

International Seabed Authority

Press Release

Tenth Session
Kingston, Jamaica
24 May – 4 June 2004



Council (AM)

SB/10/11
1 June 2004

COUNCIL RECOMMENDS \$US10.8 MILLION BUDGET FOR SEABED AUTHORITY

The Council of the International Seabed Authority, meeting in Kingston, this morning recommended a \$10,816,700 budget for the Authority's operations for the 2005-2006 biennium, along with a scale of assessment of members' contributions based on a United Nations model.

Also this morning, the Council began discussions of the draft regulations on prospecting and exploration for polymetallic sulphides and cobalt-rich ferromanganese crusts in the international Seabed Area prepared by the Legal and Technical Commission (LTC). Further debate on the draft regulations will continue at 10.a.m. tomorrow, Wednesday, 1 June.

The Council's decision on the budget, based on the recommendations of the Authority's Finance Committee embodied in document ISBA/10/A/6-/ISBA/10/C/7, would be communicated to the Assembly for action at 3 p.m. tomorrow, Wednesday 2 June.

The Finance Committee's report was presented by its Chairman, Hasjim Djalal. The recommendations were based on proposals made by the Authority's Secretary-General, Satya N. Nandan.

The budget total endorsed by the Council today was the same as the figure requested by the Secretary-General who had estimated the Authority's budgetary requirements for 2005 and 2006 to be \$5,337,900 and \$5,478,800 respectively, totalling \$10,816,700 for the biennium. The Secretary-General had noted that the overall budget for the period represented an increase of 2.9 per cent in nominal terms over the 2003-2004 biennium which averages approximately 1.45 per cent per annum.

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Under the recommendations approved by the Council, the Secretary-General would be authorized to establish the scale of assessments for 2005 and 2006 based on that used for the regular budget of the United Nations for 2004 and 2005, taking into account that the maximum assessment rate will be 22 percent and the floor rate, 0.01 per cent.

Members of the Authority would be urged to pay their assessed contributions to the budget on time and in full. (In his report to the Assembly yesterday, the Secretary-General said a total of 42 members were in arrears for a period of two years or more as at 27 May 2004).

Voluntary trust fund

The Secretary-General was authorized to advance up to a further \$US10,000 in 2005 from the Pioneer Fund's interest to supplement the voluntary trust fund, if required. The Finance Committee had recommended that a strong appeal be made to Authority members to contribute to the fund.

The Committee had also recommended that the provisional terms and conditions for the use of the fund be amended by the deletion of paragraph 3 (b) of the annex to the Committee's 2003 report (ISBA/9/A/5-ISBA/9/C/5), which reads "Consideration should be given to the expertise of the member, taking into account his or her qualifications, continuity in attendance and contributions to the meetings", since the members of the LTC were chosen on the very basis of their expertise. The Committee requested the Secretary-General to provide a detailed annual report on the use and status of the voluntary fund, and to defer any recommendation on future funding of the voluntary fund until its next meeting in 2005.

Secretary-General's pension entitlement

With regard to the pension entitlement of the Secretary-General, the Finance Committee recommended that the Secretary-General should be provided with the option to choose between the United Nations Joint Staff Pension or the "ICAO arrangement" as set out in document ISBA/9/FC/R.1.

If the Secretary-General chose the "ICAO arrangement" he should inform the Assembly of the choice upon election, according to the Finance Committee.

Expanding on the committee's report, Ambassador Hasjim Djalal said the Committee was barely able to hold a quorum at its four meetings during the current session, with only 9 of its 15 members in attendance. In crediting the voluntary trust fund

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with making possible the attendance of some members, he said \$11,500 had been contributed so far by Oman, Namibia, Angola, and a personal donation from Dr. Yury Kasmin (Russian Federation). Ambassador Djalal appealed to members of the Authority, who could, to contribute. He listed five options that were discussed regarding the financing of the voluntary fund:

1. Encourage voluntary contributions
2. Include the fund as part of the budget of the Authority
3. Draw on the budget surplus
4. Draw from the pioneer fund
5. Draw from the interest of funds managed by the Authority

He said no decision had been taken on any of those options.

Discussions of Finance Committee report

In an immediate response to the appeal by the Chairman of the Finance Committee, Norway, an observer in the Council, announced that it would contribute \$US25,000 to the trust fund. The announcement was greeted by spontaneous applause from the Council chamber.

Greece, another observer in the Council, questioned the basis on which the prevailing inflation rates were applied to the budget. In reply, Secretary-General, Satya N. Nandan explained that the inflation rates of both the United States and Jamaica were considered in preparing the Authority's budget. He said the growth rate in the budget was below the 2.8 per cent set by the United Nations General Assembly as a guide for its international agencies.

Japan objected to the 2.9% increase in the budget to offset inflation and submitted a list of proposals that it said would reduce the amount to current levels. The representative of Japan said inflation in Jamaica should not be a basis for growth in the budget because goods purchased here, although subject to domestic inflation, were cheaper in dollar terms if the national currency depreciation was taken into account.

