SECTION 4. DEVELOPMENT OF RESOURCES OF THE AREA

Article 150

Policies relating to activities in the Area.

Activities in the Area shall, as specifically provided in this Part, be carried out in such a manner as to foster healthy development of the world economy and balanced growth of international trade, and to promote international co-operation for the over-all development of all countries, especially the developing States and with a view to ensuring:

(a) orderly and safe development and rational management of the resources of the Area, including the efficient conduct of activities in the Area and, in accordance with sound principles of conservation, the avoidance of unnecessary waste;

(b) the expansion of opportunities for participation in such activities consistent particularly with articles 144 and 145;

(c) participation in revenues by the Authority and the transfer of technology to the Enterprise and developing States as provided for in this Convention;

(d) the increase in the availability of the minerals produced from the resources of the Area ——— in conjunction with minerals produced from other sources, to ensure supplies as needed to consumers of such minerals;

(e) the promotion of just and stable prices remunerative to producers and fair to consumers for minerals produced both from the resources of the Area and from other sources, and promoting long-term equilibrium between supply and demand;

(f) the enhancing of opportunities for all States Parties, irrespective of their social and economic systems or geographical location, to participate in the development of the resources of the Area and preventing monopolization of activities in the Area;

(g) the protection of developing countries from adverse effects on their economies or on their export earnings resulting from a reduction in the price of an affected mineral, or in the volume of that mineral exported, to the extent that such reductions are caused by activities in the Area, as provided in article 151;

// Single underlining indicates drafting changes
Double underlining indicates substantive revisions
Broken line indicates deletion.
(h) Keep such rules, regulations and procedures under review and recommend to the Council from time to time such amendments thereto as it may deem necessary or desirable;

(i) Make recommendations to the Council regarding the establishment of a monitoring programme which shall observe, measure, evaluate and analyse by recognized scientific methods on a regular basis the risks and effects of activities in the Area with respect to pollution of the marine environment, ensure that existing regulations are adequate and complied with and co-ordinate the implementation of the monitoring programme approved by the Council;

(j) Recommend to the Council that proceedings be initiated on behalf of the Authority before the Sea-bed Disputes Chamber, in accordance with this Part and the relevant annexes as provided in article 187;

(k) Upon a finding by the Sea-bed Disputes Chamber on proceedings resulting from subparagraph (j) above, make recommendations to the Council with respect to measures to be taken;

(l) Make recommendations to the Council to issue emergency orders, which may include orders for the suspension or adjustment of operations to prevent serious harm to the marine environment arising out of activities in the Area. Such recommendations shall be taken up by the Council on a priority basis;

(m) Make recommendations to the Council to disapprove areas for exploitation by contractors or the Enterprise in cases where substantial evidence indicates the risk of serious harm to the marine environment;

(n) Make recommendations to the Council regarding the direction and supervision of a staff of inspectors who shall inspect activities in the Area to determine whether the provisions of this Part, the rules, regulations and procedures prescribed thereunder, and the terms and conditions of any contract with the Authority are being complied with.

(o) Calculate the production ceiling and issue production authorizations on behalf of the Authority pursuant to article 125, following any necessary verification and approval for production authorizations of the Council in accordance with articles 1 of Annex III;

Annex III

Article 4

Qualifications of applicants

1. Applicants, other than the Enterprise, shall be qualified if they have the nationality or control and sponsorship required by article 153, paragraph 2 (b), of Part XI of this Convention and if they follow the procedures and meet the qualification standards established by the Authority by means of rules, regulations and procedures.

2. Sponsorship by the State Party of which the applicant is a national shall be sufficient unless the applicant has more than one nationality, as in the case of a partnership or consortium of entities from several States, in which event all States Parties involved shall sponsor the application, or unless the applicant
is effectively controlled by another State Party or its nationals, in which event
both States Parties shall sponsor the application. The criteria and procedures
for implementation of the sponsoring requirements shall be set forth in the
rules, regulations and procedures of the Authority.

