

**TEMPLATE FOR SUBMISSION OF TEXTUAL PROPOSALS DURING THE 28TH 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.

1. Name of Working Group:

Open-ended Working Group of the Council on the Financial Terms of a Contract

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

Submitted by Nauru Ocean Resources Inc., Tonga Offshore Mining Ltd. and Blue Minerals Jamaica Ltd.

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

Draft Regulation 64Ter(1)-(5)

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.

1. The Additional Royalty payable under Regulation 64Bis is in addition to the royalty provided for in Regulation 64.

2. If required under regulation [64Bis], a Contractor, from the [commencement of the Second Period of Commercial Production][fifth anniversary of the date of commencement of Commercial Production], shall pay an Additional Royalty in respect of mineral-bearing ore sold or removed without sale from the Contract Area as provided for in Appendix IV to these regulations.

3. The Authority shall set an Applicable Additional Royalty Rate in respect of the Additional Royalty to be paid by the Contractor to the Authority for the Minerals which constitute polymetallic nodules, as set out in the relevant Standard and applicable Guidelines.

~~4. The Applicable Additional Royalty Rate shall be [8%].~~

5. The Additional Royalty payable to the Authority for each [royalty return period][Calendar Year] shall be equal to X minus Y, where:

(a) X is the product of the Applicable Additional Royalty Rate multiplied by the Aggregate Relevant Metal Value for that [royalty return period][Calendar Year]; and

(b) Y is any amount of Allowable Sponsoring State Tax that has not been deducted in previous [royalty return periods][Calendar Years] when calculating an Additional Royalty payment or a Top-up Profit Share Payment, calculated in accordance with the

Standard and taking into account the Guidelines. In no circumstances shall the Additional Royalty be less than zero.

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

- It is not clear to us how Draft Regulation 64Ter(3) and (4) are intended to operate together. Paragraph 3 specifies that the Authority shall set the Applicable Additional Royalty Rate, but paragraph 4 then purports to establish a set rate. We suggest this needs to be clarified by deleting paragraph 4.
- We also propose that the rate be set in a Standard or Guideline to ensure that it is sufficiently flexible and can be changed without the need to amend the Exploitation Regulations.
- In relation to Draft Regulation 64Ter(5), if the Additional Royalty will be paid alongside the royalty we support the use of the royalty return period as the appropriate time period.