



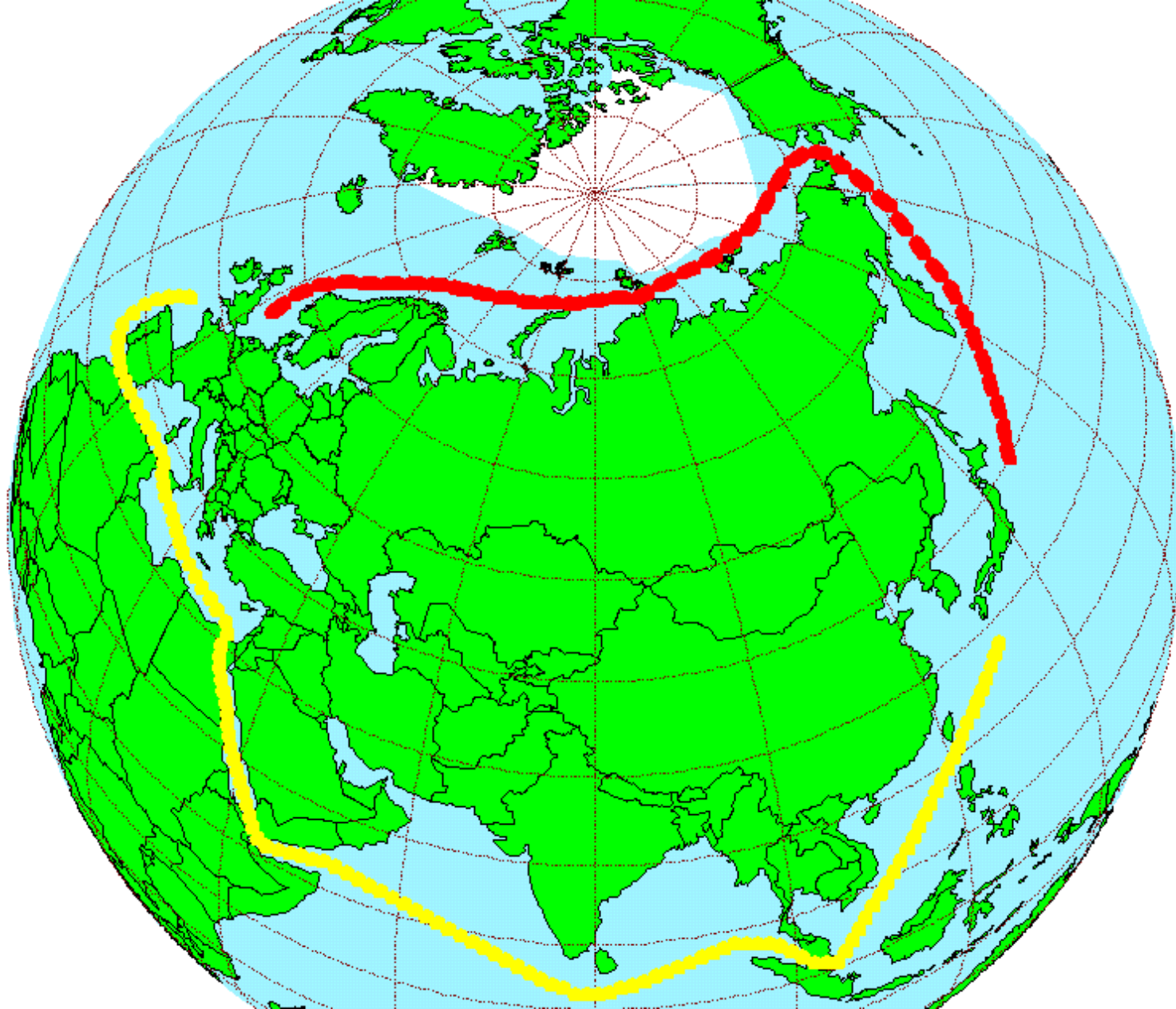
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Shipping along the North- East passage: Recent trends, potential and challenges