3. The sponsoring State or States shall, pursuant to article 119, have the
responsibility to ensure, within their legal systems, that a contractor so
sponsored shall carry out activities in the Area in conformity with its
obligations under the Convention and the terms of its contract. A sponsoring
State shall not, however, be liable for damage caused by any failure of a
contractor sponsored by it to comply with its obligations if that State Party has
adopted laws and regulations and taken administrative measures which are, within
the framework of its legal system, reasonably appropriate for securing compliance
by persons under its jurisdiction.

4. Except as provided in paragraph 6, such qualification standards shall
relate to the financial and technical capabilities of the applicant and his
performance under previous contracts with the Authority.

5. The procedures for assessing the qualifications of States Parties which
are applicants shall take into account their character as States.

6. The qualification standards shall require that every applicant,
without exception, shall as part of his application undertake:

(a) to accept as enforceable and comply with the applicable obligations
created by the provisions of Part XI, rules and regulations of the Authority,
decisions of the organs of the Authority, and terms of his contracts with the
Authority;

(b) to accept control by the Authority of activities in the Area, as
authorized by this Convention;

(c) to provide the Authority with a written assurance that his obligations
under the contract will be fulfilled in good faith;

(d) to comply with the provisions on the transfer of technology set forth
in article 5.

Article 5

Transfer of technology

1. When submitting a proposed plan of work, every applicant shall make
available to the Authority a general description of the equipment and methods to
be used in carrying out activities in the Area, as well as other relevant
non-proprietary information about the characteristics of such technology, and
information as to where such technology is available.

2. Every operator under an approved plan of work shall inform the Authority
of revisions in the description and information required by paragraph 1
whenever a substantial technological change or innovation is introduced.

3. Every contract for the conduct of activities in the Area entered into by
the Authority shall contain the following undertakings by the operator:

(a) To make available to the Enterprise, if and when the Authority shall so
request and on fair and reasonable commercial terms and conditions, the
technology which he uses in carrying out activities in the Area under the contract
and which he is legally entitled to transfer. This shall be done by means of licence
or other appropriate arrangements which the operator shall negotiate with the
Enterprise and which shall be set forth in a special agreement supplementary to
the contract. This commitment may be invoked only if the Enterprise finds that
it is unable to obtain the same or equally efficient and useful technology on the
open market and on fair and reasonable commercial terms and conditions;

(b) To obtain a written assurance from the owner of any technology not
covered under subparagraph (a) that the operator uses in carrying out activities
in the Area under the contract and which is not generally available on the
open market that the owner will, if and when the Authority so requests, make
available to the Enterprise to the same extent as made available to the operator,
that technology under licence or other appropriate arrangements and on fair and
reasonable commercial terms and conditions. If such assurance is not obtained, the
technology in question shall not be used by the operator in carrying out activities
in the Area;

(c) To acquire, if and when requested to do so, without substantial cost to
the contractor, a licence, license, license and enforceable right to transfer to the Enterprise in
accordance with subparagraph (a) any technology he uses in carrying out activities
in the Area under the contract which he is not legally entitled to transfer and
which is not generally available on the open market. In cases where there is a
substantial corporate relationship between the operator and the owner of the
technology, the closeness of this relationship and the degree of control or influence
shall be relevant to the determination whether all feasible measures have been
taken. In cases where the operator exercises effective control over the owner,
failure to acquire the legal rights from the owner shall be considered relevant
to the applicant’s qualifications for any subsequent proposed plan of work;

(d) To facilitate the acquisition by the Enterprise under licence or other
appropriate arrangements and on fair and reasonable commercial terms and conditions
and technology covered by subparagraph (b) should the Enterprise decide to
negotiate directly with the owner of the technology and request such facilitation;

(e) To take the same measures as those prescribed in subparagraphs (a), (b),
(c) and (d) for the benefit of a developing State or group of developing States
which has applied for a contract under article 9, provided that these measures shall
be limited to the exploitation of the part of the area proposed by the contractor
which has been reserved pursuant to article 5 and provided that activities under
the contract sought by the developing State or group of developing States would not
involve transfer of technology to a third State or the nationals of a third State.
Obligations under this provision shall only apply with respect to any given
contractor where technology has not been requested or transferred by him to the
Enterprise.

