

Arctic Oil and Gas Episode 52

Wed, 1/26 3:01PM 1:20:16

SUMMARY KEYWORDS

eu, arctic, russia, gas, question, oil, policy, sanctions, russian, offshore, lng, big, projects, energy, climate, states, geopolitical, important, development, norway

SPEAKERS

Arild Moe, Natalie Dobson, Michael LaBelle



Michael LaBelle 00:01

The Arctic energy pivot, EU and Russian opportunities and divisions, interview with Natalie Dobson and emerald Mo, Episode 52. Welcome to the My energy 2050 podcast where we speak to the people building a clean energy system by 2050. I'm your host, Michael LaBelle, and this is a special post COVID episode. I had it. This week we speak with professors Natalie Dobson, and Assistant Professor at Utrecht University, Department of international and European law, and Professor, our old mo senior research fellow at the Frederick TOF Nansen Institute. As usual, I'll keep their long list of individual achievements short, but it's impressive, as each is making a significant contribution to understanding relations in the Arctic, and you'll hear about it here. This recording is from an online roundtable discussion held at Central European University in our energy policy research group. I've edited this discussion for the podcast and as you'll hear there's a wealth of information to inform how we understand both the EU's policy perspective towards oil and gas export exploration in the Arctic area. And Russia's ability to expand their own exploitation of the oil and gas wealth in the region. This discussion goes beyond geopolitical considerations. Definitely. It delves into both the legal framing the EU is attempting, it's very interesting to implement, and also the strategic strategic decision making done by the Russian state. It for the previous episode, we have discussed the soft power, hard power, I would suggest to actually listen to that and then frame what's going on in the Arctic region as an extension of the EU's attempt to regulate what goes on in the Arctic. It's really interesting. Okay, but back to what we discuss here. The key topics that are covered in this discussion fall under three broad headings, EU policies, Russian policies, and climate change and the Arctic. And what I lay out here, actually, these are the key questions I gave to my students to discuss after the event. But they summarized very nicely what is discussed in this episode. So we have the category of EU policies. And there's three questions here. Why is EU policy towards the Arctic important? How has the Arctic policy changed over time? It's very interesting. And how does the EU attempt to influence Arctic policy? Then we also have Russian policies that are discussed? What are Russian policies towards oil and gas exploration in the Arctic? What is the impact of LNG on Russian gas policies? And what is the history of foreign investment into the Russian oil and gas sector? In the Arctic? All these questions are answered as their main discussion points. And then finally, the third category. This is an overarching one is climate change and the Arctic? How important is the Arctic to combating climate change? kind of throw that out there? What is the impact of warming climate on oil and gas exploration

in the Arctic? And finally, the third question is, should there be a global freeze on oil and gas extraction from the Arctic? In addition to these questions, we have a short discussion about the impact of sanctions and what a war in Ukraine can mean in terms of Western sanctions on the Russian oil sector. So I won't be too like flashing the headline. But the discussion we do have about the impact of the 2014 sanctions when Russia invaded Crimea, and what occurred and how that impacted oil and gas, mainly oil exploration, the Arctic is interesting. And we have a brief discussion towards the end of the round table about what could happen or the impact in the future. A final note for regular listeners, though, yeah, the past few episodes. I've been struggling to get those out. I came down with COVID and probably along with half the world. So if you haven't gotten it yet, you're going to get it because I have no idea how I got it. I think it's because I actually went to work one day. Moving forward, though, I think I'm gonna get back on the weekly schedule. This is really good. And I've got a lot of good ones lined up, just got to get the energy back. And speaking of Energy, the intent of the my energy 2050 podcast is to spread the knowledge about how the energy system can assist our transition towards a greener future. And now for this week's episode. I want to welcome everybody we have a good turnout. So far already 26 participants I see on Zoom, and welcome to zoom. This is part of the as I just mentioned, our energy policy research group, and also our current topics and energy policy. So for those that are interested I'm going to edit this down and make it part of my podcast, I have the my energy 2050 podcast. So the I would say all of it will be in but but I would say the most relevant discussion points will be in that. And also, we will have this available for the students on YouTube on the on the course website as well. So you can watch it later, too. And with that, let me do the introductions. And I'll go in the order that we're going to talk about, we have Dr. Natalie Dobson, she is assistant professor at the Department of international and European law. She's a researcher Osric, Center for water, oceans and sustainability law, and also the Netherlands Institute for the Law of the Sea. And you can make any corrections, Natalie, before I begin, so thank you. And we also have our old Mo. And he's very distinguished, and I'll keep his bio very short, but it's very long. And I would encourage everyone to look at all his publications and research projects on on the topics that he focused on. So we're very lucky to have both of them, but he's at the Fridtjof Nunsense Institute's. And he's a full research professor there. And please, as well, please correct me on your turn. So with this, I thought we there's no particular order, but I thought we would address EU issues first. And so with that, Professor Dobson will present first for about 1520 minutes. And then we're gonna have time for a few questions from from students. And then we'll move to the second presentation. And this way, it should give us about a half hour good half hour for fuller discussion at the end. So with that, Natalie, I turn it over to you. Thank you very much.

N

Natalie Dobson 06:48

Thank you very much. Thank you for having me. fantastic to be here. I hope that I will have something that will give you food for the discussion in the lectures, the pressure is high now that I understand the full implications of today's talk. So having said that, I'm going to share my screen with you. And we're going to have a look at my take at least on the EU's evolving Arctic strategy. With the question Is it Revenge of real politic as was suggested in a report of the European Parliament in 2020. So let's just walk through the US Arctic policy. It first of all, it's helpful to explain my own personal background. My research focuses on the European Union as a global environmental actor with an emphasis on climate change. When I talk about the EU, I'm coming at it from the Arctic as an example or as an area in which the EU applies its or seeks to apply its values and particular climate protection beyond its territory. So that does frame somewhat, the things that I've decided to highlight and the things that I can talk more about. So if we look at the European Union, it's very keen to profile itself as a global actor, and

