ARCTIC OIL AND GAS: FACING NEW CHALLENGES

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Since 2014, the global political and economic landscape has undergone deep changes which, taken together, challenge the Arctic development worldwide, including notably its prospects of turning into a new global-scale petroleum province.

First, policy stakeholders, both in the polar and relevant non-polar nations, shift their focus towards the numerous acute crises in Europe and Asia-Pacific, as well as the fate of new giant trade and investment blocs (TPIP, New Silk Road, Eurasian Economic Union, etc.). The Arctic, indeed, still enjoys some attention, but it is rather regarded as a 'safe backyard' which allows decision-makers to concentrate on the more critical issues.

Second, the ongoing macroeconomic turmoil affects the northern regions with their raw material-based economies, and simultaneously limits the opportunities for the national governments to support them financially. The pertaining low oil prices and structural transformations (like shale development, emerging shelf areas, etc.) have hit new field developments in marginal hydrocarbon provinces worldwide.

Third, as the Arctic was turning less attractive for investors, a precautionary approach to its nature, especially in the case of oil & gas projects, became increasingly popular and dominant in many countries. In 2016, this was clearly manifested in the joint statements of the US-Canada and US-Nordic leaders' summits [5, 6], plus the controversy about leasing new acreages in Alaska after the US Presidential elections [1, 2].

Fourth, Western sanctions on exports of Arctic and deepwater drilling and production equipment to Russia have hit the industry further. They have effectively split the emerging international market for advanced offshore technologies and jeopardized the return on investments in the relevant R&D (which in practical terms made a bigger impact on the Western producers than on the Russian consumers).

As the result, Arctic licensing and exploration do go on, but actual development is largely pursued by national champions or risk friendly medium-size companies. Onshore, Russian companies continue large-scale projects, like Gazprom's new upstream province in Yamal Peninsula, Rosneft's Vankor cluster (where Indian companies will obtain 49.9 per cent) and Novatek's Yamal LNG, a private initiative involving Russian, French and Chinese stakeholders and strongly supported by the government. Offshore, only a few projects applying groundbreaking technologies are underway in Norwegian Arctic waters, which in climatic terms (lack of winter ice etc.) are closer to the North Sea than to 'regular' polar areas. Norway is also the only country to continue leasing of new Arctic offshore blocks [4]. Alaskan continental shelf was abandoned by the oil companies in 2016, and no major operations are planned offshore Arctic Canada, Greenland and Iceland.

The contemporary situation in the Arctic seems thus to be transitory by nature. Several major gaps are growing: the remaining interest policy-makers maintain to the region vs its reduced economic attractiveness; the overall 'big chill' between Russia and the West vs their continued cooperation in the Arctic; interests of the 'Arctic five' nations vs those of the outside powers who set their footprint in the area; and, in more general terms, the global nature of the challenges facing the Arctic vs the policy reaction thereto, which often lacks systematic long-term vision. When resolving these issues, the Arctic is likely to be put aside by the decision-makers, with its concerns being evaluated from the viewpoint of more overarching principles [3].

If the present day trends go on, the Arctic will eventually witness a new political downgrading, yet another economic downturn (whereby only some of the existing, exportoriented ventures within extraction industries will survive), and a scaled-down international cooperation.

If left to private investments only, the recent oil rush may turn into yet another ‘tidal wave’ (like former quests for furs, whales, gold or military presence) which hit the Arctic and then retreat, leaving few remnants. This situation represents a challenge to both oil & gas companies, central and local governments, urging them to improve their mid-term planning, enhance mutual cooperation and maximize ripple effects of any offshore project.

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