4. Disputes concerning the undertakings required by paragraph 3, like other
provisions of the contracts, shall be subject to compulsory dispute settlement in
accordance with Part XII, and monetary penalties, suspension, on termination of
contract as provided in Article 18. Disputes as to whether offers made by the
contractor are within the range of fair and reasonable commercial terms and
conditions may be submitted by either party to binding commercial arbitration
in accordance with the UNCITRAL Arbitration Rules or other arbitration rules as may be
prescribed in the rules, regulations and procedures of the Authority. In any case
in which the finding is negative, the contractor shall be given 45 days to revise his offer to bring it within that range before the Authority makes any determinations with respect to violation of the contract and the imposition of penalties, as provided in article 18.

5. In the event that the Enterprise is unable to obtain appropriate technology on fair and reasonable commercial terms and conditions to commence in a timely manner the recovery and processing of minerals from the Area, either the Council or the Assembly may convene a group of States Parties composed of those which are engaged in activities in the Area, those which have sponsored activities which are engaged in activities in the Area and other States Parties having access to such technology. This group shall consult together and shall take effective measures to ensure that such technology is made available to the Enterprise on fair and reasonable commercial terms and conditions. Each such State Party shall take all feasible measures to this end within its own legal system.

6. In the case of joint ventures with the Enterprise, technology transfer will be in accordance with the terms of the joint venture agreement.

7. The undertakings required by paragraph 3 shall be included in each contract for the conduct of activities in the Area until the Enterprise has begun commercial production of minerals from the resources of the Area, and these undertakings may be invoked until 10 years after the Enterprise has begun such commercial production.

8. For the purposes of this article, "technology" means the specialized equipment and technical know-how, including manuals, designs, operating instruction, training and technical advice and assistance, necessary to assemble, maintain and operate a viable system and the legal right to use these items for that purpose on a non-exclusive basis.

Article 6
Approval of plans of work submitted by applicants

1. Six months after the entry into force of this Convention, and thereafter each fourth month, the Authority shall take up for consideration proposed plans of work.

2. When considering an application for a contract with respect to activities in the Area, the Authority shall first ascertain whether:

   (a) the applicant has complied with the procedures established for applications in accordance with article 4 and had given the Authority the commitments and assurances required by that article. In cases of non-compliance with these procedures or of absence of any of the commitments and assurances referred to, the applicant shall be given 45 days to remedy such defects;

   (b) the applicant possesses the requisite qualifications pursuant to article 4.

3. All proposed plans of work shall be dealt with in the order in which they were received, and the Authority shall conduct, as expeditiously as possible, an inquiry into their compliance with the terms of this Convention and the rules, regulations and procedures of the Authority, including the operational requirements, the financial contributions and the undertakings concerning the transfer of
technology. As soon as the issues under investigation have been settled, the Authority shall approve such plans of work, provided that they conform to the uniform and non-discriminatory requirements established by the rules, regulations, and procedures of the Authority, unless:

(a) Part or all of the proposed area is included in a previously approved plan of work or a previously submitted proposed plan of work which has not yet been finally acted on by the Authority; or

(b) Part or all of the proposed area is disapproved by the Authority pursuant to article 162, paragraph 2 (v), of Part XI of this Convention;

(c) The proposed plan of work has been submitted or sponsored by a State Party which already holds:

(i) plans of work for exploration and exploitation of polymetallic nodules in non-reserved sites that, together with either part of the proposed site, would exceed in size 30 per cent of a circular area of 450,000 square kilometres surrounding the centre of either part of the area covered by the proposed plan of work,

(ii) plans of work for the exploration and exploitation of polymetallic nodules in non-reserved sites which in aggregate size constitute 2 per cent of the total sea-bed area which is not reserved or otherwise withdrawn by the Authority from eligibility for exploitation pursuant to article 162, paragraph 2 (v), of Part XI of this Convention.

4. For the purpose of the standard set forth in paragraph 3 (c), a plan of work proposed by a partnership or consortium shall be counted on a pro-rata basis among the sponsoring States Parties involved according to article 4, paragraph 2. The Authority may approve plans of work covered by paragraph 3 (c) if it determines that such approval would not permit a State Party or persons sponsored by it to monopolize the conduct of activities in the Area or to preclude other States Parties from activities in the Area.

