Arctic anxiety
BP, British foreign policy and the rush for polar oil

In January 2011, BP signed a deal with Russian state oil company Rosneft to together explore for Arctic oil in an area the size of the entire UK North Sea. This report from PLATFORM and Greenpeace shows that no company is at present adequately prepared to drill offshore in the Arctic, given the current lack of regulation, knowledge, technology or research. It highlights BP’s persistent managerial failures to address safety risks in the Gulf of Mexico and its safety record in Alaska, and argues against its involvement in pushing new boundaries of fossil fuel development in conditions as treacherous as those to be found in the Arctic.

The report also examines the role of the UK government’s foreign energy policy in supporting BP’s controversial activities abroad. Lobbying for oil deals is conducted behind closed doors with little public oversight or accountability. Using political will and spending public funds to promote British businesses’ exploitation of fossil fuel frontiers is a significant matter that should not be decided without public discussion.
This report was researched and written by Anna Galkina with contributions by Mika Minio-Paluello and Adam Ma’ant of PLATFORM. The report also benefited from the comments and feedback of Mel Evans, James Marriott and Kevin Smith of PLATFORM, Francis Grant-Suttie, Clive Tesar and Aleksey Knizhnikov of WWF, Ben Aylliffe, Charlie Kronick, Truls Gulowsen and Ivan Blokov of Greenpeace, and Nina Lesikhina of Bellona. The report and research, which included trips to Arctic Norway and Russia, has been made possible by support from the Joseph Rowntree Charitable Trust.

This is the second in a series of papers looking at the issue of domestic and foreign energy policy. The first paper, “Off the deep end: Foreign policy and the dash for offshore oil and gas”, can be downloaded from the PLATFORM website. The third publication in the series in Summer 2011 will be looking at the problems underpinning the frame of “energy security”.

For all enquiries contact info@platformlondon.org

Email info@platformlondon.org if you would like to receive occasional newsletters from us. You can also find Platform – activism, education and the arts on Facebook, and @platformlondon on twitter.

Cover photo: Greenpeace / Will Rose

Design by: Tim Ratcliffe
Introduction

On Friday 14 January 2011, BP called a last minute press conference at its St James’ Square headquarters in London. Journalists from UK papers and Russian TV were summoned with little indication of the content. As speculation raged, it emerged that BP CEO Bob Dudley had just returned from meeting Vladimir Putin at his country retreat.

In due course Dudley entered the briefing room alongside Eduard Khudainatov, his opposite number at the Russian state oil company Rosneft. The two announced the new “Global and Arctic Strategic Alliance” which had been finalised that morning: BP and Rosneft would together explore a vast area of the Russian Arctic for oil, and co-operate in breaking through frontiers elsewhere.

The two signed the papers to applause from the gathered journalists and politicians including UK Energy and Climate Change Secretary Chris Huhne.

As a result of the deal 125,000 square kilometres of the Kara Sea is to be blasted with seismic tests and drilled in the search of new oil reserves. The three license blocks in the Kara lie just north east of the famously gas-rich Yamal Peninsula. Exploring this enormous area – equivalent in size to the entire UK North Sea – is a major undertaking, but BP and Rosneft are confident that reserves discovered will be in the multiple billions of barrels. Drilling is expected to start in 2015.1

But with only two months a year of ice-free water, the companies will have a narrow weather window to drill.2 Moving rigs ever further north into more and more challenging climate conditions requires not only cutting edge technology but technology that does not yet exist. Delays and cost increases are common in the oil industry, as they have been with BP’s High North projects in Alaska.3 The company plans to invest $2 billion in exploring the Kara Sea over 10 years, but this could easily spiral upwards, and the risk of not finding the reserves hoped for is great.4

The new deal includes establishing a joint Arctic Technology Centre as well as a wider Arctic Protocol to cover further exploration and extraction across the polar region.1 BP hopes to extract crude from Russia for the next fifty years and knows it will need to focus on the technologically-difficult and hard to access reserves to do so.

Already this deal is heavily contested. As this report goes to press it is subject to a court case due to be heard in Sweden. The High Court in London has granted an injunction to BP’s other Russian partners – co-shareholders in the firm TNK-BP – to hold up the deal as they intend to sue BP over breach of their shareholder agreement.5

Furthermore, the Conservative-Liberal cabinet support for BP’s new deal with Rosneft has been criticised as reversing the government’s more critical position vis-à-vis Russia.6 Rosneft’s main assets were seized from the business empire of Mikhail Khodorkovsky, an imprisoned former oil tycoon who received an additional sentence in late 2010. Foreign Secretary William Hague condemned the court decision against Khodorkovsky, expressing concern for “how the law is applied in Russia”.7 His colleague Chris Huhne’s appearance at the BP/Rosneft signing ceremony could appear to be a reversal of this stance, but in reality it represents policy continuity: both Labour and Conservative governments have provided diplomatic pressure, support and validation for British oil companies breaking open new frontiers.

British Minister of State in the Foreign Office David Howell, Energy Minister Charles Hendry, former Business Secretary Peter Mandelson8 and former Prime Minister Gordon Brown9 have all supported BP in public and behind the scenes in Russia disputes. UK embassies in countries ranging from Norway to Uganda have specialised oil or energy teams for “market advisory” or deal brokering work. Ministers, diplomats and civil servants have been enrolled into promoting British businesses in Arctic Norway, Russia, and Canada. When probed on the Khodorkovsky issue in relation to the BP/Rosneft deal, Energy Minister Charles Hendry said the government’s support for BP was “purely commercial”.10

Dissociating commercial interest from political, environmental and social impacts of policy is particularly dangerous with regard to frontier oil drilling. The Arctic Ocean is a new frontier for offshore oil extraction, and the risks have not been fully addressed or understood. The US National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling concluded in its final report in January 2011 that “detailed geological and environmental information does not exist for the Arctic exploration areas … and industry and support infrastructures are least developed, or absent”.11 Most standard solutions for dealing with spilled oil are made ineffective or difficult to use by polar temperatures and floating ice. The existing regimes of governance for the Arctic region are not designed to cope with a resource rush, which makes it easier for authorities to assert rights to drill for resources than to protect fragile landscapes from industrial use.
Oil extraction in the High North poses significant financial risks and when set against the urgent need to radically reduce global greenhouse gas emissions, such development only adds to the risk to the climate posed by fossil fuel usage. Circumpolar countries are promoting non-renewable resource extraction as the primary way to develop a historically marginal region, but such extraction does not offer sustainable development over the long term.

