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RUSSIA'S ARCTIC PROJECTS: EXPECTATIONS AND REALITY

***Abstract.** After the dissolution of the USSR the role of the High North in domestic policy greatly diminished, while the Soviet achievements in the Arctic exploration and study were almost forgotten. The new era for the Arctic began after Vladimir Putin became President of the Russian Federation. Along with creation of new legal and regulatory base and revival of polar researches, Russia launched several promising projects in its Arctic zone. The article is devoted to the overview of some promising projects which have already been commenced in the Russian Arctic, including the megaproject of the Northern Sea Route development, "Project-22220" for the construction of new-generation nuclear icebreakers, railway system "Belkomur", multimodal transport system "Northern latitudinal way", infamous liquefied natural gas production enterprise "Yamal-LNG" and projects of offshore hydrocarbon fields development – "Shtokman", "Prirazlomnaya" and "Universitetskaya-1". This paper gives comparison of the expectations expressed before implementation of each of the projects started to what has been accomplished till now. All the projects examined are headliners directly or indirectly connected to infrastructure development of the Arctic zone of Russian Federation. The conclusion offers possible solutions to overcome the most prominent problems of Russian Arctic projects implementation – high costs and incoordination of the contracting parties.*

***Keywords:** Arctic region, Arctic zone of Russian Federation, Northern Sea Route, infrastructure development projects.*

The first half of the 2000s saw the establishment of the new administrative and legal model of Arctic region management. Along with the renewal of the legal framework and restoration of polar researches, Russian Federation also enhanced its activities in the circumpolar North and started ambitious projects in its Arctic zone (AZRF), some of which had been worked out in the Soviet times. These projects included development of hydrocarbon fields on the Arctic Ocean shelf, building of new pipelines for the purposes of oil and gas transportation, construction of railways, facilities for marine shipping, and overall improvement of infrastructure in the Russian Arctic. All in all, the main document determining the development of the region – state program "Socio-economic development of the Arctic zone of Russian Federation till 2020" [11] dated April 21, 2014 – lists 145 projects in total, 17 of which are described as prioritized. The biggest share of the projects is devoted to extraction and refinery of natural resources and improvement of Arctic transport infrastructure.

No one will argue that Russian Arctic is greatly isolated from the industrial and economic centers of the country, that is why efficient exploitation of the treasures the region can offer depends heavily on its infrastructure development. The backbone of AZRF transportation system is the Northern Sea Route (NSR) – a shipping passage stretching from the North Atlantic along the Siberian coast to the Russian Far East and the Pacific Ocean.



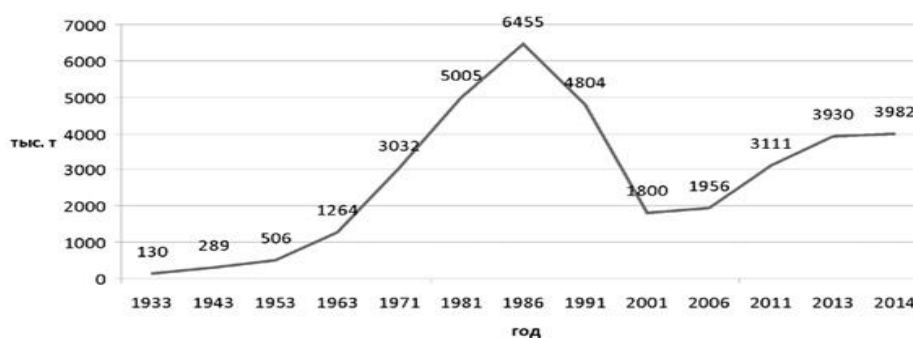
*Picture 1. Northern Sea Route (red) and Suez channel route (blue).
Source: <http://www1.thepicturesonline.org/northern+sea+route+administration+Russia>*

It is hard to overestimate the significance of the Northern Sea Route for the rising economic activity in the melting Arctic. First of all, it offers great reduction of time and distance for the maritime shipping from Europe to Asia and vice versa. In comparison to the traditional route through the Suez channel, the NSR is not congested, not subject to piracy and political instability. The only disadvantage is that the Northern Sea Route is not operational all year round and commercial vessels require icebreakers assistance to use it.