He said United Nations staff services should be cost reimbursable as stipulated in the relationship agreement and he questioned consultancy fees for work on the geological model and preparation of a Global Environmental Facility (GEF) project to gather baseline data on crusts.

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Japan felt it was improper to use any portion of the Pioneer Investor Fund to defray travel expenses of members of the Legal and Technical Commission and the Finance Committee because the fund was established to cover the administrative cost of processing contractors' applications for approval of plans of work. He said the travel expenses should be paid for by the Authority's budget surplus. Japan also found unacceptable the proposal to use part of accumulated surplus from the previous financial period as working capital until arrears of assessed contributions were paid.

Ambassador Djalal said the Finance Committee knew of the points raised by Japan, and some were considered at its meetings. He said questions concerning a source of funding to assist developing States with travel expenses to attend meetings and ownership of the Pioneer Fund, would be considered by the Committee at the next session.

Responding to Japan, the Secretary-General said it was impossible to exclude the inflation rate of the host country from the budget. On the Pioneer Fund, Mr. Nandan said there was some misunderstanding about the Fund, which was so named only to distinguish it from others administered by the Authority. He explained that the Authority was not obligated to pay any amounts to any contractors and that interest that accrued on any excess in the fund belonged to the Authority.

Draft regulations on prospecting and exploration

Presenting the draft regulations on prospecting and exploration for polymetallic sulphides and cobalt-rich ferromanganese crusts in the Area for consideration in the Council, Dr Frida Armas Pfirter (Argentina), Vice-Chairman of the Legal and Technical Commission (LTC), gave some background of the events leading to the formulation of the draft regulations contained in ISBA/10/C/WP.1.

She said the Commission began its work on the regulations in response to a formal request by the Russian Federation in 1998. A subsequent seminar, organized by the Secretariat and attended by a number of experts, including LTC members, provided valuable information about mineral resources to be found in the deep seabed other than polymetallic nodules.

Leading up to the seventh session of the Authority in 2001, the Secretariat had prepared a document summarizing the work of the seminar and at the eighth session the

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Commission began its deliberations on the issue of regulations for those unregulated mineral resources, taking into account the different nature of the new resources under examination and using as a model the regulations in force for polymetallic nodules.

Last year, the LTC formed four informal working groups to examine specific key aspects of the regulations to be proposed, and subsequently requested the secretariat to prepare a comprehensive draft of regulations governing polymetallic sulphides and cobalt-rich crusts based on the discussions and draft regulations developed by these working groups. By the beginning of this tenth session, therefore, the Commission had at its disposal a number of useful documents, which could assist in the drawing up of the draft regulations contained in ISBA/10/LTC/WP.1.

The Commission had identified the major differences between the two sets of regulations which related to: the size of the area assigned to a contractor for exploration and the relinquishment scheme to be implemented; the application of the parallel system; and modifications in the regulations relating to the protection and preservation of the marine environment in light of the different characteristics of the resources and the flora and fauna associated with them.

In order to facilitate the Council's examination of the draft regulations, any part of the text which differed from that of the regulations for polymetallic nodules had been highlighted in bold type.

Regulation 1.3 (a) gave three new definitions. A "block" was defined as one cell of a grid as provided by the Authority - the cell being no larger than 100 square kilometers. There were also new definitions for cobalt crusts and polymetallic sulphides (regulations 1.3 (b) and 1.3 (f)).

Discussions

While voicing some concerns and objections with regard to the draft regulations presented to the Council, the representative of the Russian Federation, nevertheless, congratulated the Legal and Technical Commission for its decision to formulate a single code for polymetallic sulphides and cobalt-rich crusts, in spite of the differences between the two resources.

His delegation, however, questioned the accuracy of the information which guided the work of the LTC, whereby a maximum of 40 million tonnes was guaranteed

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within each area assigned to a contractor. Those figures were not founded on economic calculations, he said, and reminded the Council that deep seabed exploration was carried out for the purpose of commercial gain as well as for scientific knowledge and research.

He also noted that exploitation methods, although similar, were different for each resource, which could have an effect on the actual value of the ore. This was because by using the same technology to obtain ore of the same value, it would be necessary to exploit two or three times more sulphides than polymetallic nodules. In the case of cobalt-rich ferromanganese crusts, the figure was even greater.

With regard to the allocation of blocks, the Russian representative said it was unclear as to why those blocks would have to be adjacent, since polymetallic sulphide deposits are normally spread over several kilometers and were often found over 20 kilometres apart. Referring to regulation 27 concerning the size of the area and process of relinquishment, he said that the question of relinquishment was not mentioned in the 1982 United Nations Convention on the Law of the Sea. It was mentioned in Resolution II of Annex I relating to pioneer investors, and had been automatically included in the regulations for polymetallic nodules. This did not necessarily mean that it should be applied to other resources. He took issue with the stipulation that the contractor would have to relinquish 75 per cent of an allocated area by the end of the tenth contract.
