



The Wider North

Opportunities and challenges

by Costanza Caputi

The recent inclusion of six non-Arctic countries (China, India, Italy, Japan, Singapore, and South Korea) as permanent observers in the Arctic Council - the leading intergovernmental forum on Arctic affairs - confirmed the High North as the new geopolitical hotspot. While China is now part of the polar 'club', the EU's bid for an observer seat was 'affirmatively received' in rhetoric but denied in practice. With new actors now being drawn to one of the most remote areas of the planet, it would appear that the growing interest in the Arctic is being driven by power politics.

Arctic ice is rapidly melting as a result of global warming, thereby drastically altering the dynamics in the north: not only is retreating ice affecting the topography of the region but, more importantly, it is also freeing up access to the abundant natural resources of the area. Large reserves of undiscovered oil and gas, rich deposits of rare earth minerals, the prospect of shorter global shipping routes and even tourism all underline the Arctic's vast economic potential.

Yet these emerging opportunities go hand in hand with environmental as well as societal risks. Incidents, such as an oil spill or a shipwreck, could have catastrophic consequences given the limited

infrastructure available to deal with clean-up or search-and-rescue (SAR) operations in the harsh polar climatic conditions. Furthermore, the way of life of native peoples is threatened by the likely disruption of the Arctic ecosystem. As a result, the tension between exploitation and preservation of polar natural resources is likely to dominate the Arctic for the foreseeable future.

Governance structures - albeit fragmented ones - are already in place in the Arctic, and ownership of resources has largely been defined already. Accordingly, it is regulatory issues, not geopolitical grandstanding, that will have a greater impact on the shape of regional development. In this scenario the EU - a champion of regulatory policy in practically every field - could play a significant role through its approach and expertise, thereby arbitrating between any conflicting interests.

Players, strategies and governance

Despite alarmism over the 'scramble for resources', the 'grab for the Arctic' or a 'gold rush', potentially resulting in militarisation or even armed conflict, the political development of the Arctic to date could serve

as a textbook case study for cooperative and multilateral governance. However, the attitude of some Arctic states, open disputes in the polar region, and the rise of new players have led many commentators to overemphasise the geopolitical dimension.

Admittedly, the traditional Arctic littoral states - in particular Russia and Canada - are keen to assert their sovereignty in the region. At first, they sought to maintain the exclusivity of the Arctic Council 'club', with the most notable example of polar chauvinism being the planting of a flag by Russia on the North Pole's seabed in 2007. These kind of demonstrative gestures aside, a number of 'hard' issues still have to be resolved by the coastal states. In fact, several territorial and/or maritime disputes exist: Canada and the US debate the legal status of the North West Passage; the Hans Island is contested between Canada and Denmark/Greenland; and the Norwegian interpretation of the Spitsbergen Treaty is rejected by Russia. However, none of these quarrels are significant enough as to threaten the stability of the region.

Newcomers are claiming their share of the Arctic 'cake', too. Asian states are increasingly interested in the development of the High North, as demonstrated by their eagerness to join the Arctic Council as permanent observers. China is attracted by the abounding mineral resources of the region as well as by the potential opening of new shipping routes. Shipping hubs such as Singapore have a stake in the evolution of maritime traffic and similar motivations apply to the other countries, including those from the EU. Above all, the changing polar climate is evidence of increasing global interdependencies: climatic conditions in the Arctic are changing rapidly due to developments elsewhere on the planet; in turn, the melting of the Arctic has world-wide repercussions. Thus, given the role of Arctic ice in climate stabilisation, outside players claim a stake in its development and preservation. For all these reasons, whether physical or political, the traditional High North is therefore also becoming a Wider North.

Despite these trends, political developments in the region continue to run relatively smoothly. The system of governance in the Arctic may be a patchwork of different institutions, treaties and fora, but it has proven fairly apt. The overarching legal framework, the 1982 United Nations Convention on the Law of the Sea (UNCLOS) - adhered to by 165 countries but not yet ratified by the US Senate

- defines ownership over the Arctic sea and its resources. Specifically, UNCLOS establishes a 200 nautical-mile-long Exclusive Economic Zone (EEZ) that extends from a country's coastal baseline. Within its EEZ, each littoral state enjoys the exclusive right to exploit natural resources. Furthermore, coastal states can apply for an extension of their EEZ of up to 350 nautical miles if they provide evidence that their continental shelf is an extension of their continental platform. The weakness of UNCLOS lies in its dispute settlement mechanism: it is open to interpretation and therefore does not provide clear answers. However, since the vast majority of desirable resources are located within the EEZ of each country, the escalation of strategically minor quarrels seems unlikely. Moreover, with the 2008 Ilulissat Declaration (signed by Canada, Denmark, Norway, Russia and the US), the Arctic littoral states committed themselves to resolve their conflicting claims in accordance with international law. Since then, Russia and Norway have made a first important step by defining ownership over a disputed area of the Barents Sea.

