

International Seabed Authority

Press Release



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SEABED COUNCIL CONTINUES DISCUSSIONS ON SULPHIDE REGULATIONS

The determination of an adequate area of exploration was a critical issue in formulating regulations for sulphides, a Chinese expert told the Council of the International Seabed Authority this afternoon as it continued its review of the draft regime for the metals.

Dr. Tao Chunhui, Research Fellow of Geophysics, said some of the important factors to be taken into account included the following: mid-ocean ridge spreading rates, the density of hydrothermal fields along ridges, statistical distribution of the number of deposits within a hydrothermal field and the statistical distribution of ore tonnage of deposits.

An official of the Second Research Institute of Oceanography under the State Oceanic Administration of China, Dr. Tao suggested that the Authority should hold another international workshop to expand the knowledge of its members on sulphide exploration.

Dr. Tao's presentation was entitled Model for Estimating the Size of an Application Area for Sulphide Exploration, and was co-authored with Professor Li Yuwei, Chief Scientist of the Consulting and Research Centre of the Ministry of Land and Resources in Beijing, and a former member of the Legal and Technical Commission (LTC) of the Authority.

At this morning's meeting of the Council, members welcomed China's offer to share findings from recent research on sulphides to inform the Council's consideration of the revised regulations governing the exploration and exploitation of those resources.

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The Council then resumed deliberations on the draft regulations for polymetallic sulphides beginning with paragraphs 2 and 3 of regulation 12 (total area covered by the application), which read:

2. The area covered by each application for approval of a plan of work for exploration for polymetallic sulphides **shall be comprised of not more than 100 polymetallic sulphide blocks, which shall be arranged by the applicant in at least five clusters, as set out in paragraph 3 below.**

3. **Each cluster of polymetallic sulphide blocks shall contain at least five contiguous blocks.** Two such blocks that touch at any point shall be considered to be contiguous. Clusters of polymetallic sulphide blocks need not be contiguous but shall be proximate and located within the same geographical area.

(The bold print indicates proposed revisions to the regulations which the Council had worked on at last year's session (ISBA/13/C/WP.1).

Brazil and Mexico expressed the view that the term "same geographical area" needed to be defined more precisely. Germany proposed using dimensions of 550 x 550 km to define the area as put forward by the LTC. The Russian Federation suggested it was more practical to define the application area in terms of a "surface area" of 550 x 550 km, which gave each applicant 300,000 square kilometres within which to work. India was against the use of square blocks as this configuration did not match the distribution pattern of the sulphides in the seabed.

Secretary-General Satya N. Nandan pointed out that the configuration of blocks into clusters gave the applicant more flexibility as the blocks no longer had to be contiguous. The use of squares was a deliberate strategy to prevent a single explorer from selecting an area that would be unfair to later explorers.

China expressed concern that no anti-monopoly provisions appeared in the draft regulations and suggested that this issue needed to be studied in depth by the Council. The Secretary-General explained that the LTC was aware that clear anti-monopoly provisions were necessary and had been considering two aspects of the issue in their meetings. The first aspect dealt with the prevention of "cherry-picking" by early applicants, while the other concerned strategies to prevent one applicant from making multiple applications through its subsidiaries or affiliated organizations. The LTC was working on appropriate language to address this issue which would be included in its report to the Council on Friday.

Suggesting the use of a ratio system to determine the area covered by each application, New Zealand supported Mexico and Australia in their call for discussion on a formula that would ensure commercial viability of the total area while avoiding monopoly participation. The USA observer, in his expert capacity, said there was substantial knowledge on geography and suggested examination of the real world approach being used by the mining industry. Jamaica felt that New Zealand's ratio approach would allow for more equitable participation than the Russian Federation's suggestion of allocating 300,000 square kilometers of surface area.

Summarizing the discussion, the Secretary-General said any system used to determine the total area covered by application for exploration of the minerals must be viable for the investor and manageable by the Authority. He echoed the call of the President for experts to get together and produce a workable solution.

A Secretariat official noted that the substantive issue in Regulation 16 (Applicant's election of a reserved area contribution or equity interest in a joint venture arrangement) was set out in paragraph 2 (a) of Regulation 19 (Equity interest in a joint venture arrangement). The current draft stipulates a minimum 20 percent of the equity participation by the Enterprise, with 10 percent automatically obtained without payment and the remainder also automatic, but the Enterprise would not receive any profit distribution until the applicant has recovered its total equity participation in the joint venture arrangement. The Secretariat official noted that there were no differences in principle between those draft regulations and those for polymetallic nodules.

Argentina suggested 35 per cent as the minimum of equity participation, but Japan and Canada felt 20 per cent was appropriate.

The Council is expected to resume on Friday, May 30, to examine the report of the Legal and Technical Commission.

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