

Assessing Country Perspectives on the Arctic: The Case of Norway

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University of
St Andrews



Authors:

Robert Rehner (rwmr@st-andrews.ac.uk)
ARC-St. Andrews Research Fellow

Dr. Darren McCauley (dam7@st-andrews.ac.uk)
ARC-St. Andrews Director

Alisa Khubaeva (alisa.khubaeva@gmail.com)
ARC-MGIMO Research Fellow

Dimitry Zhuvakin
ARC-MGIMO Director

The Arctic should be a region of peaceful cooperation, stability, respect for international law and sustainable management of resources. Yet, recent geopolitical tensions are suggested to potentially result in spill-over effects to the Arctic. The overall goal for Norwegian Arctic policy is to ensure that this does not happen. This is of crucial importance as the Arctic is highly relevant to economic development, research and innovation, global nutrition and the global environment.

This report outlines the Norwegian perspective on the Arctic through a series of discussions with a wide range of policy representatives.

Geopolitical tensions on non-Arctic level of Arctic member states

Børge Brende (foreign minister, Norway) awarded the Arctic Council¹ as the main governance body of the Arctic not only an important role for Arctic policy making but an important platform for international cooperation where cooperation on other levels stagnates in the face of geopolitical tensions. The current partial embargo in which both sides are Arctic states puts pressure not just on Arctic cooperation. *Alexander Shestakov*, Director of global Arctic Programme at WWF comments that WWF has concerns as the embargo is not just blocking technological development and freezes cash flows in Russia. These frozen cash flows result also in a deterioration of environmental standards which can and want to be sustained in Russian Arctic activities. Additionally territorial claims (especially sea floor borders) in the Arctic are still pending among the Arctic states. These have to be negotiated amongst the states individually. *Timo Koivurova*, research professor at the Northern Institute for Environmental and Minority Law assumes low potential of conflict with regards to these territorial negotiations in the face of territorial disputed between Russia and Ukraine. He argues that is because in those Arctic areas, the economic value is limited, and thus interest of countries is not too high. Yet, all the more focus has to lie in thorough cooperation on the Arctic level to show general goodwill in a

¹ The Arctic council has all Arctic states as member which are: Canada, the Kingdom of Denmark, Finland, Iceland, the Kingdom of Norway, the Russian Federation, Sweden and the United States of America.

broader political sense and to maintain diplomatic relations despite temporary conflict.

Energy

Børge Brende, Norway's minister of foreign Affairs points out that global oil demand will rise by 35-40% over the next 20 to 30 years. Therefore he expects the Arctic to play a significant role in the future as it is expected to hold vast oil and gas reserves. Both *Liv Hovem*, director of Division Europe and Africa in DNV GL's oil and gas sector as well as *Harald Serck-Hanssen* from DNB Bank point to the fact that oil development in the Arctic is put on the "back burner" by most companies, even before the plummeted oil price. The latter speaker sees an over-investment (by his Bank as well as in general) in the Arctic with regards to oil and gas. However, he expects investment and development potential for renewable energy in the Arctic, even though not on large scales due to the difficulty of installing and maintaining infrastructure in the difficult climatic conditions.

Mr. Serck-Hanssen (DNB Bank) underlines that most technological innovation fostered in the Arctic is related to oil rigs. He predicts that increasing environmental regulation will result in the development of the globally most secure oil rigs, which already now tends to be reality. Yet, *Liv Hovem* points to the necessity of means for evacuation mechanisms in the case of oil spills. This limits feasible locations of oil development sites where the southern Barents Sea is an option while climatic conditions in the northern Barents Sea impede the provision of this security for certain parts of year. *Mr. Serck-Hanssen* (DNB Bank) expressed: "With regards to oil and gas the potential of the Arctic in some areas has been overstated and I think for environmental reasons its probably good if it remains untouched."

The richness in fossil energy resources of the area can be seen in contrast to the provision of energy and electricity in many of those areas, resulting in distributional injustices in the context of energy justice. *Julie Furuta-Toy*, US ambassador for the Kingdom of Norway refers to Arctic regions in Alaska, which are off the electricity grid and where electricity has to be generated by diesel generators. This is highly

problematic with many regards. In turn, living in the US Arctic also comes with reputational issues, like being isolated and off the grid.

