

Seabed Sustainability Fund

An alternative approach to benefit sharing

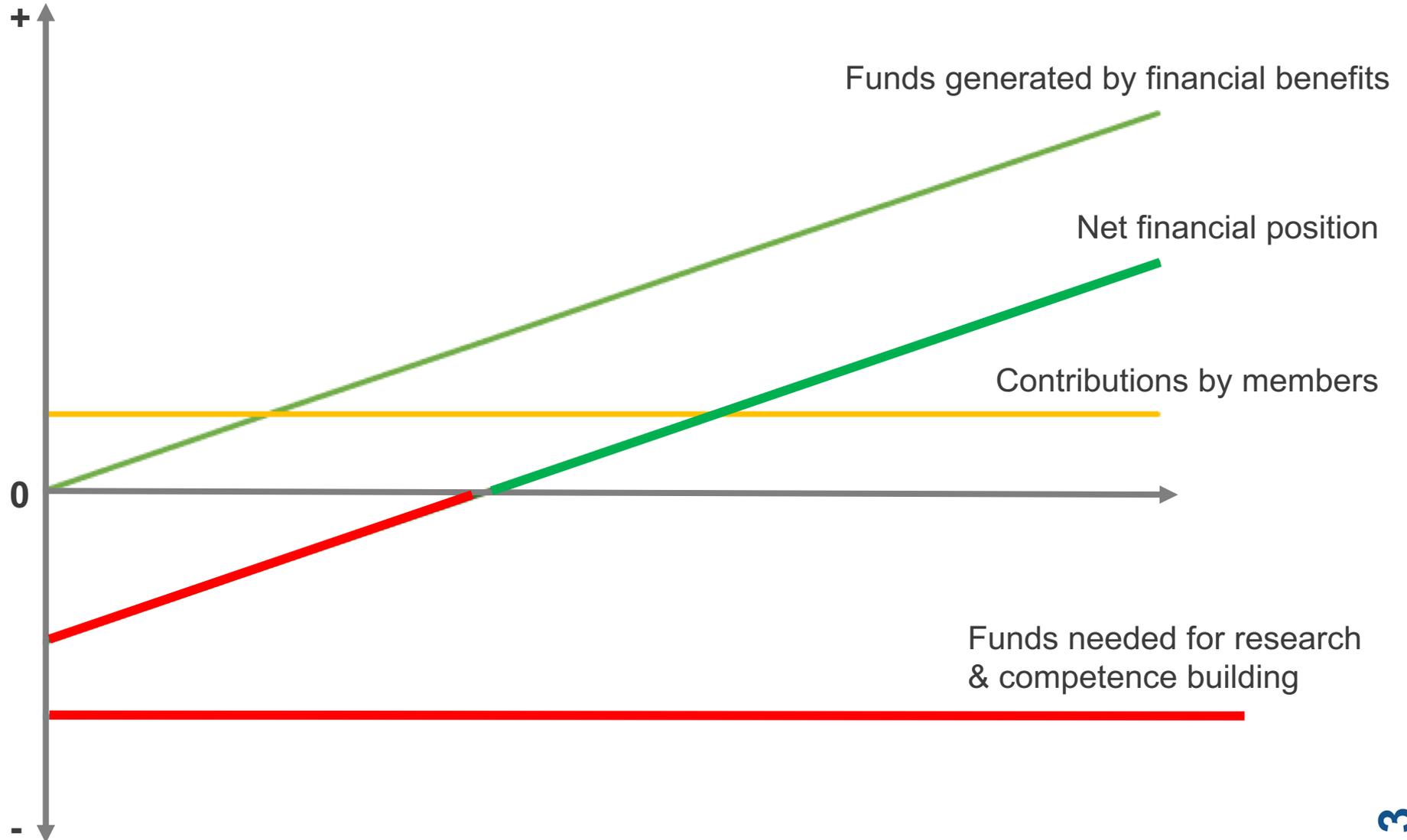
Introduction

		ISA TECHNICAL STUDY NO. 31
	 	Equitable sharing of financial and other economic benefits from deep-seabed mining
		



Financial effects of mining on ISA and its members

Liquidity



Distributing financial benefits

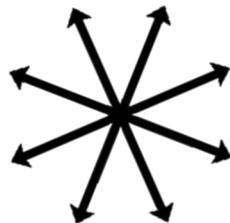
Financial distributions based on formulae
& reliance on contributions

$$S_i = \frac{P_i \left[\frac{\overline{GNI}}{GNI_i} \right]^{\eta=1}}{\sum_{i=1}^N P_i \left[\frac{\overline{GNI}}{GNI_i} \right]^{\eta=1}}$$

$$S_i = \frac{\left[\frac{\overline{GNI}}{GNI_i} \right]^{\eta=1} \cdot P_i^{\frac{1}{2}}}{\sum_{i=1}^N \left[\frac{\overline{GNI}}{GNI_i} \right]^{\eta=1} \cdot P_i^{\frac{1}{2}}} = S_i = \frac{\left[\frac{\overline{GNI}}{GNI_i} \right]^{\eta=1} \cdot P_i^{\frac{1}{2}}}{\sum_{i=1}^N \left[\frac{\overline{GNI}}{GNI_i} \right]^{\eta=1} \cdot P_i^{\frac{1}{2}}}$$



Drawbacks are **financial entropy** (funds will be used – in the end – for a large number of objectives that might be completely unconnected to seabed and sustainability) and **difficulty collecting contributions**