Article 7
Selection of applicants for production authorizations

1. Six months after the entry into force of this Convention, and thereafter each fourth month, the Authority shall take up for consideration applications for production authorization submitted during the immediately preceding period. In the event all such applications can be approved without exceeding the production limitation or contravening the obligations of the Authority under a commodity agreement or arrangement to which it has become a party, as provided in Article 151, the Authority shall issue the authorizations applied for.

2. Where the selection must be made among applicants for production authorization because of the production limitation set forth in Article 151,
paragraph 2, of Part XI of this Convention, or because of the obligations of the Authority under a commodity agreement or arrangement to which it has become a party, as provided for in Article 151, paragraph 1, of Part XI of this Convention, the Authority shall make the selection on the basis of objective and non-discriminatory standards set forth in rules and regulations drawn up in accordance with this article.

5. The Authority shall consider all applications for production authorization received within the preceding period of time referred to in paragraph 1, and shall give priority to those which:

(a) give better assurance of performance, taking into account the financial and technical qualifications of the proposed operator and performance, if any, under previously approved plans of work;

(b) provide earlier prospective financial benefits to the Authority, taking into account when production is scheduled to begin;

(c) have already invested most resources and effort in prospecting or exploration.

4. Applicants who are not selected in any period shall have priority in subsequent periods until they receive an authorization.

5. Selection shall be made taking into account the need to enhance opportunities for all States Parties, irrespective of their social and economic systems or geographical locations, to participate in activities in the Area and to prevent monopolization of such activities.

6. Production authorization with respect to reserved areas shall have priority whenever fewer reserved sites than non-reserved sites are under exploitation.

7. The Authority shall make its decisions pursuant to this article as promptly as possible after the close of each period.

Article 13

Financial terms of contracts

1. In adopting rules, regulations and procedures concerning the financial terms of a contract between the Authority and the entities referred to in Article 153, paragraph 2 (b), of Part XI of this Convention in accordance with the provisions of Part XI, and in negotiating the financial terms of a contract in accordance with the provisions of Part XI and these rules, regulations and procedures, the Authority shall be guided by the following objectives:

(a) To ensure optimum revenues for the Authority from the proceeds of commercial exploitation;

(b) To attract investments and technology to the exploration and exploitation of the Area;

(c) To ensure equality of financial treatment and comparable financial obligations on the part of all States and other entities which obtain contracts;
(d) To provide incentives on a uniform and non-discriminatory basis for contractors to undertake joint arrangements with the Enterprise and developing countries or their nationals, to stimulate the transfer of technology thereto, and to train the personnel of the Authority and of developing States;

(e) To enable the Enterprise to engage in sea-bed mining effectively at the same time as the entities referred to in article 153, paragraph 2 (b), of Part XI of this Convention; and

(f) To ensure that the financial incentives provided to contractors under paragraph 14, or under the terms of contracts reviewed in accordance with article 19, or under the provisions of article 11 with respect to joint ventures, shall not result in subsidizing contractors with a view to placing them at an artificially competitive advantage to land-based miners.

2. A fee shall be levied for the administrative cost of processing an application for a contract of exploration and exploitation and shall be fixed at an amount of $500,000 per application. If the cost incurred by the Authority in processing an application is less than $500,000, the Authority shall refund the difference to the applicant. The amount of the fee shall be reviewed from time to time by the Council in order to ensure that it covers the administrative cost of processing such an application.

3. A contractor shall pay an annual fixed fee of $1 million from the date of entry into force of the contract. If the approved commencement of commercial production is postponed because of a delay in the allocation of the production authorization, in accordance with article 151 of Part XI of this Convention, the annual fixed fee shall be waived for the period of postponement. From the commencement of commercial production, the contractor shall pay either the production charge or the annual fixed fee, whichever is greater.

4. Within a year from the date of commencement of the commercial production, in conformity with paragraph 3, a contractor shall choose to make his financial contribution to the Authority either by:

(a) Paying a production charge only; or

(b) Paying a combination of a production charge and a share of net proceeds.