At present no company is adequately prepared to drill offshore in the Arctic, given the current lack of regulation, knowledge, technology and research. BP's persistent managerial failures to address safety risks in the Gulf of Mexico, highlighted in the National Commission's report, as well as its safety record in Alaska, warn against allowing the company to push boundaries, particularly in Russia where the national oil industry is seen as irresponsible and non-transparent.

The UK's foreign policy, particularly in relation to energy, tends to be conducted behind closed doors with poor public oversight or accountability. The government's support for BP's new alliance runs fully in this vein, with the lobbying process kept completely secret due to the sensitivity around BP as a company and the Arctic as a frontier. Using political will and spending public funds to promote British businesses' exploitation of the Arctic is a significant matter that should not be decided without public discussion.

Until now no House of Commons, or Select Committee discussion has taken place on whether and how Britain should act in the Arctic, indeed act as an 'Arctic State'. A House of Lords discussion in early December was poorly attended as well as patchily informed, particularly compared to heated and wide-ranging debate on the topic in the European Parliament. An earlier paper by PLATFORM entitled "Off the Deep End" explored the way the current promotion of a narrow concept of 'energy security' is used to deflect safety concerns and critiques of oil extraction in deeper waters and deeper risks. A UK Parliamentary committee has since demanded more thorough and comprehensive safety inspections on North Sea oil operations. The Arctic and the High North demand even greater caution. The UK government needs to take a more measured approach and stop its support for companies entering the Arctic without the necessary preparation and safety precautions.

Without public consultation and parliamentary scrutiny, there can be no informed and democratic decisions about the UK's involvement in the Arctic. Energy policy with significant social and environmental impacts and serious human rights concerns should not be decided behind closed doors and purely on the basis of commercial interest. By providing an overview of Arctic resource politics, PLATFORM and Greenpeace aim to help launch this desperately needed public debate.

### Contents

1. Introduction
2. Waiting for accidents to happen..................................................................... 7-10
   The Arctic 'Frontier'
   Oil Spill Response
3. Arctic communities: pawns in the resource chess game? Pages............. 11-14
   Free, prior, informed consent
   Fast changes
4. Why is it “too late”?.........................................................................................15-18
   Poles apart
   UNCLOS
   Arctic Council
5. The Keywords of Arctic policy........................................................................19-22
   Precautionary approach
   Depletion
   ‘Energy Security’
   Resource Sovereignty
   ‘Taming the Bear’
   No Alternatives?
6. UK and EU Arctic policy: a choice.................................................................24-28
   EU: Safety vs security
   Shifting Principles
   What business is it of Europe’s?
   UK: the non-debate
   Arctic oil as a business opportunity?
   The choice
7. Trusting the best?............................................................................................29-34
   BP’s frontier safety record
   A lesser evil?
   The Western standards
8. Conclusions and Recommendations...............................................................35
1. Waiting for accidents to happen

Just months before the Deepwater Horizon disaster, US Senator Joe Lieberman’s justification for keeping offshore drilling provisions in the climate and energy was that, “accidents happen.” The tragic event in the Gulf of Mexico in 2010 unfortunately proved the truth of his words, and re-emphasized the need for technical preparedness to deal with inevitable accidents as part and parcel of all offshore oil policies. Yet a number of recent scientific and policy papers suggest that available drilling and spill response technology, and current understanding of the potential risks, are inadequate to the challenge of operating in the Arctic.

The Arctic ‘Frontier’

The Arctic is a true “frontier” for the oil industry, with exceptionally challenging conditions. Seasonal ice cover means that there is a need to protect drilling equipment from floating ice in the warmer months, and then during winter either to tow it away or leave it safely in a freeze. In places affected by drifting icebergs, oil drilling platforms need to be able to shut down and move aside in a matter of hours, if the iceberg is too large to be towed away itself. This means that oil wells in seasonal ice waters take longer to complete. Although climate change is causing the sea ice cover to retreat, according to current models seasonal ice will not disappear entirely from the Arctic Ocean in the 21st Century. Furthermore as the ice retreats it still leaves rough weather and storms, characteristic of high-latitude conditions.

In these conditions a potential oil spill would be much more persistent than in a warmer climate (low temperatures hamper the processes of evaporation and bacterial degradation), and the interaction between an oil slick and sea ice could have severe and unpredictable effects. Cambridge University professor Peter Wadhams explains that oil released under sea ice would be trapped and “encapsulated through new ice growing under the oil layer. This preserves the oil in a toxic state. Months later and hundreds of miles away, the floe will eventually melt, releasing toxic oil, which has light fractions still present, in a location where it might be dangerous to birds and other wildlife.”

The Arctic Ocean hosts a very diverse ecosystem thriving on the edges of the ice pack, as well as important migration corridors for whales and birds. The long life span and slow reproductive rates, as well as the dwelling habits, of a number of key species of Arctic animals mean that they would be particularly threatened by pollution. Plankton that form the base of marine food chains would also be affected, with long-lasting impacts on the rest of the ecosystem.

