

**Geopolitics in the High North Project
Proceedings of the Global Challenges in the Arctic Conference
CSIS, Washington, DC
May 7, 2009**

The Global Challenges in the Arctic conference, organized by CSIS with the generous support of the Norwegian Institute for Defence Studies (IFS) and financed by the Norwegian Research Council, was held on May 7, 2009. The conference underscored that recent technological and environmental developments have significantly increased the geopolitical importance of the High North as various international actors move to assert their interests in the region. Alongside the notable challenges come a number of growing opportunities that redefine the High North's importance: the ability to tap new energy resources, new sea transportation routes, increased fishing opportunities, and the importance of and interest in eco-tourism. Many of the participants highlighted the increasing attention the region has attracted at the highest levels of government including the U.S. National Security Council, European foreign ministries, the Russian Security Council, and the European Union.

The conference explored a wide range of global and regional issues that impact the interests of states on the Arctic's periphery. The discussion focused on three dimensions of the underlying issues facing the region including the securitization of the Arctic, the opportunities and challenges presented by the wealth of energy reserves, and the enhancement of environmental governance.

Solidifying Security in the Arctic

Several participants pointed out that the High North was a strategically vital region during the Cold War as U.S. and Soviet nuclear missile and attack submarines operated there regularly and military bases were established accordingly. At the end of the Cold War, the visibility of the region diminished, but it remained a very fragile environment due to some of the remnants of past military competition. In the 1990's, the international community devoted significant resources to secure the nuclear material and waste in the Arctic through many vehicles including the Cooperative Threat Reduction Program (CTRP) and the G8 Global Partnership. This effort has successfully protected against threats from poorly-maintained and unreliable Russian nuclear submarines.

One participant pointed out that the new keywords were Russia and energy as the central factor in the shaping of the geopolitical picture of the Arctic. He cited the recently completed analysis by the U.S. Geological Survey, which stated that the region contained up to 25 percent of the world's undiscovered oil and gas resources. It was noted that the Russian Security Council study on Arctic policy through 2020 proposed the

establishment of a stronger military presence in the Arctic (which includes the northernmost land territories in Russia) and called for additional investments and willingness to pay for it. Russia is already the leader with significant icebreaking capabilities and expertise. Another participant underscored this point by detailing the increase in the Russian military's naval and air operations along the coasts of Norway. Further complicating the matter, Moscow has taken an exclusive point of view in the diplomatic sphere, only willing to talk with other Arctic littoral nations on such matters.

Other governments have taken steps to protect their interests in the Arctic. Since 2005, Norway has devoted more resources to the area and has shifted a military headquarters and some of its forces from the south to the north in order to preserve order and stability. Some participants called for NATO and the U.S. to adopt policies of engagement with Russia and to provide assurance to allies in the Arctic region as they have done elsewhere. One participant pointed to the recent Presidential Directive by President Bush as the first sign of U.S. engagement as it called for increased infrastructure and security assets in the region along with the ratification of the United Nations Convention on the Law of the Sea (UNCLOS). However, another participant noted that the U.S. Coast Guard only possessed one icebreaker vessel and wondered whether Arctic capabilities would be developed with the modernization of the deepwater fleet. In terms of NATO engagement in the region, it was suggested that the new Strategic Concept called for at the recent Strasbourg-Kehl summit should address the High North in some fashion. Other states outside the region (China, South Korea, and Japan) are increasing their commitment to Arctic research, due to their interest in shorter shipping routes, which could potential draw additional military forces to the region to protect their vessels, crews, and interests.

One participant noted that there are new homeland and societal security issues to be addressed. Increased maritime activity in the dangerous Arctic waters will create new demands for search and rescue capabilities and questions as to who should pay for the costs associated with rescuing stranded crews and vessels.

There was some disagreement among the participants about the true potential for conflict in the region. Many noted that there was a long history of cooperation in the area, a common interest to preserve stability, and most of the resources were in undisputed zones. However, some believe that the Canadians and Russians do have conflicting claims on some important areas and that other territorial conflicts will likely develop as more energy reserves are discovered. While most participants seemed to agree that the potential for conflict did not seem likely in the immediate future, one participant believed that if the U.S. Geological Survey was correct, we will be spending a lifetime talking about the Arctic.

Potential Prospects and Pitfalls of Regional Energy Reserves

One expert broached the topic of industry efforts to develop energy resources in the Arctic, mentioning that despite the difficulty and risks of resource development above ground, American energy companies are confident in their ability to overcome the technical hurdles. There is a great deal of interest in resource development in the Arctic given the potential, but extensive exploration needs to be undertaken. American oil

companies ought to create a more integrated approach of both regional and global scale, taking into account the impact of resource development on local communities, on all industries, on the environment, and on regional governance structures.

From a more practical perspective, one energy specialist pointed out that while the Arctic is important because of its vast potential for undiscovered resources, one must also acknowledge the difficulty of extracting these resources and the exorbitant costs associated. Russia has a long history of exploration and high discovery rate in the Barents Sea (two-thirds of Russian offshore resources are located in the Barents), with their main interest focused on the giant Shtokman field. Russia sees the potential for further large scale cooperation using the “Shtokman model”. However, it is not yet clear how this model will function either technically or commercially. Final investment decisions will be taken early next year. Participating companies (Gazprom, Total, and StatoilHydro) are not equal partners in this venture. The foreign companies do not own a share in the license and are not going to sell gas from the field themselves. But they will, in a joint company with Gazprom, develop and operate the field. Despite seemingly unattractive terms of partnership, this model might represent a safer form of investment than other alternatives in today’s Russia. Looking forward, some experts do not expect to see advancements in Russian offshore activities due to lengthy licensing postponement, preference for domestic technological development (which is currently in deep crisis), and Russia’s reluctance to work with foreign companies.

