

**TEMPLATE FOR SUBMISSION OF TEXTUAL PROPOSALS DURING THE 29<sup>TH</sup> SESSION:  
COUNCIL - PART I**

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:** Consolidated text of the draft regulations on exploitation on mineral resources in the Area
2. **Name(s) of Delegation(s) making the proposal:** Australia
3. **Please indicate the relevant provision to which the textual proposal refers.**

DR22 - Use of Exploitation Contract as Security

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.**

**Use of Exploitation Contract as security**

1. The Contractor may, ~~solely for the purpose of raising financing to effect its obligations under an exploitation contract and only with the prior consent of the Sponsoring State or States and of the Council [which consent shall not be unreasonably withheld or delayed], based on the recommendations of the Commission,~~ mortgage, pledge, lien, charge or otherwise encumber all or part of its interest under an Exploitation Contract.

2. ~~[In seeking consent under this regulation,]~~ ~~the Contractor shall,~~ when seeking the consent of the Council, and in its annual reports submitted in accordance with Regulation 38, ~~disclose to the Council and Commission the terms and conditions of any such encumbrance referred to in paragraph 1 above and its potential impact on the activities under the Exploitation Contract in the event of any default by the Contractor.~~

3. As a condition to giving consent under this Regulation, the Authority shall request evidence that the beneficiary of any encumbrance referred to in paragraph 1 above shall agree either, upon foreclosure, to undertake Exploitation activities in accordance with the requirements of the Exploitation Contract and these Regulations, in which case the beneficiary must fulfil the requirement of paragraphs 4 and 5 of Regulation 23 or that such a beneficiary shall transfer the mortgaged property only to a Transferee that fulfils the requirements of paragraphs 4 and 5 of Regulation 23 as determined by the Commission.

4. The Council may require that the beneficiary of the encumbrance referred to in paragraph 1 above:

(a) Shall subscribe to any internationally adopted standards for the extractive industries which are widely accepted including environmental and social governance standards, with reference to relevant Standards and Guidelines where relevant; or and

(b) Shall be properly regulated through a national financial conduct authority in accordance with the Guidelines.

5. A Contractor shall file with the Seabed Mining Register a summary of any agreement that results or may result in a transfer or assignment of an Exploitation Contract, part of an Exploitation Contract or any interest in an Exploitation Contract, including registration of any security, guarantee, mortgage, pledge, lien, charge or other encumbrance over all or part of an exploitation contract. Nothing in this Regulation shall relieve a Contractor of any obligation or liability under its Exploitation Contract.

6. The Authority shall ~~not be obliged to~~ provide any funds or issue any guarantees or otherwise become liable directly or indirectly in the financing of the Contractor's obligations under an exploitation contract.

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

Australia proposes reinserting the deleted language in paragraph 1. The limits on when and how the contractor can use the contract as security (ie. only for specified purposes, and with the consent of the Council and sponsoring States) are important requirements that should be retained.

On paragraph 2, Australia proposes removing the brackets around this text, so that the Contractor is required to disclose details of encumbrances to the Council and the Commission both at the time of consent and in annual reports.

On paragraph 4, Australia proposes reinserting this paragraph, as it is appropriate that the Council retain the ability to require beneficiaries comply with relevant standards and that the encumbrance be properly regulated through national industries.

On paragraph 6, Australia proposes direct language that makes clear that the Authority shall not provide any funds or guarantees in respect of contract financing.

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