DGAPkompakt

Nr. 12 / November 2015

Multilateralism in the Far North: The Ukraine Crisis Threatens to Introduce a Security Dimension into Arctic Diplomacy

Jonas Kassow

In April 2015, chairmanship of the Arctic Council passed from Canada to the United States. Up until then, the Americans had played only a minor role in the Arctic. Now the Ukraine crisis threatens to undermine previously well-functioning international cooperation with Russia on Arctic matters. At the same time, given both the significant environmental challenges and the growing economic significance of the far north, multilateral cooperation in the region is more significant than ever. It is essential to ensure that diplomatic solutions remain viable.

Consequences of the Ukraine Crisis

If the Arctic served as a deployment zone for both East and West during the Cold War, it became nearly irrelevant in terms of security policy after 1991.[1] Indeed, cooperation in the Arctic since the end of the Cold War was marked by a high measure of multilateralism, a cooperative stance that became institutionalized with the creation of the Arctic Council – a diplomatic forum made up of Canada, Denmark, Finland, Iceland, Norway, Russia, Sweden and the United States, as well as observer nations and organizations created in 1996 to address issues that arose from the increased activity in the region. Until the start of the Ukraine crisis, it appeared that conflicts outside the Arctic Circle upset neither diplomatic exchange on Arctic topics nor cooperation between the Arctic countries.

Since the eruption of that crisis in 2014, however, Russian representatives have no longer been invited to meetings of the Arctic Security Forces Roundtable.[2] Joint military exercises such as Northern Eagle – an operation involving US, Russian, and Norwegian forces – have been cancelled. Cooperation in military affairs has been disrupted almost entirely.[3] On the diplomatic level, cooperation still continues for the time being. This was not entirely foreseeable, especially after Canada's 2014 decision (as Arctic Council chair) to boycott an Arctic Council taskforce meeting held in Moscow last April to protest Russia's annexation of Crimea.

With the US now chairing the Council, what can we expect in the future? A brief overview of previous US Arctic policy may provide some initial impressions.

The US: An Arctic Nation?

During the Cold War, the Arctic's primary importance for the US was in its role as an early warning system against Soviet attack. In the 1950s, the country built a chain of radar stations for this purpose: the Distant Early Warning Line, replaced in the 1980s by the North Warning System. Beyond the military sector, the Arctic primarily interested the state of Alaska, whose territory includes Arctic regions. The region was thus long a topic of exclusively regional policy in the US.[4] Only the legal dispute with Canada over the Northwest Passage – namely the question of whether it is an international shipping route or an inland Canadian waterway – aroused Washington's worry.[5] The US concern was that if Canada prevailed, it could set a dangerous precedent, limiting the navigation-

al freedom of the US Navy in other regions of the world.[6] In sum, the Americans had never really considered themselves an Arctic nation.

That viewpoint is now slowly changing. At the Glacier Conference held August 30–31, 2015, in Anchorage, Alaska, President Barack Obama and Secretary of State John Kerry started a campaign not only to promote higher climate standards but also to improve visibility of Arctic issues in the US generally. Obama has sought to move political matters in the Arctic forward for some time. In May 2013, the White House published a National Arctic Strategy, soon followed by additional strategies from both the defense department and the US Coast Guard. Each of these strategy papers not only raised traditional concerns over questions of security policy but also focused on the Arctic's growing economic attractiveness. At the same time, they addressed threats arising from industrial activity throughout the region and concluded by stressing the necessity of multilateral cooperation, especially within the Arctic Council. In January 2014, the White House tightened its previous strategy with an additional implementation plan. This demanded both preventative measures against an Arctic oil catastrophe as well as the promotion of US interests via the Arctic Council.[7]

The US presidency of the Council will focus on improving living standards for Arctic populations as well as on questions of climate policy. In addition, the US will grapple with the question how security in Arctic waters can be maintained despite increasing ship traffic.

