The Revitalization of the Red Arctic

By Heather A. Conley

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This piece was written in 2019; elements of this paper that were contemporaneous when written have been updated to reflect changes since 2019.

Introduction

Harnessing the Arctic’s potential has long been the ambition of Soviet and Russian leaders. Under Stalin’s leadership in 1934, the Communist Party laid out a broad strategy for developing the Arctic as a key source of economic strength and patriotism, as well as human and technological accomplishment. Drawing upon themes from Stalin’s “Red Arctic” propaganda, Russian President Vladimir Putin has personally identified himself with Russian Arctic policy (which requires that it be successful) and has cast the Arctic as a distinctive feature of modern Russian nationalism. For the Kremlin, the Arctic is restorative to Russia’s sense of greatness and a place where it can preserve and enhance itself militarily and economically. The characteristics of today’s “Red Arctic” are the development of the Northern Sea Route (NSR), exploitation of new energy (particularly liquified natural gas) and mineral resources, as well as significant enhancements to Russia’s military posture.

Beyond its nationalistic usefulness, the Arctic is in fact essential to Russia’s economic and military (nuclear deterrent) survival and therefore to the regime’s survival. More than 20 percent of Russia’s GDP is produced in the Arctic and sub-Arctic regions, with “approximately 75 percent of oil and 95 percent of natural gas reserves” located in the north. As a result, Russia prioritizes the development of Arctic natural and mineral resources; the promotion of the NSR through infrastructure projects like icebreakers, ports, and search-and-rescue stations; and the reconstitution and construction of military installations in remote regions such as the Franz Josef Land, Kotelny, and Wrangel Island, as well as the Kola Peninsula.

1 Marlene Laruelle, Russia’s Arctic Strategies and the Future of the Far North, (New York: Routledge, 2015), 27.
RUSSIA’S ECONOMIC VISION FOR THE RUSSIAN ARCTIC

The future of Russia’s energy and economic future is oriented northward—its only source of unfettered growth and access. **Twenty-two percent of all Russian exports** and more than **10 percent of all investment in Russia** travel to and from the Russian Arctic. The Russian Arctic accounts for **two-thirds of all Russian oil and gas**. Russia’s prioritization of the NSR allows the Kremlin to diversify the global export of its either European or Asian markets, primarily through liquified natural gas based on the Yamal Peninsula.

The Russian government views the NSR as an internal passage or waterway; the majority of the international community asserts it is international waters. Ten years ago, Russian President Vladimir Putin announced that the NSR would someday **rival the Suez Canal**. Although these ambitions remain -- Russia’s March 2020 strategy, “Foundation for state policy of the Russian Federation in the Arctic for the period until 2035,” sets a **goal** of transporting 80 million tons of cargo along the NSR by 2024—yet the reality in 2021 falls far short. Complete trans-Arctic voyages through the NSR remain very modest. There was a total of **62 transits in 2020** (do they distinguish between destination and complete transshipments?), up from **37 in 2019** and **27 in 2018**. The increased transits were largely due to increased LNG shipments from the Yamal Peninsula. Despite this limited growth, the Russian government has allocated trillions of rubles to develop the NSR and surrounding region, which includes initiating over 150 development projects ranging from economic development and infrastructure projects although the deadlines and funding requirements for icebreakers, search-and-rescue stations, and ports have been substantially delayed.

To spur energy production and economic growth, generous and non-economic subsidies and tax breaks are provided by the Russian state to three Russian energy firms—Novatek, Rosneft, and Gazprom— which compete with one another for Arctic licenses, international partners, technology, and finance. Thus far, Novatek is benefitting the most, considering its success with the Yamal LNG-1 and now-2 project. The $27 billion project, increasingly funded by Chinese investment, exported its first shipment in December 2017, and less than three months later, ships carried the first 1 million ton of LNG through Arctic waters. The Yamal LNG megaprojects and related infrastructure have attracted international investment from Chinese, French, Italian, Saudi, Japanese, and Indian energy companies, but U.S. sanctions prohibit U.S. energy companies from investing in the Russian Arctic and restrict the availability of U.S. financing to 30-day increments.

Russian state funding to develop the NSR has created similar internal competitive dynamics as the Kremlin seeks to monitor and control Arctic maritime activity. The Russian government established the Northern Sea Route Administration as an effort to streamline use and centralize fee collection. Despite Russian financial support and prioritization, the NSR can only be economically viable based on a user-fee structure whereby firms must apply for destination or full transit permits and are required to pay for icebreaker, harbor pilot, and search and rescue centers. Until recently, the Russian agencies which controlled the NSR were the Russian Ministry of Transportation and the Russian Federal Security Bureau (FSB). However, in December 2018, the Russian government signed into law legislation that gives control of shipping through the NSR to Rosatom, a state-run nuclear group, which suggests that the rivalry to control access to Russian government funding went to supporting Russia’s nuclear-powered icebreaker fleet (which Rosatom controls). This decision may seek to bolster Russian government support for its icebreaker fleet at the same time that icebreaker technology is focused on strengthening a vessel’s

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RUSSIA’S MILITARY VISION FOR THE ARCTIC

Russia's economic development of the Russian Arctic is closely linked with its military development. In a particularly concerning development in March 2019, the Russian government imposed limits on foreign warships transiting the NSR, requiring 45 days’ notice for voyages in contradiction of international maritime law. The increase in economic activity in part explains Russia's broader defense and security strategy as it seeks to enhance territorial defense by creating a “protective dome” across the Russian Arctic. Russia’s military efforts in the Arctic are coordinated through a strategic command for the Arctic zone that was created in 2014. The Russian government has also announced the reopening of 50 previously closed Soviet-era military bases in the Russian Arctic, in addition to the new Arctic Trefoil military base on Franz Josef Land. In the central and eastern Russian Arctic, efforts focus on enhancing maritime and air domain awareness with the construction of satellite installations on remote locations like Kotelny, Cape Chelyuskin, and Wrangel Island. Improving situational awareness allows Russia to better defend against and deny foreign access.