particularly in the field of environmental protection and the climate. And maybe others here can clarify that better than I can, with the European Union sort of seeks an identity amidst the very changing geopolitical situation not itself, having, for example, a strong army and heavily relying upon its market and trade. And this is something that we can then see reflected in its policies towards the outside world. We can't understand the EU's newest Arctic strategy, which was published last year in October 2021. Without the backdrop of the Green Deal, and it's fit for 55 package, so we'll just start there. So in late 2019, the European Union rolled out its extremely ambitious, new Green Deal with this aim to become Climate Neutral by 2051 cannot jump from 2019 to 2050, climate neutrality without some kind of midway point. So in July 2021, we also saw the fitful 55 package being rolled out with a host of different measures that would put the EU on track, and in doing so aim to achieve 55% emission reductions by 2030. The EU is very keen to ensure that its Arctic policy fits under its new green profile fits within the Green Deal, as well. And that's something we can clearly see coming back in a policy documents regarding its Arctic strategy and use of oil and gas. As a lawyer, I would be remiss if I didn't point out the treaty bases is an embedding of the European Union's environmental and climate focus. So we can see it's actually in article 191. On the Treaty on the Functioning of the European Union. This is a mandate, and it is an objective that will structurally guide and steer EU policy. And that's something we see coming back. Internally, the EU will say, to its member states, we have this mandate. This is why we're going to push environment that can be quite relevant in the Arctic context, because the EU doesn't necessarily have complete control over what the EU Arctic states are doing in that territory. So we can see a little bit of an internal pool on power as well as an external pool on power. There is also a nice clear basis in public international law, my favorite for the US climate ambitions. Thinking here about the Paris Agreement. The EU was also part of the high ambition coalition seeking to amp up the ambition that eventually was codified in the Paris Agreement, and it continues to lead the way. Okay, that's very nice EU big ambitions. But you and the Arctic, what exactly is the EU's relationship to the Arctic? Well, it could be argued that the EU is somewhat punching above its weight. When it comes with its big Arctic strategies. It talks as though it's the player of the Arctic, but it's a little bit more fragmented than that. So we can see that it has a limited direct role. It does have EU states that have an Arctic territory, I'm thinking about Denmark, Sweden, and Finland. There are also states in European Economic Area, Norway and Iceland. But the EU as a whole doesn't have the participation, I think that it would have envisaged. And an interesting side note that you may already be aware of is the EU's tiff with Norway regarding a seal ban that then barred it from having greater participation in the Arctic Council. So you would think that the EU's friends and maybe enemies or competitors were clear, but the enemy may be also within when it comes to the EU's role in the Arctic region. The EU has an indirect role, which we can see it taking more responsibility for now. It's more recent policy documents. Its indirect role has to do with energy extraction and consumption and transportation through the Arctic, as well as black carbon emissions, which have a greater impact on global warming and other activities, such as tourism, that will end up harming the Arctic. But while the EU may have these impacts, it has a limited ability to control its member states energy consumption. So as a lawyer, again, this is something that could come up article 194. It cannot affect the member states right to choose the different sources of energy it wishes to consume, even though the EU has certain consumption targets. So then, let's project this and take a look at the EU's Arctic policy more concretely. Well, everybody knows what happens in the Arctic does not stay in the Arctic, there is a clear feedback loop between the rising global temperature and climate change. And then the opportunities that are arising in the Arctic, first of all, for thawing permafrost releasing carbon dioxide that affects the whole world. But also there will create new transport routes that will open up new resources for extraction that were not available before. What does the EU do in response to this? Well, I would posit that we can see something of a pivot in EU policy. In fact, the EU only started to develop an Arctic policy in 2008, which is

relatively recent, especially for the language that it uses today as though it's been there for forever. And if we look at the Arctic policy in 2008, climate change was the impetus. But climate protection was not a priority necessarily. In fact, we see that under the heading of renewable resources, the EU notes its interest in large untapped hydrocarbon reserves, including those in offshore resources in the east. So the exclusive economic zones of Arctic states. The EU states this could contribute to enhancing our energy security. They're acknowledging that there are changing geopolitical dynamics, and they would take into account the environmental impact, primarily through safety standards during drilling. So that seems to be well, we'll drill safely. But we will still drill, I think. And this has been referred to as the Arctic paradox that they are still having this indirect effect on the Arctic. So we shift forward a little bit, looking into 2014. There is an emphasis on economic activities and industries. And there is a recognition of the EU as a main consumer of optic natural gas, that is a step towards acknowledging that maybe you should reduce the consumption if you really are serious about climate protection. But it is referred to as an important bridge element for a shift to a low carbon economy in the future. So natural gas being less bad than other fossil fuels. The 2016, integrated European policy for the Arctic, puts climate change front and center. So we see the start of the pivot, I would argue, first geopolitical interests, let's use these resources that are suddenly available. Now, let's reframe. It's all about climate priority area. Number one, we'll talk about oil and gas activities. We're working closely with member states, we're working in a multilateral setting, but we're also again, focusing on accident prevention, environment control, the EU was quite vague on what it would concretely commit to in terms of reduction in consumption. And that was criticized and a ban a proposed ban on oil drilling was actually shut down from European Parliament in 2017. So there wasn't complete traction at that stage. Then in 2020, the language starts to change, again, more EU in the Arctic, we need to broaden the scope of our Arctic policy, perhaps we have a revenge of real politic, we need to be prepared for security issues in the Arctic. So it looks like we may be shifting a bit of a pendulum from climate protection, front and center, all of a sudden the revenge of real politic, what's going on? I'm sure the next presentation will fill this in really nicely. You know, from a Russian perspective, what could be triggering the EU's shift in perspective here? I think it becomes clear in the 2021. Eu Arctic strategy here that you use destroys strong, robust language, a geopolitical power. It's a major economic player. According to the EU, even though we've seen that, in fact, it has some more indirect presence only in the Arctic. And they have a fundamental interest is what's interesting, in supporting multilateral cooperation in the Arctic, to ensure it remains safe and sustainable, peaceful and prosperous, and also sharing responsibility. So if I look at this, it kind of seems to be a platter of ambitious and competing interests, because they see it's a geopolitical power, they have strategic day to day interest. What are they referring to, at the same time, they would like it to remain sustainable and peaceful. and the EU talks about a shared responsibility. So these are the strands that I'm going to unpack a little with you and perhaps we can do together in our discussion later on. So two intertwined strands, broadly speaking, we're talking about strategic interest. And here Arctic resources and transport routes could transform the region and the geopolitical competition. So it could possibly threaten in your interests because of geopolitical necessity, the same time that he is talking about having responsibility for emissions in the Arctic, particularly as regards black carbon. An interesting point for me who's focused on the EU as a unilateral actor in pretty much all of the rest of its climate change policy, is it suddenly in the Arctic, that he is all about multilateralism? So to me, I think, where does this come from? I'm looking at the EU's 5055 package, I see an abundance of very unilateral measures. And here all of a sudden, the EU is saying, well, states have primary responsibility for what happens within their territory. But some things go beyond boundaries, and could be addressed effectively through regional or multilateral cooperation. And here, cause is the big one push for oil, coal or gas to remain in the ground, including in Arctic regions. So this is our pivot completely. The EU goes from in 2008

