

It is my great pleasure to make this intervention on behalf of the African Group.

I would like to take this opportunity to thank the IGF for their important report and presentation.

As we understand it, there are two key points made by the IGF Report and IGF presentation.

First, the currently proposed royalty rates for Option 4 result in a lower effective tax rate for deep-seabed mining than is commonly the case for land-based mining. As we see it, that conclusion speaks to higher royalty rates.

Second, the rate of sponsoring state tax that is assumed in the model has a very large impact on the overall average effective tax rate for deep-seabed mining. That analysis needs to be seen in light of the fact that two thirds of published sponsorship agreements provide a complete exemption from sponsoring state corporate income tax. We therefore agree that it is very important to have an equalisation measure such as the additional royalty proposed by the African Group. We also see some merit in the profit share equalisation measure proposed by the IGF.

In addition, there has recently been an important and serious submission by a group of commercial contractors that accepted the need for an equalisation measure.

Given the presentation by IGF today and the submission from contractors, we consider that it would be a significant step forward for the Working Group to agree to the need for an equalisation measure in principal. We could then give further thought to the process for agreeing the exact workings of, and text for, that equalisation measure.