates of payments are likely to be different, given the different costs involved. This is an issue that can also be discussed at the second meeting of the Working Group.

8           I thank you, Madam President, for giving me the floor.

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