saying, Oh, look, resources becoming available to no one should touch these resources. They should stay in the ground. Hmm, interesting. How did this How did this happen? Where is this coming from? So I'm not sure how I'm doing it. Home. Alright, but got five more minutes. So for five minutes, let's, let's unpack a couple of these things. And we can do that further later. So some some queries that come to mind. First of all, I already sort of suggested this, how genuine is the EU's commitment to multilateralism here? If I look at the EU's other policy, its carbon border adjustment mechanism going to tax producers in other countries for carbon emitted in factories for energy intensive goods, its emissions trading scheme, which will apply to maritime transport, for example, and aviation emissions unilaterally. The EU does not really care that there are other international institutions, International Maritime Organization, people National Civil Aviation Organization, it's going head on against these organizations to take a unilateral approach. But suddenly, in the Arctic, it's all about multilateralism. Could it be it's because the EU is punching above its weight, it can't really deliver in a unilateral strategy. And so now that's why it's calling for multilateralism. Another question which arises is the EU really taking responsibility for its greenhouse gas emissions in relation to the Arctic. So in principle, if oil, coal and gas remained in the ground, this is great, it will enhance climate protection. But who would actually have to do that? The EU is primarily an importer of extracted oil and gas 87% of its liquefied natural gas, for example, coming from the Russian Arctic, according to the EU's own strategy. So when it says we should all multilaterally keep these resources in the ground isn't actually not saying you should keep these resources in the ground. And then if we look, particularly at black carbon, the EU stresses and acknowledges that 36% of Arctic deposition comes from the user and consumption. But what is the EU actually doing about its own black carbon consumption? There are ceilings in black carbon emissions that are for example, included in the Gutenberg protocol is the EU or our EU member states really ambitiously undertaking their targets? Well, that can be questioned. And is this really reflected amongst broader EU climate policy? And then the closing question the real politic or other chances of success of getting other states on board. The EU says it's building on existing moratoria that are you there, maybe we have some players that would be willing to commit? But how good is the EU? Its steering its own EU and EEA. Arctic Council states? And what about the other states and in particular, I'm looking at Russia. So with that, I think I can also close and hand over to our next presenter.

M

Michael LaBelle 23:07

Okay, great. Thank you so much, Natalie. Thank you. And excuse me. We'll open it up to Yeah, we're all clapping. So yeah, little signals for clapping, which is great. Like, I want to clap to. Okay, there we go. And we have a few minutes for some questions. Would anybody like to ask a few questions before we move on to the next speaker? And Anastasia, give it to you.

o

23:39

Thank you so much for such a wonderful presentation. And it's very, very interesting. I think it's my question is, I know that you're mostly looking at the years sort of unilateral actor. But do you think that sort of separate member states could be better and sort of norm shaping in the Arctic? Because a few of them actually have observer status on the Arctic Council? Like I think Germany and France, please do? Like, could they sort of be the the propeller who actually forces other Arctic states to sort of comply with what the EU wants them to do? Or do you think that's not really quite possible?

N

Natalie Dobson 24:20

That's a really good question. I can sort as a lawyer, which is that there's just a competence gap there. Because there are certain observer states just don't have the same power. And they also simply don't have the territory there in order to force others to get things done, because you have sovereignty over your territory that you just come up against a barrier. And perhaps, interestingly, by analogy, the EU has a similar problem in relation to aviation emissions at the International Civil Aviation Organization. And it told its member states that it they should object to a proposal that The carbon offsetting scheme, the International one will be the only offsetting scheme, because the EU wanted to keep its own emission trading system as a parallel unilateral measure. and the EU Aikau member states just ignored it. Nobody went ahead and objected. So you can see that you can be an observer and sort of yell had its member states, but the question if they're gonna vote against their own interests in concrete cities, not always, not always.

M

Michael LaBelle 25:28

Okay, thank you, and others?

N

Natalie Dobson 25:33

That's an interesting question. I would say that, generally, there is always lobbying power at play when the EU develops its legislation. But it also has open consultations in when it has this legislative process. Here, we're talking about the EU's OPIC strategy, which is looking more at external relations. So it's slightly different. This will be steered directly or indirectly by industry interests, it is no coincidence that the EU is telling is a great net importer of these oil and gas that it's willing to leave in the ground where you don't really see that across other policy areas. So that could indeed be because they didn't come up against the same industry resistance. That's really interesting. Actually, it was sort of having this game in my head, could the EU hypothetically create a rule of origin? That it would not want to import oil and gas that had been sourced in the Arctic? That's something you could do without cooperating with the Arctic states? Because it could just look at where did the resource come from? And it's also something you could then do with other states, if they all agreed we don't want these oil and gas from somewhere that's so harmful. So hypothetically, there could be some kind of trade cooperation there. They may come up against the World Trade Organization, that would be a whole other ballgame. However, yeah, I guess the question kind of is, do states states are going to pick their battles? Are states really going to support the EU pushing for a sort of tenuous and expensive approach to reducing cause extraction in the Arctic? I'm not sure.

M

Michael LaBelle 27:16

Okay, think. And with that, I will move over to a real world and for his presentation, thank you.

