

STANDING COMMITTEE REPORT NO. 20-57

RE: C.B. NO. 20-41/R&D

SUBJECT: AMENDMENTS TO TITLE 24 OF THE FSM CODE
(NATIONAL SEABED RESOURCES AUTHORITY)

MAY 14, 2018

The Honorable Wesley W. Simina
Speaker, Twentieth Congress
Federated States of Micronesia
Third Regular Session, 2018

Dear Mr. Speaker:

Your Committee on Resources and Development, to which was referred C.B. No. 20-41, entitled:

"A BILL FOR AN ACT TO CREATE A NEW SUBTITLE II OF TITLE 24 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA (ANNOTATED), AS AMENDED, TO ESTABLISH THE NATIONAL SEABED RESOURCES AUTHORITY OF THE FEDERATED STATES OF MICRONESIA, PROVIDE FOR THE POWERS, DUTIES, AND RESPONSIBILITIES OF THE AUTHORITY, SET OUT THE STANDARDS OF SUSTAINABLE MANAGEMENT OF SEABED RESOURCES, REQUIRE THE PROMULGATION OF REGULATION GOVERNING PERMITS AND LICENSES RELEVANT TO MARINE SCIENTIFIC RESEARCH, PROSPECTING, EXPLORATION AND MINING ACTIVITIES, PRESCRIBE THE PENALTY FOR VIOLATION OF THIS ACT, AND FOR OTHER PURPOSES.",

begs leave to report as follows:

The intent and purpose of the bill are expressed in its title.

BACKGROUND

The subject bill was transmitted to the Eighteen Congress

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and the Nineteenth Congress, but there was no action on it. During those Congresses, your Committee on Resources and Development had conducted a series of public hearings in each of the states. In some of these public hearings in the states, the expertists in the field of Seabed mining and Environment from SOPAC accompanied your Committee during these hearings.

This bill is once again transmitted to the 20th FSM Congress through Presidential Communication No. 20-40 on May 19, 2017, during the First Regular Session of the Twentieth Congress. C.B. No. 20-41 proposes create a new subtitle II of title 24 of the Code of the Federated States of Micronesia to establish a National Seabed Resources Authority, provide for the powers, duties and responsibility of the Authority.

Proposed Amendments

The amendments to Title 24 of the FSM Code are summarized below:

1. The intent of Section 1 of the bill is to create a new subtitle II of title 24 of the FSM Code, entitled: "Seabed Resources Authority of 2014". Currently, the existing subtitle I of title 24 of the FSM Code is the "Marine Resources Act of 2002".
2. The intent of Section 2 of the bill is to create a new chapter 1 of Title 24 of the Code of the Federated States of Micronesia entitled: "General Provisions".
3. Section 3 of the bill is the creation of a new section 101 of chapter 1 of Title 24, to read "Short Title. This Act may be cited as the *"National Seabed Resources Act of 2014"*".
4. The proposed section 102 of the bill contains a comprehensive set of definitions.

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5. The proposed section 103 explain the purpose of this new subtitle II, which is to establish a legal framework for the efficient management and effective control of Seabed Mineral activities in the Federated States of Micronesia's seabed minerals. Also to secure optimum benefits, long-term economic growth and sustainable development of FSM's Seabed Mineral sector, and to implement measures to maximize the benefits of Seabed Mineral Activities for the present and future generations of FSM citizens.

7. The proposed section 104 of the bill creates a regulatory system on the licensing, monitoring and management of the FSM's involvement with Seabed Mineral Activities. Also, this section designates a responsible Authority who will have the power to grant titles to Title Holders who may engage in Seabed Mineral Activities. The responsible Authority will create a registry of Titles, create offenses in respect of actions carried out in breach of the provisions of this subtitle, provides for the protection of the Environment during the conduct of Seabed Mineral Activities, provides for the payment of royalty, fees, and taxes in respect of Seabed Mineral Activities, and establishes a special fund in section 904 on the revenue derived from Seabed Mineral Activities.

8. The proposed section 105 of this bill defines the sovereign rights to the seabed resources in the Exclusive Economic Zone and to the Continental Shelf beyond the Exclusive Economic Zone. In this proposed section, there is an option for the states to delegate to the NSRA the regulation of state resources. The states are not to be deprived of their sovereign rights over the seabed resources in their respective territorial and internal waters.