Catastrophe Preparedness via Infrastructure Development

With no majority in the Arctic Council to ban offshore oil drilling or other potentially environmentally catastrophic resource exploitation in the Arctic, more must be invested in the infrastructure necessary to minimize the impact of a potential environmental disaster. Did the US learn anything from the 2010 Deepwater Horizon accident in the Gulf of Mexico? Possibly not enough. While the US created a number of new commissions and departments in regional and national control agencies that have improved coordination and more generally created higher standards for offshore operations, it is doubtful that these measures would ensure the smooth delivery of rescue operations in the case of an oil spill in the Arctic.

The US currently owns just two operational icebreakers; were a shipping accident or oil spill to take place, these capacities would be clearly insufficient to rescue those stranded, transport equipment, and keep transportation lanes ice-free. Deepwater Horizon was a disaster that unfolded at the heart of the US oil industry in the Gulf of Mexico, yet it still took weeks for the crisis to be brought under control. The pressure on the US government to invest in more US Coast Guard capabilities has eased somewhat now that Royal Dutch Shell has decided to stop its exploratory drilling activities in the Chukchi Sea between Alaska's northwest coast and Russia's northeast coast – a remote area where Shell was drilling for oil in the summer of 2015. Nevertheless if something had happened at the drilling site which required the support of the US Coast Guard, those two icebreakers would have taken seven to twelve days to reach the site from their home port.[8] Hope currently rests on an agreement forged in 2013 at the Arctic Council Summit in Kiruna, Sweden, assuring international cooperation in the event of an oil spill.

Arctic Resource Potential

As polar ice caps melt and permafrost thaws, underlying resources in the Arctic are becoming increasingly accessible. This situation has awakened great interest in potential new extraction areas on the part of leading gas and oil companies.[9] Most prognoses for Arctic natural resources are based on a 2008 study by the US Geological Survey, which claimed that 13 percent of the world's *undiscovered* oil reserves and 30 percent of its *undiscovered* gas reserves could be hidden there. Of these estimated reserves, approximately 22 percent are on US soil.[10] More than half (52 percent, mostly gas) are estimated to be in Russia, 12 percent in Norway, 11 percent in Greenland, and 5 percent in Canadian territories.[11] Media reports often fail to consider, however, that only a portion of these resources are commercially extractable. Furthermore, it is unclear whether the natural resources are pooled in connected areas or instead located in isolated pockets. It is, however, incontestable that four of the "Arctic Five" countries (Canada, Denmark, Norway, and Russia) have registered official territorial claims.[12] Canada is currently preparing an additional, expanded, official petition for the Commission on the Limits of the Continental Shelf, which will also include the North Pole. We have yet to see any serious sign that conflicting claims may be resolved by any means beyond international law. In 2010, for example, Norway and Russia came to agreement on contested borders in the Barents Sea.[13]

Considering that much of the estimated reserves are located under the ocean floor, extraction is possible only through the use of offshore technologies. The construction of drilling platforms in Arctic waters is difficult, expensive, and requires exceptional safety measures. As

prices for oil and gas have sunk dramatically, in part due to the success of fracking in the US, the return on investment in Arctic offshore drilling has dwindled. Various (Western) firms have therefore altered their plans to attempt exploratory drilling or even execute planned projects.[14] Further, the extreme conditions in Arctic waters limit the number of actors with the necessary technical know-how.[15]

As before, the majority of investments in offshore projects will take place in Russian and Norwegian territory. As a result of the sanctions levied on Russia in response to the Ukraine crisis, it has, however, become difficult or impossible for Western companies to supply their technical skills for such projects.[16] In October 2014, ExxonMobil had to remove itself from a joint venture with Rosneft in Siberia's Kara Sea.[17] We can expect that similar projects at other companies will stagnate or otherwise be postponed indefinitely.