Oil Spill Response

In Arctic conditions it would be impossible to rely solely on standard technologies of oil spill response. The use of chemical dispersants is all but impossible under ice; sea ice and high winds render using containment booms (temporary floating barriers) difficult, and in-situ burning of oil in low temperatures is much less effective. BOEMRE (the US offshore resource regulator) estimates that mechanical containment and recovery methods are only effective on one to twenty percent of spilled oil in broken ice.

Moreover, extreme weather and long periods of darkness limit the time periods when emergency response and rescue can be carried out. According to Nils Maaslie, director of Norwegian offshore risk assessment firm Det Norske Veritas, “Sometimes search and rescue operations stop in the evening because it is too dark, resuming again at eight o’clock when the light returns. But if something happens on the Arctic Barents Sea in November it would be, “OK, we’ll come back for you in March.”

Industry consultancy Nuka Research and Planning Group has come up with a way to measure this problem using the concept of a ‘response gap’, meaning conditions where drilling or transport operations can be carried out, but emergency response cannot. For instance, research commissioned by the WWF showed that in Prince William Sound (the site of the Exxon Valdez spill 18 years ago), a response gap exists 38% of the time: that is, no emergency response work could be carried out 38% of the time on a yearly average (and 65% of the time in winter months). Prince William Sound is sub-Arctic and much more accessible than the remote areas of the Chukchi, Beaufort, and Kara Seas, where drilling concessions have been granted by Russia and the US. A study by the Norwegian Meteorological Institute, commissioned by the environmental group Bellona, found that containment booms can only be used in the Barents Sea roughly every other day.

With sparsely populated shorelines and lack of established monitoring, it could be a long time before a spill is even noticed by environmental regulators. In Spring 2003 the staff of the Nenetsky National Park in Russia noticed oil on the ice. After it had already caused the deaths of hundreds of birds. There has been no official record of the spill; according to Bellona it could have been caused by an accident on a test drilling site of one of Gazprom’s subsidiaries. To date, no company has taken responsibility. This national park, incidentally, belongs to the same district as Novaya Zemlya and BP and Rosneft’s new concessions.
Sector provision

BP’s publicised plans for collaboration with Rosneft include the establishment of an Arctic Technology Centre in Russia “which will work with leading Russian and international research institutes, design bureaux and universities to develop technologies and engineering practices for the safe extraction of hydrocarbon resources from the Arctic shelf”. But most current oil spill cleanup research is in small controlled tests or modeling that cannot adequately substitute for the real event, especially a catastrophic blowout like Deepwater Horizon in the Gulf of Mexico. It is a matter of concern whether the new research centre will have the funding capacity to invent new technologies which will be needed for the special circumstances in the Arctic.

An analysis carried out by a number of US conservation groups shows that in the event of a spill in the Chukchi Sea, Shell would be able to mobilise:

• 13 emergency response vessels, only 8 of which would be self-propelled (as opposed to 32 vehicles deployed in the Gulf of Mexico during the Deepwater Horizon disaster),

• 6,000 ft of containment boom (417,320 ft in the Gulf of Mexico)

• 28,000 barrels of offshore storage capacity (against 122,000 barrels plus 175,000 on standby).

Moreover, WWF points out that “Shell’s 2010 contingency plan for a Chukchi spill identifies the village of Wainwright as the marine hub for a response — Wainwright (population 494) doesn’t even have a dock.”25

The US Coast Guard (as noted by the National Commission’s Final Report) also currently does not have the capacity to respond to an emergency in the Alaskan Arctic: “The Coast Guard does not have sufficient ice-class vessels capable of responding to a spill under Arctic conditions; two of its three polar icebreakers have exceeded their service lives and are non-operational.”26

Cairn Energy refused to reveal information on its contingency plans for a spill during their drilling off the coast of Greenland, under the pretext that the spill response effort could be “subrogated” should they be so. However, according to Dr Martin Preston at Liverpool University, the information available on Cairn’s plans gives no indication of the company having considered the specific risks associated with Arctic conditions, instead using “realistic, readily standard techniques”.27

Chevron have admitted that relief wells are of “limited use” in conditions of a short ice-free drilling season – specifically in the Canadian Arctic – as completing a relief well within the same season is unlikely and as a requirement to plan for relief wells “places significant economic penalty on both exploration and development drilling activities”.28 Chevron’s presentation further argues that regulators should instead require oil companies to have in place same-well safety measures “equivalent” to relief wells, but any of those would be rendered equally ineffective if a blowout were to make the well inaccessible.29

Industry experts recognise that regulation, as well as financial and intellectual investment in safety technology, has failed to keep up with the development of offshore drilling. Retired Admiral Thad Allen, the commander of US federal response to both the Deepwater Horizon spill and Hurricane Katrina, noted in an interview in August 2010: “Oil spill response is all predicated on the lessons of the 1989 Exxon Valdez disaster. The legislation that came out of that disaster focused on tanker safety and phasing out single-hull oil tankers, on making sure the party responsible for the disaster meets its liability requirements, and on cleanup as directed by the Oil Pollution Act. […] In the 10 years after that accident […] oil drilling was moving offshore and going deeper underwater. So the technology changed, and the overall response structure didn’t keep pace with those changes and the emerging threat.”30

In some cases this lack of financial and intellectual investment is beginning to be addressed, such as with the $2bn bonds as upfront payment for emergency response that Greenland now requires from any company wishing to drill in its waters.31 Officials in Russia have hinted at the potential establishment of a similar fund.32 However, this still is a unique measure among the Arctic states and also needs to be complemented by safety regulation.

Oddgeir Danielsen, oil and gas expert at the Norwegian Barents Secretariat, comments that even now, in the Barents Sea off the coast of Norway, drilling plans are well ahead of emergency response capability, and there is “a need to show decision makers that time and money need to be spent on safety.”33 He said, “I hope that a major accident is not what is needed before relevant action is taken.” (For more on the Norwegian safety dilemma see page REF.)

