



POLICY OPTIONS FOR ARCTIC ENVIRONMENTAL GOVERNANCE

Prepared by the Offshore Hydrocarbon Working Group

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Background

Oil and gas activities are not new; they have been in existence in onshore areas since the 1920s and offshore since the 1970's. These activities have fluctuated with social, economic, and technological conditions and drivers including

- Improvements in techniques for exploring and producing hydrocarbons in the Arctic.
- Long term stability in the global price of oil.
- The ready availability of conventional hydrocarbons from e.g. the Middle East, North Sea has also been a factor.

Areas which are already hosting exploration / production include Siberia, Prudhoe Bay in Alaska onshore and the Beaufort Sea and Barents Sea. In the near future it is expected that further activity may be seen in the Mackenzie Delta area, and the offshore areas of the Chukchi Sea, West and East Greenland, and the Jan Mayen Ridge.

In addition to enabling exploration and production for hydrocarbons, the potential retreat of sea ice may also increase the scope for navigation, including the tankers which may be used to offload oil where pipelines are impractical or uneconomic.

There are widespread concerns amongst environmentalists, regulators and the oil companies themselves that oil and gas activities in the Arctic are carried out in such a way as will cause least damage to the environment and to the wellbeing of the Arctic peoples. Whilst much of the Arctic is subject to various national jurisdictions there are two significant areas which are outside the limits of such jurisdiction. There are also various claims and counter-claims over the extent of the various jurisdictions which are the subject of consideration by the UN Commission on the Limits of the Continental Shelf.

It is therefore important that a joint and coordinated approach is made to enable production of energy from this potentially very rich region without causing the damage referred to above. As it may take up to 20 years for any marked increase in Arctic hydrocarbon activity to take place this will allow time for such an approach to be delivered.

The Arctic Council is preparing a Draft of the third edition of the Arctic Oil and Gas Guidelines under the auspices of the Protection of the Arctic Marine Environment (PAME) working group of the Council and the employment of those Guidelines (when finalised) should go a long way towards agreement on performance standards.

Analysis of policy shortcomings

- Adoption of the Arctic Council Guidelines is on a voluntary basis (and it is a consensus document).
- The intense competition for, and value, of oil and gas together with political disputes over global energy and security of supply may lead to less effective international cooperation in the Arctic area. A related issue is the possible rise of National Oil Companies in the Arctic and the unilateral (isolated) nature of the way they could operate.
- Incomplete integration or incompatibility of various databases (biological, physical oceanographic, chemical, toxicity, etc.).
- Lack of integrated management systems within and between countries.¹
- Lack of common standards.
- Need for improvement of technology / overcoming of barriers (e.g. oil spill clear up).
- Flow of revenue away from areas of production and indigenous peoples.

Key policy options

The United States and the European Union could:

- Exchange existing information on offshore oil and gas experience in the Arctic (through the Arctic Council, Bi-Lateral cooperation, Northern Forum, Industry Associations and NGOs, and creative initiatives; focus on prevention, preparedness and response to emergency situations, compensation and lessons learned from socio-economic effects and mitigation).
- Undertake or support cooperative Arctic research programmes to improve understanding and mitigation of the environmental and socio-economic impact of offshore oil and gas operations in polar regions.²
- Work on a bilateral or regional basis to make best use of infrastructure and emergency response including pollution response (US-Canada (Beaufort), US-Russia (Bering and Chukchi), Norway-Russia (Barents), Canada-Greenland (Baffin Bay, Davis Strait, and Labrador Sea).
- Develop / Implement Common Environmental and Technical Standards (UN, IMO, ISO, EBRD, World Bank and others).
- Establish Arctic Contact points within EU and other Arctic States.
- Seek to integrate offshore oil and gas with other activities in the area to minimise conflict through marine spatial (and temporal) planning. Take first steps towards a Pan Arctic EIA.
- Indigenous peoples should be involved in all phases of activity (planning, review, oil spill response and should share in revenues.
- Industry is a stakeholder also; they should be supported and form an essential part of the delivery of these policy options.
- Take account of the European Communication and Resolution on the Arctic.

¹ This may be one of the biggest shortcomings in policy (and maybe hardest to overcome).

² Discuss EU interest related to socioeconomic impact. Finland and Sweden are considered devoid of oil and gas resources. Greenland and Faeroes are “third parties” to the EU.