9. The proposed section 106 of the bill is the application of this subtitle. This subtitle applies to all individuals, whether or not citizens of or resident in the Federated States of Micronesia and also all body corporate, whether or not incorporated or carrying on business in the Federated States of

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Micronesia. Importantly, this subtitle does not apply to the exploration for or recovery of petroleum.

10. Section 107 of the bill provides for the jurisdiction over the exploration and mining of non-living natural resources in the Exclusive Economic Zone and the Continental shelf. This section also recognizes that the seabed resources of the Area to be the common heritage of mankind, and that right to the Area are governed by the Rules of the International Seabed Authority (ISA). Further adding, that the Seabed Mineral Activities in the Area shall be carried out in association with the ISA only by State Parties to the UN Convention on the Law of the Sea, State enterprises, or by persons sponsored by Sponsoring States. This section also recognizes ISA's responsibility to organize and control activities in the Area, adopt rules, regulations and procedures necessary for the conduct of exploration and mining in the Area.

Section 201 is the enactment of a new chapter 2 of subtitle II, to read: "Establishment of the National Seabed Resources Authority (NSRA)". There is a NSRA Board, which is composed of five voting members, each discharging a national function and authority. The composition of the Board consisted of one member from each of the four states, which shall be confirmed by the FSM Congress, and the Secretary, who shall serve as the Chairperson of the NSRA Board. The NSRA shall meet at such time and place as may be designated by the Chairperson and also adopt its own regulation governing its business and performance.

11. Sections 202, 203, 204 and 205 of the bill summarize the objectives, functions, duties and powers of the NSRA.

12. Section 206 and 207 of the bill require the NSRA to gather information pertaining to the seabed mining activities in the FSM.

13. Section 208 of the bill prohibits any person to supply false or misleading information to the NSRA in respect to seabed mining activities.

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14. Section 209 of the bill provides for the preparation of guidelines for the NSRA to use.

15. Section 210 of the bill mandates the NSRA to keep record of decisions on issuance or denial of permits.

16. Section 211 of the bill requires the NSRA to monitor Title Holders' performance and adherence to this subtitle.

17. Section 212 of the bill requires the Title Holder to report to the NSRA any incidents if there is any. The Title Holder needs to report the incident to the NSRA, and describe what step is to be taken to monitor, prevent, contain, minimize and rehabilitate the harm or threat of harm to the environment or to human health and safety.

18. Section 213 of the bill requires the NSRA to maintain an inspectorate and to appoint such persons appearing to the NSRA to be technically qualified for the purpose of inspectors, to assist with the NSRA's monitoring and compliance function.

19. Section 214 of the bill enumerates the powers of any appointed inspectors by the NSRA.

20. Section 215 of the bill provides that the NSRA may issue an Enforcement Order requiring corrective action, or in respect to any circumstances that presents or would present a risk of life or a risk of serious harm to the environment. This section also provides that any person who is found guilty of an offense under this section shall be liable to a fine not exceeding one hundred thousand dollar.

21. Section 216 of the bill explain the action by the NSRA where there is a failure to comply with any Enforcement Order.

22. Section 217 of the bill explains who is responsible for the costs incurred if the NSRA takes corrective action in relation to an enforcement order.

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23. Section 218 of the bill provides for an administrative action to be taken if a Title Holder has materially breached a condition in its Title or a requirement of this subtitle, regulations or other law of the FSM.

24. Sections 219 and 220 of the bill provide for the terms of office and compensation of the members of the NSRA Board.

25. Section 221 of the bill authorizes the NSRA Board to promulgate regulations for the implementation of this subtitle.

26. Section 222 of the bill compel the NSRA Board to employ a full-time Executive Director to supervise and execute the day-to-day performance of the NSRA's functions.

27. Section 223 of the bill provides that by December 1st of each year, the Chairperson of the NSRA Board shall present an annual report to the President and the FSM Congress.

28. Title 24 is further amended to enact a new chapter 3 of subtitle II entitled: "Areas Available for Seabed Mining Activities in the Federated States of Micronesia".