It is concerning that even after the Deepwater Horizon disaster, the Arctic States seem to be waiting for another accident to happen. Many commentators have said that any further Arctic expansion should be halted until the safety technology and emergency response systems are adequate and properly regulated.34 Section 3 reviews some of the concerns raised in this debate within indigenous communities.
2. Arctic communities: 
* pawns in the resource chess game? *

Attempting to summarise indigenous perspectives on Arctic oil drilling is fraught with difficulties. All too often, as Inuit Circumpolar Council president Jim Stotts put it, Indigenous Peoples become “pawns in a chess game” between those who advocate industrial development at any cost, and those who would like to prevent it. The estimated indigenous population of the Arctic region is over a million, a third of the total population, living in diverse conditions. The potential impacts of resource extraction are debated within and between these indigenous communities, a fact often ignored by the more powerful players in the resource chess game.

One of the spaces for such debate was the 2010 Arctic Leaders Summit (ALS) in Moscow. This annual conference of the six indigenous organisations that are permanent participants of the Arctic Council was focused on climate change and industrial development in the region. The following retraces some of the concerns raised by affected communities at the Summit, although by no means represents all sides of the discussion.

Free, prior, informed consent

“Free, prior, and informed consent” of local communities to industrial development is the cornerstone of the UN Declaration of the Rights of Indigenous Peoples, and of the circumpolar indigenous organisations’ advocacy. It involves:

- information about and consultation on any proposed initiative and its likely impacts
- meaningful participation of indigenous peoples representative institutions

Russia has exhibited numerous violations of these rights. On the Kola Peninsula attempts to institute an elected Saami Parliament are being at best ignored and at worst thwarted by the local administration. Meanwhile a piece of land formerly used by a reindeer collective was reclassified by the local administration, with the effect of making it available for pipeline construction for gas extracting consortium Shtokman Development AG without consultation with the Saami. Lukoil (the country’s second largest oil company) is accused of denying multiple oil pipeline leaks occurring around River Pechora, and attempting to ‘hide’ them from the regulators and the indigenous population. (For more on Russia see p REF)

Development?

While the Indigenous Peoples of other Arctic states have a better position in advocating for their rights, many issues and problems remain.

The impacts of oil exploration and production on the prospects of fishing and whaling are not fully understood and potentially destructive. Methods of seismic testing used in oil exploration produce intensive high-pitch sounds, which is very disruptive to whales and other wildlife. There has been international alarm over their use in Sakhalin (Russia) where grey whales feed in the summer, and residents of Barrow, Alaska, fear that whales may start avoiding their waters if exploration goes ahead next year. Both state and corporate oil exploration and production plans appear to lack exit strategies. Of the four corporate and numerous government presentations at the Arctic Leaders Summit 2010, not a single one even mentioned the issue. Oil development is claimed to bring many economic benefits, including jobs for the local population. Yet it is unclear what happens after the depletion of oil fields in terms of both employment and safe removal of industry infrastructure.

Oil extraction necessarily brings with it very abrupt social changes, related on the simplest level to a sudden influx of population to work for the industry. In Norway many point to Hammerfest, home to the Arctic’s first Liquid Natural Gas plant since 2007, as an example of how this could go wrong. The gas boom town is now known for its high crime rates and drug trafficking problems. Abrupt and unpredictable change is a key challenge.
Fast changes

The Arctic is warming twice as fast as the rest of the world, and people sitting on the back rows of the Arctic Leaders Summit had experienced the most direct — and far from trivial — impacts. One delegate said he could not insure his reindeer that are dying in the unpredictable weather: there were no weather stations around and the insurance companies would not take any other proof of adverse weather conditions. The more common problem was that with temperatures oscillating more frequently across freezing-point, a layer of hard ice appears on top of groundcover plants, making it very difficult for reindeer to forage. Subsistence whaling and fishing are also under threat as the climate changes.

Technologies developed by reindeer herders and hunters are not only sustainable but also, importantly, adaptable and based on knowledge that, in the words of the Arctic Climate Impact Assessment, is sometimes "far in advance of scientific understanding, and in fact [was] used by scientists to make significant progress in ecology and biology." The Arctic experienced a relatively warm period in the mid-20th century: and to withstand the current warming it is important now to gather the knowledge of those who dealt with it then, as noted at the ALS by Michael Pogodayev, head of World Reindeer Herders association.

Industrial change is different, and much faster. A Russian Saami delegate at the ALS 2010 said it was “easier to adapt to a changing climate than to the onslaught of industry.” In this sense, debating whether industrial development should come to Arctic communities distracts us from looking at how it would do so.

In current conditions, oil development carries several serious and poorly understood risks, and strides once again ahead of regulations that would secure meaningful engagement with local communities. In the words of Jim Stotts once more, “What’s the big rush? We can afford to slow down.”

The potential environmental consequences of using inadequate technology, as well as the potential severe social repercussions, mean we indeed cannot afford to rush into Arctic oil extraction. But such a slowdown would mean overcoming a dominant discourse in Arctic governance: “it’s too late”. The following section questions this discourse more closely.

"It is easier to adapt to a changing climate than to the onslaught of industry."
- Vice president of the Kola Saami Association, Lyubov Vatonen
3. Why is it “too late”?

The only “hard” international law covering aspects of Arctic governance is the 1973 Agreement on the Conservation of Polar Bears, signed by the five Arctic coastal states. Policy scholars and politicians repeat again and again that an international treaty on protecting the Arctic is either too late coming, or inappropriate in any case. Commonly the UN Convention on the Law of the Sea or the Arctic Council are named as the appropriate structures to resolve problems in the Arctic Ocean. Yet these frameworks lack the legal power, mandate, and resources to enforce common measures on any environmental protection, never mind a general slowdown of extractive activities to make time for environmental, social and safety risks to be addressed. We need to ask whether it really is too late for an effective international agreement to address the question.