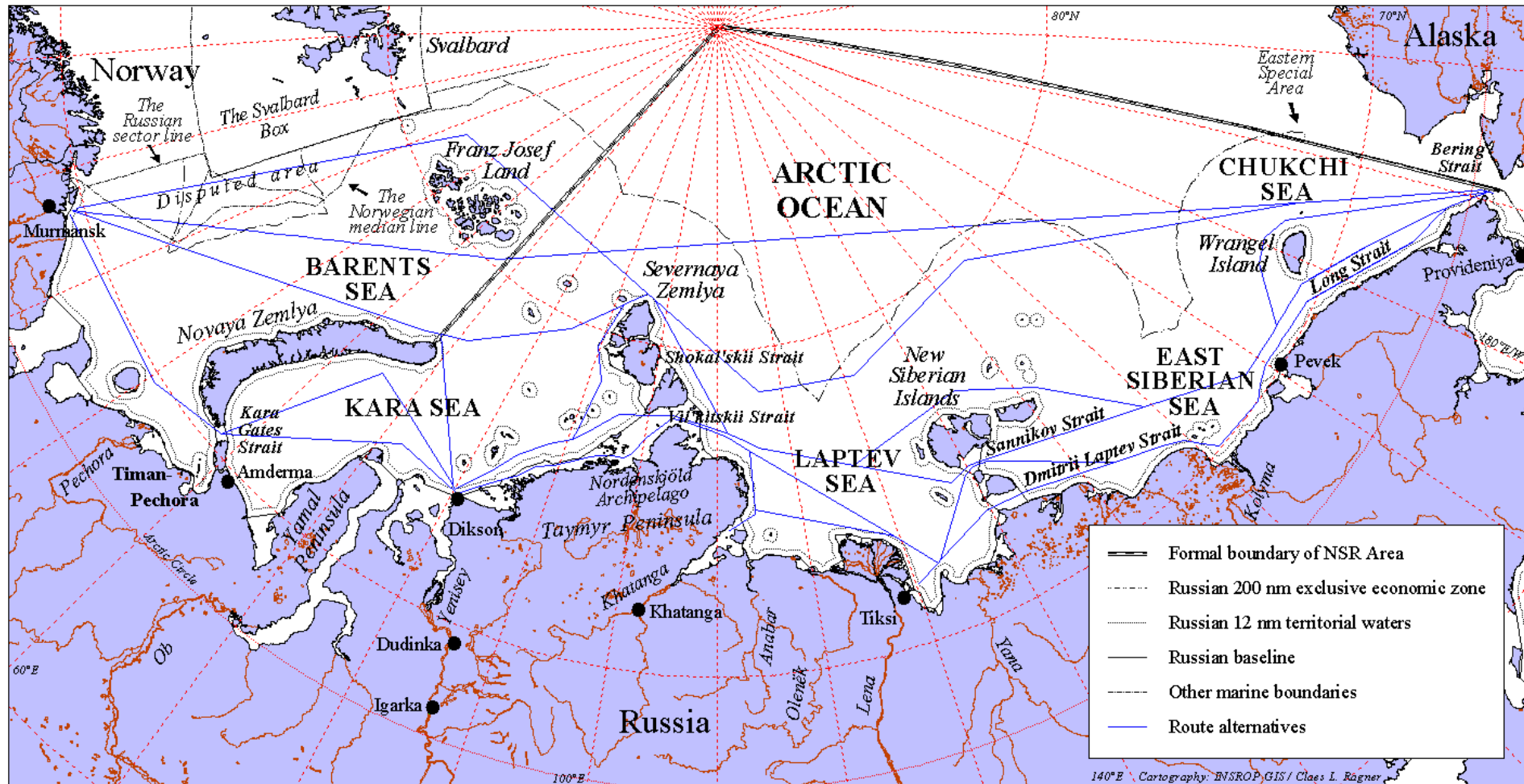
Arild Moe

Conference on Energy Security and Geopolitics in the Arctic:
Challenges and Opportunities in the 21st Century.

