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Status of prospecting and of contracts for exploration for polymetallic nodules, polymetallic sulphides and cobalt-rich ferromanganese crusts in the Area

Report of the Secretary-General

1. The present report provides members of the Council with information on the status of prospecting, and of contracts for exploration in the Area. Exploration contracts currently cover three different types of mineral resource: polymetallic nodules, polymetallic sulphides and cobalt-rich ferromanganese crusts. The report also includes information on the status of the periodic review of the implementation of the plan of work for exploration pursuant to the contract for exploration for polymetallic nodules between the International Seabed Authority and the Government of India. Lastly, the report provides information on the status of implementation of the decision of the Assembly of 25 July 2013 ([ISBA/19/A/12](#)) relating to the establishment of an overhead charge to reflect the cost of administration and supervision of contracts. The information contained in the present report is up to date as at 27 May 2014.

Status of prospecting

2. On 6 September 2011, pursuant to regulation 4, paragraph 2, of the Regulations on Prospecting and Exploration for Polymetallic Sulphides ([ISBA/16/A/12/Rev.1](#), annex), the Federal Institute for Geosciences and Natural Resources of Germany (BGR) notified the Secretary-General of its intention to engage in prospecting for polymetallic sulphides in the area of the Southern Central Indian Ridge and the Northern Southeast Indian Ridge. This notification was duly recorded and the prospector was informed accordingly.

3. Pursuant to regulation 6, prospectors are required to submit an annual report on the status of prospecting and the results obtained. The first such report was due from BGR in 2013. It was duly received on 23 December 2013 and was submitted to the Commission at its meetings in February 2014. The Commission took note of the report. The second annual report was received from BGR on 22 May 2014 and will be placed before the Commission in July 2014.



Status of exploration contracts

4. As at 27 May 2014, 16 contracts for exploration are in force. This includes 12 contracts for exploration for polymetallic nodules, 2 contracts for exploration for polymetallic sulphides and 2 contracts for exploration for cobalt crusts. A complete list of contracts, including details of the contractor and date of entry into force of each contract, is provided in annex I to the present report.

5. Since the nineteenth session, two plans of work for exploration for cobalt-rich ferromanganese crusts that had been approved by the Council in July 2013 (see [ISBA/19/C/13](#) and [ISBA/19/C/15](#)) were prepared in the form of contracts. On 27 January 2014 a contract with Japan Oil, Gas and Metals National Corporation (JOGMEC) was concluded in Tokyo. The contract with the China Ocean Mineral Resources Research and Development Association (COMRA) was signed in Beijing on 29 April 2014.

6. Three of the plans of work for exploration that had been approved by the Council during the eighteenth session remain to be concluded in the form of a contract. The plans were submitted by the Government of the Republic of Korea (sulphides), by the Institut français de recherche pour l'exploitation de la mer (IFREMER) (sulphides) and by Marawa Research and Exploration Ltd. (nodules). It is anticipated that the contract with the Government of the Republic of Korea will be signed prior to the twentieth session, to be held in July 2014. In the case of IFREMER, consultations are ongoing with respect to the incorporation of the new standard clauses and other terms of the contract have been agreed on (see below). In the case of Marawa Research and Exploration Ltd., good progress has been made towards the finalization of the contract, including the new standard clauses, which is now pending final agreement.

7. A further seven applications are under consideration by the Legal and Technical Commission.¹ If all of the applications are approved by the Council in July 2014, it will bring the number of exploration contracts to 26. That means that the Commission may need to devote more time to supervising the activities of contractors.

Periodic review of the implementation of the plan of work for exploration by the Government of India

8. Each contract for exploration has a fixed duration of 15 years, which is implemented in three five-year periods. For each five-year period, the contractor is required to provide a detailed programme of activities, including a schedule of anticipated yearly expenditures, to be incorporated into the contract as schedule 2. Every five years, the contractor and the Secretary-General jointly undertake a review of the implementation of the plan of work for exploration. In the light of the review, the contractor makes adjustments, as necessary, to its previous programme

¹ In February 2014, the Commission recommended to the Council the approval of four applications. These were submitted by the Ministry of Natural Resources and the Environment of the Russian Federation (cobalt crusts), UK Seabed Resources Ltd. (nodules), the Government of India (sulphides) and Ocean Mineral Singapore Pte Ltd. (nodules). Three applications are pending for consideration by the Commission in July 2014. These were received from the Federal Institute for Geosciences and Natural Resources of Germany (sulphides), Cook Islands Investment Corporation (nodules) and Companhia de Pesquisa de Recursos Minerais S.A. (cobalt-rich ferromanganese crusts).

of activities and submits a proposed programme of activities for the following five-year period. The parties to the contract must then formally agree, through an exchange of letters, on the incorporation of the new programme of activities for the next five-year period into the contract.

