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Analysis of today
Assessment of tomorrow

By: Tomorrow's Affairs Staff

No future for the Northern Sea Route as long as Russia remains in the game

The Northern Sea Route, as the shortest route for transporting goods between the Far East and Western ports, has no bright future, despite global warming working hand in hand with commercial plans for this transport corridor. With its aggression against Ukraine, Russia has shot itself in the foot with regard to this transport resource, which it controls and to which it has tied large economic and financial plans. Commercial traffic through the Northern Sea Route has come to a complete halt this year due to sanctions imposed on Russia. Apart from internal traffic between Russian ports in the north, no international transit has been registered.

“The feeling among international shippers and traders is that everything that goes through Russia now is like acid”, said Russian Arctic expert Mikhail Grigoriev. Expectations were different, given that the surface ice in the Arctic continued to melt, which increased the possibility of navigation year by year. The smallest extent of the ice continues to shrink by 1.6% each year, and in 2020 was only half the size it was in 1979. If it continues at this pace, there will be less than 3 million square kilometres around 2030.

Russia’s unachievable plans

Russia had the highest expectations, given that the corridor is under its administrative control, but even more so because of its very ambitious plans for the exploitation of oil and gas through the northern ports. Back in 2018, Vladimir Putin set the goal of reaching 80 million tonnes of goods transported through this corridor by 2024.

This was unrealistic even then, but the goal was raised a few months ago to 200 million tonnes of transit by 2030. In the midst of the aggression against Ukraine, in August, in a closed and rather bizarre meeting without allowing any discussion, the Russian government adopted a very ambitious plan of investment in infrastructure on its northern coast, in order to improve conditions for navigation, particularly for international transit from which it expects much revenue. Russia planned to invest around EUR 30 billion in 150 regional projects, including the construction of 153 ships, 10 icebreakers, 12 new piers, 12 satellites, and 13 helicopters, several hospitals and search and rescue units.

Russia's plans make sense as the current infrastructure on the north coast is extremely poor, and is one of the main reasons international carriers avoid this route. But it has no real foothold in its economic power to invest, because it is bleeding financially due to the aggression against Ukraine, and isolation from the international market. This plan is intended for the domestic audience in Russia. “I get the impression that this is nothing but a play staged by state officials”, said Mikhail Grigoriev.

An attractive transport route, despite the obstacles

The Northern Sea Route remains interesting for international trade, primarily due to the fact that it is almost 40% shorter than the traditional route from the Far East to Europe, which passes through the Suez Canal, and even 60% shorter than the route around the Cape of Good Hope. Its advantage is huge when it comes to the travel time of goods, and energy savings. It is ecologically justified and not associated with the risk of piracy. But despite this, it has so far come nowhere close to the volume of transit that traditional routes have, peaking at 33 million tonnes in 2020, before Russia's aggression against Ukraine, compared to 1.2 billion tonnes of goods passing through the Suez Canal.

The Northern Sea Route has major limitations, but some of them could be avoided in the near future. The first limitation is ice melting in the Polar Circle. Although a bad natural consequence, it corresponds to the plans of international transporters, because every year it provides more space for the unhindered passage of ships. Until now, the Northern Sea Route has only been open for navigation for a few months a year, from July to the end of November, but due to the ice melting and growing investments in icebreakers in China and the USA, for example, the possibility of significantly reducing the natural barrier is beginning, and has the potential to be completely removed.

An equal limitation for transport on the Northern Sea Route is the control and charging of passage by Russia. It wants to monopolise this corridor, and considers it of strategic importance for its energy export plans from ports in the north. This area has changed the direction of oil and liquefied gas exports from Western Europe to the East (primarily to China and India) due to Western sanctions. The buyers from whom Russia expected a lot did not meet it half way.

New Arctic Alliance

Although it has not joined the Western sanctions against Russia, China is cautious in trade with Russia, so Sinopec, the world's largest gas and petrochemical conglomerate, "paused" its operations in Russia in April. This move was followed by other state-owned companies, as they received a recommendation from the Ministry of Foreign Affairs to limit their energy operations towards the Russian market. Due to sanctions, Chinese projects on the Arctic LNG 2 project have been stopped, and within the framework of the Belt and Road project from the Russian side, there has been no new agreement this year.

China, however, wants to develop the northern route as an alternative to the traditional route, albeit threatened by some disruptive factors. It confirmed these ambitions with the departure of its icebreaker Xuelong-2 on an Arctic mission at the end of October, but also with the determination to participate in the management of the Arctic, as stated in its Arctic policy document from 2018. Similar intentions have been shown by India, which also wants to join the group of states in managing the Arctic and its resources. In a situation where ice is becoming less and less of a problem for transport on the Northern Sea Route, and due to the development of transport technology and climate change, the main disruptive factor remains geopolitics.

Russia is at the centre of these obstacles, with its desire to monopolise control over transit routes, and its aggression against Ukraine, which has left it economically isolated. Plans for a more serious activation of the northern route by other players are not particularly rushed, but neither have they been rejected. They are being carefully observed. “We do not view the Northeast Passage as a viable commercial alternative to existing routes at present. Nevertheless, we are keeping a close eye on further developments,” says Palle Laursen, Chief Technical Officer of MAERSK, the largest global shipping company. Bypassing Russia, when it comes to using the Northern Sea Route, could be the route that all players interested in the Arctic transport corridor - US, Canada, Norway and the UK - would take.

Along with newly interested parties: China and India. Along with the solutions for overcoming natural obstacles, by increasing the number of non-Russian icebreakers, there is a clear interest in using this resource even more. One of the possible ways is to avoid the Russian Arctic waters, because it charges for transportation and issues permits, and to go further north, to the so-called Transpolar Route.

“The Transpolar Sea Route or TSR which passes largely through international waters instead of hugging Russia’s coastline could begin to open up by 2035 at least, during the middle of the summer”, said Amanda Lynch from Brown University in Rhode Island and Charles Norchi from the University of Maine.