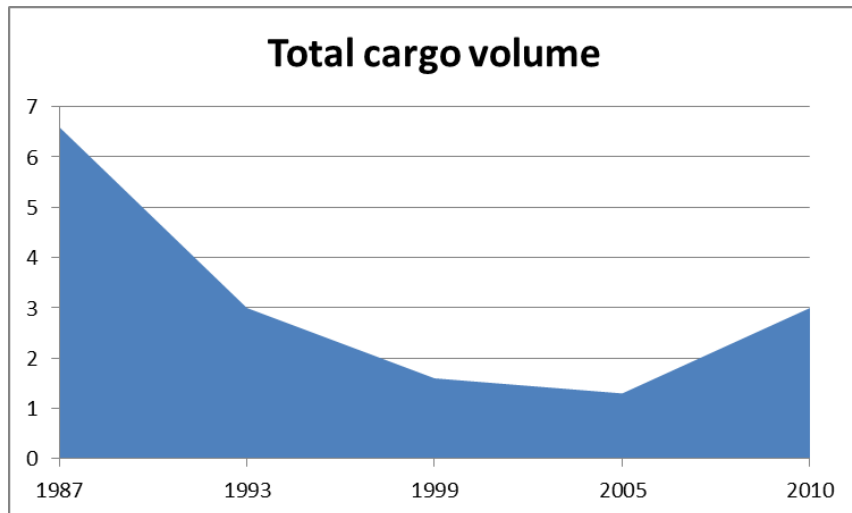
Energy Studies Institute, Singapore, 9-10 January 2012



The Northern Sea Route



Traffic developments



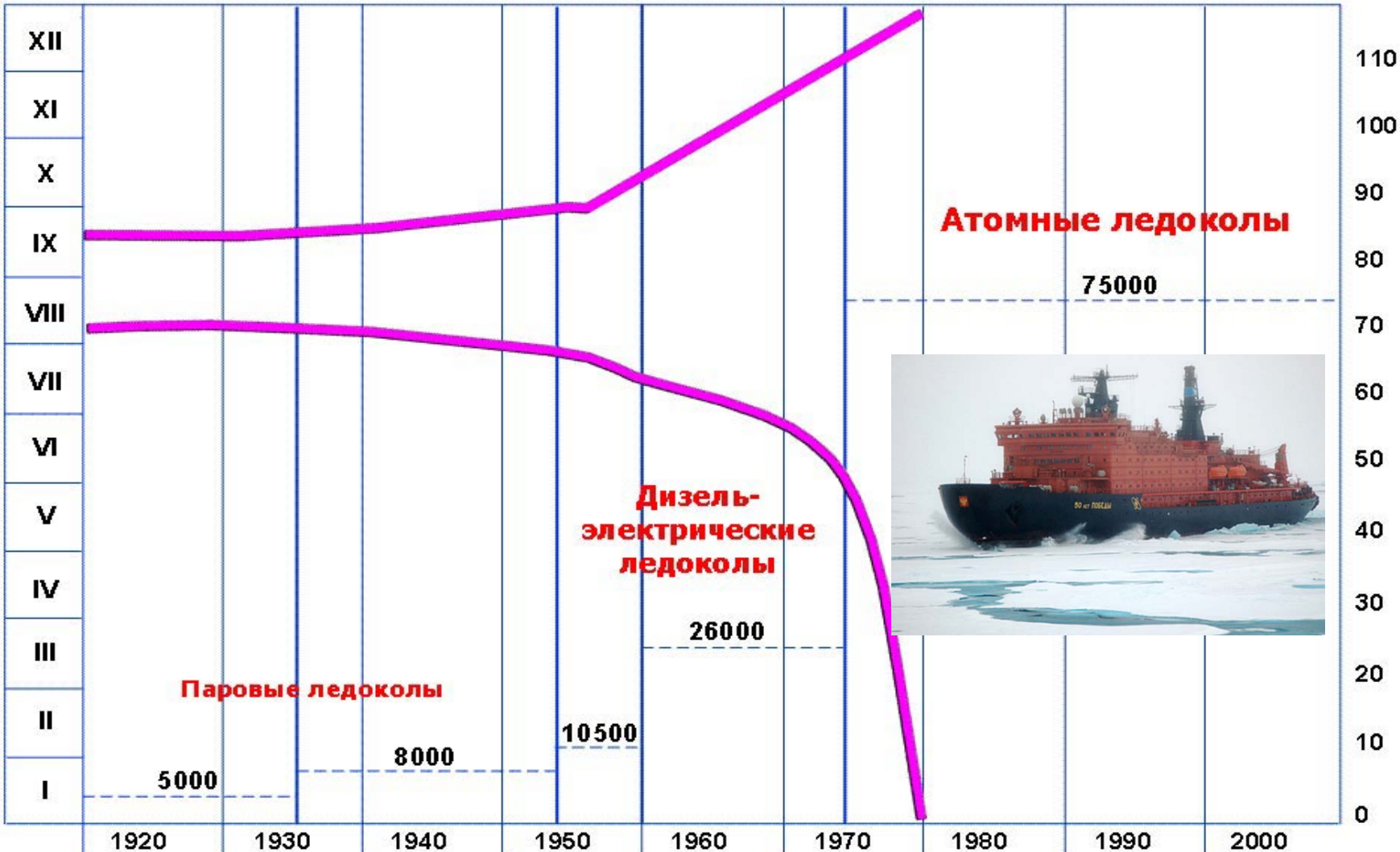
- Fall in traffic since mid 1980s
- Most cargoes are not transit
- 25 of 50 ports no longer operational
- 200 communities - especially in the East - closed.



