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Statement to the Council by the Secretary-General on the periodic review of the implementation of plans of work for exploration by contractors

1. Members of the Council will recall that, under the Regulations on Prospecting and Exploration for Polymetallic Nodules in the Area, there is provision for periodic review of the implementation of plans of work for exploration at intervals of five years. This periodic review is to be achieved through consultations between contractors and the Secretary-General. As part of the review, the contractor shall indicate its programme of activities for the following five years, making such adjustments to its previous programme of activities as are necessary. The Secretary-General may request the contractor to submit such additional data and information as may be necessary for the purposes of the review. The Secretary-General is required to report on the review to the Legal and Technical Commission and the Council. The Secretary-General has undertaken the required review with the contractors.

2. In the cases of Yuzhmorgeologiya, the Interoceanmetal Joint Organization, the Republic of Korea, the China Ocean Mineral Resources Research and Development Association (COMRA), the Deep Ocean Resources Development Company (DORD) of Japan and the French Research Institute for the Exploitation of the Sea (IFREMER), the first five-year period came to an end in 2006. For India, in respect of which the contract was issued in 2002, the five-year period ended in 2007.

3. The end of the first five-year period of exploration provided an opportunity for the contractors to provide a comprehensive account of the work carried out and results obtained during this period, as well as a review of the expenditure incurred during the five-year programme. Comprehensive five-year reports were duly submitted by the Government of India, DORD, the Republic of Korea, IOM, Yuzhmorgeologiya, IFREMER and COMRA. These have been provided to the Legal and Technical Commission. Furthermore, between August 2006 and May 2007, I met with DORD, the Republic of Korea, IOM, COMRA, IFREMER and the Government of India to discuss their proposed programmes of activities for the next

* Reissued for technical reasons.

five years. Each of these contractors has submitted a programme of activities for the next five-year period and immediately following this session I shall be taking the necessary steps to write to each contractor so that the revised programme of activities is duly incorporated into the exploration contract as schedule 2, in accordance with the Regulations.

4. Nevertheless, I wish to take this opportunity to make some general remarks to the Council regarding the periodic review of the implementation of the plans of work for exploration. In so doing, I take into account the useful discussion on this topic that took place in the Legal and Technical Commission during its meeting last week, when I presented a similar report.

5. In general, it is apparent that for all contractors, the pace of exploration work remains very slow. Although all of the contractors have adhered to the programmes of work as originally indicated, the focus of this work has been very much on preparatory work and evaluation of data already collected during the pioneer phase. For example, one contractor spent the entire five-year period simply evaluating the feasibility of continued investment in deep seabed mining. Another contractor concentrated solely on the analysis of environmental data and carried out no geological exploration work. There is very little evidence of progress in the development of mining and processing technology, although some contractors have carried out preliminary tests of collecting systems and have indicated that they intend to work on technology development in the future.

6. It is encouraging to note that in terms of reporting, the contractors have, by and large, begun to adhere to the standardized format and structure for annual reports recommended by the Legal and Technical Commission in 2002, as well as the recommendations relating to the assessment of the possible environmental impacts arising from exploration issued by the Commission in 2001. This is important. The objective of the reporting requirements is to establish a mechanism whereby the Commission is properly informed so that it is able to exercise its functions under the Convention, particularly those relating to the protection of the marine environment from the harmful effects of activities in the Area. I appreciate the efforts the contractors have made in this regard.

7. Notwithstanding the progress that has been made in terms of compliance, there are some matters of concern. For example, it is evident that there are very large disparities in the amounts being spent on exploration by each contractor. Furthermore, in some cases, the expenditure reported is greatly in excess of the expenditure proposed in the original programme of activities. It is not always clear why this should be the case. I shall be taking steps to clarify any discrepancies with individual contractors. In the meantime, the Legal and Technical Commission has emphasized the need for reported expenditure to be properly itemized and reported and to relate only to the actual and direct costs of exploration activities in relation to the specific contract areas.

8. With regard to the programmes of activities for the second five-year period — up to 2011 — it is apparent that all of the contractors essentially plan to continue to work at the same pace. There are no significant changes to the types of activities that are proposed although four contractors have identified first-generation mine sites. There are, for example, no proposals for investigating the physical problems of recovering nodules from the ocean floor and transferring them to transport ships or relating to alternative equipment and methods that contractors may ultimately use

in commercial mining. There are no proposals to ascertain the cost of mining nodules from the seabed and processing them into metals of commercial interest, so that improvements in the metal markets can provide an indication of the imminence of future mining. For most contractors, the emphasis remains on the analysis of existing data and the opportunistic collection of environmental baseline data through scientific research cruises.

9. This is perhaps reasonable enough, given the technological and economic conditions that have prevailed to date as far as seabed mining is concerned. Nevertheless, it must be recalled that the resources of the deep seabed are the common heritage of mankind and that the fundamental objective of the regime established by the Convention and the Agreement is to encourage the development of those resources for the benefit of mankind as a whole. That is why the Agreement provides for a time-limit of 15 years, during which time contractors have exclusive rights to explore the areas allocated to them. The expectation is that, after 15 years, in the absence of special circumstances, contractors will either move to the exploitation phase or surrender the areas allocated to them. The current leisurely pace of activities however would suggest that the contractors will basically continue to sit on the sites and seek multiple extensions of their contract if they are to retain the allocated areas.

10. In recent years, the situation with respect to metals markets has begun to change. There has been a rapid and significant growth in demand and prices for the metals of commercial interest in polymetallic nodules, polymetallic sulphides and cobalt-rich ferromanganese crusts. Unfortunately, without possible production-cost models, none of the increases provides the Authority with information on the future recovery of seabed minerals. Private sector interest in seabed resources has also started to develop. Some of these developments are highlighted in my annual report.