Distributing financial benefits

Distribute the financial benefits for the benefit of mankind **in a qualitative manner**



Create a **Seabed Sustainability Fund (SSF)**

In short: collect the funds, invest them, generate income, attract other contributions as start-up capital → optimize financial management

Positive effects:

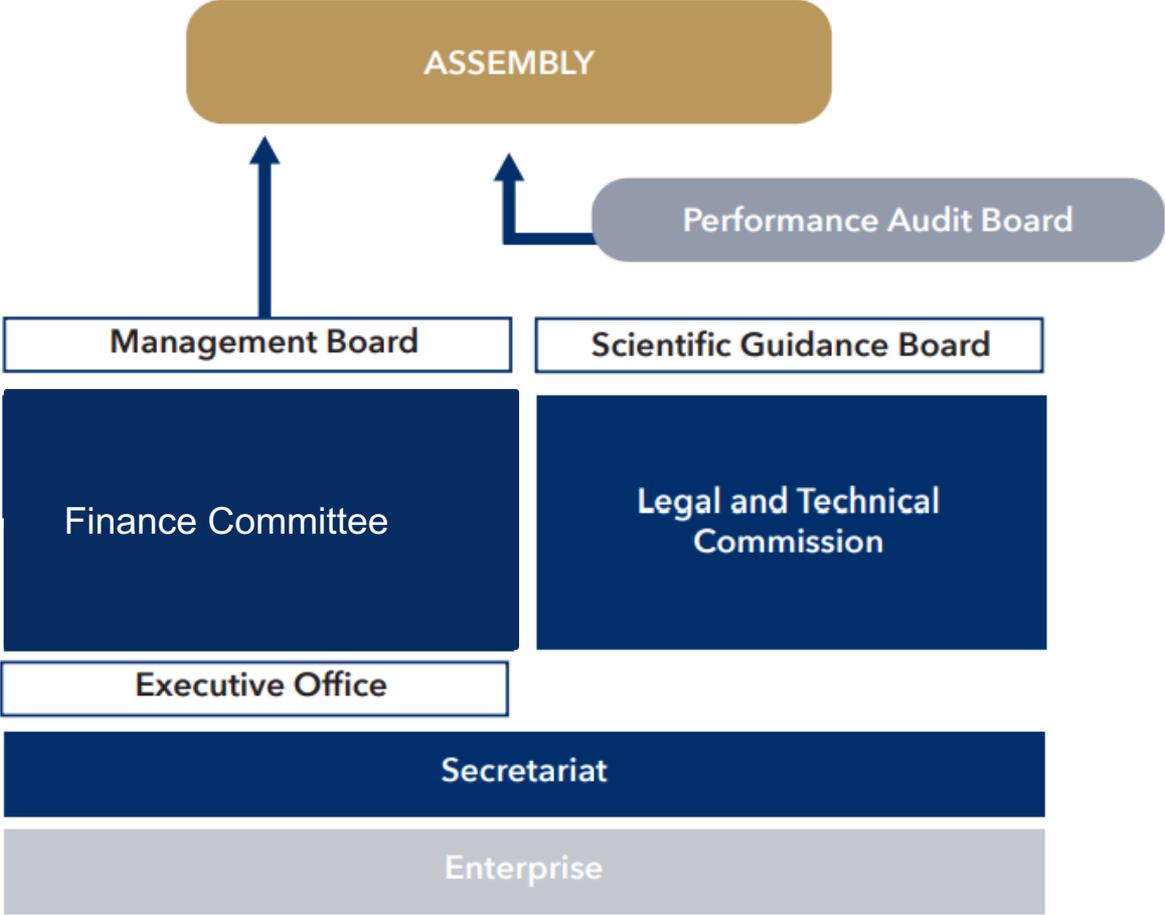
- Agility of management
- Rely on existing practice: Sovereign Wealth Fund on a planetary scale

Liquidity management scenario

Year	1	2	3	4	5	6	7	8	9	10	11
Liquidity driver											
Incoming benefits stream	50	100	150	200	250	300	350	400	450	500	550
Spending on projects	30	46	61	79	99	120	144	169	198	228	261
Donor contribution/Co-financing	20	22	24	27	29	32	35	39	43	47	52
Market borrowing	40										
Reimbursement loans				10	10	10	10				
Invested fund (stock value)	80	160	280	430	620	850	1120	1440	1800	2200	2640
Investment income		3,6	7,2	12,6	19,4	27,9	38,3	50,4	64,8	81	99
Net Liquidity	80	80	120	150	190	230	270	320	360	400	440
Control: net liquidity= increase fund		80	120	150	190	230	270	320	360	400	440

Spending on projects	20% of incoming benefits + co-financing or donors + return on invested assets
Flow in	
Flow out	
Stock value	

Governance: a lean set-up



Seabed Sustainability Fund (SSF)

SSF can be used to finance:

Knowledge Building
(Research & Innovation)



Competence Building
(Developing Human Capital)



Other sustainability goals related to the oceans' ecosystem
(biodiversity,...)



Conclusion: SSF, an agile tool

- Transformation of dormant natural capital → financial capital → human capital

If structured cleverly:

- The SSF can solve the start-up financial problem; and
- Offer a perspective for an innovative tool of wealth creation and conservation for mankind

It allows ISA to become a meaningful player in the world of sustainability finance and further develop its role as guardian of the Area and (spin-off) activist ecological investor.

Thank you for your attention