Poles apart

It might be obvious to try and draw a parallel between protecting the South and the North polar regions. The Antarctic Treaty, which first went into effect in 1985 with additional protocols agreed upon subsequently, ensures that the Antarctic continent is a demilitarised zone and cannot be mined for resources. Greenpeace – who led a concerted campaign for the Antarctic to be declared a “world park” – describe it as having achieved the impossible, where they went from being a marginalised outsider in the international arena, to a “respected player”. Following the Exxon Valdez disaster in 1989, confidence in the ability of the existing industry to operate safely in fragile polar sites was shaken. In 1991, a new Environmental Protocol for the Antarctic Treaty was adopted, banning resource extraction from the region for 50 years.53

The two regions differ dramatically: one is a continent, the other mainly an ocean (depending on the definition); one remains uninhabited except for wildlife and science stations; the other has a population of over four million, many of them Indigenous People leading a “traditional” lifestyle. As Antarctic Treaty co-instigator Oran Young notes,54 the complexity of already existing sovereignties and different issue-based legal regimes in the Arctic would be difficult to capture in one all-encompassing agreement. Importantly, Indigenous Peoples, who have representation secured in the Arctic Council (see below), might be more excluded from a potential international treaty – which is by definition a treaty between states.

Instead Oran Young’s suggestion is that policy should proceed outward, from initially securing protection for the already legally international central area of the Arctic Ocean to specific collaboration on the various “issues”. As Young himself admits,55 these arguments partly have the intention to specific collaboration on the various “issues”. As Young himself admits,55 these arguments partly have the intention of countering “alarmism” and keeping Arctic issues out of “high politics”, preventing a new “great game”. But with heads of state and International Oil Companies already engaged in promoting risky Arctic oil drilling, there is a real danger that restricting the debate to boardrooms and specialist conferences will result in widespread risky Arctic resource extraction being assumed to be inevitable.

The Arctic is not the Antarctic, but this does not mean that new measures cannot or should not be demanded and adopted. Otherwise we rely on the existing legal regimes – crucially UNCLOS and the Arctic Council – which were not designed to cope with the developing resource rush.

UNCLOS

The main legal regime governing the Arctic Ocean is the United Nations Law of the Sea Convention (UNCLOS). It assigns every state sovereignty over the sea bed within 200 nautical miles (370 km) of the country’s shore: in the case of the Arctic Ocean, this leaves a patch of international sea bed including the North Pole, which several of the circumpolar states are vying for.

Under Clause 76 of the Convention, any claim for sea bed is limited to 350 nautical miles, and is to be approved (or rejected) by a special Commission on the Limits of the Continental Shelf (CLCS), with consideration given to the geology and geography of the sea bed, as well as the borders and claims of the neighbouring states.57 Importantly, these extensions only relate to the sea bed and its resources, not the rights to shipping or fishing.

Russia was the first to use its Clause 76 rights and in December 2001 submitted her claim to a large section of the Arctic Ocean up to the Pole, as well as an “enclave of continental shelf sea” in the Okhotsk Sea. A claim from Norway followed,58 Denmark and Canada are both preparing claims to CLCS, with the latter having invested $69 million in the preparation.59

Meanwhile, the US has not ratified the Convention, which would require a vote by 67 members of the Senate. Many politicians and army officials expressed fears that ratification would impede US sovereignty and even “open new avenues for traditionally anti-U.S. environmental groups to affect U.S. policies through domestic or international court actions.”60 According to a State Department official, the Convention would require the strongest support from the oil companies to be approved by the US Senate.61

The CLCS is in a difficult corner in the Arctic: it is a body of 21 scientists and can only make “recommendations” rather than legally binding decisions.62 It is clearly not set up to arbitrate the forceful ambitions of competing states, less so in the Arctic Ocean – there is only one paragraph in UNCLOS on ice-covered waters.63 Non-ratification by the US further weakens its power.

In any case, most of the mineral resources of the Arctic are expected to lie within the individual states’ 200-mile-wide portions of the ocean. The convention highlights the sovereign right of states to the resources of their continental shelves. It stipulates the need to adopt “appropriate” environmental protection laws,64 without specifying any source of standards for such legislation. Individual states can designate zones for environmental protection that need to be then approved by an appropriate regional body. In this way, even if fully ratified and implemented by the circumpolar states, UNCLOS may be an instrument for reaffirming seabed sovereignty, but not for dealing with a resource rush.

“UN Convention on the Law of the Sea ratification [by the US] will diminish our capacity for selfgovernment, including, ultimately, our capacity for self-defense.”

- Former US Ambassador to the UN Jeane J. Kirkpatrick61

References

51 Former US Ambassador to the UN Jeane J. Kirkpatrick
52 UN Convention on the Law of the Sea
53 “UN Convention on the Law of the Sea
Arctic Council

The Arctic Council (AC) was set up in 1996 as an intergovernmental forum to promote cooperation on “common Arctic issues”, in particular “sustainable development and environmental protection”. The member states are Canada, Denmark (representing Greenland and the Faroe Islands), Finland, Iceland, Norway, Russia, Sweden, and the US. Six Indigenous Peoples Organisations have the status of permanent participants, meaning in practice that they can attend and address the Council’s meetings, propose supplementary agenda points for meetings on a ministerial level, and propose projects for cooperation. These organizations do not influence the Council’s final instance decisions, which are made by consensus of only the eight member states.