Not only projects in Russia's Arctic face setbacks and problems, however. Shell was hoping to find oil and gas during its exploratory drilling off the coast of Alaska in the Arctic summer months of 2015. Initially the company had started its activities in the Chukchi sea with a record bid in 2008 (2.1 billion dollars) on federal lease sales but was only able to start drilling in 2012. A moratorium on drilling after the Deepwater Horizon catastrophe, new and stricter regulations, bad weather, and problems with its rig drilling fleet had hindered Shell from drilling again before the summer of 2015.[18] Yet while some analysts argued success could be the initial spark for the American offshore market in the Arctic, the outcome of the exploratory activities has most likely put a stop to major investments in US Arctic waters. Shell announced that it did not find commercially relevant levels of oil and gas in the area and that it would therefore cease further activities for the foreseeable future. Nevertheless, it seems reasonable to assume that stricter governmental obligations as well as plummeting oil and gas prices on the world market are strongly correlated with the commercial unattractiveness of the endeavor. According to news reports Shell has spent roughly 7 billion dollars on its drilling activities in the Arctic.[19] So we see that the extensive exploitation of Arctic natural resources is dependent upon developments in international market rates for oil and gas. Should current trends hold, we cannot expect drastic movements toward Arctic (offshore) exploitation in the near future.

Matters are quite different with shipping traffic. While experts may disagree about the profit potential of the Northeastern Passage, a number of factors point toward increased Arctic shipping traffic.[20]Roughly four million Artic residents and an increasing number of workers require basic goods and supplies. Even tourism in the region is booming, largely fed by cruiseship travel. With the increase in resource exploitation and shipping traffic in general, it is now necessary for Arctic states to invest fundamentally in capacity building in both their ability to react to an oil spill as well as in sea rescue services.

Russia's Relevance

"We've never played in the same league as Russia," answered a US Coast Guard commander recently to a question about the possibility of a new Cold War and the US's Arctic capabilities.[21] These have long been limited. In 2010, the US Coast Guard reported that they would require at least three large and three medium-sized icebreakers in order to cover the bare minimum of its duties in the Arctic and Antarctic.[22] Russia in comparison is the strongest actor in the Arctic. The country already owns 19 icebreakers and is currently building 14 more.[23] An additional 21 icebreakers are owned by companies like Gazprom Neft and Lukoil.[24]

The modernization of Russian military infrastructure across its Arctic regions will only underline the advantageous position the country maintains. Isolating Russia is neither in the interest of the other Arctic states nor does it make sense from the perspective of the Arctic Council's observer states. Were there to be a large (nautical) accident, countries would be reliant upon Russian capacities in the far north. Further, the impact of a shipping accident or an offshore oil leak would be felt internationally. Minimum standards must therefore be agreed upon multilaterally.

A Looming Security Dilemna?

The Russian naval doctrine, updated July 26, 2015, anticipates upgrades to the Russian naval fleet. It clearly declares the Arctic and the Atlantic as areas of strategic significance. The Arctic will safeguard Russian access to the world's oceans as well as deliver additional resources. The Russians see their naval strategy as a reaction to recent measures undertaken by NATO. In the face of the Ukraine crisis, the other Arctic states have interpreted Russia's modernization of its Arctic fleet and military bases, as well as the growing number of Russian Arctic military maneuvers, as either a provocation or a threat. Perceptions of and trust in the behaviors of other actors are fundamentally important in such security crises. Here it seems that the danger of an arms race in the Arctic is indeed growing.