29. Section 301 of the bill is a new section that reads: "Graticulation of earth's surface". This means that the earth surface is deemed to be divided into graticular sections.

30. Section 302 of the bill determines the Constitution of blocks/cells and the NSRA determines boundary between points on the surface of the Earth using the Universal Transverse Mercator Grid System.

31. Section 303 of the bill allows the NSRA to designate an area or areas of the Federated States of Micronesia's Exclusive Economic Zone or Continental Shelf to be released for the purpose of Seabed Mining Activities.

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32. Sections 304 and 305 of the bill provide that the NSRA may declare "Reserved Areas" prohibited to any Seabed Mining Activities.

33. Sections 306 and 307 of the bill require the NSRA to complete a Cadastral Survey Map and also registry of Title Holders. The Cadastral Survey Map and the Registry of Title Holders are open to public inspection.

34. Section 308 of the bill authorizes the NSRA to promulgate regulation, which prescribes maximum areas that may be held under any one License or by any one person or company at any one time.

35. Title 24 of the FSM Code is hereby amended to enact a new chapter 4 of subtitle II.

36. Section 401 of the bill provides for the prohibited activities relating to Seabed Mineral Activities. Any person who contravenes this section shall be guilty of an offense and liable on conviction to a fine not exceeding five hundred thousand dollars or imprisonment for a period not exceeding five years or both.

37. Section 402 of the bill requires that any Prospector or Licensee to adhere to laws and rules enacted to implement Seabed Mining Activities.

38. Section 403 of the bill enumerates the duties of Title Holders during prospecting and exploration of Seabed minerals.

39. Title 24 of the FSM Code is amended to enact a new chapter 5 of subtitle II, entitled: "Prospecting Permits within Federated States of Micronesia's national jurisdiction".

40. Sections 501, 502, 503, 504, 505, 506, 507 and 508 of the bill permit the prospecting of seabed minerals in the Federated States of Micronesia. An interested party needs to apply for a Prospecting Permit Application. The NSRA is responsible to grant

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or deny a Prospecting Permit. If the NSRA deny an application for a Prospecting Permit, it has to issue a written statement stating the reasons for the denial. The NSRA may grant a Prospecting Permit with terms and conditions it deems appropriate.

41. Title 24 of the FSM Code is amended to enact a new chapter 6 of subtitle II, entitled: "Licensing of Seabed Mineral Activities within Federated States of Micronesia's national jurisdiction".

42. Section 601 of the bill provides for the Exploration and Mining of Seabed minerals within the national jurisdiction.

43. Section 602 of the bill governs the granting and issuance of exploration and mining licenses. The NSRA may grant and issue exploration and mining licenses to Title Holders.

44. Section 603 of the bill limits who is eligible to hold an exploration or mining license. Only a body corporate that is registered in the Federated States of Micronesia shall be eligible to hold a License.

45. Section 604 of the bill lists the necessary information that an applicant for an exploration or mining license is required to provide to assist the NSRA in making a decision whether or not to grant a license.

46. Section 605 of the bill mandates that only a fit and proper person should be granted a license. The NSRA must carefully review what is a fit and proper person.

47. Section 606 of the bill requires that the NSRA must carefully evaluate any license application. The applicant must have a registered office in the country and meet the 'fit and proper person' test. The applicant must also have financial capabilities to cover the costs of the Seabed Mining Activities, and to pay incidental costs in case of a clean-up, damages or other liability that may arise.

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48. Section 607 of the bill provides that the NSRA shall not issue a license if the exploration or mining rights over an area already included within the scope of any existing license valid for any of the same time period or that has been retained by the NSRA under section 617 of this subtitle.

49. Section 608 of the bill permits the NSRA to issue more than one license to the same person.

50. Section 609 of the bill provides that the NSRA needs to consult neighboring nations before it grants an exploration or mining license. The NSRA shall timely and appropriately inquire information about the Application to any neighboring nation who may be adversely affected by the proposed Seabed Mineral Activities contained within the Application, and gives an opportunity for that nation to provide comment.

51. Section 610 of the bill provides an opportunity to the members of the public to be informed before the NSRA finalize its decision to issue license.

