



**SPC (SOPAC Division) Pacific ACP States 5th Regional Training Workshop
Organised in partnership with IMF (PFTAC)**

“Deep Sea Minerals: Financial Aspects”

13th-16th May

***The Rarotongan Hotel
Rarotonga, Cook Islands***

Introduction

In response to regional and national capacity building needs in the region, and pursuant to the Pacific Plan and the Pacific Islands Forum Leaders' Communiqués of 2009 and 2012, the Secretariat of the Pacific Community (SPC) through the SPC-EU Deep Sea Minerals (DSM) Project has devised and implemented a regional training programme to develop and enhance the knowledge of Pacific ACP States multi-stakeholders who are representing various interests on issues relating to deep sea minerals. The training events cover particular themes, and to date have been:

1. “Geological, Technological, Biological and Environmental Aspects of Deep Sea Minerals” (August 2012 in Nadi Fiji).
2. “Deep Sea Minerals Law and Negotiations” (March 2013 in Nuku'alofa Tonga)
3. “Social Impacts of Deep Sea Mineral Activities, and Stakeholder Participation” (June 2013 in Port Vila Vanuatu)
4. “Environmental Perspectives of Deep Sea Mineral Activities” (December 2013 in Nadi, Fiji), co-organised with SPREP (Pacific Regional Environmental Programme)

In line with requests received from member countries, this 5th Regional Training DSM Workshop will focus on financial aspects of DSM activities and the associated legal and fiscal framework.

This workshop is jointly organised by the SOPAC Division of the SPC, through the DSM Project, and the International Monetary Fund (IMF), through the Pacific Financial Technical Assistance Centre (PFTAC) It will be hosted by the Cook Islands Government in Rarotonga, between Tuesday 13th and Friday 16th May 2014¹.

In addition to the SPC and PFTAC in-house capacities, resource experts will be contracted for the workshop, and country representatives will be invited to speak on specific topics and share their experiences. Two government representative from each of the 15 Pacific ACP States (prioritising

¹ A separate SPC-EU DSM Project Steering Committee meeting will be held on Monday 12th May, for Project Steering Committee members (invited participants only).

Finance Ministry officials), and relevant civil society representatives will be invited and supported to attend this workshop.

The Workshop will be an important precursor to the Pacific Islands Regional DSM Financial Framework, which will be developed by the DSM Project and PFTAC in conjunction with Pacific ACP States, after the Workshop.

Objectives of the Workshop

The workshop's objectives are:

- (1) **Information-Sharing** – to inform Pacific-ACP States' national financial policy and law-making entities and stakeholders, in relation to DSM by providing participants with:
 - a. sufficient understanding of DSM deposits and operations,
 - b. a realistic view of the likely financial benefits for a State engaging in DSM, and suggested mechanism for maximising and managing these sustainably; and
 - c. case studies and suggested models for fiscal regimes and revenue management schemes, with advice on their relative merits;
 - d. networking opportunities between participants, experts and Presenters on DSM financial issues.

- (2) **Forward-Planning** – to provide Pacific-ACP States an opportunity to assess capacity gaps in relation to DSM financial management, and to identify opportunities for future regional working, or collaboration with third parties, to fill these gaps.

- (3) **Regional DSM Financial Framework** – to provide the DSM Project and PFTAC with a mandate and terms of reference to produce a draft Pacific Islands Regional DSM Financial Framework (for review and approval by the Pacific-ACP States, and subsequent publication).

