

Fossil Fuels: Geopolitics of Oil Exploration – A Russian Perspective on the Arctic

By Stefan Steinhoff

The eternal ice of the Arctic has always been a magnet for explorers and many people went to the most north point of earth. Since the eternal ice started melting and it is possible to take a more detailed look at what is laying underneath it – the hunt for a great treasure has started: natural resources.

Scientists, Geologists etc. believe that the Arctic holds vast deposits of oil and gas yet to be discovered and developed. Russia, with its huge share of the Arctic territory, is believed to hold more than half of all the Arctic resources – a quantity that can simply be estimated as “plenty”. Due to declining conventional oil fields, Russia is in need to explore and develop these new fields in the Arctic, far off the shoreline. This faces the involved actors with opportunities but also huge development challenges. The extreme conditions and the remoteness of the Russian Arctic are too much for conventional technologies and demands for new concepts and new technologies. This makes every activity far north very expensive: The development would cost about \$100 – 200 billion per year, if European standards on operations would be applied.

Russia pursues an Arctic strategy with its “Program for exploration and development of the continental shelf of Russia up to 2030” where it defines mechanism, ways and means to achieve the strategic development of the Arctic natural resources. But it is up to the Russian government to create incentives through changes of the tax regime to make exploration and development of oil and gas fields in the Arctic economically more appealing and viable for the only two Russian companies to do that. Russia is further pursuing a joint venture model with international operating oil companies to gain access to their vast know-how in off-shore exploration as well as additional funding.

Obviously there is opposition from environmental and social groups who are concerned that Russia will not show great responsibility towards environmental issues during the development. It will be up to intergovernmental forums like the Arctic Council, international cooperation and coordination to keep the Arctic environment safe – outcome questionable.