52. Sections 611 and 612 of the bill ensure that the NSRA make decision regarding License Application promptly and in accordance with prescribed procedures and within prescribed time limits. The NSRA also needs to provide a written statement to the applicant its decision whether to grant or deny the application.

53. Section 613 of the bill gives an opportunity for the Applicant to launch an appeal to review the decision of the NSRA in regards to its application.

54. Section 614 of the bill provides for the duration of a license. A license may be issued for such period as may be agreed between the NSRA and the applicant provided that the duration is no more than fifteen years, and is renewable upon expiry of the term.

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55. Section [~~614~~] 615 of the bill contains the terms in a license that may be agreed between the applicant and the NSRA before the NSRA formally issue the license. The license will specify the Seabed Mineral Activities and a detailed approved exploration or mining work plan. The license will also include the required environmental and social impact assessment or other studies.

56. Section 616 of the bill provides for an Exclusivity of License and Security of Tenure. The licensee must perform and observe all the terms and conditions provided in the license, regulations and the laws of the FSM during the validity period of the license. The NSRA will not vary, suspend, or revoke any license except in accordance with procedure set out in this subtitle.

57. Sections 617 and 618 of the bill provide for the right of retention and the relinquishment of a licensed area. A licensee has the right to retain any part of the licensed area subject to the determination of the NSRA. Also, the licensee may relinquish a percentage or portions of the licensed area in accordance with the requirement and schedule to be prescribed or set by the NSRA.

58. Section 619 of the bill describes the process to be followed upon the recovery of seabed minerals under the exploration license. The seabed minerals need to be recorded and identified of the location of its origin. Such seabed minerals shall be maintained by the licensee and samples shall be made accessible to the NSRA. Any person who does not comply with subsection 1 of section 619 commits an offense. Liability ranges from a fine not exceeding one thousand dollars.

59. Section 620 of the bill sets the conditions to be met before a Licensee can actually commence Seabed Mineral Activities. The Licensee must show a written notice from the Department of Environment Climate Change and Emergency Management of its endorsement of the environmental management and impact mitigation plan, and approval to commence seabed mining

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activities. The Licensee also needs to show to the NSRA a bank statement indicating that it has financial resources, security deposit or monetary guarantee. A Mining Licensee may also provide such aforementioned information to the NSRA to commence seabed mining activities.

60. Section 621 of the bill gives the Mining Licensee the right over the recovered seabed minerals at the point of extraction. Such rights include, the right to market, process, sell and export the seabed minerals.

61. Section 622 of the bill permit the mining activities to continue throughout the period of the License; however, if there is a good cause to stop the mining activities, the NSRA can authorize a temporary suspension of the mining.

62. Section 623 of the bill lists the activities that do not require an Environmental and Social Impact Assessment, unless the NSRA advises otherwise. The same section requires that no Seabed Mineral Activities shall be commenced until an Environmental and Social Impact Assessment and any subsequent amendments to the environmental management and impact mitigation plan, work plan, or License terms have been completed to the satisfaction of the Department of Environment, Climate Change and Emergency Management.

63. Section 624 of the bill describes the scope of liability of the Licensee.

64. Section 625 of the bill provides that NSRA cannot authorize Seabed Mining Activities in that part of License Area outside of the national jurisdiction. The License remains valid, but Seabed Mining Activities cannot be carried out because it is beyond the authority of the NSRA until further consultations and conditions are met.

65. Sections 626, 627 and 628 of the bill provide for the renewal, review, variation, suspension or revocation of Licenses.

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66. Section 629 of the bill provides that a Licensee may at any time surrender the License without penalty by giving prior notice to the NSRA.

67. Section 630 of the bill determine the ongoing liability of a Licensee in case of a revocation of a License by the NSRA or the Licensee surrenders the License. The Licensee will remain subject to any ongoing obligation or liability incurred by the Licensee as a result of Seabed Mineral Activities or Ancillary Operations already conducted.

68. Section 631 of the bill indicates that the Exploration License is deemed to have continued in force until the time at which the Applicant for a Mining License receives a final decision.

69. Section 632 of the bill enumerates the conditions that the NSRA may consider when enter into mineral development agreements with a Licensee at any time to establish additional terms and conditions as to the arrangements for Exploration or Mining.