Shipping

Harald Serck-Hanssen from DNB Bank, *Julie Furuta-Toy*, US ambassador for the Kingdom of Norway, as well as *Børge Brende*, Norway's minister of foreign affairs identify shipping as an emerging economic activity within the Arctic. Yet, with regards to the scale of shipping activity in the future the former of the two says that the lack of ports within the area, as well as the prevailing environmental concerns from transit via the Arctic don't serve as a case for Arctic shipping. In support of environmental concerns, *Jason E. Box*, Professor of Glaciology points to his research of the Greenland ice sheet, where carbon emissions from shipping and controlled burning on oil rigs contribute to the ice turning dark². This in turn reduces the albedo properties of the ice, resulting in less reflection of sunlight and thus faster melting ice sheets. Therefore increased activities emitting carbon in the area might add onto the already accelerated warming effects in the Arctic

Fishing

Børge Brende, Norway's minister of foreign affairs pointed out that sea food, already now second most important export industry in Norway will maintain great importance. He pointed to Norway's cooperation with Russia during the cold war thanks to which fishing regulations and quotas in the Barents Sea could be implemented. These resulted in the recovery of fish stocks to a degree that more fish than ever is caught each year today. He particularly emphasizes that this was only possible by basing policy making on the advice of scientists, and today the benefits of past regulation pay back. Adding to this *Harald Serck-Hanssen* from DNB Bank expressed that revenues from fishing in the Arctic are expected to increase by up to 50% in the future, while still remaining "sustainable". Comments from the

² A summary of the research can be visited at <http://www.darksnow.org>

audience suggest that restrictive quotas and recovery areas for fish have to be maintained and even increased to not reach the depletion which can be observed in many other marine areas.

Tourism

Repeatedly the low population density within Arctic regions was addressed giving a hint about the vast natural spaces which makes the Arctic so unique. *Harald Serck-Hanssen* (DNB Bank) argues that tourism in the Arctic regions will increase with a globally growing upper middle class which is looking for somewhat more authentic and exotic holiday experiences. It does not come as a surprise that all participants referring to concrete future economic fields of development refer to the tourist industry as emerging. This comes with challenges as comments from a member of the Saami³ parliament points out during the Q&A session after Mr. *Harald Serck-Hanssen*'s (DNB Bank) talk. She finds fault with the little effort put into preserving Reindeer herding as one of the large traditional economic activities Saami do since centuries to safeguard their future. Under continuation of current economic development these activities supposedly important for an authentic Arctic experience will cease to exist due to ecosystem degradation. Further, tourism itself, if exercised in certain ways and scales will contribute to environmental degradation itself and create issues of different natures, deprive the Arctic of its unique vastness.

Environmental Change

All of the above mentioned areas of development come with opportunities, however they involve significant threats to the local ecosystems and habitat, as well as global environment due to sea level rise as *Fred Olsen*, former Chairman of the company Fred Olson Group (Norwegian offshore drilling rig company) pointed out. He was not acting as a key note speaker but gave a comment from the audience. *Áile Jávo* President of the Saami Council points out that the ecosystems which are crucial for

³ Saami refers to the indigenous peoples of the Arctic and is not limited to a specific Arctic country.

indigenous peoples' traditional core economic activities of Reindeer herding and fishing are threatened by the increasing pace of economic activity in the Arctic coming from "outside".

In support of this *Jason E. Box*, Professor for Glaciology points to the fact that temperature development in the Arctic was decreasing until the beginning of the industrial era. Due to the shape of the graph depicting this sudden temperature increase, it is referred to as the "hockey stick". Additionally there is a previously unwitnessed increase in temperature in the most recent years thus modelling of future temperature developments is hard. Generally, due to significant effects of ocean heating and methane release from oceans not captured in current modelling, these must be expected to depict temperature developments in a conservative manner. Significantly influenced by the reduced albedo effect mentioned under the heading "Shipping" earlier, the climate change effect is even more profound in Arctic regions. As Norway's foreign minister *Børge Brende* pointed out "one has not to be a scientist or economist to understand that cost of non-action with regards to climate change is much more expensive than cost of action". Thus insights here should be incorporated in the COP21, which is held this year (2015) in Paris. It is essential that this climate change conference results in commitment by all participating states to collectively tackle the issues of climate change.