Six European countries, including the UK, have the status of Permanent Observers, which allows them to be invited to most of the Council’s meetings, though not necessarily its projects or working groups. China, Italy, Japan, South Korea, and the EU, are all ‘Ad Hoc Observer States’, meaning they have applied to become observers but this has not yet been granted. At the time of writing the member states have not yet decided how to respond to the increased interest from non-Arctic states in the Council.

Some policymakers, such as the Finnish Foreign minister Alexander Stubb, argue for a stronger Council. The AC has no permanent secretariat or office; its decisions are not meant to be binding on the Arctic states or anyone else; its mandate excludes ‘hard security’ or dialogue on military operations. A number of officials complain that its meetings are not taken seriously enough even by the member states.

For the moment, the AC’s main output comes from its four-letter-acronym research working groups on various aspects of the Arctic environment, including the AMAP (Arctic Monitoring and Assessment Programme), the SDWG (Sustainable Development Working Group) and so on. As an example of these groups’ policy (rather than research) output, the Arctic Offshore Oil and Gas Guidelines illustrate the lack of resolve or obligation that persists in any of the policies that the Council has adopted to date. Many general clauses are blurred by undefined words such as ‘appropriate’, ‘adequate’, or ‘sufficient’. For instance, the Arctic States should “urge and, where appropriate, require industry to integrate cultural and environmental protection considerations into planning, design, construction and operational phases of oil and gas activities” (emphasis added). Guidelines like these leave the onus to act entirely on the specific officials of the countries concerned, and so are of little help in creating enforceable regulations.

Crucially, the Arctic Council in its current shape provides no scope to enforce measures even on environmental issues within its mandate, or to hold governments (or companies) accountable. The conditions for creating environmental protection zones under UNCLOS also appear to make it easier for countries to ‘assert their resource sovereignty’ than to designate a no-extraction zone. Both regimes favour the decision-making power and the sovereign responsibility of the Arctic coastal states, making it difficult to voice concerns for outside actors and for much of the civil society within the Arctic states that aren’t formally represented in the Council.

All this means that protecting the Arctic from dangerous oil drilling requires both an international agreement that is more focused and stronger than any of the existing regimes, and use of the accountability structures within each participating country individually. The next section examines the powerful political logics that would need to be dealt with in order to achieve this.
4. The Keywords of Arctic policy

Precautionary approach

The ‘Precautionary Principle’ borrowed from Principle 15 of the Rio Declaration on Environment and Development, appears in the Arctic Council drilling guidelines. It says: “Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation.” A relatively new concept in international law, it generally means that where an action may have grave environmental or social consequences, one should prepare for the worst even if the risk is not certain (and according to some interpretations avoid the action altogether). This principle is crucial for international legislation on climate change. Applied to Arctic oil extraction, it would mean that oil companies need to completely satisfy regulators and the scientific community of their ability to drill safely and effectively contain any spill before commencing drilling.

In the US there is a strong business lobby against the legal adoption of this principle - the Chamber of Commerce has a specific project aimed at “educating” against it79 - yet the words have become common in connection with environmental issues such as fishery management in the Arctic.80

In this vein, the US National Commission report states that in order to address “serious concerns about Arctic oil spill response, containment, and search and rescue,” the federal government must ensure that the oil industry has demonstrated that their oil spill containment and response plans are adequate for each “stage of development and that the underlying financial and technical capabilities have been satisfactorily demonstrated in the Arctic.”81

However, in a Commission hearing, William Reilly (commission co-chair and Environmental Protection Agency official under President Bush) called for a “precautionary principle” that he explained slightly differently. According to Reilly, precaution meant industrial activity should not be halted, but “you do it in a certain way, with special concern and studies … It doesn’t mean you cease operations until we’re 100 percent sure of a satisfactory conclusion”.82

What the quotes above show is a slippage: from a principle that would demand no drilling until safety was guaranteed, via “cost-effective” protection measures in the Rio Declaration, through to almost the opposite of guaranteeing safety in Reilly’s words.

The Gulf of Mexico spill has prompted a number of improved protective measures that could have seemed improbable before. Apart from the high-profit Presidential Commission investigation, in the US a number of drilling concessions were suspended for a time, and a major part of the Alaskan shoreline was designated crucial polar bear habitat, with restrictions on resource development.83 Canada has designated Lancaster Sound a drilling free zone and has temporarily stopped granting Arctic drilling permits.84 But there is a risk of similar slippage here; the Alaska government has already threatened to sue the federal government for the polar bear regulation,85 and oil companies are appealing to the US to open up the suspended concessions.86 While BP has shifted its Arctic priorities to Russia, away from US scrutiny. If public concern dwindles, precaution may well become an empty word.

Depletion

The Norwegian government has other reasons to be worried. With 6.68 billion barrels proven reserves of oil at the start of 2010, and 2.91 million barrels per day being extracted, the known reserves would barely last ten years at current rates of production. On the other hand, 2009 was a record year for new oil discoveries for Norway, but most of these were in the High North.87 under Arctic or nearly Arctic conditions. North Sea oil production peaked in 2001, and will have reduced by 50% by 2023 according to Oerjan Birkeland, StatoilHydro exploration manager.88 The government assumes oil wealth, the country’s main income source, will keep feeding the budget for the next 50 years.89 This limit has become a source of ‘panic’ over what to do when oil runs out, according to some Norwegian sources.

Russia’s oil reserves are less well reported on, but according to some estimates the current 60 billion barrels of proven reserves90 would last about 20 years.91 The country’s production peak is estimated to have occurred at some point between 2008 and 2011.92 Russian mass media gives little indication of government concern over the prospect of oil depletion, yet these estimates must have caused some worry given the emphasis recently placed on opening up offshore fields.

For oil exporting countries, a decline in production could potentially cause a significant shock to the national budget. This justifies pushing the industry further to its frontiers and weakening protective measures. Restructuring the economy to wean it off oil is doubly challenging in countries that both extract and consume crude.