70. Title 24 of the FSM Code is hereby amended to create a new chapter 7 under subtitle II entitled: "Sponsorship of Seabed Mineral Activities in the Area".

71. Section 701 of the bill gives the NSRA the discretion to enter into any contract with the International Seabed Authority (ISA) regarding Seabed Mineral Activities in the Area. But, the NSRA must consult with the stakeholders on behalf of the FSM before submitting applications to the ISA for approval of plans of work for Seabed Mineral Activities in the Area and enter into contracts with the ISA to conduct those plans of work. The NSRA can enter into sub-contracts with third party sub-contractors for the delivery of services pertaining to the performance of Seabed Mineral Activities in the Area; provided that the sub-contractors meet some criteria, and the Secretary of Finance and Administration endorses or satisfied with the terms of sub-contract.

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72. Section 702 of the bill provides that the NSRA on behalf of the FSM may sponsor another party to conduct Seabed Mineral Activities in the Area under contract with the ISA; however, the Sponsored Party must obtain a valid Sponsorship Certificate from the NSRA and enter a valid contract with the ISA.

73. Section 703 of the bill clearly states that a Sponsorship Certificate shall only be issued to an Applicant who meets the Sponsorship Qualification Criteria. The NSRA may not issue a Sponsorship Certificate if the sponsorship would not be in the public interest of the FSM.

74. Section 704 of the bill explains the necessary procedural requirements of a Sponsorship Application and a Sponsorship Qualification Criteria.

75. Section 705 of the bill lists the terms required of the Sponsorship Certificate.

76. Section 706 of the bill provides that the NSRA may enter into written agreements with the Sponsored Party, provided that the terms of the written agreements are consistent with the Rules of the ISA or this subtitle, and do not conflict with any international law or FSM laws.

77. Section 707 of the bill provides for the liability of Sponsored Party in the implementation of this subtitle.

78. Section 708 of the bill lists the Government responsibilities where the FSM is a Sponsoring Party, and holds a contract with the ISA to conduct Seabed Mineral Activities.

79. Section 709 of the bill provides that a Sponsoring Certificate shall remain in force unless and until it is terminated in accordance with this section.

80. Section 710 of the bill provides for the revocation of a Sponsorship Certificate. The NSRA may revoke a Sponsorship

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Certificate if the Sponsored Party fails to meet certain requirements.

81. Section 711 of the bill provides for the Surrender of Sponsorship. A Sponsor Party may at any time surrender a Sponsorship Certificate without penalty by giving prior notice in writing to the NSRA.

82. Section 712 of the bill elaborates on the ongoing liability after termination of sponsorship.

83. Title 24 of the FSM Code is hereby amended to create a new chapter 8 under subtitle II entitled: "Marine Scientific Research within national jurisdiction".

84. Section 801 of the bill limits to any person to engage in Marine Scientific Research in the Exclusive Economic Zone or Continental Shelf or Territorial Sea and internal waters, unless that person has secured proper authority from the NSRA, NORMA and the states.

85. Section 802 of the bill describes the process involved in the application for Marine Scientific Research and the necessary information required of the applicant.

86. Section 803 of the bill provides for the consent or denial of consent of Marine Scientific Research.

87. Section 804 of the bill lists some of the grounds for denial of consent of Marine Scientific Research application.

88. Section 805 of the bill explains the scope and nature of Marine Scientific Research consent.

89. Section 806 of the bill enumerates certain duties of persons conducting Marine Scientific Research.

90. Title 24 of the FSM Code is hereby amended to create a new chapter 9 under subtitle II entitled: "Financial Arrangements".

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91. Section 901 of the bill prescribes the payments by Prospectors, Licensees and Sponsored Parties.

92. Section 902 of the bill provides the procedures involved on how to recovery payments owed by Title Holders.

93. Section 903 of the bill requires a Security Deposit by the Title Holders.

94. Section 904 of the bill establishes a Seabed Resources Fund and also identifies the responsible department to govern such fund.

95. Title 24 of the FSM Code is hereby amended to create a new chapter 10 under subtitle II entitled: "Miscellaneous".

96. Section 1001 of the bill requires that Title Holders adhere to Vessel Standards. A person who does not comply with the provisions of section commits an offense and shall be liable to a fine not exceeding one hundred thousand dollars (\$100,000) or imprisonment not exceeding 3 years or both.