The first signs of this are already visible. Norway, for example, announced in May 2015 that it would invest nearly 500 million dollars in military modernization; Sweden, in an attempt to tighten military cooperation with the US, will invest nearly 700 million in its navy; even Finland appears to want closer cooperation with NATO.[25]

Yet the militarization of the Arctic is neither in the interest of the Arctic states nor in the interest of the international community. Insights from delegates who have been present at the most recent Arctic Council meetings suggest that tensions have thus far not hindered the Council's work. Rather, all states and their delegates have emphasized the will to uphold the good level of cooperation in the Arctic. For this reason, the US must not use its chairmanship to exclude Russia from the Arctic Council. Instead, the US should initiate projects that at the very least maintain basic levels of cooperation. The Council's success is for the most part a product of its largely technocratic work – and it will be important to continue building on this. However, as the leading NATO country, the US may find it extraordinarily difficult to remove concerns over geostrategic issues from its Council leadership entirely. Only if it can succeed at this will the consensus-based work of the Council continue to bear fruit. For this to remain possible, the US must avoid either conducting its chairmanship as "first among equals" or making any attempts to turn security policy into an Arctic Council issue.

Diplomatic Starting Points

It is not yet clear whether or not the current increase in military spending in the region will hold. Germany should use its Arctic Council observer status to encourage the continued inclusion of Russia. Given its focus on issues that do not relate to security, the Council would be an excellent outlet for defusing security-based conflicts. During its chairmanship, the US must develop a recipe that makes it possible to cooperate with a cornered Russia. Considering both the growing amount of shipping and the increasing economic importance of the Arctic, there are more than enough tasks that cannot be further postponed: cartography, infrastructure expansion, protection and conservation of indigenous ways of life, and the aforementioned emergency response capabilities. None of these areas are primarily or entirely based on profit-making enterprises; they would serve as possible starting points for interaction and cooperation.

There are grounds for optimism. On July 17, 2015 the "Arctic Five" agreed to a ban on commercial fishing throughout the 2.8 million-square-kilometer area around the North Pole. Despite the weight of the Ukraine crisis, it therefore appears that diplomatic solutions in the Arctic are still possible. We can only hope that the far north will continue to play a special role in international diplomacy, and that the spirit of cooperation will serve as a guide.

Jonas Kassow is a program assistant in the DGAP's US/Transatlantic Relations division. The US/Transatlantic Relations program thanks the Fritz Thyssen Foundation for its financial support.

Notes

1 One common definition of the Arctic includes everything above the Arctic Circle (66° 33′ parallel north). Other definitions are, for example, oriented on the tree line or temperature. During the Cold War, US and Russian Arctic areas were optimal for stationing planes with atomic missiles due to their geographical proximity. In this period, Arctic waters were also home to various submarines – some of them outfitted with nuclear warheads.

2 The Roundtable is comprised of the leading militaries of the eight Arctic states and selected allies. Meetings take place annually. Within the framework of the Roundtable, security questions are addressed and ideas shared. The Roundtable has no authority to make formally binding agreements.

3 Trude Pettersen, "USA Cancels Joint Exercises with Russia," *Barents Observer,* March 5, 2014 <http://barentsobserver.com/en/security/2014/03/usa-cancels-joint-exercises-russia-05-03> (accessed November 5, 2015); Ekatarina Klimenko, "Russia and the Arctic: An End to Cooperation?," SIPRI Essay, Stockholm International Peace Research Institute (March 2015) <http://www.sipri.org/media/newsletter/essay/mar-15-russia-and-the-arctic> (accessed November 5, 2015).

4 Bob Reis, "In the Race to Control the Arctic, the US Lags Behind," *Newsweek,* July 6, 2015 <http://www.newsweek.com/2015/07/17/cold-cold-war-349973.html> (accessed November 5, 2015).

5 The Northwest Passage – the sea route that runs along the Coast of Canada and Alaska and also passes through Canada's Arctic Archipelago – is shown on some maps as part of Canada's internal waters, while the US and other countries argue it is an international strait. Martin Pratt, "The Arctic Ocean Belongs to Whom," *Le Cercle Polaire,* Paris 2008.