The Northern Sea Route is one of the most prominent and longstanding Arctic aspirations of Russia. Its exploitation started in 1930s, but after the Soviet Union collapsed, the NSR was mostly abandoned until one of the first documents of the new period of state's policy realization in the region, Resolution of the Government of the Russian Federation № 198 [10] issued on March 7, 2000, stated NSR development as a wholly integrated transportation link and central element in maritime connections between Europe and Asia to be one of the fundamental goals for the state.

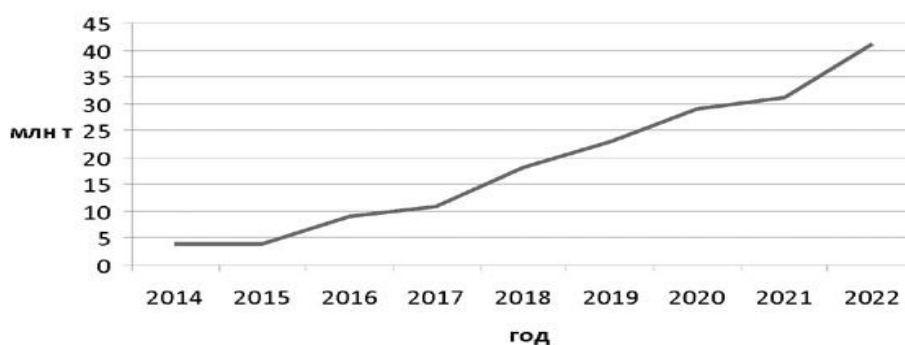
New Russian strategy of NSR development stated its main goal: to increase the volume of freight traffic to match the figures of the 1980s and then turn the waterway into a fully-fledged transportation route. The rates of 1980s were supposed to be achieved in 2016, however, it did not happen until 2017, as the rates in 2016 were a little lower – 5,28 mln tons, while in

2017 they happened to be 7,17 mln tons [17]. The goal of turning the route into fully-operational one is still a prospect for the future. Now the Northern Sea Route is no competition for the Suez channel route: it cannot be used all-year round, costs for using it with icebreakers' navigation are rather high, and it requires special insurance and vessels of ice class.



Graph 1. NSR freight traffic rates since the beginning of its exploitation.

Source: Medovnikov D. S. et al. *Priority Rossii v Arktike [Russia's Priorities in the Arctic]*. Novosibirsk, 2016, p. 47.



Graph 2. NSR freight traffic rates from 2014 to 2017 and future prognoses.

Source: <http://www.rosatomflot.ru/press-centr/novosti-predpriyatiya/2018/01/23/11160-v-2017-godu-kolichestvo-ledokolnyh-provodok-rosatomflota-v-akvatorii-sevmorputi-vyroslo/page,2/>

Implementation of the plans for the NSR development is very protracted due to several reasons. Firstly, harsh conditions of the Arctic region pose great challenges for the construction and improvement of maritime facilities. Secondly, problems of implementation of the subprojects, such as construction of new and reconstruction of existing sea ports due to lack of financing or incoordination of the contractors. Obsolescence of the icebreaker fleet and bureaucratic barriers for getting the permission to use the NSR facilities can also be named as the contributors to the problem.

As it has already been mentioned, NSR development is closely connected to implementation of several satellite projects, which include renewal of icebreaker fleet, construction of railways to connect economically important spots of the Arctic and ensure their access to the

seaports, as well as complex development of liquefied natural gas and shelf projects.

There is clear need for the construction of the new icebreakers, as the ones operating in the NSR now are quickly getting obsolete. “Project-22220” on the construction of three universal nuclear icebreakers started under Government Resolution № 715 [11], signed in August 2013, which contained clear dates for the commissioning of the two vessels – years 2019 and 2020 for the first and the second accordingly. However, the schedule for setting them to work was rearranged for 2020 and 2021 accordingly [8] due to delay in construction. As explained by the Federal State Unitary Enterprise “Atomflot” – the agency charged with fulfilling the plans – it happened because of the lack of qualified personnel and incoordination of the contractors. A lot of time was spent on finding new suppliers and producers of equipment because of the technological sanctions against Russia [7].