Russia places ultimate emphasis on safeguarding its strategic nuclear submarine deterrent and increasing conventional capabilities based on the Kola Peninsula. Moscow increasingly exercises its growing Arctic military capabilities—including its 2019 Arctic Thunder (GROM) nuclear exercise, which included “about 12,000 personnel; 213 launchers of the Strategic Missile Forces; up to 105 aircraft, including five strategic missile carriers; as many as 15 surface ships; 5 submarines; and 310 units of combat and special equipment.” The Russian Northern Fleet—which earlier this year became Russia’s fifth military district—conducted 4,700 exercises in 2017 and 3,800 test combat training exercises, including 148 exercises in 2018. And Russia’s 2018 and 2019 annual military exercises (VOSTOK-2018 and TSENTR-2019) were both held in the Russian Arctic. In 2020, Russia held a major drill near the Alaskan coast involving 50 warships and around 40 aircraft—the largest since the Soviet era. These exercises are designed to enhance power-projection capabilities as well as to protect the New Siberian Islands that are near potential oil and gas reserves and straddle the NSR as well as demonstrate to the United States and Europe its growing range of combined operational capabilities. As it increasingly exercises its capabilities, Russia also probes and tests for weaknesses in readiness of other countries’ Arctic regional air and maritime defenses. Repeated Russian air and particularly sub-maritime incursions in the Baltic region, the North Sea, and the Atlantic Ocean (including a dramatic maneuver in October 2019, the biggest since the Cold War), also confirm this behavior—as does the increase of Russian special forces deployments and sophisticated missile defense capabilities. It should be noted that in recognition of Russia’s Arctic military capabilities, NATO and Northern European countries have also increased military exercises in the north to include Trident Juncture, a major exercise that took place in Northern Norway and above the Arctic Circle in 2018 which included the first U.S. aircraft carrier strike group north of the Arctic Circle as well as the first U.S. and allied freedom of navigation operation in the Barents Sea which took place in May 2020, the first such operation in 30 years.

WILL RUSSIA SHARE THE ARCTIC?

Russia actively pursues international economic activity in the Arctic but on its sovereign terms. In other words, the more Russia opens its Arctic to the world, the greater the perception of strategic vulnerability and the need to protect or ultimately close it through enhanced military presence. This is the “duality” of Russia’s policy toward the Arctic of which “belligerence and practical cooperation” are both on full display. Russian Arctic policy duality plays out in many different ways. For example, Russia is very cooperative within the Arctic Council—where it will soon assume the rotating chairmanship in May 2021—which
places the Arctic’s indigenous community at the center of its work on sustainable development and environmental protection. At the same time, however, it quashes Russian Arctic indigenous organizations. Russian duality plays out with submitting its scientific claims to extend its outer continental shelf to the United Nations while it builds up its military capabilities to reinforce its claims. An Arctic defined by cooperation and low-tension benefits Russia by supporting its economic vision at the same time it increases instability by increasing military exercises, tests new hypersonic missiles, and conducts GPS jamming in the region that jeopardizes civilian aircraft in Northern Europe.

Russian Arctic policy duality is particularly strong in relation to the presence of China (the so-called “near-Arctic” state) in the region. Russia seeks China’s greater economic, military, and scientific presence in the Russian Arctic at the same time Moscow places sophisticated maritime domain awareness assets to monitor China’s activities more carefully. Following Russia’s annexation of Crimea and military incursion into Eastern Ukraine, U.S. and European sanctions (although many EU sanctions grandfathered existing energy contracts) forced Russia to turn to China as an alternative source of long-term financing and technology to develop its Arctic region. Russia offered China concessionary terms which ultimately produced the Yamal LNG-1 Project, a $27 billion LNG plant on the Yamal peninsula of which Chinese firms own 29.9 percent of the project. China’s Cnooc Ltd and a unit of CNPC also own a 20 percent stake of Yamal LNG-2 along with a consortium of Japan’s Mitsui & Co. and state-backed Jogmec (10 percent) and Total (10 percent). At China’s second Belt and Road Forum in April 2019, President Putin suggested that the NSR would be part of China’s Maritime Silk Road, creating a "global and competitive route that connects Northeastern, Eastern, and Southeastern Asia with Europe." And in recent days, Russia’s top Arctic official defended China’s Arctic presence against Western criticism, denying that it poses a potential threat and asserting that its activities are in fact an example of “good behavior” in the region.

Today, there is a current convergence of economic and political interests between Russia and China that will continue to strengthen in the near-term. As Russia continues to depend on China for economic support, how much of its sovereignty must it relinquish to bend to Beijing’s Arctic energy, shipping, and protein needs, as well as its growing demands to access the Central Arctic Ocean? What happens when Chinese icebreakers and ice-strengthened LNG carriers traverse the Russian Arctic rather than Russian icebreakers? When will Moscow acknowledge the extent of its loss of sovereignty in the Arctic? What event will awaken it? And after recognition, how will Moscow respond? Will it resist China’s growing presence by unilaterally extending its outer continental shelf well into the Arctic? Will it turn to the West for support? Or will it succumb further to Beijing (e.g., vassalage)? At some point, Russian duality may be tested, and it will likely be tested by Beijing.

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