Nuclear icebreakers – a prerequisite for extended navigation

Увеличение продолжительности навигации в западном районе Российской Арктики за период 1920-2006 в зависимости от роста мощности обеспечивающих ледоколов.

Н л.с.

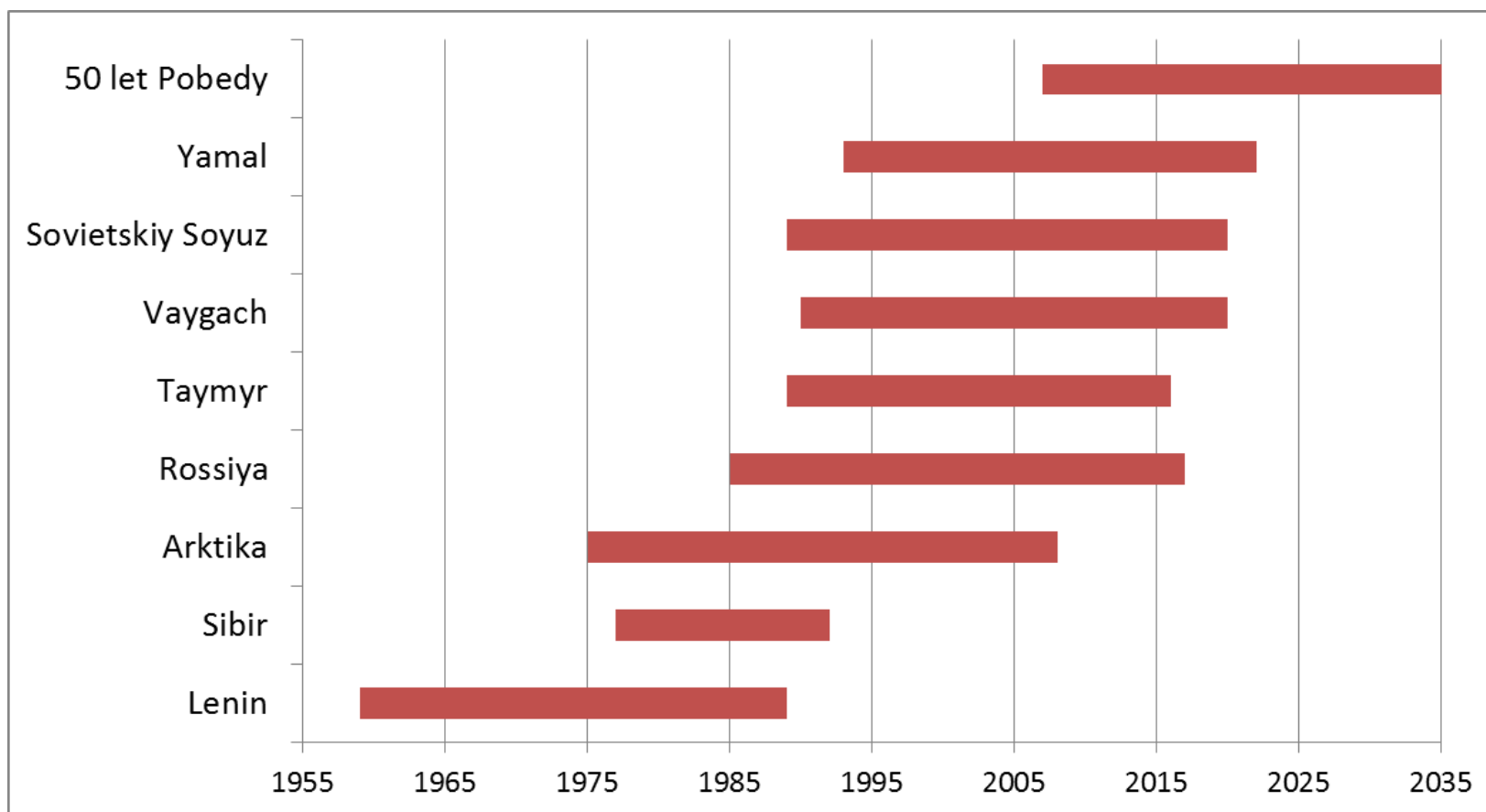


Problem status

- No modernization of ports since 1990
 - Need for upgrading, excavation of deeper ports
 - Low quality or lacking facilities for waste disposal and collection of oil spills.
- Navigational systems and hydrographic support in critical condition
- Limited rescue capacity
- New ship designs promising, but still need for icebreakers
- Nuclear icebreaker fleet soon phased out....



Can an 'icebreaker pause' be avoided?