In 1996, when construction of the railway “Belkomur” was commenced, its strategic significance was clear – giving northern regions of European Russia, such as Komi republic and Arkhangelsk oblast, and Urals direct access to nonfreezing port of Murmansk and port of Arkhangelsk for further access to Northern Europe. It was planned to build 1115 km of the road. Now only three parts of the railway – Arkhangelsk-Karpogory, Vendinga-Syktvykar and Solikamsk-Perm, which make up about 440 km – are operational, but still need modernization [1]. The project is struggling to find investors. The latest auction planned for March 26, 2018 did not take place as there were no tenders [2]. The main reason for that is constantly increasing cost of the project and lack of financing from the regional budgets.



Picture 2. “Belkomur” project.
Source: http://www.ndptl.org/c/document_library/get_file?folderId=16255&name=DLFE-269.pdf&p_l_id=16079

Another ambitious project for the development of transport infrastructure “Northern latitudinal railway” to connect Obskaya railway station to Korotchaevo with potential access to multifunctional seaport of Sabetta was expected to start in 2015. The construction of 700 km of the railways from Obskaya to Salekhard, from Salekhard to Nadym, with combined bridges across the Ob and the Nadym and railway sections under construction Nadym-Pangody, Pangody-Novy Urengoy, Novy Urengoy-Korotchaevo [15, p.173], was entrusted first to the corporation “Urals industrial – Urals polar”, later renamed “Corporation of Development”. The main reason to postpone the start of construction laid in contracting parties, who could not find common ground upon dividing responsibilities. After the head of the “Corporation of Development” was blamed for stealing money allocated for several projects in the region, the agency turned bankrupt. After elimination of this organization remaining contractors, “Russian Railways”, “Gazprom” and Yamal-Nenets Autonomous Okrug government, finally agreed to divide responsibilities for the railway construction. Now construction of 170 km of Bovanenkovo-Sabetta corridor is afoot and motorway part of the bridge across Nadym is functional. Raising cost and incoordination of contracting parties resulted in postponing the project deadline till 2020.



Picture 3. Scheme of “Northern latitudinal railway”.

Source:

<http://www.skyscrapercity.com/showthread.php?p=144173155>

“Yamal-LNG” project can be considered a successful one. Its development started in 2011 by Russian gas company “NOVATEK”, French energy giant “Total” and Chinese oil and gas corporation “CNPC”. Plans for the project included construction of Sabetta sea port and liquefied natural gas (LNG) plant with capacity of 16.5 mln tons. Although the project was affected by western sanctions, state support and participation of Chinese investors kept the project from suspension. The first line on LNG plant was launched in December 2017. In the same month the first batch of

liquefied natural gas was dispatched from Sabetta to Great Britain. The second and third lines are to be launched ahead of schedule [13].

In 2002 Russian companies “Gazprom” and “Rosneft” began development of Prirazlomnoe and Shtokman shelf hydrocarbon fields. Both projects were ahead of their time and seemed to be very promising. Later, in 2012, “Universitetskaya-1” in Pobeda field was added to the list of Russian shelf projects. The projects attracted foreign partners, but their participation was suspended due to various reasons. “Gazprom”, which became the only stakeholder in Shtokman field development in 2014, suspended the project because of its unprofitability. After withdrawal of “ExxonMobil” from the joint venture on the development of “Universitetskaya-1” in the Kara Sea “Rosneft” declared the project to be frozen. Today “Prirazlomnaya” is the only functional shelf platform, but its production rates are lower from expected [14].

Russia’s Arctic projects for the development of complex infrastructure in the region are experiencing some difficulties, and “Yamal-LNG” is, unfortunately, an exception, not a rule. The nature of problems connected to Russia’s Arctic projects implementation is different – from environmental conditions, to shortage of qualified personnel and unprofitability. The main two problems are high costs and incoordination of the parties involved. Besides, the projects are not developed systematically and show faults in forward thinking of the participants. The solution for these problems may be the introduction of new program to comprise all the projects into one to ensure their complex development, creation of coordination groups for each field of project activity in the region and attraction of investors on the basis of future concessions for using the facilities they help to build. In fact, it is important to stay focused on the already existing projects instead of launching new ones. Ambitious projects may look good on the paper, but when commenced they bring new problems to the already big “snowball” of Arctic development problems. It would be also reasonable to refuse implementation of projects that are extremely ahead of their time till their implementation will be economically profitable and relevant.

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