5. (a) If a contractor chooses to make his financial contribution to the Authority by paying a production charge only, it shall be fixed at a percentage of the market value of the processed metals produced from the nodules extracted from the contract area in accordance with the following schedule:

(i) Years 1-10 of commercial production 5 per cent

(ii) Years 11 to the end of commercial production 12 per cent

(b) The said market value shall be the product of the quantity of the processed metals produced from the nodules extracted from the contract area and the average price for those metals during the relevant accounting year, as defined in paragraphs 7 and 8.

6. If a contractor chooses to make his financial contribution to the Authority by paying a combination of a production charge and a share of net proceeds, such payments shall be determined as follows:
(a) The production charge shall be fixed at a percentage of the market value of the processed metals produced from the nodules extracted from the contract area, in accordance with the following schedule:

(i) First period of commercial production 2 per cent
(ii) Second period of commercial production 4 per cent

If, in the second period of commercial production, as defined in subparagraph (a), the return on investment in any accounting year, as defined in subparagraph (m), shall fall below 15 per cent as a result of the payment of the production charge at 4 per cent, the production charge shall be 2 per cent instead of 4 per cent in that accounting year.

(b) The said market value shall be the product of the quantity of the processed metals produced from the nodules extracted from the contract area and the average market price for those metals during the relevant accounting year as defined in paragraphs 7 and 8;

(c) (i) The authority’s share of net proceeds shall be taken out of that portion of the contractor’s net proceeds which is attributable to the mining of the resources of the contract area, referred to hereinafter as attributable net proceeds;

(ii) The authority’s share of attributable net proceeds shall be determined in accordance with the following incremental schedule:

<table>
<thead>
<tr>
<th>Portion of attributable net proceeds</th>
<th>First period of commercial production</th>
<th>Second period of commercial production</th>
</tr>
</thead>
<tbody>
<tr>
<td>That portion representing a return on investment which is greater than 0 per cent, but less than 10 per cent</td>
<td>35 per cent</td>
<td>40 per cent</td>
</tr>
<tr>
<td>That portion representing a return on investment which is 10 per cent or greater, but less than 20 per cent</td>
<td>42.5 per cent</td>
<td>50 per cent</td>
</tr>
<tr>
<td>That portion representing a return on investment which is 20 per cent or greater</td>
<td>50 per cent</td>
<td>70 per cent</td>
</tr>
</tbody>
</table>

(d) The first period of commercial production referred to in subparagraphs (a) and (c), shall commence in the first accounting year of commercial production, and terminate in the accounting year in which the contractor’s development costs with interest on the unrecovered portion thereof are fully recovered by his cash surplus, as set out below;

In the first accounting year during which development costs are incurred, unrecovered development costs shall equal the development costs less cash surplus
in that year. In each subsequent accounting year, unrecovered development costs shall equal the unrecovered development costs of the preceding accounting year, plus interest thereon at the rate of 10 per cent per annum, plus development costs incurred in the current accounting year and less contractor's cash surplus in the current accounting year. The accounting year in which unrecovered development costs become zero for the first time, shall be the accounting year in which the contractor's development costs with interest on the unrecovered portion thereof are fully recovered by his cash surplus.

The contractor's cash surplus in any accounting year shall be his gross proceeds less his operating costs and less his payments to the Authority under subparagraph (c).

The second period of commercial production shall commence in the accounting year following the termination of the first period of commercial production and shall continue until the end of the contract.

(c) The term "attributable net proceeds" shall mean the product of the contractor's net proceeds and the ratio of the development costs in the mining sector to the contractor's development costs. In the event that the contractor engages in mining, transportation of nodules and production primarily of three processed metals, namely, cobalt, copper and nickel, the amount of attributable net proceeds shall not be less than 25 per cent of the contractor's net proceeds. Subject to subparagraph (b), in all other cases, including those where the contractor engages in mining, transportation of nodules, and production primarily of four processed metals namely, cobalt, copper, manganese and nickel, the Authority may, by regulations, prescribe appropriate floors which shall bear the same relationship to each case as the 25 per cent floor does to the three metal case.

(f) The term "contractor's net proceeds" shall mean the contractor's gross proceeds less his operating costs and less the recovery of his development costs as set out in subparagraph (g).