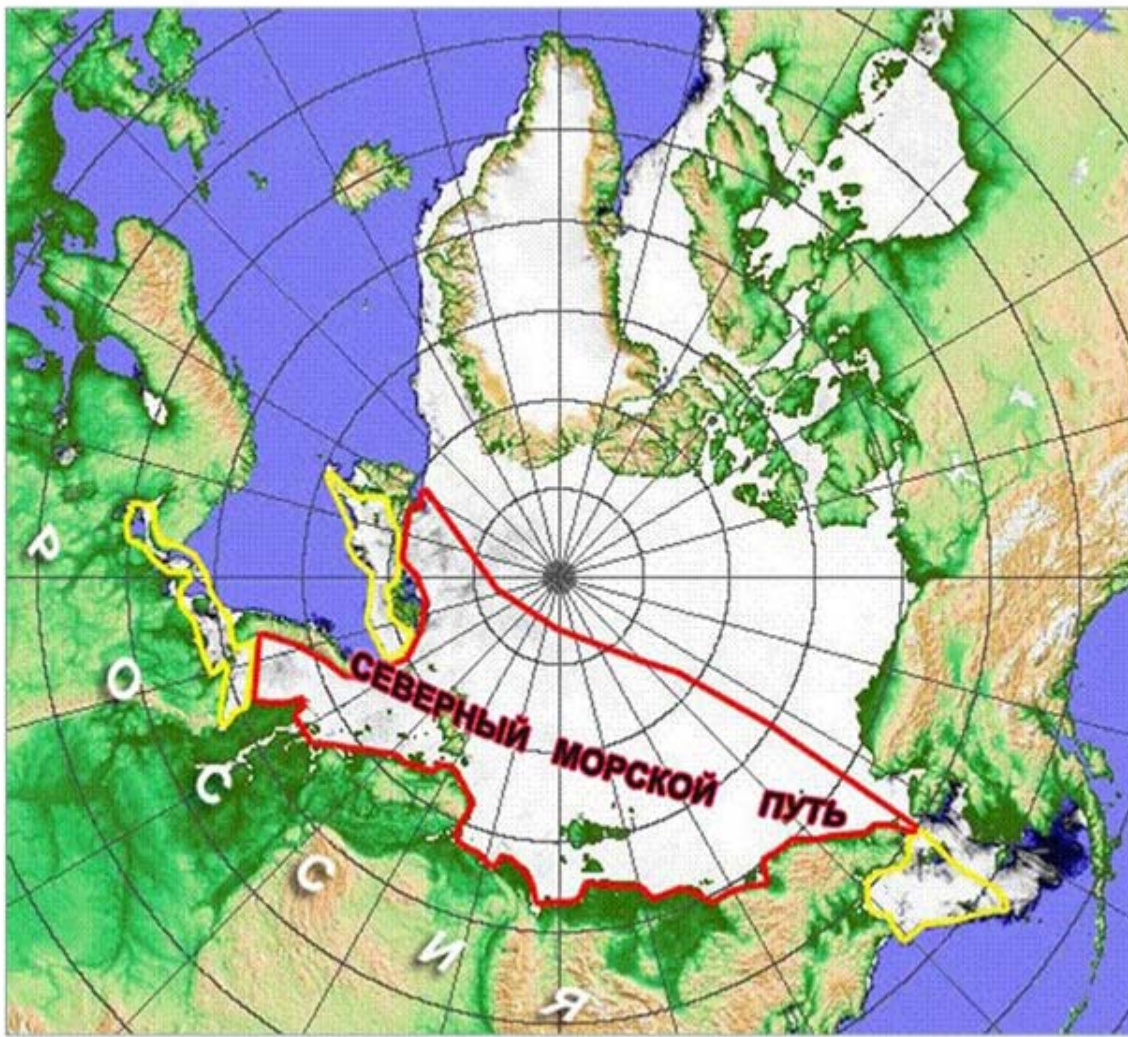


Diesel icebreakers also soon decommissioned

The changing ice situation

- Less and thinner ice, periodically no ice
 - September 2010 ice free
- Longer navigation season than before
- Route can be moved further north – avoiding shallowest straits with their size limitations
- More ice-strengthened vessels available
- More commercial interest in NSR?





