



**Ocean Mineral Singapore  
Response to the  
International Seabed Authority's Report  
on Developing a Regulatory Framework  
for Mineral Exploitation in the Area**

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Submitted to:

Report to Stakeholders (ISBA/Cons/2015/1)  
International Seabed Authority  
14-20 Port Royal Street  
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**Ocean Mineral Singapore**  
**Response to the International Seabed Authority's Report to Members of the**  
**Authority and all stakeholders on Developing a Regulatory Framework for Mineral**  
**Exploitation in the Area**

## **Introduction**

1 Ocean Mineral Singapore (OMS) is a Singapore-sponsored contractor authorized to explore for polymetallic nodules in a reserved area in the Clarion Clipperton Zone. OMS has been an active stakeholder in these matters, having previously submitted its views on the International Seabed Authority's (ISA) initial stakeholder survey in May 2014. As a follow-up, OMS would like to submit its comments and views on the ISA report on developing a regulatory framework for mineral exploitation in the Area.

2 We very much appreciate the ISA's efforts to seek input from stakeholders and would like to take this opportunity to thank you for taking the time and effort to do so. In the spirit of appreciating a diversity of views and transparency, we also agree to the ISA making our submission and company details publicly available. We look forward to continuing to being part of the stakeholder group that can provide our views and feedback to the ISA, contributing to a robust exploitation regime that will balance the interest of all stakeholders.

## **Comments on draft framework for the Exploitation Regulations**

3 We see that significant progress has been made by the ISA in terms of identifying the key areas that will require further review, consultation and drafting of regulations. Overall, we agree with the ISA's overall approach and the need to develop clear set of draft regulations that can be further discussed with stakeholders.

4 Looking forward into the next few years and the magnitude of completing all the tasks laid out in the framework document, we believe that a prioritization of efforts and a clear timeline is critical for the industry and various stakeholders to move ahead. We feel it important to highlight in the draft framework a few issues for consideration by the ISA for prioritisation: (1) Timeline and Schedule (2) Working Methods (3) Financial Terms and Obligations (4) Environmental Management Plans (5) The Role of State Sponsors

### **(1) Timeline and Schedule**

5 The current framework has done a very effective job of highlighting the tremendous amount of work that is still required going forward for the ISA to complete the development of the exploitation code. While the action plan in section 5 lays out clear state dates for when action will be initiated, specificity on when those areas will be able to be completed is not clear. This is challenging from a commercial timeline where planning on commercial

development of solutions and financing are required. The greater the uncertainty on the timeline, the more challenging it is to make this effort commercially viable.

6 Additionally, given the significant amount of work that is still required and the time necessary for the independent and public consultations on issues intended, we believe clearer public prioritization of efforts to the most critical of matters will allow for key industry and stakeholder concerns to be addressed. This will give stakeholders further reassurance that key issues will be addressed in a timely manner as the regulations are developed.

## **(2) Working Methods**

7 Related to meeting the desired schedule for the exploitation code, we believe it is possible for contractors, non-governmental organisations (NGOs), and other stakeholders to further support the development of the regulations through more active targeted engagement with the ISA. We applaud the ISA on the many efforts it has made to engage stakeholders through public forums, invitations for feedback, and dialogues. As development of the exploitation code will need increasing expertise in many areas, we believe greater transparency and increased engagement will allow contractors, academics, environmentalists, and others to share their in-depth knowledge with the ISA. Such engagement should allow the ISA to leverage stakeholder expertise to support faster more efficient development of certain parts of the regulations.

8 The current workload to evaluate applications, review performance of contractors, develop exploitation regulations and financial terms and obligations imposes a very heavy burden on the LTC, the Council and its committees. Based on the current schedule of meetings, it is difficult to foresee these bodies being able to cope. Where possible, the ISA needs to leverage on stakeholders such as contractors, NGOs, academics and scientists in their respective areas of study and expertise to support the ISA in leading the development of the framework in specific areas. Where possible, these stakeholders, together with ISA and LTC members, should engage in discussions through informal and intersessional seminars and workshops organized outside of formal LTC and Council meetings.

