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Northern Sea Route Slated for Massive Growth

By The Moscow Times

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A glacier in Norway gracing part of the coast of the northern sea route. **Balazs Koranyi**

Prime Minister Dmitry Medvedev said Tuesday during an international conference on the Barents sea that shipping along the Arctic northern sea route could more than double, while experts said it could grow more than thirtyfold over the next eight years and account for a quarter of cargo traffic between Europe and Asia by 2030.

With global warming thawing sea ice, the route, which runs along Russia's northern coast and links Europe with ports in East Asia, is opening for longer and longer each year.

Russia is also easing regulations to accommodate more vessels aiming to spur use of the still fledgling route that can cut travel time between Europe and Asia by up to 40 percent.

"Russia clearly sees the opportunity and is trying to take advantage of it," said Mikhail Belkin, an adviser at Atomflot, the operator of Russia's nuclear icebreaker fleet.

Experts see the shipping lane, which is now more accessible thanks to global warming, as "complimentin g" the Suez canal.

"The northern sea route is not a rival to the Suez Canal, but it's a good seasonal complement ... and has the potential to grow very fast."

About 1.25 million tons of cargo traversed the route last year, a tiny figure compared to the Suez Canal's 740 million tons.

But Belkin predicted a rise to 1.5 million tons this year and 40 million tons by 2021.

"Crossings [between Europe and Asia] will account for 15 million tons, LNG from the Yamal Peninsula for another 15 million and oil cargo out of that area for another 10 million," said Belkin, whose icebreakers need to accompany most vessels along the route.

The gas is expected to come from Yamal, which is being jointly developed by Novatek and Total, while the oil is expected to come from Gazprom's Novoportovskoye field in Siberia.

A recent deal by ExxonMobil to partner with state-controlled Rosneft to explore for oil on 150 million acres in the Chukchi, Kara and Laptev seas could mean further oil for export.

Last September, Arctic sea ice reached its lowest level on record and scientists say there could be an ice-free summer by 2030-2040.

The northern sea route was open about six months last year with an LNG vessel crossing as late as November and the season could grow to 8 months within a decade.

To lower operating costs, Russia this year will allow vessels without ice classification to cross during the lightest period of ice, which lasts about two months each year, and has also reduced draft restrictions, allowing vessels of up to 100,000 deadweight tons to cross.

Jong-Deog Kim, a division director at the South Korean Maritime Institute, predicted that traffic between Europe and Asia along the route will grow by 6.5 percent a year and could potentially account for a quarter of all cargo traffic by 2030.

"It's a function of cost, not just the fees charged by Atomflot, but the total cost, from vessel construction and bureaucracy to the increased insurance cost," Kim said. "For crude, LNG and condensate, it's actually very competitive right now, but for coal or ore, not so much."

Atomflot fees vary depending on the customer but tend to be 10 to 15 percent higher than Suez Canal charges. Yet once the savings from the shorter voyage are factored in, firms can save as much as 20 percent, Belkin said.

Still, the route has its clear limits. Russia is just starting work on up to 10 relief ports along the route, search and rescue capability is patchy, commercial weather forecasting is limited and insurers charge a large premium for operators using the route.

"It's a given that traffic will increase and probably increase dramatically," said Sturla Henriksen, director general of the Norwegian ship owners' association. "But the commercial viability will be limited for quite some time."

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