9. As reported previously (ISBA/19/C/9/Rev.1), with respect to the contract for exploration for polymetallic nodules with the Government of India (concluded on 25 March 2002), the second five-year period of the contract came to an end on 24 March 2012. The contractor submitted a proposed programme of activities in April 2012. This was reviewed during a series of bilateral meetings between the contractor and the Secretary-General held during the eighteenth and nineteenth sessions of the Authority in Kingston and in October 2013 in India, which also took into account discussions in the Legal and Technical Commission relating to the contractor's programme of work. Following further exchanges of views between the parties, the review process was formally concluded by an exchange of letters dated 6 March 2014.

Status of consultations regarding the implementation of the decision ISBA/19/A/12

10. By its decision of 25 July 2013 (ISBA/19/A/12), the Assembly established an annual overhead charge of US \$47,000 to reflect the cost of administration and supervision of contracts with the Authority. That charge is to be paid in respect of each exploration contract and is due by 31 March each year. The decision is implemented by amendments to the standard clauses for exploration contracts contained in annex 4 to the Regulations on Prospecting and Exploration for Polymetallic Sulphides so as to introduce two new clauses, section 10.5 and 10.6. The decision also indicates the date of its entry into force and includes special provisions regarding its effect as regards existing contracts and pending and approved applications submitted prior to the date of its entry into force.

Applications submitted after 25 July 2013

11. The decision of the Assembly takes effect from the date of its adoption, that is, 25 July 2013. Consequently, the new standard clauses 10.5 and 10.6 will apply automatically to any contract entered into as a result of applications for approval of plans of work for exploration submitted after 25 July 2013. The applications submitted by BGR, Cook Islands Investment Corporation (CIIC) and the Companhia de Pesquisa de Recursos Minerais S.A. (CPRM) are in this category. Subject to their approval by the Council in July 2014, the new standard clauses will automatically be incorporated.

Existing contracts

12. With respect to those exploration contracts already in existence as at 25 July 2013, the Assembly urged the Secretary-General to consult as soon as possible with each contractor, in accordance with section 24.2 of the standard clauses, with a view to amending those contracts, in order to include the new provisions. Accordingly, the Secretary-General wrote to 14 contractors in July 2013 proposing amendments to the standard clauses in line with the decision of the Assembly. Bilateral consultations were also held with Deep Ocean Resources Development Ltd. (DORD) in January 2014, UK Seabed Resources Ltd. (UKSRL) in March 2014, BGR in March 2014, COMRA in April 2014 and the Government of the Republic of

Korea in May 2014. As at May 2014, DORD, G-TEC Sea Mineral Resources NV, Tonga Offshore Mining Limited (TOML) and BGR had agreed in writing to amend their contracts to include the new standard clauses. Consultations with the other contractors are ongoing. The status of responses is detailed in annex II to the present report.

Applications submitted prior to 25 July 2013

13. With respect to applications for approval of plans of work for exploration submitted prior to 25 July 2013, the Assembly had requested the Secretary-General to consult with the applicants concerned prior to the signature of their contracts, with a view to incorporating the new provisions. This concerns two categories of applications, namely, those that had been approved before 25 July 2013 and those that had already been submitted but were still under consideration by the Legal and Technical Commission or the Council as at that date.

14. On 25 and 26 July 2013, the Secretary-General wrote to five applicants whose plans of work had been approved in 2012 and in 2013. These were JOGMEC, COMRA, the Government of the Republic of Korea, Marawa Research and Exploration Ltd. and IFREMER. JOGMEC, COMRA and the Government of the Republic of Korea agreed to incorporate the new standard clauses in their contracts and this is reflected in the contracts signed with JOGMEC and COMRA and in the contract to be signed with the Government of the Republic of Korea in 2014. In March 2014, IFREMER indicated that it was not in a position to accept the proposed additional clauses in the contract. In response, the Secretary-General wrote to IFREMER proposing further consultations with the applicant and the sponsoring State prior to signature of the contract in order to try to find a mutually acceptable solution. The secretariat has been working with Marawa Research and Exploration Ltd. to try to finalize the content of the contract, including new standard clauses 10.5 and 10.6, although the prospective contractor has indicated that it has difficulty in accepting the new clauses.

15. Applications by the Ministry of Natural Resources of the Russian Federation (crusts), UK Seabed Resources Ltd. (nodules), the Government of India (sulphides) and Ocean Mineral Singapore Pte Ltd. (nodules), were submitted prior to 25 July 2013. Assuming that those applications are approved by the Council in July 2014, consultations will take place with each applicant concerning the incorporation of the new standard clauses in the respective contracts.

16. The Council is invited to take note of the present report and to provide direction as may be necessary with regard to the implementation of the decision of the Assembly in [ISBA/19/A/12](#).