(g) (1) In the event that the contractor engages in mining, transportation of nodules and production of processed metals, the term "contractor's gross proceeds" shall mean the gross revenues from the sale of the processed metals, and any other monies deemed to be reasonably attributable to the operation of the contract in accordance with the financial rules, regulations and procedures of the Authority.

(11) In all cases other than those specified in subparagraphs (g) (1) and (n) (i), the term "contractor's gross proceeds" shall mean the gross revenues from the sale of the semi-processed metals from the nodules extracted from the contract area, and any other monies deemed reasonably attributable to the operation of the contract in accordance with the financial rules, regulations and procedures of the Authority.

(h) The term "contractor's development costs" shall mean:

(i) All expenditures incurred prior to the commencement of commercial production which are directly related to the development of the productive capacity of the contract area and the activities related thereto for operations under the contract in all cases other than that specified in the subparagraph (n) in conformity with generally recognized accounting principles, including interest, costs of machinery, equipment, ships, processing plant, construction, buildings,
land, roads, prospecting and exploration of the contract area, research and development, interest, required leases, licences, fees, and

(ii) Similar expenditures to those described in subparagraph (i) above, incurred subsequent to the commencement of commercial production, necessary to carry out the plan of work, except those chargeable to operating costs.

(i) The proceeds from the disposal of capital assets and the market value of those capital assets which are no longer required for operations under the contract and which are not sold shall be deducted from the contractor's development costs during the relevant accounting year. When these deductions exceed the contractor's development costs the excess shall be added to the contractor's gross proceeds.

(j) The contractor's development costs referred to in subparagraphs (h) (i) and (a) (iv) shall be recovered in 10 equal annual instalments from the date of commencement of commercial production. The contractor's development costs incurred subsequent to the commencement of commercial production, referred to in subparagraphs (h) (ii) and (a) (iv) shall be recovered in 10 or fewer equal annual instalments so as to ensure their complete recovery by the end of the contract.

(k) The term "contractor's operating costs" shall mean all expenditures incurred after the commencement of commercial production in the operation of the productive capacity of the contract area and the activities related thereto, for operations under the contract, in conformity with generally recognized accounting principles, including, inter alia, the fixed annual fee or the production charge, whichever is greater, expenditures for wages, salaries, employee benefits, utilities materials, services, transportation, processing and marketing costs, interest, utilisation, preservation of the marine environment, overhead and administrative costs specifically related to the operation of the contract, and any net operating losses carried forward or backward as specified below. Net operating losses may be carried forward for two consecutive years except in the last two years of the contract when they may be carried backward to the two preceding years.

(l) In the event that the contractor engages in mining, transportation of nodules, and production of processed and semi-processed metals, the term "development costs of the mining sector" shall mean the portion of the contractor's development costs which is directly related to the mining of the resources of the contract area, in conformity with generally recognized accounting principles, and the financial rules, regulations and procedures of the Authority, including, inter alia, application fee, annual fixed fee, and, where applicable, costs of prospecting and exploration of the contract area, and a portion of research and development costs.

(m) The term "return on investment" in any accounting year, shall mean the ratio of attributable net proceeds in that year to the development costs of the mining sector. The development costs of the mining sector for the purpose of this subparagraph shall include expenditures on new or replacement equipment in the mining sector less the original cost of the equipment replaced.

(n) In the event that the contractor engages in mining only:

(i) The term "attributable net proceeds" shall mean the whole of the contractor's net proceeds;
The term "contractor's net proceeds" shall be as defined in subparagraph (f) above;

The term "contractor's gross proceeds" shall mean the gross revenues from the sale of the nodules, and any other monies deemed to be reasonably attributable to the operation of the contract in accordance with the financial rules, regulations and procedures of the Authority;

The term "contractor's development costs" shall mean all expenditures incurred prior to the commencement of commercial production as in subparagraph (h) (ii), and all expenditures incurred subsequent to the commencement of commercial production, as in subparagraph (h) (iii), which are directly related to the mining of the resources of the contract area, in conformity with generally recognized accounting principles;