On a smaller scale, *Alexander Shestakov*, Director of global Arctic Programme at WWF underlines to the experience of the WWF as being represented in every Arctic state while also being an observing institution of the Arctic council. He advocates that the point is not to stop economic development in the Arctic but to balance development in a way, which allows for maintenance of ecosystems. However, he sees this as problematic since Arctic states currently have no vision of how they see the Arctic in 50 years. This currently results in unbalanced amounts of economic activities. This essentially calls for the creation of a common vision in order to be able to tailor business activities to more properly fit this long term vision.

Importance of policy making

As *Harald Serck-Hanssen's* (DNB Bank) points out, in which he was supported by several other speakers including Norway's foreign minister as well as *Fred Olsen* as part of Norway's oil drilling industry: investment opportunities in the Arctic have been overstated. Non the less megatrends depict investment potential in the future, which will have to be weighted against environmental concerns. Several governing bodies will have a significant role as institutions to steer balanced development.

The Arctic Council (AC) was most frequently addressed with regards to this role. The change of AC's chairmanship from Canada to the US is to be pursued this year, where the US envisions the theme for their Chairmanship: "One Arctic, shared opportunities, challenges and responsibilities" (*Julie Furuta-Toy*, US Ambassador Norway). According to her, following themes will be focused on:

- (1) Arctic ocean safety, security and stewardship,
- (2) Improving economic living conditions in the Arctic
- (3) Addressing the impacts of climate change

However, the AC's activities are also criticised to lack effectiveness. *Nils Andreassen*, executive director of the *Institute of the North* indicated that the AC is ineffective at times in helping institutions to serve community interests. Many problems are not helped by theoretical development of frameworks but need money and other means to implement changes.

A possible means to tackle the problem of effectiveness due to the lack of funding the Arctic Economic Council (AEC) was found in 2014 to represent the business perspective of the AC and was designed to face the opportunities in the north (*Børge Brende*). *Tom Paddon*, Chair of the Arctic Economic Council states that currently the AEC is represented by the 14 permanent Arctic council representatives and the council is focused on responsible development in the Arctic. But interests of business cannot be kept limited to just these 14 countries. What keeps stakeholders together and different institutions in the Arctic is "their love for the Arctic and their common interests in the Arctic, even though of different nature".

A central theme in Arctic policy making must be the involvement of the local communities as *Arthur Wilczynski*, Ambassador of Canada to the Kingdom of Norway puts it. Both *Janet King*, president of the Canadian Northern Economic Development Agency as well as *Tom Paddon*, (AEC) point to the fact that projects in Canada involved indigenous peoples in the development project and profited from their local knowledge and creativity. From her policy making perspective, *Janet King* expresses that almost all economic activity in Canada's Arctic is reviewed not just for economic and environmental, but also social factors. However *Áile Jávo*, (Saami council) indicates that the current level of activity already threatens livelihoods of indigenous peoples, while the involvement of indigenous peoples is very limited. These differing views clearly indicate that a desirable level of economic activity, as well as the extent of being or feeling included in decision making is highly subjective and contextual.

Tom Paddon (AEC) finds that alignment of interest of all parties involved is key. By exemplifying Russian oil development in the Arctic, *Alexander Shestakov* (WWF) points to the trilateral nature of policy making: Businesses, local governments and indigenous peoples come together while all need to get their "fair share" from the activities agreed upon. Yet especially the latter are often disadvantaged as they for example often get very low level jobs which result from development projects. He points to situations where large corporations come into local communities - where education tends to be low - with 500 page technical reports and ask for comments, which is not a fair way of involvement. He identifies part of the problem to be the size of the corporations and that ideally decisions have to be taken not in headquarters but on levels more accessible to affected communities.

Conclusion

In the face of global climate change and the dichotomy of ever increasing population and rising energy demand the Arctic is both a symbol and barometer for the former as well as important home to valuable resources, and thus highly relevant for the latter. Therefore the report provides valuable insights about pressing current issues as well as future trends, both globally and within the region.

Contributors give not only an assessment of individual dimensions in the Arctic but allow, either implicitly or explicitly, to draw conclusions about both the content of necessary policy making and also effective ways to implement those policies. Issues with regards to geopolitics, energy, shipping, fishing, tourism, climate change and the process of policy making have been addressed which were all found to be highly relevant topics for current and future Arctic development. Finally, as the report and the diverse range of representatives show, Arctic research is inherently interdisciplinary requiring input from a wide range of areas. Further research, in particular from geography and environmental sciences, law, economics, politics and social sciences will be required to identify and address issues in a coordinated manner to contribute to good governance in the Arctic.