A

Arild Moe 27:24

Thank you very much. And good afternoon everybody. Well, I'm going to talk about Russia and

I thank you very much. And good afternoon, everybody. Well, I'm going to talk about Russia and the previous speaker already sort of connected to Russia, because Russia is a very big part of the Arctic. However, even if it's Russia is very relevant in the in the context of the EU policy, what is happening or has happened in Russian art, you know, does not really connect very much with with these EU proposals, we can discuss what the impact may be further on. But I will just first try to paint a picture of what is going on right now. So you have that as an empirical background, and climate policy. Yes, it is coming. But right now, sort of in a short perspective, the question of international sanctions, for other reasons is more acute. So let me see if I can get my slides up here. Okay. Are you? Do you see it? No. Okay. Are there? Fine? Okay. Fine. All right, good. So, the Russian Arctic, let me say, just a few various sort of basic things. But it needs to be said, because there are a lot of confusions. When we talk about Arctic and Arctic energy, you still somehow often get the sort of sort of announcements that there is a potential for conflict of resources. Just been talking about the resource race. Maybe that sounds a bit of a little bit old fashioned now, but it comes up all the time. Let me just state very clearly, there are no jurisdictional disputes in the Arctic, affecting freshness only. Yes, whatever you hear, that is false statement is a popular statement. That it's not true. The the resources we're talking about in the Arctic are safely within national jurisdiction, or no contested borders. The big one that was contested was in fact with Norway. But that dispute was sold 10 years ago. So, for the time being that is a non issue that you see here is the description of the various songs in the Arctic, where the coastal states have continental shelves. But that is not the topic now. So what about Russia? Russia, is defines itself as an Arctic country. And depending on the definition, a very big part of the Russian territory is considered art. That was the site that was a slide that commented on, in fact, showing the continental shelves of the Arctic, the Arctic Ocean, and my point is that we are no disputes that are relevant in our context. You see this one too? Good. There we are, well, Russia is a large country and a big part of the countries is defined as the Arctic zone. And especially with regard to to natural gas, this is where it comes from. But it's onshore and you see the pipelines coming here from West Siberia going and going research and this is where the EU countries get the 40% of their gas from northern part of Western Siberia. So, this is this is biggest gas producing region in the world. Also, when it comes to oil, it is. So at least sub Arctic a little bit further south, but definitely in the northern parts of West Siberia. So, this is important to know that this is the this is the source of most of the Russian hydrocarbon production, which in again is the backbone of the Russian economy. And you always have to keep that in mind when you when you discuss Russia also in the context of trade, but for Russia, or LNG gas is extremely important. Up to 50 60% of export revenues, maybe 40% of the budget, revenues, state budget revenues. So, in this in this area, we have had a gas production for for quite a few years, last 40 years in the high Arctic, but what is is new is the development of liquid natural gas, which you probably have heard mentioned, and that brings in a new dimension. Whereas as you saw from the previous slide, the pipelines they they go east east west, it's a fixed infrastructure, bringing the gas through to to sort of concrete markets, LNG is is very different LNG goes where the market is best. And because it is transported on on ships, and the development that has taken place, way north on the Yamal Peninsula over the last 10 years, this has been quite surprising to many. Nobody, but if you at least had expected that it was possible to complete big industrial project on time, on budget in the Russian Arctic, where everything had to be brought in from outside, but in fact, that happened and the Yamal LNG project opened in 2017. And this gas, which is liquefied, is transported on ship, as I said, it can go east or it can go west. This is of course, quite interesting because it gives flexibility for the for the sector. The project is operated by private Russian gas company in overtake, but with considerable participation of totaal from France and Chinese companies. It's quite interesting. And it brings gas both to European buyers, but mainly to to Asian markets, either directly to Asian markets or the transshipment. In Europe transshipment is something you do when you transfer the cargo from one carrier to another.

And they hear they also have plans or at least look not only plans but concrete projects to do something more, namely to shift to tranship, and liquefied natural gas from the specially built icebreaking LNG carriers that are used in the Arctic into regular conventional LNG carriers which are less expensive to build and also less expensive to operate. Well, that is maybe a detail. But I think the main message from this slide should have is that LNG brings flexibility in Russian gas exports that the pipeline gas does not have. So it was what about offshore? Yamal LNG is onshore projects, although it's close to shore, but Russia also has had big plans and expectations for offshore oil development. Russia has very big oil reserves, resources, onshore, but over time, the best fields have been depleted. And the fields that are not produced are small, more complicated or more expensive to produce. However, for quite some time, it has been undertaking exploration offshore, which indicates that very big discoveries can be made offshore. So Russia embarked on the policy to develop these potential resources. This started for me some 15 1015 years ago, problem was that the Russian oil industry did not have much experience offshore. At the same time, there was quite strong nationalistic, when which limited the potential possibility for foreign companies to participate. So what little happened, even if the durations were high. In fact, this is the only operating offshore gas field now, excuse me oil field offshore in the Arctic, it's in the Barents Sea in the south eastern part of the Barents sea, also called the majority, they're sort of middle size, oil field has been in production now for the last eight years. Otherwise, it hasn't been possible to start production. Because of the limitations I said, however, Russia did sort of adjust its policies to some extent, and some 10 years ago, the Russian oil giant, Rosneft was assigned given sort of the order to develop Arctic oil together with foreign companies, the foreign companies will be in a minority position, but be very important for these projects. So by 2012 series of cooperation agreements are made with foreign companies where the in which company started in in the Barents. And also with any from Italia, Italy in the same area. Most of the that is the second section you see up in the left upper corner, which is the previously disputed area who will Norway on the Russian side. So that was divided with into two cooperation alliances, one with with Sutton and one with any but all the other projects were put into a corporation arrangement with the ExxonMobil from United States huge package of fees. And on this map, which is some years old, you see the license areas which were given to russia and which russia then turn into cooperation projects that may be excellent Mobile. So their ambitions their high resource base, promising that what happened? Well, you know that 2014 the sanctions that were imposed that year after Russia's annexation of Crimea practically stopped all the big offshore projects. The operation arrangements were frozen, because of the sanctions on the Russian oil Octi article at the same time, the oil price fell, which also made RT offshore look less attractive, that is a very important factor. And not only Russian oil, but also other expensive offshore Arctic projects. So from being a very, very promising start, or very integral, promising outlook, it was stopped almost overnight. Exxon Mobil also formally withdrew from the cooperation arrangements with the Ross left. A few years later, any and start out no rename ignore did not formally break with Rosner, but the projects are false. So that means that arctic offshore in Russia is not still not a big a big thing. However, Russia wants and has as a policy to continue its offshore offensive. So let us say a few words about the sanctions. The sanctions regime is now quite a complicated issue. You can find a lot of information on the internet from the US Treasury, for instance. And it's it's quite complicated to understand all the nuances. But I'll talk about some of the main elements. And one of the main packages of sanctions are called sectoral sanctions, and they are affecting the oil sector in Russia, but they're specifically targeting Arctic offshore oil. So not all, but are the offshore on prohibiting transfer of technology. That was clearly a severe blow to Russia, which doesn't have that kind of technology. As a response, Russia has, has declared that it will develop more of its own technology, so called import substitution. To some extent, it has been has been able to do that, but but clearly not fully. And clearly not the technology of operating complicated Arctic projects. So it still is fairly little happening offshore in Russia, but

