

**The Statement of the Chinese Delegation on Financial Issues of the Exploitation Regulations at the Council Meeting of the First Part of the 25th Session of the International Seabed Authority**

(February 25, 2019)

Thank you, Madam President.

First of all, please allow me to congratulate you on your election as the President of the Council. You are assured of the full support of the Chinese delegation. I believe that under your leadership, this meeting will be surely fruitful and successful.

I would like to take this opportunity to thank the past President, H.E. Olav Myklebust. He presided over not only the Council meetings of the 24th Session, but also the open-ended informal working group in respect of financial model held last Thursday and Friday. The Chinese delegation is also grateful for the report he has just made on the working group and wishes to express the following views on the financial issues of the Exploitation Regulations:

1. Benefit sharing is an integral part of the overall system governing the exploitation of the resources in the Area. We are pleased to see that the report specifically references that financial aspects of a payment mechanism can be grouped into two categories: (1) what a contractor will pay to the Authority; (2) how such money received will be distributed by the Authority. This is exactly the long held position of the Chinese delegation, namely, benefit sharing and payment mechanism are inseparable, and both of them are essentially the disposition and redistribution of the benefits derived from activities in the Area. As part of the important contents of the principle of the common heritage of

mankind, it is appropriate for the issue of benefit sharing to be addressed by the Exploitation Regulations. China sincerely hopes that the future meetings with respect to financial matters would conduct special studies and discussions on the issue of benefit sharing.

2. The payment mechanism should not exclude the combination of a royalty and profit-sharing system. The Implementing Agreement to UNCLOS provides that “[c]onsideration should be given to the adoption of a royalty system or a combination of a royalty and profit-sharing system.” At present, the parties have conducted study and discussion on the royalty system, but have not considered the system of combining royalty with profit-sharing. There is a view that the hybrid payment model would entail major administrative costs as well as practical challenges in implementation. However, China believes that without deep study on the hybrid payment model itself any conclusion in this regard would lack empirical support. We reiterated that as required by the Implementing Agreement the payment mechanism of a combination of a royalty and profit-sharing system should be studied, and only after this further discussion as to what payment mechanism to be adopted could be reasonably conducted.

3. The payment mechanism should cover three mineral resources. The existing financial model is related to polymetallic nodules only. The exploitation technologies and metals of polymetallic sulphides and cobalt-rich crusts are significantly different from those of polymetallic nodules. China supports the recommendation that it is necessary to consider the payment mechanisms and rates of payment for the other two mineral resources in due course.

4. The payment mechanism of the Exploitation Regulations should embody the principle of “fair treatment”. Section 8 Article 1 (a) of the Annex to the Implementing Agreement requires that the payment system “shall be fair both to the contractor and the Authority”. The wording “be fair” herein means that the payment system should not only fulfill the

principle of “common heritage of mankind” to safeguard the benefit of mankind as a whole represented by the Authority, but also comply with the “sound commercial principle” enabling the Contractors to have the economic impetus to engage in production. It is therefore suggested to clarify and explain whether and how the payment mechanism has given effect to “fair treatment”.

5. The payment mechanism of the Exploitation Regulations should take full consideration of the impacts of land-based mining. The Implementing Agreement provides that “the rates of payments under the system shall be within the range of those prevailing in respect of land-based mining of the same or similar minerals in order to avoid giving deep seabed miners an artificial competitive advantage or imposing on them a competitive disadvantage”. The current model does not consider the issue of land-based mining, especially the possibly future interactions between deep-sea mining and the global metal market, and it is recommended to take into account this matter in subsequent researches.

Thank you, Madam President.