Yet the institutional set-up of the Arctic remains fragmented and includes a plethora of relevant actors ranging from the Barents Euro-Arctic Council to the Nordic Council, and from the International Maritime Organisation (IMO) to the United Nations Framework Convention on Climate Change (UNFCCC). To complicate matters further, the region is governed by a host of international agreements (on biodiversity and pollutants, for instance). Among these players, the Arctic Council has emerged as the leading forum on Arctic matters, especially since its latest expansion. It is often described as the 'decision-shaping' body of the High North due to its intergovernmental nature. Two binding agreements - the first on SAR and the second on oil spills - have recently been signed under its auspices, thereby enhancing its decision-making character.

Given that resources are already 'divided-up' by the legal framework in place, and that Arctic players have no desire to alter the current governance system, there is little room for manoeuvre for outside actors. Nevertheless, as a recent Chatham House report points out, several geopolitical shifts have the potential to disrupt the current harmony between Arctic nations: the potential independence of Greenland, tensions over the build-up of military hardware or the meddling of newcomers in Arctic politics are cases in point. Any of these foreseeable

scenarios, however, would only affect the degree of co-operation in the High North but not alter the essentially collaborative nature of the current system of governance.

Tug-of-war: exploitation vs. preservation

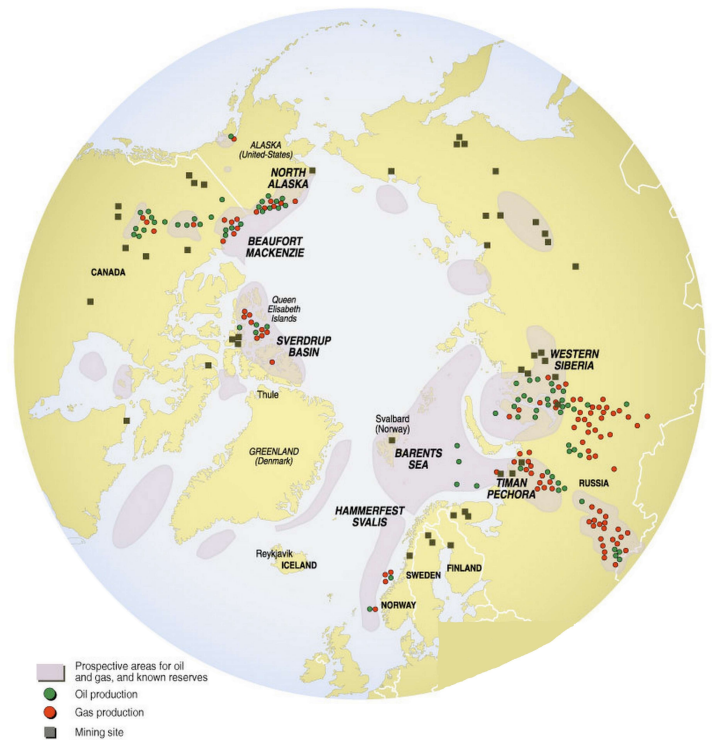
Developments in the Arctic will be largely defined by the struggle between the exploitation of natural resources on the one hand, and the preservation of the environment on the other. Attitudes towards this dichotomy vary strongly: NGOs, environmentalists, and native peoples would like to preserve the Arctic as much as possible, whereas businesses and some of the countries concerned are pressing for a swift exploitation of any potential opportunities.

Access to the remote Arctic environment is increasingly possible due to the substantial and irreversible changes resulting from climate change. In fact, the Arctic is warming up twice as fast as any other region in the world. Melting of sea ice is occurring at a speedier pace than expected, and this process is accelerated by a reinforcing cycle: less ice results in increased darker surface on the sea and land, and this in turn leads to even more heat absorption and subsequent melting. Until the 1980s, the autumn multi-year ice - the polar ice that does not melt in summer - used to cover up to 40 per cent of the Arctic Ocean; by 2011 it made up only 5 per cent. The permafrost is thawing, too, and could thereby release methane, a greenhouse gas twenty times more powerful than CO₂.

Moreover, the melting of Arctic sea ice caused up to 40 per cent of the global sea level rise recorded between 2003 and 2008, something which threatens to alter ocean currents with unpredictable repercussions for the global climate. On top of that, the earth's natural cooling system ensured by the two poles may be in jeopardy if the Arctic sea ice melts completely in summer.