some exploration is going on. And the exploration activity is partly being undertaken with Chinese exploration race, they have that possibility. China is also an interesting has been seen as an interesting partner in further development offshore. But so far, Chinese companies are not being very eager, because they also lack the kind of experience that is important to have, then you embark on very risky, very costly offshore projects. There have also been financial sanctions, cutting back on the possibility of particular companies to get external credits that relates both to Ross left and to the gas company Novitec, which was developing the LNG project on the Amar beach Peninsula image for for some time, that created big problems for Novatek. But they managed to get around and again, they managed to get credits from China instead. And as I also said, they managed to complete that project on time. And now they are embarking on the second project, Arctic LNG two which seems not to have any problems in attracting finance or invested so that since the sanctions have not had much impact the energy projects are resilient. They have interested the participants, and they have a market. So far, we can discuss what the implications of EU policies might have in the future. But so far, they are going ahead, according to plan, when it comes to the overall picture of Arctic development, and again, back to the offshore section, I think that oil price will continue to be extremely important. The official Russian view, which is sense of individual paper is that they expect on price to, to, to raise again. Well, that is anybody's guess it's extremely difficult to predict oil price, but it's not totally impossible that it will happen. And in that case, we will see if they have the other prerequisites technological and financial, to develop offshore. I think I'll stop there. Thank you.

M

Michael LaBelle 46:01

Okay, thank you very much. Thank you, for all applauding, so fantastic. And I want to compliment both speakers for being right on time. So this is really a great achievement. For a round table discussion doesn't happen very often. So thank you. Okay, what I would do, I have to, okay, I needed to change that. What I like to do is ask the students or the audience for questions, some short questions, and then we'll broaden it out. And then I'll get back to the chat with the questions as well. So or you could also put a question in the chat, too. So can I ask someone to go first with a question for our world? Okay, well, we'll pull on, Anastasia. Thank you.



46:55

Um, thank you so much for a wonderful presentation and all the stuff you wrote, because I read quite a bit of it. So I guess my question is moving a bit from the presentation itself. I think what part of the reason why I was interested in making this roundtable about the Arctic, as I'm interested in, sort of Russian policy in the Arctic, in particular, the cushions and sort of bugging me, is that, as you mentioned, you know, but it doesn't really have the technology for offshore and the Arctic, currently doesn't really seem to be giving Russia as much money as it seemed to have thought it would be able to extract from the Arctic. And yet, it's still sort of chooses between what it thinks about climate change considerations versus drilling more and making more project still chooses to sort of go for more projects. Despite the fact that we know you know, that the Arctic infrastructure might crumble because of the thawing, and that it will cost the Russian economy quite a lot of money. So why do you think sort of the calculus of thinking in the Kremlin is like that when we can't really predict oil prices, we don't know what the US is

going to be doing with oil in 20 years, and yet still, they seem very committed to sort of overlooking environmental protections, and only focusing on sort of markets and selling more oil and gas.

A

Arild Moe 48:19

Well, there is there is, in fact, over the very last years an emerging discussion in Russia, about the outlook for for Russia as gas exporter in light of the transition has been a remarkable, I would say remarkable change in the DIS in official discourse. And low carbon strategy was adopted this last fall, not very concrete on policy measures, but at least painting a picture a direction and talking about the threat to the Russian economic model. As you as you also indicate. So that is that is a discussion. However, short term policies are not changing. And they see that oil and gas will remain big internationally for the foreseeable future, and that Russia has a lot to offer the government extremely keen on LNG and see that as as a growing income source, because they feel that the European market may be stagnant. So that is strong support. When it comes to oil. Yes, they have these offshore dreams. I think they are sort of thought and realistic, but they're very uncertain. But what they do Report is an enormous oil development onshore in the Arctic, which I did not match, which if it's being carried out, like, according to plan will entail the biggest, biggest overhaul of metal Russia since the 1970s. And it will also entail transportation of oil by sea. So, so So you have very strong sort of momentum in carrying on with large scale developments. You may question the CD, what are what are the sort of what is the profitability of those projects? Well, when it comes to energy, they seems to be quite good investments, the oil projects, even if it's onshore, they're expensive. So, again, the oil price will determine how this goes if oil price should collapse. This may look like quite dubious course. But I think the Russian leadership still they believe that they can at least whether the international developments through the night to the 2020s at least.