Reach of diesel icebreakers

Reach of nuclear icebreakers

October - June

Source: Rosatomflot

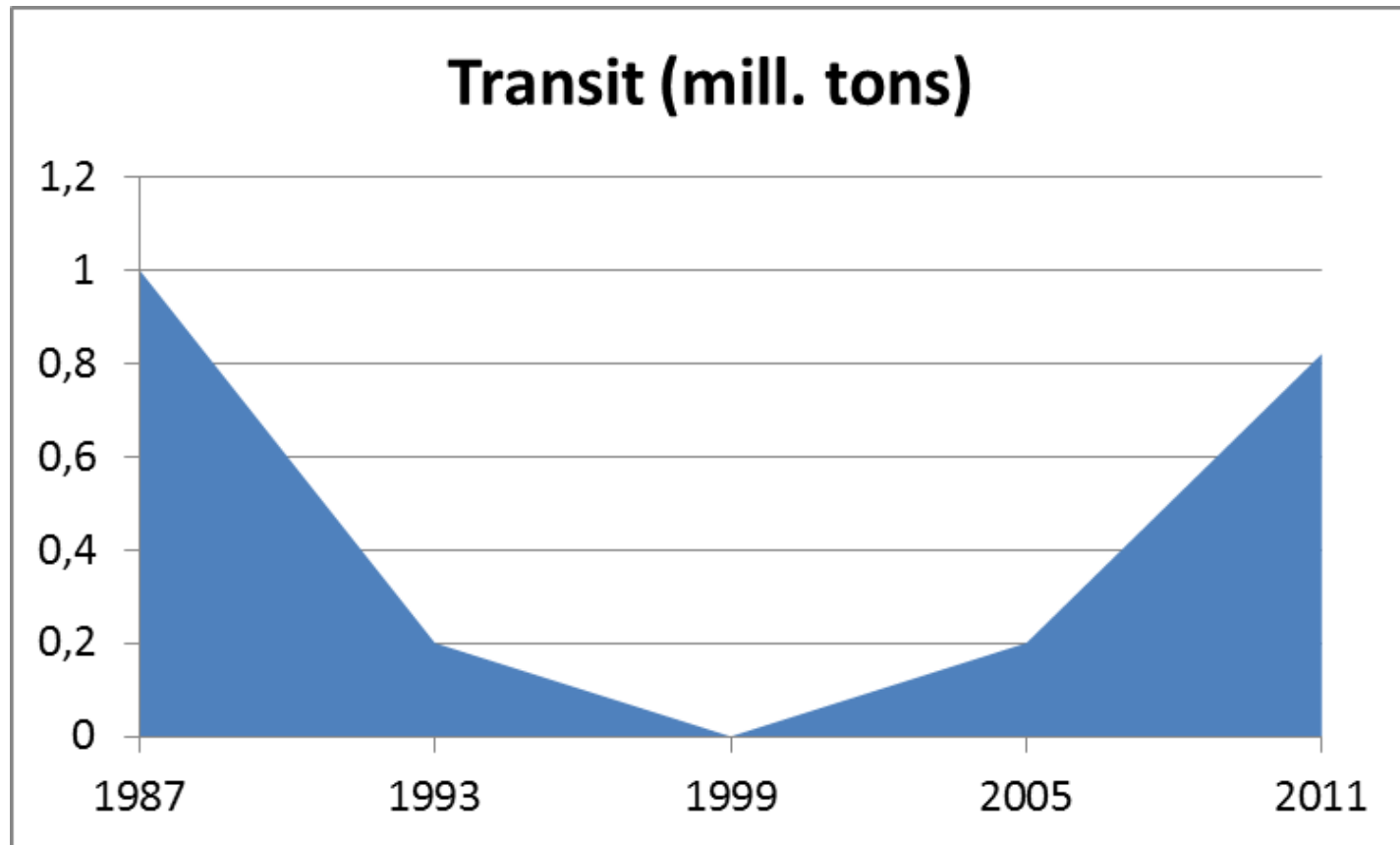
The new wave of transit shipping

- Beluga Shipping – transit summer 2009:
 - Heavy lift cargoes Korea-Yamal
- Sovkomflot September 2010:
 - 100,000 ton voyage with gas condensate from White Sea to South-East Asia
- Tschudi Shipping 2010
 - Bulk carrier with iron ore from Kirkenes to China
- Not time sensitive cargoes
- Extensive icebreaker support





