



DSCC intervention on Agenda item: Financial Model, Report by the Chair of the Open-Ended Working Group.

18 February 2020

Thank-you Mr. President

We attended the working group meeting last week and are following these discussions with interest. As we mentioned last week, we think the environment is substantially undervalued in the modeling done by MIT. We will endeavor to provide comments by 23 March as requested by the Chair of the Working Group. We also support the interventions by the African Group regarding transparency and Germany and Costa Rica's interventions regarding environmental matters and the royalty regime.

One thing we would like to highlight is the point made by MIT that the economics of nodule mining is a two-way street. It must be economically viable in order to incentivize mining and for the ISA to obtain a return. In light of the potential loss of biodiversity, genetic resources, ecosystem services and in the context of intergenerational equity, we question the economics of nodule mining at this time. To ensure its commercial viability, the modeling and the four options presented by MIT suggest that the royalties to the ISA for the benefit to 'humankind as a whole' would be the equivalent of something like a few hundred thousand dollars per ISA member country per year for each nodule mining operation. Possibly less. This strikes us, from a civil society view, as being quite trivial.

States could decide that mining should not occur until the economics improve and the commercial viability of deep-sea mining permits a much more robust return to humankind, and downside risks to the environment, ecosystems services, the risk of biodiversity loss, and potential loss of marine genetic resources can be prevented. If the current economics of deep-sea mining only permit a limited return to the ISA, to humankind as a whole, then States should consider whether mining should be permitted unless the economics change. We note that contractors can apply for extensions to exploration contracts if prevailing economic circumstances do not justify proceeding to the exploitation stage. States through the ISA itself should consider whether permitting a transition from exploration to exploitation should not occur if prevailing economic circumstances do not provide a sufficient 'benefit to humankind as a whole' for present and future generations.

Thank-you