Workshop Programme

<i>Time</i>	<i>Activity</i>	<i>Presenter</i>
Day 1 – Tuesday 13 May 2014 <u>BACKGROUND CONTEXT</u>		
8.30 – 9.00	Registration (and per diem collection)	All participants
9.00 – 10.00	Brief welcome and introductions, and opening prayer MC: Keu Mataroa, Cook Islands Government Official opening Responding Remarks Showing of DSM Project documentary 1: <u>Under Pressure</u> [A snapshot of different stakeholder perspectives in the region] Group Photo	The Queen's Representative, Hon. Tom Marsters, Cook Islands SOPAC Division, Chief Geoscientist (Designate); and Scott Roger, PFTAC IMF
10.00 – 10.30	Morning Tea	
10.30 – 12.30	Session 1 [Introduction to DSM] An overview of DSM issues: geology, biology, technology, environmental impacts, status of DSM developments in the region, and overview of the EU-SPC (SOPAC) DSM Project Overview of civil society perspectives	Akuila Tawake and Alison Swaddling, SPC Teina Mackenzie, TIS, Cook Islands
12.30 – 1.30	<i>Lunch</i>	
1.30 – 3.00	Session 2 [Other background context relevant to DSM Financial Issues] Legal issues (i) Overview of international law, and national regulation of DSM activities (ii) Maritime boundaries, mineral ownership and management (central government vs. sub-national authorities); customary rights and associated issues The seabed minerals beyond national jurisdiction, the common heritage of mankind, the International Seabed Authority, the financial regime for the Area, and the ISA Stakeholder Survey.	Hannah Lily, SPC Chris Brown, ISA consultant
3.00 – 3.30	<i>Afternoon Tea</i>	
3.30 – 3.50	Session 3 [Commercial realities] Commercial realities in delivering DSM projects	John Feenan, IHC Mining
3.50 – 5.00	Session 4 [Industry Perspective] Introduction to different DSM companies: Nautilus Minerals Inc. Neptune Minerals Inc.	Jonathan Lowe (Nautilus) Sophie Egden (Neptune)
6.00 – 8.00	Welcome Cocktail (sponsored by SPC)	All Participants

Day 2 – Wednesday 14 May 2014 – MEASURING AND CAPTURING BENEFIT		
8.30 – 9.00	Session 5 [Day 1 Refresher] Refresher from yesterday, and an “ask the experts session” relating to yesterday’s sessions	Hannah Lily
9.00 – 9.20	Session 6 [Economic planning] A case study: Mauritius Ocean Economy roadmap	Ashvin Degnarain, Government of Mauritius
9.20 –9.50	Session 7 [Assessing socio-economic and environmental ‘costs’ of DSM] Integrating socio-economic and environmental impacts into decision-making about DSM	Sybille van den Hove, EU MIDAS Project
9.50 – 10.20	Session 8 [Economic value of Cook Islands’ DSM deposits] A Cook Islands case study: sampling, assessment and modelling of DSM economic value	Darryl Thorburn, Cook Islands Government
10.20 – 10.50	<i>Morning Tea</i>	
10.50 –11.40	Session 9 [Introduction to potential economic benefits, challenges and risks for Pacific-ACP States from DSM] a. Direct Participation – e.g. joint development, equity stake, production sharing, employment, capacity-building, upstream and downstream involvement, preferential local procurement and employment. b. Indirect Participation – e.g. fees, taxes, royalties, tax-based incentives, public infrastructure, community development.	Peter Mullins, IMF
11.40 – 12.30	Session 10 [Designing a Fiscal Regime for DSM – part 1] Policy considerations e.g. Quantum, attracting investment, predicting economic rent, an equitable Government take, different models / mixture of instruments, income tax vs royalties, cumulative effect of all relevant fiscal rules, capturing excess profit, anticipating potential tax minimization measures by industry, fiscal stability agreements	Peter Mullins, IMF
12.30 – 1.30	<i>Lunch</i>	
1.30 – 2.30	Session 11 [Designing a Fiscal Regime for DSM – part 2] Legal issues e.g. Law vs. negotiated agreements, how to calculate value to which royalty is applied, how to verify profits (and deductible expenditure) for taxation purposes, timing of revenue, tax deductible provisioning, withholding tax, VAT / GST, impact of tax treaties	Lee Burns, IMF Consultant
2.30 – 5.00 (incorporating Afternoon Tea) Plenary 4.15- 5.00	Session 12 [Taxation and Royalties: Working Groups] <i>[An interactive session to understand further the pros and cons of different fiscal arrangements: Participants receive a DSM mining project case study and a number of different suggested tax and royalty options. Participants work through these in working groups, to identify what the different returns would be in different DSM production / profit scenarios. Each working group feeds back which model they have chosen and why at plenary]</i>	Peter Mullins and Lee Burns, IMF