Annex I

Status of contracts for exploration for polymetallic nodules, for polymetallic sulphides and for cobalt-crusts

A. Contracts for exploration for polymetallic nodules

<i>Contractor</i>	<i>Date of entry into force of contract</i>	<i>Sponsoring State or States</i>	<i>General location of the exploration area under contract</i>	<i>Date of expiry of contract</i>
Interoceanmetal Joint Organization	29 March 2001	Bulgaria, Cuba, Czech Republic, Poland, Russian Federation and Slovakia	Clarion-Clipperton Fracture Zone	28 March 2016
Yuzhmorgeologiya	29 March 2001	Russian Federation	Clarion-Clipperton Fracture Zone	28 March 2016
Government of the Republic of Korea	27 April 2001		Clarion-Clipperton Fracture Zone	26 April 2016
China Ocean Mineral Resources Research and Development Association	22 May 2001	China	Clarion-Clipperton Fracture Zone	21 May 2016
Deep Ocean Resources Development Ltd.	20 June 2001	Japan	Clarion-Clipperton Fracture Zone	19 June 2016
Institut français de recherche pour l'exploitation de la mer	20 June 2001	France	Clarion-Clipperton Fracture Zone	19 June 2016
Government of India	25 March 2002		Central Indian Ocean Basin	24 March 2017
Federal Institute for Geosciences and Natural Resources of Germany	19 July 2006	Germany	Clarion-Clipperton Fracture Zone	18 July 2021
Nauru Ocean Resources Inc.	22 July 2011	Nauru	Clarion-Clipperton Fracture Zone (reserved area)	21 July 2026
Tonga Offshore Mining Limited	11 January 2012	Tonga	Clarion-Clipperton Fracture Zone (reserved area)	10 January 2027
Marawa Research and Exploration Ltd.	To be signed	Kiribati	Clarion-Clipperton Fracture Zone (reserved area)	

<i>Contractor</i>	<i>Date of entry into force of contract</i>	<i>Sponsoring State or States</i>	<i>General location of the exploration area under contract</i>	<i>Date of expiry of contract</i>
UK Seabed Resources Ltd.	8 February 2013	United Kingdom of Great Britain and Northern Ireland	Clarion-Clipperton Fracture Zone	7 February 2028
G-TEC Sea Mineral Resources NV	14 January 2013	Belgium	Clarion-Clipperton Fracture Zone	13 January 2028

B. Contracts for exploration for polymetallic sulphides

<i>Contractor</i>	<i>Date of entry into force of contract</i>	<i>Sponsoring State or States</i>	<i>General location of the exploration area under contract</i>	<i>Date of expiry of contract</i>
China Ocean Mineral Resources Research and Development Association	18 November 2011	China	Southwest Indian Ridge	17 November 2026
Government of the Russian Federation	29 October 2012		Mid-Atlantic Ridge	28 October 2027
Government of the Republic of Korea	To be signed		Central Indian Ocean	
Institut français de recherche pour l'exploitation de la mer	To be signed	France	Mid-Atlantic Ridge	

C. Contracts for exploration for cobalt-rich ferromanganese crusts

<i>Contractors</i>	<i>Date of entry into force of contract</i>	<i>Sponsoring State or States</i>	<i>General location of the exploration area under contract</i>	<i>Date of expiry of contract</i>
Japan Oil, Gas and Metals National Corporation	27 January 2014	Japan	Western Pacific Ocean	26 January 2029
China Ocean Mineral Resources Research and Development Association	29 April 2014	China	Western Pacific Ocean	28 April 2029

Annex II

Status of consultations with respect to the revision of exploration contracts existing at 25 July 2013

<i>Contractors</i>	<i>Status</i>
Government of the Russian Federation (sulphides)	Under consideration
China Ocean Mineral Resources Research and Development Association (sulphides)	Under consideration
Tonga Offshore Mining Limited	Accepted on 18 February 2014
Nauru Ocean Resources Inc.	No response
Institut français de recherche pour l'exploitation de la mer	Under consideration
G-TEC Sea Mineral Resources NV	Accepted on 19 December 2013
China Ocean Mineral Resources Research and Development Association (nodules)	Under consideration
Yuzhmorgeologiya	Under consideration
Government of India	Under consideration
Government of the Republic of Korea	Under consideration
Federal Institute for Geosciences and Natural Resources of Germany	Accepted on 21 March 2014
Deep Ocean Resources Development Ltd.	Accepted on 9 January 2014
Interoceanmetal Joint Organization	Responded December 2013 asking for formal proposal to be submitted for consideration by governing bodies in 2014. Formal proposal submitted to Interoceanmetal Joint Organization on 14 January 2014
UK Seabed Resources Ltd.	Under consideration