REPORT OF SUB-COMMITTEE I

ANNEX III

TEXTS ILLUSTRATING AREAS OF AGREEMENT AND DISAGREEMENT ON ITEMS 1 AND 2 OF THE SUB-COMMITTEE'S PROGRAMME OF WORK

Item 1 "Status, scope and basic provisions of the régime, based on the Declaration of Principles (resolution 2749 (XXV))"

Item 2 "Status, scope, functions and powers of the international machinery"
ANNEX A

Exploitation of non-living resources directly by the Authority

In the event of direct exploitation of non-living resources of the Area by the Authority, the following guidelines shall be observed:

To be prepared

ANNEX B

Exploitation of non-living resources by the Authority through service contracts

In the event of exploitation of the non-living resources of the Area by means of service contracts, the following principles will be observed in the conclusion of service contracts:

To be prepared

ANNEX C

Exploitation of non-living resources by the Authority through joint ventures

In the event of exploitation of the non-living resources of the Area by the Authority through joint ventures, the agreements establishing joint ventures shall contain the following basic provisions:

To be prepared

ANNEX D

Licensing

In the event of the exploitation of the resources of the Area through a system of licensing, this system shall conform to the following general provisions when licences are issued in respect of the exploitation of non-living resources:

1. General:

Licences shall be issued subject to the following general provisions:

(a) payment of appropriate fees and royalties;
(b) licences may be issued to States or to groups of States, or to physical and juridical persons under their sponsorship, or directly to physical and juridical persons;
(c) licences shall be issued for a limited time and for a precisely delimited area;
(d) licences may be revoked only for cause specified in the licence;
(e) activities of licensees are subject to inspection by the State whose nationality they possess and by the Authority;
(f) expropriation of licensees or unjustifiable interference with their operations conducted in accordance with the conditions of the licence is prohibited.
2. **Exploration:**

Licences for the purpose of exploration shall conform to the general provisions contained in paragraph 1 and in addition shall:

(a) be issued for a period not exceeding four years and be renewable for a further period of four years subject to appropriate supplementary payment to the Authority;

(b) specify the substances for which it is issued;

(c) be non-exclusive and non-renewable;

(d) be issued for an area delimited by latitude and longitude not exceeding 500,000 square kilometres;

(e) contain such additional provisions as may be appropriate.

3. **Production:**

A production licence shall conform to the general provisions contained in paragraph 1 and in addition shall:

(a) be exclusive and non-transferable;

(b) be issued for a period not exceeding 30 years;

(c) contain provisions for increases in fees over the period covered by the licence at the request of the Authority;

(d) specify the substances or substance covered by the licence;

(e) be of three different categories:

(i) for energy

(ii) for fluids or minerals extracted in a fluid state

(iii) for substances other than under (i) and (ii). There shall be a separate licence in respect of each category;

(f) be issued for an area delimited by longitude and latitude not exceeding 50,000 square kilometres;

(g) contain detailed work, production and payments requirements;

(h) contain provisions covering liability for damage;

(i) provide for an appropriate cash deposit to guarantee financial responsibility and performance of work and production requirements;

(j) contain appropriate provisions for the protection of the marine environment and for the avoidance of conflict with other uses of the Area;

(k) contain such additional provisions as may appear appropriate.

4. **Licensing of the exploitation of living resources**

To be prepared.