



Council

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Decision of the Council relating to financial and budgetary matters

The Council of the International Seabed Authority,

Taking into account the recommendations of the Finance Committee,¹

Recommends that the Assembly of the International Seabed Authority:

- (a) Adopt the draft decision contained in the annex which would, inter alia, amend the Regulations on prospecting and exploration in order to institute a fixed overhead charge that will cover the expenditures related to the administration and supervision of contracts between the Authority and contractors;
- (b) Appoint KPMG as independent auditor for 2013 and 2014;
- (c) Urge the members of the Authority to pay their assessed contributions to the budget on time and in full;
- (d) Appeal to the members of the Authority to pay outstanding contributions to the budget of the Authority from previous years as soon as possible and request the Secretary-General, at his discretion, to continue his efforts to recover those amounts;
- (e) Strongly encourage members to make voluntary contributions to the Endowment Fund and Voluntary Trust Fund of the Authority.

¹ ISBA/19/A/7-ISBA/19/C/11.



Annex

Draft decision of the Assembly of the International Seabed Authority concerning overhead charges for the administration and supervision of exploration contracts

The Assembly of the International Seabed Authority,

Taking into account the recommendations of the Finance Committee² and the decision of the Council,³

Taking into account also section 8 of the annex to the Agreement relating to the Implementation of Part XI of the United Nations Convention on the Law of the Sea,⁴

Recalling the decision adopted by the Council on 26 July 2012 relating to the status of fees paid for the processing of applications for approval of plans of work for exploration and related matters,⁵

1. *Decides* to institute a fixed overhead charge of \$47,000 (or such sum as may be fixed in accordance with paragraph 5 below) to be payable annually, in accordance with the present decision, by each contractor in respect of each of its contracts with the Authority to cover the costs of the administration and supervision of the contract and of reviewing its annual report provided in accordance with the contract;

2. *Also decides* to amend the standard clauses for exploration contracts⁶ by the addition of sections 10.5 and 10.6, as set out in the annex to the present decision, which shall apply to contracts entered into by the Authority as a result of applications made after the date of adoption of the present decision;

3. *Requests* the Secretary-General, in the case of an application for approval of a plan of work submitted prior to the date of adoption of the present decision, to consult with the applicant prior to signature of the contract for exploration, with a view to incorporating the clauses set out in the annex to the present decision;

4. *Urges* the Secretary-General to consult as soon as possible with all contractors whose contracts were entered into as a result of applications made before the date of adoption of the present decision, with a view to renegotiating those contracts, in accordance with section 24.2 of the standard clauses for exploration contract, in order to include the provisions set out in the annex to the present decision;

5. *Decides* that the Council, upon the recommendation of the Finance Committee, shall review the amount of the overhead charge every two years to ensure that it continues to reflect the costs actually and reasonably incurred by the

² ISBA/19/A/7-ISBA/19/C/11.

³ ISBA/19/C/16.

⁴ See General Assembly resolution 48/263, annex.

⁵ ISBA/18/C/29.

⁶ Regulations on Prospecting and Exploration for Polymetallic Nodules in the Area (ISBA/6/A/18), annex 4; Regulations on Prospecting and Exploration for Polymetallic Sulphides in the Area (ISBA/16/A/12/Rev.1), annex 4; and Regulations on Prospecting and Exploration for Cobalt-rich Ferromanganese Crusts in the Area (ISBA/18/A/11), annex 4.

Authority and may in particular consider, in due course, whether to substitute a variable sum for each contract which is dependent upon the level of administrative costs actually and reasonably incurred by the Authority in relation to that contract;

6. *Also decides*, subject to the present decision, that such expenditures shall be treated as actual and direct exploration expenditures as referred to in section 10.2 (c) of the standard clauses for exploration contracts contained in annex 4 to the Regulations;

7. *Further decides* that the overhead charges shall be classed as miscellaneous income for credit to the general administrative fund;

8. *Requests* the Secretary-General to report annually on the implementation of all aspects of the present decision.

Annex

10.5 The contractor shall pay at the time of submission of the annual report an annual overhead charge of \$47,000 (or such sum as may be fixed in accordance with section 10.6 hereof) to cover the Authority's costs of the administration and supervision of this contract and of reviewing the reports submitted in accordance with section 10.1 hereof.

10.6 The amount of the annual overhead charge may be revised by the Authority to reflect its costs actually and reasonably incurred.

*192nd meeting
23 July 2013*