A Norwegian journalist commented, “We envy Sweden,” - for its relative independence from oil.”93

‘Energy Security’

These concerns also make themselves felt in countries that import oil. Russia’s main exports of oil head to the EU, with Germany being the largest importer of Russian crude. Sweden, Denmark, the UK and Ireland together account for over 80% of Norway’s oil exports.94 And unlike oil from the other ‘frontier’ areas in Africa, the Caspian, or Latin America, Arctic oil is presented as relatively politically stable and forms part of the consuming countries’ understanding of “secure energy”. As ex-Energy Commissioner for the EU, Andris Piebalgs commented, “Otherwise, where will we get energy from?”95 This approach directly contradicts the EU’s ambition to lead a global shift towards a low-carbon economy.

The rhetoric of secure sources is crucial in the US. Commenting on the opening up of new areas (including Arctic) for drilling months prior to BP’s Gulf of Mexico disaster, US Department of Interior Secretary Ken Salazar said, “By responsibly expanding conventional energy development and exploration here at home we can strengthen our energy security, create jobs and help rebuild our economy.”96 This was a remarkable case of bipartisan consensus in America, with Sarah Palin writing: “We need oil, and if we don’t drill for it here, we have to purchase it from countries that not only do not like America and can use energy purchases as a weapon against us, but also do not have the oversight that America has.”97
Resource Sovereignty

Unlike Norway and Russia, in Greenland Arctic resource development is not a matter of maintaining an oil economy, but creating one. Speaking at the 2010 NATO research workshop, deputy foreign minister Inuuteq Holm Olsen said: “We don’t welcome … the notion that there should not be any industrial development in the name of environmental protection. What the rest of you have been benefitting from should not be denied to us in the Arctic.”

Underscoring the centuries of Greenland’s colonial dependence on Denmark, Olsen sketched out oil development as the major chance for the country to become financially independent.

Colonial domination is a grave issue, and some Western environmental concerns have a history of marginalising the people that they purport to save nature from. In this sense, the logic of resource sovereignty is powerful and difficult to refute. But this does not undermine the need to ask to what extent Olsen’s speech represents the interests and concerns of his country’s citizens – and takes into account the dangers of oil-based development. What structures and policies does Greenland have in place that would enable them to avoid the ‘resource curse’ that has beset many other oil-rich countries?

‘Taming the Bear’

The most paradoxical narrative of an Arctic oil rush so far has been offered by a journalist from the Norwegian paper Finnmarken: “If we do not do it first, the Russians will.”

Russia is perceived as having a dismal track record in safety issues, despite in fact having a number of strong, but poorly implemented, environmental regulations in place. This perception provides an ethical dimension to the race. Technology and infrastructure need to be provided for transporting the oil from the Barents Sea. With fewer procedural hoops to jump through, Russian-based companies will be able to get there faster – which means, according to the same journalist, that the comparatively stringent Norwegian safety regulations paradoxically begin to be seen as an impediment.

Appeasing, neutralising, or outperforming Russia has become a widespread logic in Western Arctic policy. Involving the country’s unpredictable authorities in dialogue or ‘cooperation’ is presented as a tangible achievement. In the grandest performance of this kind to date, on 15 September 2010 Norway and Russia signed an agreement that ended a long-standing dispute over the sea-floor boundary in the Barents Sea, putting it half way in between where either country wanted it to be. Swiftly ratified by both countries’ parliaments, the agreement allows exploration for fossil fuels to begin in the formerly disputed part of the Barents Sea in summer 2011.

In a similar way, voices both in and outside Russia support the involvement of Western oil companies in the Russian Arctic, such as BP and Rosneft’s new deal, ostensibly so as to positively influence the standards of a non-transparent national industry. Section 7 will elaborate on why this may well be convenient political justification for a much more problematic process.

No Alternatives?

A telling paragraph in Russia’s Strategy for the Development of the Arctic Zone reads: “the modernisation of the [regional] economy [will be carried out] by keeping a resource-oriented economy and shrinking the activities of non-key sectors, rationally improving the structure of the economy towards the development of a competitive resource industry.”

That fossil fuels are the primary or even the only option of economic development for the Arctic region is sometimes a purposeful distortion, and other times an unacknowledged underlying assumption of all of the rhetoric that has been discussed. It dominates over voices advocating the development of alternative, less risky energy futures on both a global and a local level. Initiatives like the North-West Russia Renewable Energy Forum promote the use of the largely untapped renewable energy potential of the High North – but they remain largely unnoticed by governments bent on profiting from fossil fuel extraction.

To review the particular character of this pervasive assumption in each country, and the critical or alternative voices, would take a different paper. Yet the need to challenge the inevitability and desirability of rapid oil-based development is clear.
In 2009, the UK High Commissioner to Canada, Anthony Cary gave a speech at a conference that he titled, ‘The Arctic: What Business Is It of Britain’s?’

Today, the question might be answered by reading the news of the BP-Rosneft collaboration. The ‘business’ purports to be, paraphrasing Energy minister Charles Hendry, “purely commercial.” In his 2009 speech, Cary spoke of the UK’s “interests in the Arctic” as part of the much wider “legitimate international interest”, best represented on the level of the EU. So far the EU line and the commercial line are the main official narratives used by UK diplomats. As well as the convenience of amplifying the voices of individual member countries, common EU foreign policy has in this case the added benefit of setting a useful example. In the EU, the member countries appear to have found a way of working together that is beyond sovereign interests, and this is what the EU is asking the Arctic countries to do too.

But the specific content of such a stance can be anything from advocating the sharing of expertise in scientific programs, environmental standards and promotion of sustainability, to arguing for concessions for European companies. This is being debated in the EU Parliament and Commission. On the other hand, the UK’s policy has so far been decided behind closed doors at the same time as the foreign policy machinery operates on the “purely commercial” principle.

