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

The European Union: An Emerging Actor in the Arctic

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The EU in the Arctic: Historical Context

- The EU “march into the Arctic” started in 1973 when Denmark joined the EEC. Greenland left the EEC but remained subject to the EC treaties. Greenland’s EU membership is an interesting option for Brussels.
- Barents Euro-Arctic Council (BEAC) was co-founded by the EC in 1993.
- Finland and Sweden, full members of the Arctic Council, joined the EU in 1995. This enlargement brought a real “northern dimension” to the European Politics. For instance, the Northern Dimension policy, drafted in 1999, was one of the key priorities of the Finnish EU Presidency in July – December 2006.
- The Ottawa Declaration (1996) formally established the Arctic Council, the EU is seeking permanent observer status in this organization.
- The EEA Agreement, enabled 1 January 2004, transposed EU Internal Market legislation, with the exception of regulations on agriculture and fisheries, into the legislation of non-EU EEA members. Iceland and Norway became economically and regulatory associated with the EU.
The EU interests in the Arctic

• The EU policy in is influenced both by the Member States (Denmark, Germany, Finland, Sweden, etc) and EU bureaucracy. It is focused on four major areas:

• An attempt to use Europe’s “soft power” to expand to the High North and enter formal Arctic governance frameworks, such as the Arctic Council.

• Protection of fragile Arctic environment and sustainable use of natural resources.

• Reduction of the negative effect of the global warming (the global impact of the rise in the sea levels, loss of biodiversity, migration of species, etc.) in the Arctic on the European and global environmental stability.

• Protection of key economic interests of the Member States and the EU, as a trade block (access to new sea routes/freedom of navigation, energy, mineral and bio-resources)
The Arctic: New Energy Province for Europe?

- According to the USGS, the Arctic holds 25% of untapped hydrocarbon reserves including 12.3 billion tons of oil, 47.3 tcm of gas and 6 billion tons of gas liquids (84% of reserves is expected to occur in offshore areas).

- Oil is equally distributed, natural gas is concentrated in Yamal, Barents and Alaska onshore/offshore. Gas liquids are located in the Western Siberian Basin, Arctic Alaska, East Barents Basin, East Greenland Rift Basins.

- Russia and Norway accounted for respectively 23% and 20% of gas supplies to the EU – 27 in 2009 (Eurogas). More than 80% of Russian gas is produced in the High North, similar case in Norway.

- Europe’s dependence on Arctic energy is expected to increase. EU would have to import between 344 and 477 bcm / year, including 88 bcm from Norway (Eurogas).

- Liberalization of the EU gas markets risks to complicate Europe’s relation with its Arctic suppliers, particularly with Russia.

- Is Arctic oil & gas is competitive during the “gas glut” and in a volatile price environment?
Rare earth and Precious Metals: A Driver for the EU Industry

- The global demand of the rare earth metals to rise to **180,000 tons** by 2012 and exceed **200,000 tons** in 2014.
- **Platinum** and **Palladium** represent a strategic interest for Europe’s automobile and high-tech industries used in vehicle emissions control devises and electronics.
- Greenland’s **Kvanefjeld** multi-element mine is alone estimated to hold **between 1.07 and 1.22 million tons** of rare earth metals reserves.
- **GMK Norilsk Nickel**, operating in the Russian Arctic, produces **38 %** of world’s production in **palladium** and, respectively **22 %** and **9 %** of the global nickel and **platinum** output.
- In the future, the EU rare earth/platinum metals imports from the Arctic are likely to increase.
The future of EU fisheries is in the High North

• Up to 25 % of the global catch of whitefish is done in the Arctic. The region is also abundant in invertebrates, widely used in pharmaceutical industry. For example, in 2009 fish from Norway and Iceland covered respectively 20 % and 6 % of EU fish imports.

• The climate change could provide the new opportunities for fishing outside the EEZs of non-EU Arctic states. UNCLOS enables the fishing fleets from the third countries to operate in the Arctic.

• Most of the Arctic is not covered by existing international fisheries rules and the absence of fishing regulations in the northern part of the Arctic high seas waters is a matter of concern for Brussels as this might “lead to unregulated fisheries.”

