

Statement by the Federal Republic of Germany – ISA 29th Session, Part I

Thematic discussion on Environmental Externalities

Delivered on 20 March 2024

Thank you Mr. Chair for giving me the floor,

I would like to express my sincere gratitude to you and the Secretariat for making possible Dr Luke Brander's presentation to the Council today. And I would like to thank Dr. Luke Brander for joining us in the Council and for his clear and enlightening explanations.

Let me summarise the key points as we see them:

First: Deep-sea ecosystems provide essential services; “key” ecosystem services that are of potentially high economic value were identified in the study, and there are more.

Second, there are different economic methods for valuing these ecosystem services.

The question remains: What do we do with this knowledge?

Germany is convinced that we should at least try to integrate it into the payment mechanism and we will explain below the reasons and one pragmatic possibility for doing so.

Before that, however, I would like to address two points that keep coming up in our discussions on this topic:

First, there is the assumption that the practical valuation of ecosystem externalities is completely new and has never been done before. And second there is the assumption that deep-sea miners are the only ones who would have to include environmental externalities in the price of their product.

Historically, it is of course true that environmental externalities have not been accounted for in the mining sector or elsewhere. But the world has moved on as shown by the Paris Agreement, the Convention on Biodiversity and other international instruments.

It is also worth noting that we try new things all the time. Years ago, the principle of common heritage was a radically new idea, and today we take it for granted. In fact, it is the reason that we are here.

Already today, national legal systems, some of which were mentioned yesterday, have started to explore possibilities to account for environmental externalities in different ways. There are examples of states, who require Cost-Benefit Analyses on transportation projects, in which economic actors need to calculate the consequences of a measure on a wide range of aspects including environmental impact. There are examples of “environment fees” for plastic bottles which are reduced or removed if recycling goals are achieved.

A wide range of industries, from transport to real estate, energy, water and others are under obligations to assess their environmental impacts and contribute to environmental costs through various taxes, fees, offsets and other mechanisms, including upfront auction payments.

A recent OECD analysis covers 72 countries which together account for approximately 80% of global GHG emissions that use fuel excise taxes, carbon taxes, and emissions trading systems to address emissions.

There is the example that biodiversity net gain (BNG) is mandatory for developers.

And finally, to give an example from our own national experience, Germany applies a portion of renewables auction income to marine biodiversity.

It bears noting that such measures have been introduced without fully accounting for all externalities thinkable. Just like any other kind of human activity they have been adopted under a degree of uncertainty.

With this in mind, we would like to propose that the Council takes the first steps towards internalizing environmental costs in the payment system. We have circulated a concept note on why and how this can be done. The concept note is available on the ISA website.

By starting to internalize environmental externalities we can start to assess the true cost to humanity of potential exploitation activities. And at the same time, we can achieve a level playing field between operators and over time.

Contractors whose exploitation activities cause different levels of environmental externalities should pay different levels of compensation to the common heritage.

In our view, it is not necessary to carry out a full cost assessment of environmental impacts, to commence with the internalization of environmental externalities. We entirely agree with the finding of the study that undertaking primary valuation studies would be a good idea. However under our approach, that we call a “pragmatic approach” it is sufficient to start by addressing the more limited question of how to incorporate certain measurable environmental costs into the financial mechanism.

Draft text, that incorporates these ideas can be found in our concept note that is available on the Authority’s website on the page for the Open Ended Working Group and we’re also happy to send it to everybody who has not yet received it.

To sum up: Deep-sea miners would be in good company, if the payment mechanism required them to account for their environmental externalities. Germany is convinced that the Council should take the first steps in this regard.

The German delegation stands ready to answer questions on this topic in general, questions on our concept note and on our textual proposal from the floor and also in the margins.

I would like to end on one observation: if we do not even try to value the marine environment, we value it at zero.

Thank you for your kind attention.