

General comments on the "Financial terms" of the Draft Regulations

1. Polymetallic nodules can be valued in different ways at different stages. At the early stage of commercial exploitation, or when the trading volume of polymetallic nodules is small and a trading price for polymetallic nodule ores has not yet been established, it is relatively fair and reasonable to value polymetallic nodules based on the price of the contained metals. In the future, if a trading price for polymetallic nodule ores is formed, it is recommended that the valuation be based directly on the trading price of the ores and that appropriate royalty rates be set accordingly.

2. The valuation of polymetallic nodules is currently based on the total metal value, i.e., the value of the three metals plus the value of the manganese ore. This approach solves the previous difficulties in valuing manganese, and China supports it.

3. The current method of calculating the royalty rate is based on the effective tax rate of land-based mining enterprises as a measure of equity, and the royalty rate is determined using financial modeling calculations. It is not clear whether the effective tax rate for analogical land mining enterprises is appropriate and should be further studied; and it is recommended that the Authority conduct periodic reviews of the effective tax rate in the future.

4. The 1994 Implementing Agreement provides that " The system of payments to the Authority shall be fair both to the contractor and to the Authority ", so that the determination of the royalty rate based on the effective tax rate must also take into account the economic benefits of the Contractor, such as the internal rate of return (IRR) of the Contractor.

5. The sensitivity analysis of different equalization measures to prices and costs and the comparative analysis of equalization measures need to be further strengthened, so that in the future Contractors can choose a preferred equalization measure according to their needs.