## **(3) Financial Terms and Obligations**

9 We recognize there is an additional discussion paper on the development of a payment mechanism that has been issued by the ISA Secretariat where we will share further comments. At this junction though, we feel it important to put on record the commercial realities of nodules collection.

10 We do not yet have an industry in deep sea nodules collection. The potential of commercial operations is only at an embryonic stage. While the value of nodules is tremendous, in multiple billions or trillions, this has to be juxtaposed against the cost of

collecting them. If the cost of collecting and processing a ton of nodules can be meaningfully less than its market value, then capital will be attracted to this activity and commercial activities will then take off. Unfortunately, no commercial contractor is able to make this conclusion at this point because of two reasons.

11 First, there are significant uncertainties posed by financial obligations on contractors, cost of regulatory compliance, cost of development of recovery technology, and metal prices in the market. Further, there is no established facility to process nodules into marketable metals and this has to be built up as a greenfield project. The situation in nodules collection simply cannot be compared to land-based mining, which is an established industry with predictable economics. It follows that financial obligations and terms cannot be drawn in parallel with land-based mining.

12 Second, the upfront capital investment to develop recovery vessels and equipment and processing plant is very significant and prohibitive. Eventual exploitation contractors will almost certainly need to raise capital externally. This means the project will have to be evaluated and assessed by third party investors. How do we put forth a compelling case for investment when there is no revenue, much less profit? The prospect and potential must therefore be very compelling and the risk factors convincingly mitigated.

13 We hope the ISA will take these into consideration as it develop exploitation regulations and financial terms and obligations. For early innovators in the industry, making the business case compelling for external investors will determine if the industry takes off or not.

14 Overall, there is a strong need to minimize the variability and risk elements if we are to encourage growth of the industry. Examples of high risk areas would include the potential payment mechanism and review of the financial terms. While we agree that there is a need for a lower financial burden and obligation in the initial years, it will still be difficult to encourage investment in the first few years if there is an expectation of a review in 5 to 10 years. A longer time period will be needed for nascent industry investors to feel secure enough to invest in this high risk area.

15 Separately but related to this, it would be useful to raise the priority level of the “Size of the exploitation area covered by the plan of work” and “Responsibility and liability” in the draft action plan to category A, given that these are risks that can be easily removed to encourage further investment and growth of the industry.

#### **(4) Environmental Management Plans**

16 We believe that transparency in environmental matters are critical for the long-term sustainability of the industry. As such, we feel the proposed public and engagement and review of the environmental impact statements (EIS) and environmental management plans (EMP) are critical. To make such engagement most useful and effective, it will be

critical to ensure the participation of knowledgeable informed experts in deep sea polymetallic nodules while putting in a place a clear timeline for engagement and alignment. Identifying and engaging these experts in the evaluation process and transparency of data and information with them will be important.

17 Related to this, in the application form, from our preliminary assessment of areas to-date, we do not currently foresee that there will be significant “material differences” for potential mining sites within our concession area. Economic mining focus will likely require us to focus on areas with certain distinct terrain characteristics and initial environmental findings indicate a fair degree of homogeneity. As such, we believe that separate documents would be unnecessary and that a single plan of works covering multiple areas – if necessary highlighting any potential material differences – would be a more effective approach.

#### **(5) The Role of State Sponsors**

18 Increased engagement with state sponsors and a clear delineation of roles would also support the development of the industry. Current efforts by the ISA need to be complemented by national regulations for contractors. Increased clarity and understanding for state sponsors will allow the development of national trade bills and laws related to the exploitation of resources in the CCZ. The role of the state sponsor will also impact the potential monitoring and regulatory efforts that will be required for the state, and thereby also potentially impact the financial payment mechanism necessary for the state. As such, we believe this is an area that the ISA should also prioritise for the near term. Again, increased clarity in these areas will lower the risk for investors and support the development of the industry.

Thank you again for your time and consideration of our input.