On the other hand, the Arctic's changing physical landscape has had positive side effects in terms of economic opportunities. Undiscovered hydrocarbons are attracting the interest of major energy companies, although it should be noted that the energy industry is not entirely new to Arctic business: Alaska and Norway, for instance, are countries that have a relatively long history of drilling in the region - both onshore and offshore. But activity is picking up and becoming more relevant in strategic terms. Interest in Arctic oil and gas stems from a 2008 study by the US Geological Survey, which estimated that the

Arctic contains 30 per cent of the world's undiscovered oil and 13 per cent of undiscovered gas (approximately the equivalent of Russia's proven gas reserves and three times the proven reserves of US oil). The current high prices for hydrocarbons are also playing a significant role in reinforcing this interest, as they make the costly development of operations in the North a more lucrative investment.



Distribution of Arctic Natural Resources

Source: UNEP/GRID-Arendal

Furthermore, regulatory issues - which vary greatly among the different legal contexts - have considerable influence on investment decisions. Although the technical challenges of drilling in Arctic waters are no greater than in other deep water seas, what differs in the Arctic is the potential for much greater damage in case of an accident, in particular an oil spill. In fact, oil clean-ups in ice-covered areas still represent a major challenge, which is further complicated by lack of infrastructure, poor visibility, and extreme weather conditions. Exploration attempts are under way in several countries, in particular Russia, Norway, and the US. Nevertheless, companies are aware of the risks involved, as demonstrated by the delay on some of the more ambitious projects like the Shtokman field in the Barents Sea and Shell's projects in Alaska.

The mining industry faces similar challenges. Demand for mineral resources, in particular rare earths, is fuelled by the development of new technologies. However, extraction comes with an environmental

price tag in terms of pollution and threat to wildlife.

The waning of sea ice opens up opportunities for commercial shipping through the Northern Sea Route (NSR) along the Russian coast, or the North West Passage (NWP) along the coasts of the US and Canada. Both would reduce travel time considerably (a sea journey from Japan to Europe through the NSR would take 10 days instead of 22), and therefore allow for extensive savings on fuel. A number of challenges remain, however, in particular concerning safety. Given the limited infrastructure along the Arctic coast, SAR operations are difficult to carry out. Moreover, satellite communication still does not function optimally in the higher latitudes. In order to address these difficulties, the IMO is developing compulsory regulation for shipping in Arctic and Antarctic waters: the Polar Code. To date, industry experts consider the development of cargo shipping in the Arctic only a faraway prospect, although shipping capacity is likely to increase in order to serve the extraction industry.

Fishing has traditionally been an important Arctic economic activity, in particular for indigenous communities. Yet fishing is vulnerable to marine pollution, and therefore at odds with most types of business development. Furthermore, sustainable fishing is difficult to manage in and through a fragmented governance system.

The Arctic has a fragile ecosystem due to the vulnerability of the species that have adapted to withstand its severe climate. Additionally, it is already exposed to pollution from the rest of the world. In fact, black carbon and other industrial pollutants (including mercury) are already being deposited in the north due to ocean currents. Increased industrial activity would further strain the ecosystem and affect the way of life of native peoples, who heavily depend on Arctic flora and fauna.

Many questions are still open in terms of environmental governance and related regulatory policies. An often-overlooked problem is the huge knowledge gap in terms of the ecological 'boundaries' of the Arctic, as Nikolaj Bock from the European Environment Agency (EEA) points out. Without thorough knowledge of an ecosystem's resilience it is very difficult to identify how much economic activity it can bear. In order to deal with the many imminent challenges, the Arctic needs a

sound regulatory framework that strikes the right balance between the preservation of its environment and its sustainable socio-economic development.

The EU: tipping the balance

The EU emerged as an Arctic actor only recently and it has not yet fully developed its capacity in the Wider North. Even though it has limited formal authority on Arctic matters, it should not shy away from further engagement in the region. In fact, there are a number of areas in which the EU could make a significant contribution to shaping the Arctic space and ensuring sustainable development.

The 2012 Commission/EEAS Joint Communication on the Arctic lays out the EU's fundamental interests as a stakeholder in the Wider North. The strategy focuses on three key aspects: knowledge, responsibility and engagement. Knowledge refers to the strong commitment the EU has to support scientific research in the Arctic; responsibility revolves around issues concerning the sustainable usage of natural resources; and engagement aims at enhancing multilateral dialogue in the Arctic. All of these efforts need to continue but, beyond that, the EU could think of strengthening its role by sharing its expertise on regulatory issues.

In fact, the EU is ahead of most Arctic countries in setting regulatory standards that meet both environmental and socio-economic criteria. This is particularly the case for fishing, where the EU has extensive experience in regulating at supra-national level, but also for many other areas, such as climate change, the safety of maritime transport and offshore drilling, as well as environmental protection at large. In this respect, it would be a welcome partner at the Arctic Council's table. The EU's generous contribution to Arctic research - approximately €200 million over the last 10 years - is much appreciated as well.

Ultimately, sustainable development in the Arctic will not come about as a result of grand narratives about geopolitics, but through meticulous work on regulatory issues. The EU has all the cards to be successful at this game.

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