

Russia-Owned Sanctioned Shipyard Hopes for Icebreaker Zeal in Arctic

By [The Moscow Times](#)

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An icebreaker being built for the Russian Transport Ministry seen at the Arctech Shipyard in Helsinki last week.

HELSINKI — On a sunny day on the Helsinki seafront, sparks fly from steel welding at the bustling Arctech shipyard, which seems insulated from Finland's economic recession as it strives to meet an order book that stretches into 2017.

The world's biggest manufacturer of icebreakers, or ships that can navigate ice-covered waters, Arctech is poised to benefit from an expected flurry of activity in the Arctic, which is being reinforced by U.S. President Barack Obama's Arctic push.

As climate change is melting sea ice and opening the Arctic to more shipping, mining and oil drilling, icebreakers will forge waterways for other ships, carry out rescue missions and do stand-by duties for oil platforms in the region.

"We are getting inquiries from several countries who have Arctic regions, or companies from such countries," said Esko Mustamaki, Arctech's managing director, sitting in his office at the vast shipyard as workers nearby still wearing helmets cycle off for lunch breaks on the compound.

The yard is currently building six vessels, four for Russian state-owned shipping company Sovcomflot and one each for the Russian and Finnish transport ministries. One will be for Arctic use and Mustamaki expects demand to grow.

"It is very possible that in the coming decades, there will be a lot of activity in the [Arctic] region," Mustamaki said.

That should be good for business, but there is a cloud on the horizon: The yard is now owned by Russia's state-owned United Shipbuilding Corporation (USC), which was added to a list of U.S. sanctions against Russia last year in the wake of the conflict in Ukraine.

The shipyard was once owned by Norwegian companies Kvaerner and Aker Yards, and later by Korea's STX, whose financial problems eventually prompted the deal with Russia, completed last year.

So far Arctech has weathered the impact of sanctions but they are making business more difficult.

Nordea, the Nordic region's biggest bank, closed Arctech's account last year due to U.S. sanctions. Mustamaki said the shipyard has opened new bank accounts, declining to name the banks. But accessing finance now takes more time.

"Banks have compliance rules that require more checks for us now, so anything where we need banks takes time. But so far, it hasn't affected our order intake," Mustamaki said.

"That could happen if a client would not want to do business with us for that reason."

Shipping sources have said that U.S. and EU sanctions against the company's Russian clients could complicate their orders in the future.

As the Arctic opens to tourism and oil drilling and spurs more maritime traffic, the United States lags Russia's resources in the region and President Obama said this month that it needs to quickly acquire at least one new icebreaker.

While Russia has 40 icebreakers and another 11 planned or under construction, the U.S. Coast Guard has three, only one of which is a heavy duty vessel, the White House has said.

For Arctech, sanctions alone would rule out any business with the U.S. government, putting potentially some of the industry's most lucrative contracts in the next few years out of reach.

Mustamaki, however, is sanguine, arguing that even without sanctions, his company probably wouldn't win any U.S. orders because the U.S. Jones Act requires that basically all American vessels must be built in local shipyards — a law that he says will force the United States to pay sky-high prices for icebreakers. A Congressional research service report has put the cost of a new U.S. icebreaker at about \$1 billion.

"That sounds like quite a lot. We are currently building an icebreaker for the state of Finland for 123 million euros [\$139 million]," said Mustamaki.

The Helsinki yard, founded in 1865 and renamed Arctech in 2010, has built 60 percent of all icebreakers operating in the world — most used by Russia, including for offshore energy production.

While standard shipbuilding has largely moved to Asia, Arctech is one of a few niche shipyards left in Europe. Its competitors include Germany's Nordic Yards, Norway's Vard and the Netherlands-based Damen.

The Finnish company is currently building more energy-efficient ships able to operate in minus 35 degrees Celsius and navigate through 1.5 meters of ice.

Its icebreaker under construction for the Finnish transport ministry will be the world's first to use liquefied natural gas as fuel, rather than relying on more polluting diesel.

"There are lots of details but no concrete list for building an Arctic vessel, it's more about tacit knowledge," Mustamaki said.

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