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Russia Pushes for Further Arctic Exploitation

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SALEKHARD, Yamalo-Nenets Autonomous District — The time for an industrial breakthrough has come in the Arctic, President Vladimir Putin said Wednesday at the International Arctic Forum in Salekhard, with Russia pushing to take a leading role in oil and gas extraction in the area.

The government is planning an ambitious development of the Arctic coastal shelf — which, the Natural Resources Ministry says, contains more than 80 billion tons of oil and gas — and has high hopes of drawing in foreign companies to participate in the boom.

As Putin outlined his industrial vision for the North, 30 detained Greenpeace activists faced piracy charges for attempting to storm Russia's Prirazlomnaya platform in the Arctic (See

Putin Says Greenpeace Activists not Pirates but Broke the Law).

For them, the extraction bonanza and the shipping explosion heralded by the opening of the Northern Sea Route threatens environmental catastrophe.

"Of course," said Putin, "they are not pirates. But they did try to force entry onto the Prirazlomnaya platform. Our law enforcement authorities did not know who was trying to seize the platform under the aegis of Greenpeace."

It is impossible to stop Arctic exploitation, he said, adding that Russia guaranteed that there would be no environmental catastrophe, since the most innovative technologies would be used.

"Under our national policy, only those companies that use the latest innovative technologies and have sufficient economic resources will have the right to produce oil in the Arctic," he said.

Russia owns one-third of all Arctic territories and was the first country to begin oil and gas production in the Arctic in 1970s. In the last decade, it has significantly boosted volumes. More than 1,000 oil and gas fields have been discovered, as well as deposits of diamonds and other rare metals.

Only two state companies — Rosneft and Gazprom — are authorized to work on the Arctic coastal shelf. While Gazprom mostly operates using its own resources, Rosneft is actively attracting foreign companies and already has contracts with companies like ExxonMobil and Statoil.

"Russia needs foreign experience, techniques and approaches in the exploitation of the costal shelf," said Natural Resources and Ecology Minister Sergei Donskoi, adding that Rosneft was currently holding business talks with a host of other foreign companies.

Jan Hegel Skogen, President of Statoil Russia, which signed a deal with Rosneft in June, said his company was planning to move further to the north and that work at the coastal shelf would deepen the partnership with Rosneft.

"The Barents Sea has huge potential. We have elaborated a program for the large-scale exploration of this area and increased the budget for reconnaissance works by three times last year," he said.

"Russia hopes the Arctic shelf will open new perspectives for the country's energy development," Donskoi said.

The minister tried to calm environmentalists, saying "we are paying due attention to ecological issues to save the fragile [Arctic] environment." Russia had to take a leading role in environmental protection of the area, he added.

Putin also stressed that maintaining the balance between economic activity and environmental protection was a key principle in the Arctic development, adding that 1.4 billion rubles ($40 million) has already been spent on industrial waste disposal.

Next year, Donskoi said, some 700 million rubles will be spent on protection.

Defense Minister Sergei Shoigu, who also heads the Russian Geographic Society, promised that work on waste disposal would continue, stressing its particular importance in case of further costal shelf exploitation.

By 2020, the creation of two national parks in the Far East is planned, one in the Chukotka autonomous district and another in the Murmansk region, as well as a cross-border reservation with the U.S.

Added to these efforts, a law — which came into effect on Jul. 1 — obliges all oil companies working in the region to take responsibility for possible oil spills.

Anton Vasilyev, Russia's representative on the Arctic Council, said Tuesday that Russia was one of the co-chairs of a new working group at the counsel that would draw up measures to prevent oil spills in the Arctic Ocean when exploring the coastal shelf.

President of Finland Sauli Niinisto, who met with Putin on the eve of the forum, said that since oil and gas had begun to play an important role in the Arctic, the northern states ought to conduct a complete exploration of all arctic resources and the region's biodiversity in order to set down rules for countries that operate in the region.

Salekhard, where the summit was held, is the capital of the Yamal-Nenets autonomous region. Located within the Arctic Circle, it is Russia's main gas producing region.

Donskoi said it would continue to play a priority role in gas production, with the emphasis on liquid gas production. A new cross-country pipeline is planned, increasing gas supplies to Europe and Asia.

"Russia's particularity is that the area of trade for Arctic resources can be both Europe and the Asia Pacific region," Donskoi said.

Not content with the vast swathe of the Arctic already under its control, Russia has no intention of backing away from the land squabble that has unfolded since the region's potential wealth became apparent. By the end of this year, Donskoi said, Russia would likely ask the commission on the UN Law of the Sea to expand Russia's territory over the areas of Lomonosov Ridge and Mendeleyev Ridge.

"In the last three years, Russia has conducted a large number of investigations that prove these two areas should belong to Russia," Donskoi said.

Russia applied to the UN in 2001 but its request was declined due to a lack of proof that the two areas were a part of the Russia's coastal shelf.

The government also plans to extend cooperation with foreign companies for the development of the Northern Sea Route, another theme that worries environmentalists and attracted Greenpeace protest this summer, which the Russian government attempted to block.

The project to open the passage is being implemented on the basis of public-private

partnership. The state is ready to conduct prior exploration work and create infrastructure, while private companies will be asked to construct mining enterprises.

Donskoi spoke of Russia's "unprecedented measures" to encourage companies to take part in the Northern Sea Route project by slashing taxes for companies willing to get involved.

"By introducing such benefits we are making it profitable to work in the Arctic region despite its severe conditions," he said.

Russia also plans to expand exploration of oil and gas fields to eastern regions of its Arctic territory, particularly to Taimyr. Currently only partially explored, the government said it had huge potential to produce oil and natural resources.

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