

**TEMPLATE FOR SUBMISSION OF TEXTUAL PROPOSALS DURING THE 27<sup>TH</sup> SESSION:  
COUNCIL - PART III**

*Please fill out one form for each textual proposal which your delegation(s) wish(es) to amend, add or delete and send to [council@isa.org.jm](mailto:council@isa.org.jm).*

**1. Name of Working Group:**

Open-ended Working Group in Respect of the Development and Negotiation of the Financial Terms of a Contract

**2. Name(s) of Delegation(s) making the proposal:**

Argentina

**3. Please indicate the relevant provision to which the textual proposal refers.**

It's a general comment.

**4. Kindly provide the proposed amendments to the regulation or standard or guideline in the text box below, using the "track changes" function in Microsoft Word. Please only reproduce the parts of the text that are being amended or deleted.**

It's a general comment.

**5. Please indicate the rationale for the proposal. [150-word limit]**

The payment mechanism to be adopted should allow ISA to have sufficient income in order to ensure an adequate compensation for the utilization of resources that are the common heritage of humankind. Furthermore, such mechanism should guarantee enough compensation for the affected land-based mining producers from developing countries, in accordance with UNCLOS provisions. Likewise, there should be equity between the tax burden faced by land-based mining and deep-sea mining, in compliance with Section 8.1.b of the 1994 Agreement. The determination of the royalty rate or profit tax to be applied should take into consideration the royalties and taxes that are actually paid by land-based mining producers. For instance, in Argentina there's a royalty rate of up to 3% and an additional 35% in concept of profit tax. The payment mechanism that's being proposed considers a 5% royalty to be applied during the first 5 years of the exploitation and, from then on, a higher percentage (5 to 9%), which is not even close to the existing values in land-based mining. Consequently, a mechanism only based on royalties can hardly leverage the burden faced by land-based mining. For that reason, Argentina favors a mechanism that

includes a combination between royalties and an additional percentage as profit tax. Additionally, it should be mentioned that the 5-year period during which a 2% royalty rate would be applied, could be appropriate if the project had a lifespan of at least 20 years, but it would be insufficient for projects with a lower lifespan, considering that each mining project has a different exploitation performance. As for the determination of the percentage of each mineral present in the nodule, our delegation has some concerns with the proposed method based on an on-board sampling, as it's only after the processing of that ore concentrate that is possible to obtain the real percentage of each recovered metal. Finally, it should be pointed out that the base value on which the royalty rate is to be applied, shouldn't be the market value of the metal, but the value agreed between the contractor and the processing company in the processing contract. Thus, it's only after the processing of the ore concentrate and the extraction of the metals that the processing company is able to sell them in the corresponding markets, obtaining – only at this stage - the official market value.