One speaker portrayed a slightly different view of Russian ambitions in the Arctic in the context of geopolitical realities. Russia, despite its history of mixed signals, has no intention of militarizing the region. For Russia, resources and transit remain its two main priorities in the Arctic. Due to the rate at which the ice is melting, Moscow is likely to focus on transit in the near term and will likely seek to block foreign military ships and require vessels to be escorted through the area. This is reflected in the National Security Council forecast 2020 as they plan to modernize certain ports and improve shipping capabilities.

In terms of energy resources, Moscow has set extraordinarily ambitious goals for 2020 that seem extremely unrealistic. In order for many of the oil fields in the Arctic region to be developed at a profit, oil prices need to exceed \$70 a barrel in today’s dollars, which has only been the case 10 percent of the time since the first oil crash in 1973. These projects are the largest capital expenditure ventures (and the most complicated) in the history of the country. It seems unlikely that Russia would be able to tackle a project of this magnitude alone, nor would it make sense to do so. They will seek to diversify the risk, thus spurring more cooperation between Russian and international oil companies rather than the less likely scenario of seeing a “war of resources” among various states.

Another participant pointed out that Norway’s policies in the Barents Sea attempt to strike a delicate balance of attracting foreign investment to alleviate some of the high costs of development without interfering with national interests. In parallel with the development of resources, Norway is working within the legal framework to deal with governance of the continental shelf and environmental concerns. There is no clear winner in the Arctic energy race as each actor must cope with a unique set of strengths and weaknesses. Norway has limited hydrocarbon resources, especially oil, on its own

continental shelf and an ambiguous political will, but maintains a highly competent industry. Meanwhile, Russia has ample resources and ambitious goals, but an extremely inexperienced industry and dysfunctional policies. U.S. oil companies seem to be frustrated by endless delays and inefficiencies associated with development in the region, which has created problems for investors, contractors, and buyers. They may, however, play a major role in the future of the extraction of energy reserves, especially if the estimates in the recent U.S. Geological Survey prove accurate.

Enhancing Environmental Governance

There is an accelerating pace of environmental and ecological shifts in the Arctic, which are compounding to cause vast physical changes. If global warming proceeds and economic development (transport and fishing) expands, large amounts of methane gas will be released and will further hasten the speed of the melting of polar ice caps. Further, an immediate concern is reducing the output of black carbon, which is particularly harmful. The Arctic has many features of a semi-enclosed sea with a limited amount of deepwater interchange and high levels of internal circulation. This reality means that what environmental changes happen in one area will eventually reach other areas and major developments will take place close to the continental shelf. These ecological changes are outrunning the abilities of wildlife to adapt and human capacity to provide sustainable management for the region.

Within this context, various existing international institutions (e.g. the UNCLOS, the United Nations Framework Convention on Climate Change, and the Arctic Council) are means for coping with the rapidly changing climate in the region. One participant suggested that the only practical way to do so was to strengthen the interaction and interplay of various regional and global institutions since no single institution can make major achievements on its own. On such issues as fishing, international law encourages regional management. In other fields, such as maritime shipping, international law constrains regulation that extends beyond the reach agreed upon in global institutions (e.g. the International Maritime Organization). Moreover, central issues regarding environmental governance are beyond the reach of Arctic states as the sources of pollution often originate beyond the Arctic and are being transported into the region by ocean currents and winds. Many Arctic ecosystems extend beyond the Arctic and many vessels flying flags of non-Arctic states operate in the region. Therefore, mobilizing regulatory or capacity building under global or broader regional institutions is required in order to deal with this reality. The Arctic region is very different than the Antarctic and international treaties related to that region are not transferable.

While there was broad agreement that the Arctic Council is an important forum with considerable leverage to coordinate knowledge building, enhance regional capacity, and articulate soft-law norms applicable in the Arctic, it cannot on its own provide good environmental governance for the region. The Arctic Council is sometimes hampered by the lack of availability of the necessary scientific research and does not include some key actors (e.g. China and EU) who have expressed interest in being involved in the efforts, nor is it mandated to negotiate binding commitments. It has, however, provided leadership in launching an initiative that aims to reduce black carbon emissions, and such reductions may have considerable effect on global warming. Unlike many other

greenhouse gases such effect would be immediate. The tangible results of this initiative remain to be seen, but it seems like a step in the right direction. One participant made the point that progress would largely be the result of individual states and bilateral cooperation between states. It was demonstrated that Russia and the United States were jointly undertaking real environmental projects, but still need to establish methods to monitor and implement rules to ensure success. Another participant noted that Arctic states have opposed a supranational organ to govern the area, while many non-regional actors have pushed for such a structure.

A broad consensus was also reached regarding the potential role of greater U.S. leadership in this area, pointing to the need for UNCLOS to finally be ratified by the Senate and the increased likelihood that it would, given the current political environment. It was seen as a positive sign that the U.S. has recently shown a new commitment to increased scientific research concerning the Arctic.