Day 3 – Thursday 15 2014 CAPTURING BENEFIT (cont.)		
8.30 –9.00	Session 13 [Day 2 Refresher] Refresher from yesterday’s sessions; and an ‘ask the experts’ session	Scott Roger, PFTAC
9.00 –10.00	Session 14 [Tax Administration and Other Fiscal Issues] Tax administration Changes to other tax laws to accommodate DSM Licence fees (application, annual rental, transfer, renewal) Expropriation Export bans or quotas Import duties (e.g on goods that could be produced locally)	Peter Mullins and Lee Burns, IMF
10.00-10.30	<i>Morning Tea</i>	
10.30 – 11.30	Session 15 [Case Studies / Examples of Taxation and Royalty Regimes for DSM] DSM: - Cook Islands - Tonga - PNG	Richard Neves, Financial Secretary, Cook Islands; Lepaola Vaea, Tonga; Asavi Kendua, PNG
11.30 – 12.45	Session 16 [Panel and Plenary Discussion]	Chair: Akuila Tawake, SPC
12.45 – 1.45	<i>Lunch</i>	
1.45 – 3.15	Session 17 [Regional Cooperation and Coordination in DSM Fiscal Frameworks] Regional regulatory models, and the Pacific Plan review How to maximize revenue by a regional approach e.g. harmonization of taxation, joint negotiation; and overview of existing structures – such as the Pacific Island Tax Administrators Association (PITAA) and the Pacific Island Financial Management Association (PIFMA); and Fisheries case study Regional DSM cooperation options: (i) a treaty, (ii) regulatory services provider	Pacific Islands Forum Secretariat Scott Roger, PFTAC Ben Ponia, Secretary of Marine Resources, Cook Islands Hannah Lily, SPC
3.15 – 3.30	<i>Afternoon Tea</i>	
3.30 – 5.00	Session 18 [DSM Fiscal Regimes: Forward-Planning] Interactive working groups session, with the objective to identify: A: what are the capacity gaps for P-ACP States in moving forward with their DSM fiscal policy and laws, and B: what assistance can be provided by (i) technical assistance agencies, (ii) regional coordination and cooperation, and (iii) the fiscal regime part of the planned Pacific Islands DSM Financial Framework.	Chairs: Akuila Tawake, SPC and Scott Roger, PFTAC

Day 4 – Friday 16 May 2014: MANAGEMENT OF DSM REVENUE		
8.30 – 9.00	Session 19 [Day 3 Refresher] Refresher from yesterday's sessions; and an 'ask the experts' session	Scott Roger, PFTAC
9.00 – 10.00	Session 20 [Public Financial Management for DSM] Public financial management best practice for extractive industry revenue (e.g. medium and long-term budgeting / planning, investment and diversification); and challenges (e.g. Dutch disease, corruption, managing inter-generational equity)	Vidar Ovesen, IMF Consultant, and Ron Hackett, IMF PFTAC
10.00-10.30	<i>Morning Tea</i>	
10.30-11.45	Session 21 [Industry Standards and Transparency] Methods of enforcing performance standards, and EU perspective [15 mins] The Extractive Industry Transparency Initiative [20 mins] EITI candidate countries' experience: <ul style="list-style-type: none"> • Solomon Island [10 mins] • Papua New Guinea [10 mins] A 'Deep Sea Minerals Transparency Initiative'? [20 mins] including opportunity for plenary feedback	Eszter Kantor, Ecorys Vidar Ovesen George Tapo (Solomon Islands) Harry Kore, PNG Jeff Ardron, Deep Ocean Steward Initiative (DOSI)
11.45 – 1.00	Session 22 [Sovereign Wealth Funds] Reasons for having a fund. Santiago Principles Fiscal rule options for a seabed minerals fund Fund management	Richard Neves, Cook Islands, and Vidar Ovesen, IMF Consultant
1.00 – 2.00	<i>Lunch</i>	
2.00 – 3.00	Session 23 [Sovereign Wealth Panel and Plenary Discussion]	Chair: Vidar Ovesen, IMF Consultant
3.00 – 3.30	<i>Afternoon Tea</i>	
3.30 - 4.00	Session 24 [Workshop Closure] Award of workshop completion certificates Closing remarks	
6.00 – 8.00	Farewell Cocktail (sponsored by IMF PFTAC)	All participants