

## **General comments on Financial Matters**

1. Polymetallic nodules can be valued in different ways in different phases. In the early stage of commercial exploitation or when the volume of transactions is low, market price of nodule ore has not existed, it is relatively fair and reasonable to value polymetallic nodules according to the metal contained in the nodule. In the future, if market price of nodule ore is established, it is recommended to value the nodules directly according to the ore market price and to set appropriate royalty rates accordingly.

2. Further study the pricing of manganese products. There are various forms of manganese products with different prices, and there is uncertainty relative to the actual selling price of the transparent benchmark series. Currently, in the Draft Regulation, manganese prices are calculated based on a weighted average of index prices of four different manganese products, which lacks a precise basis and requires further study.

3. Further study the issue of royalty rates. It is suggested to specify the guiding ideology and process of "determining the royalty rates" in the Standard. Paragraph 1(a), 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 of 10 December 1982 provides that "The system of payments to the Authority shall be fair both to the contractor and to the Authority". Paragraph 1(b), section 8 of the Annex to the 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 different royalty rates corresponding to different payment regimes should be calculated and determined under the condition of ensuring the revenues of the Authority and the profits of the contractors. Payment standards for different resources should be different. When determining the royalty rates, the domestic tax burden of the contractor must also be considered, such as the corporate income tax, value-added tax and other taxes levied by the sponsoring States.

4. Clarify the specific connotation of environmental costs. The environmental costs of exploitation activities in the Area is a new concept raised at the meeting of Open-ended Working Group of the Council on the financial terms, and it is suggested to clarify its specific connotation. At the same time, it is necessary to clarify the scope of Environmental Performance Guarantee and environmental compensation fund to avoid double burden on contractors on the same matter.