M

Michael LaBelle 51:19

Okay, thank you very much. Others,

A

Arild Moe 51:24

the volume series talking about theory very different. I mean, the volumes that Russia is supplying by pipeline, you know, enormous, they are much, much, much, much bigger than what you what you sell with the US LNG. So as a base load, pipeline gas is likely to continue, but on the modern LNG staying in an increasing increasing role. So that when it comes to the costs, the assessments I've been seeing regarding Arctic LNG is that it is quite, they're quite reasonable in the because, for instance, you don't need to vary so much about cooling as you do in other places for natural reasons. There are big transportation costs, because you need specially designed specially built a carriers. So the total picture is not that clear. But it seems it is a good good investment. And the foreign companies like Nike totaal obviously agrees on that. So well, that is, of course, the big, big question. And it goes drill bit further back to the first session today about the dependence on Russian gas. Yes, Europe is dependent on on Russian gas. However, it is not as absolute as you might think. Europe has carried out quite a lot of diversification policies in terms of exactly establishing LNG terminals, and also a lot of connection interconnections between between the pipeline systems in Europe. So if supplies

from one supplier to say Russia is being reduced, there are opportunities to replace the gas, but it comes at a cost. Because, yes, you can get the gas but it will be extremely expensive. So it's not an absolute but it's it's it's it has a big cost component and that is what is being held in Europe right now. Yes, you can get the gas but you have to pay an extra to get it. So, what the so that probably has implications for further development of the market and infrastructure. But the whole situation in Europe is not of course, only caused by by by Russia, but it has very much to do with how the energy systems are being transformed in in relation to the to the energy transition. And there are in my opinion, there is strong paradoxes in that development. Because if you want to reduce carbon imprint, you know you can't at the same time also build down gas and and also take out nuclear. It is very difficult to carry out the policy but so many sort of absolutes that you see in Europe today.

M

Michael LaBelle 54:59

Thank you very much. And RL. I have a follow up question with that. And it's it's simply on the LNG. So for future developments, and maybe follow us on that is the future developments. Okay, we have Nord Stream two, which still needs to open and actually have gas flowing through it. But in the future, it seems this flexibility is really beneficial for Russia. And do you think that they're going to focus much more, and we have sanctions and the current situation, we have a lot of like unknowns, I would say, or knowns. But But this flexibility with LNG really gives Russia the geopolitical flexibility it wants to still access and to sell into the markets.

A

Arild Moe 55:45

It does, and when and when the energy development started, it was almost have the condition that this gas should not be sold in the European market, it should not compete with pipeline gas. And there's been a lot of internal conflict in Russia about this, because in fact, a lot of the, at least in theory is not the gas from Yamal LNG has, has ended up in Europe, because the price has been favorable. But the thinking was that this gas should mainly reach Asia. And that is still the idea. But it gives that even if it does, it gives, both in our shop, but also the buyers, the flexibility. So it's also from a supply point of view. The existence of several LNG hubs around the world is, is can be seen as as a good thing in terms of energy, supply, security, but then seen from Moscow, this is a way of reducing the very big dependence on the European market.

M

Michael LaBelle 57:00

So they can still develop, it's still selling to Europe, but they also diversify at the same time. Yes, yes, exactly. And okay, I wanted to turn to Natalie, and then we'll brought it up. I just Nellie, maybe you had some reflections or some questions to follow up with, with what Arnold had stated already.

N

Natalie Dobson 57:20

Thank you. Well, first of all, thank you so much for this interesting. Presentation. I learned a lot as well, I think I really like the geographical visuals that really helped to clarify what is exactly going

going

A

Arild Moe 57:32

on. Maps are always useful.

N

Natalie Dobson 57:34

Yeah, they're really, really useful. And as a lawyer, you know, questions can come about who's in that business? And did everybody agree on the map? But I think for this purposes, it's a nice authority map. Well, I think we just got to catch on to the last thing it says a Russia's dependent on the European market as an export. And when I look at EU policy, I kind of sense also maybe EU is dependent on the Russian supply. So how do you see that playing out in that that interdependence going into the future, especially with the sanctions, and now that the gas prices in Europe, etc?

A

Arild Moe 58:10

Yeah, that is a big paradox. And of course, you have some. So the political consideration on top of the sort of general commercial supply depends, and, you know, the you say that the policy of Europe is, is has ambiguities on the one hand being dependent on Russian gas at the other, at the same time saying we don't more, we don't want to be more dependent, saying two things at the same time. But I think that going back to your presentation, this, this, this declaration about the possible ban on Arctic hydrocarbons, while it should be maybe more concretely stated, what what they're after talking about offshore oil, but my guess first of all, of course, climate is a global issue. And when it comes to emissions, it doesn't matter where it comes from. So in that sense, it's a little bit yeah. Why should you think about the Arctic sources for about the sources that can be questioned, but there are also particularly I know, that in the discussion in the EU, you know, there are those particular environmental concerns which are not trying to relate but are related to the conditions for development that could be some projects and articles produced elsewhere that would single out because environment detrimental, but but there is, if you had one hand, say that 40% of our gas comes from the Arctic, and at the same time, say that we should put it Bam, on them on the exploring those resources. And then I think that takes the question about if you don't want that gas don't quiet. It is the I feel that the polls here is very sort of about declarations and not so very balanced and realistic. But of course, you can influence some development, for instance, in terms of limitations of participation on finances. But you can also influence in terms of asset as a buyer, but not overnight, definitely not overnight.

M

Michael LaBelle 1:00:48

In our world, I just want to follow up with Natalie's point about oh, sorry, I'm, you know, I am I'm still learning how to use this. My question is a follow up for Natalie's presentation, where she talks about how the EU is trying to represent itself in this multilateral institution. And my question to you is, what's the perspective of Norwegian government and this or other

governments on these? Sorry, I don't know quite which councils are which, but what's the position of, say the Norwegian government on the involvement of the EU institutions in trying to muscle in on their Arctic area and governance?

A

Arild Moe 1:01:29

I think Norway and Russia has quite similar positions, in fact, in in that the issue, that these are issues that belong to the sovereign rights of the of the coastal states. So no directly moment, but of course, at the same time, Norway is eager to be seen as as, as compliant and as willing to do to further the green agenda, but not in terms of sort of zero specific actions against against the developments on its own continental shelf. So there are similarities with the Russian position in that in that respect.

M

Michael LaBelle 1:02:15

So state sovereignty still has a role. Yeah, yeah. Yeah. Sorry, Natalie, did you have more?