97. Section 1002 of the bill describes procedure involved in the event that a Title Holder of Seabed Minerals during the course of conducting Seabed Mineral Activities discover or locate any Seabed Minerals to which the Title does not relate to or not covered by the Title.

98. Section 1003 of the bill explains that Environmental conditions arising from Environment and Social Impact Assessment conducted in compliance with this subtitle or any FSM law shall be adopted as part of the terms and conditions of any Title issued under this subtitle.

99. Section 1004 of the bill explains the required reports to be supplied to the NSRA, which shall conform to any requirement prescribed or specified in the conditions of the relevant Title.

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100. Section 1005 of the bill states that a Title granted under this subtitle can not be assigned, transferred, leased, sub-let or mortgaged without the NSRA's prior written consent. A transfer of title will only become effective upon payment of any transfer fee, and the transfer of title is entered into the register of Titles maintained by the NSRA.

101. Section 1006 of the bill requires that a Title Holder shall notify the NSRA of any significant change in the constitution, ownership, control or corporate organization of the Title Holder. The NSRA also needs to determine if there is any transfer of title by the Title Holder for the purpose of section 1005 of this subtitle.

102. Sections 1007 and 1008 of the bill explain how a Title is to be suspended or terminated.

103. Section 1009 of the bill provides that a Title granted under this subtitle contains some conferred reasonable rights of access to the Title Holder, which include: right of navigation within the Exclusive Economic Zone or Territorial Sea and Internal Waters if such responsibility has been delegated to NSRA by State under this subtitle.

104. Section 1010 of the bill is a reminder to the Title Holder to carry out the Seabed Mineral Activities in such a way that will not unreasonably interfere with other users of the high seas as provided in Article 87 of the UN Convention on the Law of the Sea, or unreasonable interference with any other subsisting legitimate use of any part of the sea or the seabed. Any person who contravenes this section commits an offense punishable to a fine not exceeding five thousand dollars.

105. Section 1011 of this bill contains the rights of other nations in accordance with Article 142 and other relevant provisions of the UN Convention on the Law of the Sea.

106. Section 1012 of the bill is a safeguard on any object of an archaeological or historical nature that may be found by any

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Title Holder. The NSRA shall give a Title Holder the safeguard instructions, which shall take into account Article 149 and 303 of the UN Convention on the Law of the Sea.

107. Section 1013 of the bill states that the grant of a Title under this subtitle does not create an estate or interest in land nor does a grant of a Title, which give rise to land taxation duties.

108. Section 1014 of the bill describes what are safety zones. They are specified surrounding areas, an installation, infrastructure, facility or vessels used for Seabed Mining Activities, and are prohibited to all vessels or specified classes of vessels. Any person commits an offense against this section shall be liable. There is a defense for those that enter these safety zones if the person can satisfy the court.

109. Section 1015 of the bill is on the interference with Seabed Mineral Activities. No person may interfere with Seabed Mineral Activities or Ancillary Operations. Any person who does not comply with subsection 1 commits an offense.

110. Section 1016 of the bill is the Indemnity of Public Officials. The NSRA, authorized officers of the NSRA, and other Public Officials shall not be liable for anything done or omitted to be done in good faith in their performance or functions vested in or delegated to them under this subtitle.

111. Section 1017 of the bill prohibits any public officials from the NSRA to acquire Title rights or an interest in any Title. This prohibition applies during the employment or within two years following the cessation of his or her employment with the NSRA. Any person who violates this prohibition under subsection 1017 commits an offense, and shall be liable to a fine not exceeding fifty thousand dollars (\$50,000) or imprisonment for a term not exceeding two years or both.

112. Section 1018 of the bill provides that a conflict of interest arises when the Executive Director or any member of the

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NSRA willingly participate in any matter in which he or she knows or reasonably should know he or she has a conflict of interest. A conflict of interest exists if there is a personal benefit arises on a matter over which he or she has influence or control over, or if a matter over which he or she has influence or control relates in any way to a business or property he or she or a family member owns or controls. In order to avoid any conflict or interest, that conflict of interest shall be disclosed.