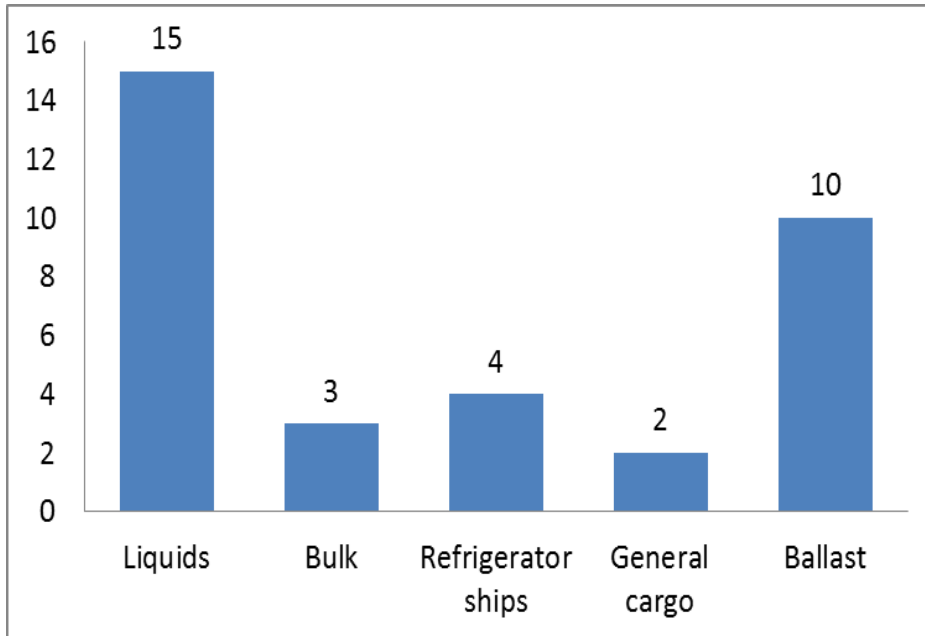
Big relative increase....



.... but still small volumes



2011: A breakthrough?



Number of ships/cargos

- Longer sailing season:
 - 29 June – 28 Nov.
- More transits: 34
- Larger vessels –
 - 162,000 dwt – supertanker
 - 75,600 dwt bulk carrier





VLADIMIR TIKHONOV

NSR – Russian goals and means

- 2011–2015: «Build and develop infrastructure for the Northern Sea Route making transit between Europe and Asia possible»
- 2016: 1 new nuclear “Vitus Barents”, 3 new diesel icebreakers
 - Status?
- Go ahead for 2 additional nuclear and 3 diesel icebreakers
 - Uncertainties: Financing, yards, time-frame



Reach of diesel icebreakers

Reach of nuclear icebreakers

July-September

Source: Rosatomflot

Political motivation for Russian financing of NSR

- NSR as a continuous national transport infrastructure that should be maintained and developed
- Important element in jurisdictional claims in the North
- Fear of losing control over NSR
 - Interpretation of UNCLOS Art. 234
 - International passage or Russian control



- Large discrepancy between Russian state ambitions and willingness to provide state funding
 - NSR is only one instance of neglected infrastructure
- New law
 - Possibility of extending NSR region, increasing income base of Atomflot
 - Still icebreaker monopoly
 - Centralised NSR administration



Internal disagreement

- Western part of NSR: Bulk of shipping activities
 - Struggle between Atomflot and main cargo owner, Norilsk Nickel
- Increased shipment of hydrocarbons expected, Yamal peninsula, Pechora Sea
 - but are nuclear icebreakers required?
- Shipowners want to pay only for the services they use



Key issue: Tariffs

- Ice breaker fee – traditional approach
 - Cover (operating) costs of icebreaker fleet and infrastructure
 - Prohibitive fees => reduced shipping => reduced income
- New approach: Competitive pricing
 - Still important source of income for icebreaker fleet
 - Atomflot still maximises the requirement for nuclear icebreaker services
 - Compulsory fee



Challenges for international shipping

- Are the new tariff terms sustainable?
 - Cost of alternative routes - Suez
- Are conditions predictable?
 - Is infrastructure able to handle more traffic?
 - Will sufficient icebreaker capacity be available
- Will fees be reduced if icebreaker support only through straits is sufficient?
- Will Russia insist on keeping year round transit capacity (and have users pay for it even if they don't use it)?

Thank you for your attention!

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