The term "contractor's operating costs" shall mean the contractor's operating costs as in subparagraph (h), which are directly related to the mining of the resources of the contract area in conformity with generally recognized accounting principles;

The term "return on investment in any accounting year" shall mean the ratio of the contractor's net proceeds in that year to the contractor's development costs. Contractor's development costs for the purpose of this subparagraph shall include expenditures on new or replacement equipment less the original cost of the equipment replaced;

The costs referred to in subparagraphs (h), (k), (l) and (n) above, in respect of interest paid by the contractor shall be allowed to the extent that, in all the circumstances, the Authority approves, pursuant to article 4, paragraph 1, the debt-equity ratio and the rates of interest as reasonable, having regard to existing commercial practice.

The costs referred to in this paragraph shall not be interpreted as including payments of corporate income taxes or similar charges levied by States in respect of the operations of the contractor.

7. (a) The term "processed metals", referred to in paragraphs 5 and 6, shall mean the metals in the most basic form in which they are customarily traded on international terminal markets. For this purpose, the Authority shall specify, in the financial rules, regulations and procedures, the relevant international terminal market. For the metals which are not traded on such markets, the term "processed metals" shall mean the metals in the most basic form in which they are customarily traded in representative arm's length transactions;

(b) In the event that the Authority cannot otherwise determine the quantity of the processed metals produced from the nodules extracted from the contract area referred to in subparagraphs 5 (b) and 6 (b), the quantity shall be determined on the basis of the metal content of the nodules extracted from the contract area, processing recovery efficiency and other relevant factors in accordance with the rules, regulations and procedures of the Authority, and in conformity with generally recognized accounting principles.

8. If an international terminal market provides a representative pricing mechanism for processed metals, nodules and semi-processed metals from the nodules, the average price on such a market shall be used. In all other cases, the Authority shall, after consulting the contractor, determine a fair price for the said products in accordance with paragraph 9.
9. (a) All costs, expenditures, proceeds and revenues and all determinations of price and value referred to in this article shall be the result of free market or arm's length transactions. In the absence thereof, they shall be determined by the Authority, after consulting the contractor, as though they were the result of free market or arm's length transactions taking into account relevant transactions in other markets.

(b) In order to ensure enforcement of and compliance with the provisions of this paragraph, the Authority shall be guided by the principles adopted for, and the interpretation given to, arm's length transactions by the United Nations Group of ECOSOC on Multinational Enterprises, the Ad Hoc Group of Experts on Tax Treaties between Developing and Developed Countries and other international organisations, and shall adopt rules and regulations specifying uniform and internationally acceptable accounting rules and procedures, and the means of selection by the contractor of certified independent accountants acceptable to the Authority for the purpose of auditing in compliance with the said rules and regulations.

10. The contractor shall make available to the accountants, in accordance with the financial rules, regulations and procedures of the Authority, such financial data as are required to determine compliance with this article.

11. All costs, expenditures, proceeds and revenues, and all prices and values referred to in this article, shall be determined in accordance with generally recognized accounting principles and the financial rules, regulations and procedures of the Authority.

12. The payments to the Authority under paragraphs 5 and 6 shall be made in freely usable currencies or currencies which are freely available and effectively usable on the major foreign exchange markets, or at the contractor's option, in the equivalents of processed metals at market value. The market value shall be determined in accordance with paragraph 5 (b). The freely usable currencies and currencies which are freely available and effectively usable in the major foreign exchange markets shall be defined in the rules, regulations and procedures of the Authority in accordance with prevailing international monetary practice.

13. All financial obligations of the contractor to the Authority, as well as all his fees, costs, expenditures, proceeds and revenues referred to in this article shall be adjusted by expressing them in constant terms relative to a base year.

14. The Authority may, taking into account any recommendations of the Economic Planning Commission and the Legal and Technical Commission, adopt rules and regulations that provide for incentives, on a uniform and non-discriminatory basis, to contractors to further the objectives set out in paragraph 1.

15. In the event of a dispute between the Authority and a contractor over the interpretation or application of the financial terms of a contract, either party may submit the dispute to binding commercial arbitration, unless both parties agree to settle the dispute by other means, in accordance with article 158, paragraph 2, of Part XII of this Convention.