6 See Andrea Charron, "The Northwest Passage in Context," *Canadian Military Journal* 4, 2005, pp. 41–48.

7 For a summary of these strategies and provisions, see Charles Ebinger, John P. Banks, and Alisa Schackmann, "Offshore Oil and Gas Governance in the Arctic: A Leadership Role for the US," in *The Energy Security Initiative,* Brookings Institution, Policy Brief 14–01, March 2014, pp. 1–59 <http://www.brookings.edu/~/media/Research/Files/Reports/2014/03/offshore-oil-gas-governance-arctic/Offshore-Oiland-Gas-Governance-web.pdf?la=en> (accessed November 5, 2015).

8 The US Coast Guard Arctic Fleet's home port is located in Seattle, Washington.

9 Depending on the calculation method or data used, Arctic waters could be largely ice-free in the summer months from 2020 at the earliest, while the most conservative estimates state no earlier than 2060. Investors are hoping to capitalize on oil and gas fields, coal mining, tourism, and fishing. According to a study by Lloyds and Chatham House, the next decade will see investments of over 100 billion dollars in these areas. Charles Emmerson and Glada Lahn, *Arctic Opening: Opportunity and Risk in the High North*, London: Lloyds and Chatham House, April 2012, pp. 18–32 <http://www.chathamhouse.org/sites/files/chathamhouse/public/Research/Energy,%20Environment%20and%20Development/0412arctic.pdf> (accessed November 5, 2015).

10 65 percent of the estimated total oil and 26 percent of the estimated total gas in the Arctic are believed to be on US territory.

11 Kenneth J. Bird et al., *Circum-Arctic Resource Appraisal: Estimates of Undiscovered Oil and Gas North of the Arctic Circle,* Washington, DC: US Department of the Interior, US Geological Survey, 2008, pp. 1–4 <http://pubs.usgs.gov/fs/2008/3049/fs2008-3049.pdf> (accessed July 25, 2015); *Arctic Oil and Gas*, London: Ernst and Young, 2013, pp. 2–11 <http://www.ey.com/Publication/vwLUAssets/Arctic_oil_and_gas/$FILE/Arctic_oil_and_gas.pdf> (November 5, 2015).

12 The US is also part of the so-called Arctic Five, which consists of the five Artic coastal states. The US, however cannot submit any legally binding claims until it ratifies the United Nations Convention on the Law of the Sea (UNCLOS).

13 International Boundaries Research Unit, "Maritime Jurisdiction and Boundaries in the Arctic Region," Durham University, 2015, pp. 1–4 <https://www.dur.ac.uk/resources/ibru/resources/Arctic-map04-08-15.pdf> (accessed November 5, 2015).

14 Atle Staalesen, "Grand Losses in Offshore Arctic Oil," *Barents Observer,* August 26, 2015 <http://barentsobserver.com/en/energy/2015/08/grand-losses-offshore-arcticoil-26-08> (accessed November 5, 2015); Richard Milne, Christopher Adams, Ed Crooks, "Oil Companies Put Arctic Projects into Deep Freeze," *Financial Times,* February 5, 2015 <http://www.ft.com/cms/s/0/ae302d22-ad1b-11e4-a5c1-00144feab-7de.html#slide0> (November 5, 2015).

15 Bird et al., *Circum-Arctic Resource Appraisal,* pp. 1–4; *Arctic Oil and Gas,* pp. 2–11.

16 These sanctions forbid the export of equipment and technologies needed for extraction (below a water depth of 150 meters) and production of deep sea oil, Arctic oil, and shale oil. Jonas Kassow, "Western Sanctions Will Not Create a Chinese-Russian Alliance," The Arctic Institute, 2015 <http://www.thearcticinstitute.org/2015/03/032515-Western-Sanctions-China-Russia.html> (November 5, 2015); Sian Fellows et al., "EU Clarifies Russian Sanctions," *Reed Smith Client Alerts* <http://www.reedsmith.com/EU-clarifies-Russian-sanctions-12-12-2014/?utm_source=Mondaq&utm_medium=syndication&utm_campaign=View-Original> (accessed November 5, 2015).