• Apart of the environmental sustainability aspect, the EU is unofficially concerned about eventual attempts to introduce new fisheries regime in the seas not covered by the current regulations and thus deny the access to the fish stock.
NWP and NSR

A New (Artic) Maritime Highway Is Crucial For EU – Asia Trade

- Around 90% of external and 43% of domestic EU trade is transported by sea. EU shipping companies control 1/3 of the world's fleet. German interests alone control 30% of global container capacity.
- The cargo flows between Europe and Asia is on rapid increase. Only in July 2011, the Suez Canal traffic reached 78.83 million tons with container ships traffic accounting for 46.457 million tons. The NSR and NWP could resolve congestion issue and offer new opportunities for the medium-scale intermodal container navigation.
- “Sevmorput” (NSR) cuts the distance between Rotterdam and Yokohama by 35% from 13,000 to 8,500 miles (Novatek saves 10 – 15% of costs using NSR). In 2011, the NSR was open for navigation between June and October.
- Canada’s NWP cuts the distance between London and Tokyo by 3800 nautical miles. The NWP is not widely used as this passage lacks necessary ground infrastructure and available icebreakers capacity.
- EU (among other nations) challenges Canada’s sovereignty over the NWP.
The EU Arctic Policy: Major Institutional Actors

- The **European Parliament (EP)** is a laboratory for new policy concepts which, for a number of political reasons, cannot be directly launched by the executive bodies of the European Union.
- Major **political groups** in the European Parliament launch Arctic-related initiatives and **NGOs**.
- The EP policy proposals are being developed by the **European Commission (EC)**
- The **European Council** adopts Commission’s documents and communications to the current foreign policy situation.
- **EU member states**, such as Denmark, Finland, Germany and Sweden, with the key economic and political interests in the High North.
The EU Arctic Policy: Key Policy Documents

- On 10 October 2007 the European Commission issued its **EU Integrated Maritime Strategy** with the reference to the Arctic.
- On 14 March 2008 EU High Representative and the European Commission issued a **paper on Climate Change and International Security**.
- On 9 October 2008, the European Parliament (EP) adopted a **resolution on the Arctic governance**, which was seen as a first coherent attempt to start a debate on the Europe’s role in the Arctic governance.
- On 20 November 2008, the European Commission released “**Communication on the European Union and the Arctic Region**”.
- **On 8 December 2009, the EU Council adopted its own conclusions.** The Council document made one further step in supporting Europe’s interests in the High North by “recognizing Member States’ legitimate interests and rights in the Arctic.” Focus on: freedom of navigation in the High North, environmental protection, sustainable use of natural resources and participation in the Arctic governance.
- **EP Resolution on a sustainable EU policy for the High North,** adopted on 20 January 2011. Particular focus on the **common heritage of the humankind** aspect of the Arctic. “Iceland's accession to the EU would further consolidate the EU's presence in the Arctic Council.”
The EU and the Arctic Governance

- The **UNCLOS** is universally recognized as the most important source of law, but it *de facto* applies only to A5.
- **A5 states** intend to extend their continental shelf. That might leave the ‘outsiders’ only fishing and (ice and environmental regulation permitting) navigation.
- The **Arctic Council** is a major non-binding governance framework (with a notable exception of S & R initiative).. The EU is admitted only as an *ad hoc* observer.
- The **Barents Euro-Arctic Council** has EU as a full member but its scope of action is limited both geographically and functionally. Same goes for the Conference of Arctic Parliamentarians.
- **EU informal policy instruments** are based on environmental protection, sustainable development and protection of indigenous populations rhetoric. It also promotes freedom of navigation, export of regulations and standards and promises of investment and technology sharing.
CONCLUSIONS

• Europe’s interest in the High North is conditioned by **growing economic and environmental importance** of the Arctic region.

• **New resource and transport opportunities** in the Arctic are also crucial for the EU.

• **The European Parliament will likely serve as a policy ‘incubator’**. New policy mechanisms would be jointly developed and implemented by the European Council, European Commission and interested EU Member states.

• **The EU will use both formal and informal tools to make it voice heard in the Arctic.** The potential tensions, in this case, would lay in a purely institutional domain: the A5 would try to limit the accession of the EU, as well as other non-Arctic countries, to the regional governance mechanisms.

• **The role of the EU as an “agenda-setter” in the Arctic will remain limited in the near future unless Greenland bids for the EU Membership.**