

The Pew Charitable Trusts Intervention on Environmental Externalities

RE: Environmental Externalities Study

Thank you for giving me the floor, and thanks to the proponents of the studies, the study authors and the ISA for bringing Dr Brander to Kingston so that we can have this much needed discussion.

We found the study very helpful in explaining the importance of ecosystem service valuation, the techniques -and as many have noted, the limitations. From the study we understand that the full list of potential externalities are yet to be identified. We also understand that where specific externalities are identified it is very difficult to put a cost on them. For Pew the results of the report therefore beg the very existential question of: why are we considering mining in such an information poor-environment? How can the Council decide on behalf of humankind to destroy something whose value we do not understand? We think the report raises bigger questions than how to set a royalty rate.

We note that in section 3.3 of the report, the authors list various decision-making contexts beyond setting compensation. These include the following five examples which are not about royalty rates:

- (1) Raising awareness of the value of the marine environment -This is an area that could be undertaken in fulfilment of the ISA's duty under Article 143 of UNCLOS to promote and disseminate all types of marine scientific analysis pertaining to the Area (and not only information relating to mining)
- (2) Designing effective policy instruments for environmental management. -Could ecosystem valuation work be helpful in informing the LTC's current work on environmental thresholds? Or for informing a much-needed environmental policy that the ISA is currently lacking?
- (3) Revealing the distribution of costs and benefits of resource management decisions among different stakeholders. This would be vitally important in ascertaining who the ISA should be consulting, whether benefits will be equitably shared -and working out if decisions we are taking will truly deliver upon the principles of CHH;
- (4) Including ecosystem service values in green accounts -this could be helpful in determining and demonstrating the value that the ISA provides to humankind in protecting the marine ecosystem?
- (5) Comparing costs and benefits of alternative uses of the environment -this could help answer the question of whether we should indeed go mining -and until we can answer this question with confidence, Pew suggests that we should enact a moratorium on any exploitation.

In summary we find the study very useful for issues beyond the royalty rate, and we urge the Council to look at the implications of the study for all of the important decisions before you.

RE: Germany Proposal

Turning to the German proposal on Integrating Environmental Costs into the Payment Mechanism, -and here I would like to thank Germany for their gracious reception and the panel discussion last night -there is much we would agree with including the intent. Pew sees merit in inclusion and continued discussion

Pew would also align itself with DOSI's intervention -we need further baseline data, and we also support a comprehensive approach in considering and accounting for all relevant ecosystem services. We have questions about operationalizing this proposal further too, including who would conduct the ecosystem valuation assessment? When would the royalty rate be set? A key point for us, is that we do not want the ISA's decision on a contract award to be unduly influenced by the prospect of a royalty uplift. As raised by Ireland, the Council's decision whether or not to permit mining must be based on the relevant decision-making criteria, including thresholds about what environmental damage is permitted and what is not permitted. The level of revenue that a contract may produce for the ISA must be a separate decision, that does not weaken environmental red-lines.

We appreciate that this idea of 'buying' the right to cause more environmental damage is not at all the intention with the German proposal. Quite the contrary. But we caution that careful implementation may be necessary to avoid clouding the two issues.

These are some initial thoughts, and we would welcome opportunities to come back after a little further reflection.