17 Thomas Nielsen, "Sanctions Have Cost ExxonMobil $1bn," *Barents Observer,* March 3, 2015 <http://barentsobserver.com/en/energy/2015/03/sanctions-have-cost-exxonmobil-1bn-03-03> (accessed November 5, 2015).

18 Eric Lidji, "Explorers 2015: Shell Pressing Ahead in Chukchi After Setbacks," Petroleum News, Nr. 23, June 2015 <http://www.petroleumnews.com/pntruncate/892400427.shtml> (accessed November 5, 2015).

19 Paul Berret, "Why Shell Quit Drilling in the Arctic," *BloombergBusiness,* September 28, 2015, http://www.bloomberg.com/news/articles/2015-09-28/why-shell-quit-drilling-in-the-arctic (accessed November 5, 2015).

20 Lars Ingolf Eide, Magnus Eide, and Oyvind Endresen, "Shipping Across the Arctic Ocean: A Feasible Option in 2030-50 as a Result of Global Warming?" DNV, Research and Innovation, Position Paper 4, 2010, pp. 4–20; Arctic Council, Arctic Marine Shipment Assessment 2009 Report, Protection of the Marine Environment, 2009, pp. 70–134.

21 Reis, "In the Race to Control the Arctic the US Lags Behind," *Newsweek,* July 6, 2015.

22 ABS Consulting, "United States Coast Guard High Latitude Region Mission Analysis Capstone Summary," July 2010, p. 2 <http://assets.fiercemarkets.net/public/sites/govit/hlssummarycapstone.pdf> (accessed November 5, 2015).

23 A. Staalesen, "New Icebreakers Open Way for Russia in Arctic," *Barents Observer,* May 5, 2015 <http://barentsobserver.com/en/arctic/2015/05/new-icebreakersopen-way-russia-arctic-05-05> (accessed November 5, 2015). Ronald O'Rourke, "Coast Guard Polar Icebreaker Modernization: Background and Issues for Congress," CRS Report RL34391, Congressional Research Service (September 25, 2015), p. 10 <https://www.fas.org/sgp/crs/weapons/RL34391.pdf> (accessed November 5, 2015).

24 See three articles by Gerard O'Dwyer: "Norway Adds $500M to Bolster High North," *Defense News,* May 4, 2015 <http://www.defensenews.com/story/defense/policy-budget/budget/2015/04/30/norway-budget-increase-russia-ukraine-baltic-air-defense-nasams- leopard-tank-f35/26661873/> (accessed November 5, 2015); "Rising Tensions Boost Nordic, Baltic Spending," *Defense News,* June 27, 2015 <http://www.defensenews.com/story/defense/policy-budget/2015/06/27/finlandsweden-russia-nato-baltics-tensions-budgetsgdp/29289941/> (accessed November 5, 2015), and Sweden Invests in Naval Capacity, Baltic Sea Ops," *Defense News,* March 20, 2015 <http://www.defensenews.com/story/defense/2015/03/20/sweden-invests-in-naval-capacity-and-baltic-sea/25093841/> (accessed November 5, 2015). See also "Sweden to Boost Military Ties with the United States," *The Local SE: Sweden's News in English* <http://www.thelocal.se/20150822/sweden-to-boost-military-ties-with-us> (accessed November 5, 2015).

DGAP
Deutsche Gesellschaft für Auswärtige Politik
German Council on Foreign Relations

Rauchstraße 17 / 18 · 10787 Berlin
Tel. +49 (0)30 25 42 31 -0 / Fax -16
info@dgap.org · www.dgap.org

Publisher
Prof. Dr. Eberhard Sandschneider, *Otto Wolff Director of the Research Institute, DGAP e.V.*

ISSN 1611-7034

Translated by Hilary Bown
Copy editor Miranda Robbins
Layout Andreas Alvarez
Design Concept Carolyn Steinbeck · Gestaltung