N

Natalie Dobson 1:02:22

I completely I completely agree. Maybe Norway would be an example of not leading by example. But But certain. Yeah, supporting the nor narrative theme. Yeah.

M

Michael LaBelle 1:02:34

The narratives important, very, very important. Okay, with that, maybe maybe we'll go to the chat question that Nas had posted. And then we can ask the students and and specifically some students who this is your this is your event? And you have some questions? So the question that is has in the chat is how much is the possibility of opening new marine trade routes, a conflict of interest for the development of EU Arctic policies? We've kind of spoken about this. But yeah, so what is the trade route in in the Arctic itself and opening it up, even for trade? And and I and I, maybe I'll direct this to Natalie first, because that was a follow up while you were speaking.

N

Natalie Dobson 1:03:24

Thank you. I think that this really fits squarely within the Arctic paradox that we were discussing that it's, it's economically very attractive, it's a shorter route, it's that's become available. But on the other hand, oh, it's not so very good for the climate, which we also think is very important. Just as a sort of side note, contextual information. In its food for 55 package, the EU has stated an intention to apply its emission trading scheme, to international maritime transport, which would also include routes through the Arctic, and interestingly, would apply to non EU flagged vessels in non EU waters. Just putting it out there as an example of EU not being so interested in multilateralism. And that would have an effect also on transport policies through the Arctic.

A Arild Moe 1:04:13

Okay, this can be seen also in another way. And you would also see that you can hear the argument that the transportation using the Arctic is more friendly, because the distance is shorter, so you have less emissions, given certain points of departure and arrival, if you go through the Arctic, if you go south. So, so I think you will hear more also from the Russians about that arguments.

N Natalie Dobson 1:04:41

And this sort of fuel will make a difference as well because they've got new bans on heavy fuel and the kind of emissions that you would have when transporting through the Arctic. You did that in a cleaner manner perhaps.

M Michael LaBelle 1:04:55

So is nuclear, a nuclear power icebreaker? Is that clean or is that dirty energy?

A Arild Moe 1:05:00

Well, that depends, you know, that is not been an item of the taxonomy specifically. But of course, for the Russians that is so nuclear technology in power, does not have a bad name in Russia. And it certainly emissions free.

M Michael LaBelle 1:05:19

Yes, yes. And especially in comparison to bunker fuel or whatever the ships are using. Okay. Students and other participants that have joined, so I'm still really impressed with with how people have heard about the EPR G event and joined in. So we have two participants that have raised her hand. So Akshay.

N Natalie Dobson 1:05:40

Thanks, that's an interesting one. And in fact, one of the critiques of this new strategy was why didn't the EU distinguish between oil and gas in its keeping oil and gas in the ground, considering that these two are not on the same par with each other? So that's something that's quite vague at this stage in in EU policy, what it does do is distinguish between safety during oil and drilling and the practices and environmental implications versus the act of oil and drilling as a as a source of energy. So perhaps, yeah, it's sort of hedging its bets on the most responsible approach to doing so, but it does seem to have grouped the two together even though it considers gas to be less polluting than oil climate.

M Michael LaBelle 1:06:28

So, I wrote Did you have a

A

Arild Moe 1:06:30

buddy comes to the taxonomy and it is about specific conditions for making green and it has to do with the way it is produced, it has to do with the reinjection of of carbon dioxide into storage. It has to do with combining it with hydrogen. So it has several limitations, which are not easy to fulfill as of today. But clearly, for instance, for a big gas exporter like Norway, it was good news that this is being considered, although we know that this is the final word has been said. Talking about accidents, if you talk about offshore accidents and or transport actions, it's clear that an accident with an oil rig and an oil tanker would have much bigger environmental effects an accident with a gas carrier, or you'd have to release some gas, but you wouldn't have the kind of local pollution that is a threat from from oil production.

M

Michael LaBelle 1:07:43

That's it. Good point. Thank you very much as I turn to Bryce, for your question.

A

Arild Moe 1:07:52

I can say something about China. Well, the Russian pivot towards Asia started before 2014. And specifically, Chinese investments in Yamal LNG, the first investments were decided in 2013. But it has China's become more important than click at that point due to the sanctions. No, no doubt about it, but it's not. So. So the the role of China in that particular business has been become bigger. That being said, beyond the LNG projects, China has been so much engaged. And I think for the reasons I mentioned, they don't have the capacity or they are not willing to take unnecessary risks. I would say that the investments they have made in the in LNG have been sound investments from from a commercial point of view. So yes, the sanctions are clearly continuously pushing. Russia towards China, the trade with China has increased considerably, trying to speak on the biggest partner, trade partner, Russia. But it's an even relationship. That is creating some some concern. In in Russia. You said something about the canary in the mind. What did you exactly mean by that? The questions are meant to push against the West couldn't but Russia is in the Arctic. Russia is big part of the Arctic. So the smaller question What is What about China in the Arctic and China realize its way into the Northeast very much through through Russia. But there are some underlying disagreements about it. The role of China Russia would very much like to see more Chinese investment. China would probably like these investments to be followed with more influence faces when the company comes to the management of this shipping routes. And so far, not much has happened in practice. There are some some some different views on that Tyra is more sort of at least advocating for international approach, whereas Russia is very much standing on the on the route of the constant state.

M

Michael LaBelle 1:10:33

Okay, thank you very much. This gets really complicated. I love it. So, so EU, Russia and China. And these are all right, completely different geographic and the United States. And I'll hold off

on that. Because we have, it's funny enough, we actually have people in the classroom, so and they they have questions, but they're not able to raise their hand and we don't have a great camera in there. So I wanted to go to the classroom, and actually actually ask people physically that are together, what their question is. Okay, maybe I go to Natalie first. And I think this definitely ties in with EU issues in the European Parliament that you've written about in your article.

