

Committee Statement of Senator Lugar

UN Convention on the Law of the Sea

Thursday, June 28, 2012

UN Convention on the Law of the Sea

Senator Richard G. Lugar

Hearing Statement

June 28, 2012

I join in welcoming our distinguished panel of industry leaders. I appreciate their efforts on behalf of the Law of the Sea and their willingness to explain how the Convention will help them create private sector jobs and contribute to the U.S. economy.

Every major ocean industry, including shipping, fishing, telecommunications, oil and natural gas developers, drilling contractors, and ship builders, support U.S. accession to the Law of the Sea.

This is not a recent development. Ocean industry support for the Convention has been virtually unanimous going back to 2003 when the Foreign Relations Committee first took it up and initiated a process that resulted in a unanimous Committee vote to report Law of the Sea favorably to the whole Senate. A few years later, at a Foreign Relations Committee hearing on October 4, 2007, a business panel testified in favor of the Convention. Only Senator Menendez and I were present for that powerful and unequivocal testimony, but then, as now, every major ocean industry backed the Convention and appealed for its ratification.

With good reason, Americans are intensely interested in job creation and the pace of U.S. economic activity. In my state, this is the paramount issue among voters. There are innumerable threats to the U.S. economy, including phenomenon over which we have minimal control, such as the European debt situation. Moreover, because of our own national debt, we have few stimulus options to combat a future economic downturn. These factors increase the importance of the job-creating impact of technological innovation and our own natural resources. As we will hear today, U.S. ratification of Law of the Sea would support job-creating investment and open new resources to our industries at a critical time for our economy.

The Law of the Sea already forms the basis of maritime law regardless of whether the United States is a party. International decisions related to resource exploitation, navigation rights, and other matters will be made in the context of the Convention whether we join or not. And we will not even be able to participate in the amendment process to this treaty, which is far more likely to impose new requirements on our Navy and ocean industries if the U.S. is absent. Because of these factors, the people who actually deal with oceans on a daily basis and invest their money in job-creating activities on the oceans want this Convention ratified. They do not want to be at a competitive disadvantage to foreign industries.

By not joining Law of the Sea we also are diminishing the potential scope of our domestic energy production. Some have argued that U.S. accession to the Law of the Sea Convention is unnecessary to secure the legal basis for companies to fully exploit oil, natural gas, and mineral wealth on the ocean floor. But that is not the opinion of the American companies that might invest their resources in this activity. They tell us that without the certainty of title provided by the Law of the Sea Convention, they would not go forward with many projects requiring large investments. Their concern is that after doing the expensive exploration, research, testing, and construction necessary to exploit a site, they have to be certain that another entity won't be able to free-ride off their investment or challenge their claim in international courts. The drilling and mining companies prefer to pay a small royalty beginning in the sixth year of production in return for an international system that gives them undisputed claim to the resources produced.

This royalty provision of the Convention was negotiated with the participation of extraction companies. They judged that it is reasonable given the legal certainty it secures and the value of what might be produced, especially since the first five years of production will not be subject to any royalty. Our resource extractors are telling us that if we want them to move forward with scale development of ocean floor resources that could contribute significantly to U.S. energy security and create jobs, we need to ratify Law of the Sea.

I thank the Chairman and look forward to our discussion.

###