113. Section 1019 of the bill clarifies Import Duties. This section exempt import duties on machinery, equipment, vehicles, materials, supplies consumable item, and moveable property that a Title Holder and its nominated contractors and subcontractors are about to import to the Federated States of Micronesia only if the Title Holder and its contractors and subcontractors certified that the aforementioned items are to be used solely in carrying out Seabed Mineral Activities under this Title. However, on the sale or transfer of any duty free imported items if no longer required for the Seabed Mineral Activities, import duties shall be payable by the importer on duty free imported items at the date of the sale or transfer of the duty free imported items.

114. Section 1020 of the bill provides that Body Corporate may commit an offense if the court finds that the offense was committed by that person willfully, recklessly, corruptly or for the purpose of personal gain. Violation under this section is imprisonment for a period of up to two years.

115. Section 1021 of the bill governs who is responsible to issue notice on any application, request, notice, warning, report or service of process or notification in any proceeding of any court or tribunal having jurisdiction. The NSRA has the responsibility to issue notice.

116. Section 1022 of the bill is about disputes. Any dispute arising between the FSM and another state in connection with Seabed Mineral Activities shall be resolved pursuant to the

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provisions of the UN Convention on the Law of the Sea. And any dispute between the FSM and a Title Holder shall be dealt with by mediation, but if it is not successful by arbitration to be conducted by International Center for Settlement of Investment Disputes between States and Nationals of other States.

117. Section 1023 of the bill accommodates the Transitional provisions. From one year from the commencement of this subtitle, any authority or mineral rights granted under any legislation or otherwise to carry out Seabed Mineral Activities in the Exclusive Economic Zone or upon the Continental Shelf shall expire. Any person carrying out Seabed Mineral Activities in the Exclusive Economic Zone prior to the enactment of this legislation shall obtain a Permit or License under this subtitle and comply with the requirements of this subtitle.

118. Section 1024 of the bill contains Environmental and Social Impact Assessment content and resulting reports.

Your Committee wishes to offer the following amendments to the bill:

1. Page 89, line 13, delete "Section 614", and insert "Section 615" in lieu thereof.
2. Page 91, line 20, delete "an", and insert "a" in lieu thereof.
3. Page 95, lines 20 and 21, delete "Office of Environment and Emergency Management", and insert "Department of Environment Climate Change and Emergency Management" in lieu thereof.
4. Page 100, lines 19 and 20, delete "Office of Environment and Emergency Management", and insert "Department of Environment Climate Change and Emergency Management" in lieu thereof.
5. Page 100, lines 21 and 22, delete "Office of Environment and Emergency Management", and insert "Department of Environment Climate Change and Emergency Management" in lieu thereof.

STANDING COMMITTEE REPORT NO. 20-57

RE: C.B. NO. 20-41/R&D

SUBJECT: AMENDMENTS TO TITLE 24 OF THE FSM CODE
(NATIONAL SEABED RESOURCES AUTHORITY)

MAY 14, 2018

6. Page 103, lines 19 and 20, delete "Office of Environment and Emergency Management", and insert "Department of Environment Climate Change and Emergency Management" in lieu thereof.
7. Page 122, line 7, delete "obligations", and insert "or laws" in lieu thereof.
8. Page 142, line 10, insert "this" after "by".
9. Page 149, line 22, insert "which", after "Title".

Conclusion

Your Committee on Resources and Development is in accord with the intent and purpose of C.B. 20-41 and recommends its passage on First Reading and that it be placed on the Calendar for Second and Final Reading in the form attached hereto C.B. 20-41, C.D.1.

STANDING COMMITTEE REPORT NO. 20-57

RE: C.B. NO. 20-41/R&D

SUBJECT: AMENDMENTS TO TITLE 24 OF THE FSM CODE
(NATIONAL SEABED RESOURCES AUTHORITY)

MAY 14, 2018

Respectfully submitted,

/s/ David W. Panuelo
David W. Panuelo, chairman

Tiwiter Aritos, vice chairman

Alik L. Alik, member

/s/ Isaac V. Figir
Isaac V. Figir, member

Victor Gouland, member

/s/ Derensio S. Konman
Derensio S. Konman, member

/s/ Esmond B. Moses
Esmond B. Moses, member