N

Natalie Dobson 1:11:20

Thank you. I again, think it's, there's clearly a huge societal support for climate protection. First, I think if the provisions of poor polar bears and melting icecaps are scary, and people want, people will then be inclined to support texts, like no extraction from the Arctic. And that could be some reasons why we see a lot of these declaratory statements in EU policy. But then comes the question, How did you want to heat your house? How are we going to distribute because and then suddenly, people don't want to pay and so we get this tension between ideological interests and sort of very immediate short term, individualized interests. And then it becomes quite difficult to see how those translate. And I would suggest that sometimes the EU is eager to please its electorate and also to identify itself to define itself on the global stage as being very green. But then it kind of indeed gets itself into a bit of a corner with how it's going to realize that, especially in the shorter to medium term, which is something I think that what also came up, we can maybe think about the longer term, but what are we going to do if we suddenly stopped drilling tomorrow?

M

Michael LaBelle 1:12:42

And the price look what happens now right, the price is already super high,

N

Natalie Dobson 1:12:46

super high in the Netherlands, we this is ridiculous. In the Netherlands, we have to stop drilling in the north of the country. Cloninger because of the earthquakes are being caused, we're now highly dependent on imported gas, particularly from Russia. And because the price is going to be so high, even though the Netherlands has clear climate goals. The entire of the Netherlands is getting a subsidy, including us 400 euros on the increase in your gas bill this year. Yeah, because we can't afford the sudden increase in our gas bill. And we don't have an alternative. We don't have a short to medium term strategy. We just have long term ideals.

M

Michael LaBelle 1:13:23

Yeah, it goes right against the EU kind of competition idea with for residential homes, and not even to mention the Fitzroy 55 plans.

N

Natalie Dobson 1:13:31

Right and or the Dutch own plans in the very famous offender judgment in which it was found to have not enacted enough domestic climate change policy. So it's a bit embarrassing

to have not enacted enough domestic climate change policy. So it's a bit embarrassing.

M

Michael LaBelle 1:13:43

So Roxanna, your question, we didn't hit on it, but it's so essential to this discussion? Absolutely. Arielle, did you have anything to say on this?

A

Arild Moe 1:13:53

Well, I think apologist said what was important that this is not really an issue related to what's going on in Russia.

M

Michael LaBelle 1:14:02

Good. I'll just say sitting in Hungary we're all fine here because the essentially the South Stream corridor has been opened up. So we get all the gas from from Russia on a long term contracts. And the price has been kept for I don't know how many years now. 10 years. So my gas price is the same. So just shows depending on the country and what kind of economic system you adopt competition, or you stay with this old Russian system, Soviet system, how things can go in the future even it's funny how times change and competition meant to drive down price, but now it's actually quite high and some governments Italy, too, is subsidizing many other governments in the EU are subsidizing consumers they have to because the pushback. Okay, sorry, there's a second question. Okay, maybe I will. I'll give that to you first.

A

Arild Moe 1:14:55

Well, yes. RTS is easy. very big, hardly regions, Arctic, different sub regions. One thing that is very important parts of our thickness is fisheries. Very, very big fisheries, not least in the Western part in the in the barren Sea, which is important supply. Also the Europe if you talk about Arctic more broadly along an onshore Yes, the Arctic has also other natural resources, minerals, which can be developed, which are developed can be developed. And this is an ongoing operation to both both to explore and to develop resources, not only in Russia, but also in northern parts of Canada. And in Alaska. All the guests, of course, has been extremely big, and I misspeak. But there are other other alternatives. You also have to keep in mind that the Arctic is not extremely heavily populated. Most of the projects, big projects we're talking about are based on labor that is being brought in from from the south indigenous populations, they are mostly engaged in, in in hunting fisheries and some other activities.

M

Michael LaBelle 1:16:27

Okay, great. And so yeah, when we talk about the environmental impact, right, it's not just what's been extracted, how it's been extracted, and then the impact on the immediate environment and the global environment. So which I'm trying to wrap things up. But it really demonstrates the importance of understanding what's going on in the Arctic. It's not just the melting that's going on there. But actually the extraction that's going on there, too, that makes

it super important. And just before we conclude, just because this is about current topics and energy policy, I wrote, I have one last question for you. And this is about the impact of the sanctions. And it was a defining moment in the exploration of from 2014. The impact on Russia's ability to explore for oil and gas or extract at least for the oil for the offshore, as you mentioned, and I'm just wondering about maybe you don't know, but kind of if, for example, Russia decides to go into Ukraine. And if there's more sanctions, do you think that there's going to be a major impact or these these ways that Russia has learned how to get around the sanctions can actually help Russia continue to develop its oil and gas sector?

A

Arild Moe 1:17:42

Well, certainly that is one of the possibilities of being flagged that there will be more comprehensive sanctions that could hit other parts of the of the Russian economy. But when the sanctions were introduced in 2014, they were specifically avoiding the gas and avoiding anything that can harm the gas supplies to Europe. Question is now if there is a broader sort of economic war, how that will also impact Russian gas exports, that's anybody's guess, is very, very dangerous and difficult scenarios. But we know, for instance, that we heard the other day that you know that Qatar has been requested to step up gas supplies to Europe. And that is probably a way to see if there are other sources that could be mobilized. If the Russian it Russians should should decide to get the supplies. Okay,

M

Michael LaBelle 1:18:47

thank you. Sorry, Natalie, any views on that?

N

Natalie Dobson 1:18:51

I think indeed, the last point is essential as well. I mean, it's one thing to want to place a sanction. But what are you going to do with your energy supply? We're more worried about if the Russians to decide to cut the energy supply.

M

Michael LaBelle 1:19:04

Okay. All right. Well, I definitely want to say first, before we go on Anastasia postnova, for helping out and Roxana bukata, they really helped bring everything together. So thank you, and certainly for Arnold and Natalie for making the time the time spent preparing to come and sharing their expertise. As you see it was an excellent event. And I want to thank all both the students that prepared and also people that came for our EPR G event. So thank you very much. And with that, I'll I'll conclude. So thank you all I really appreciate it. Thank you for joining us for this episode, we produce the my energy 2050 podcast to learn about cutting edge research, and the people building our clean energy system. If you enjoyed this episode or any episode, please share it. The more we spread our message of the ease of an energy transition, the faster we can make it. You can follow us on LinkedIn where we are the most active on the My energy 2050 web page we're on Twitter and Facebook I'm your host Michael Labelle Thank you for listening to this week's episode