5. UK and EU Arctic policy: a choice

EU: Safety vs security

EU Arctic and resource extraction policy is very much a work in progress, so completely contradictory opinions can be heard from different officials and politicians within quite a short space of time. In 2008, the then EU Energy Commissioner Andris Piebalgs justified polar oil exploration thus: “You even need to go into hostile environments […]. You can’t say ‘this is a sanctuary’ because it will not work […] Otherwise, where will we get energy from?” 2010 saw an about-turn: following the Deepwater Horizon disaster, the current Energy Commissioner Gunther Oettinger suggested that “Given the current circumstances, any responsible government would at present practically freeze new permits for drilling with extreme parameters and conditions.” In response to a parliamentary question on the implications of the spill for oil in the Arctic, Oettinger reiterated that the Commission would promote the precautionary principle and urge participating countries to suspend activities.

Inside the European Parliament itself, the debate in the wake of the Gulf of Mexico disaster had some voices calling for a moratorium and others insisting a moratorium would “jeopardise our energy independence”. The EU’s current Energy Strategy is fundamentally built on this frame of ‘energy security’ narrowly defined by military and corporate interests, without mention of the risk associated with ‘frontier’ fossil fuel.

In this way, safety and environmental concerns are posed as contradicting the ‘energy security’ concept. Two key documents clearly demonstrate the two sides of this debate.
Shifting Principles

In 2008 the European Commission adopted a “Communication” document that outlined the EU’s main aims in the region, which were:

• Protecting and preserving the Arctic in unison with its population
• Promoting sustainable use of resources
• Contributing to enhanced Arctic multilateral governance

The Communication emphasised the Arctic Ocean’s status as international space, and stipulated the aims in the region, which were:

• The road to a sustainable socio-economic development and environmental protection
• The potential of new world transport routes and their vital importance to the EU member states
• The potential of developing resources like hydrocarbons, minerals, fish and biogenetic resources.

The next major development document in EU Arctic policy was a Commission report, prepared by the centre-right MEP Michael Gahler, and only recently adopted as a resolution by the EU Parliament. This document’s emphasis in priorities is markedly different from that of the Communication:

• Promoting sustainable use of resources
• Contributing to enhanced Arctic multilateral governance

In a U-turn on the 2008 Communication, Gahler’s report reduced the overall emphasis on safety and environmental protection, and offloaded responsibility for environmental standards fully onto the coastal states (paragraph 18). Interestingly, both documents insist on the concept of sustainable resource extraction. This is a confusing use of the term “sustainable”, given that the use of fossil fuels is by definition not sustainable in the long term.

However, a last-minute amendment added a very different perspective to the Gahler report:

“[The European Parliament] calls for further scientific studies within the framework of a multilateral agreement to be completed in order to inform international understandings of the Arctic eco-system and decision-making therein before any further major development goes ahead.”

This call for “a de facto moratorium on the exploitation of Arctic resources” was applauded by the Green faction in the European Parliament. But tucked away at point 57a, it could easily be dismissed in the shadow of the report’s general emphasis on industrial development. In effect, this contradiction leaves the EU’s policy options open.

What business is it of Europe’s?

The main practical measures to come out of EU’s Arctic policy to date have been science initiatives such as the new Arctic Information Centre, and the EU’s currently pending bid for permanent observer status in the Arctic Council. This bid was snubbed by the Council in 2009, ostensibly in connection with the EU’s ban on seal products. MEP Diana Wallis (Vice President of the European Parliament with responsibility for the “Northern Dimension” policy) explains that the history of the environmentally-motivated seal hunting ban has made it difficult for the EU to have an influence on other, perhaps more consequential, Arctic issues. One Norwegian official contended that the EU’s ambitions — whether for banning seal products or for stricter environmental regulation in resources — amount to “telling us what to do [and] how we should live in the Arctic.”

Given this history, it is a challenge for the EU to assert environmental concerns as genuine and relevant. EU Energy Commissioner G egretter’s 2010 remarks calling for a deepwater drilling moratorium did not lead to any country adopting such a measure, and sparked further irritation in Norway, where it was partly seen as another “Euro-meddling”. Dissociating issues of resources and governance from the seal issue as well as legitimising the EU’s stake in these issues more widely is proving to be a challenging task for concerned European politicians.

UK: the non-debate

Arctic offshore oil only recently made headlines in the UK, first with Cairn’s exploration off the coast of Greenland, and now BP and Rosneft’s deal in Russia. 2011 has also seen David Cameron invite the heads of the Nordic states for a summit in London. According to speculation in the Financial Times, potential exploitation of Arctic resources may be a key issue in the summit. However, no actual public or parliamentary debate on the Arctic role of the UK and its companies appears to be happening.

The only parliamentary discussion on the topic to date has been a relatively poorly attended House of Lords debate on 6 December 2010, where the initiator of the discussion – Lord Jay of Ewelme – postulated the challenge thus: “[In Arctic oil] the opportunities for Britain, for British companies, used to operating in some of the world’s most inhospitable zones, are great. My question is, what is being done now to maximise their chances of success?”

Lord Henley (Parliamentary Under Secretary of State, Environment, Food and Rural Affairs; Conservative), 18 October 2010

The minister most commonly representing the current government on these questions is Lord Howell of Guildford, Minister of State at the Foreign and Commonwealth Office responsible for International Energy Policy. Former Energy Secretary of State under Margaret Thatcher, Lord Howell chairs the Windsor Energy Group, that “brings together senior policy makers and energy executives to discuss energy geopolitics.” Speaking at a BP briefing on future energy trends, Lord Howell expressed the government’s “great admiration” for the Rosneft deal. Such potentially close ties to the industry might partly explain Lord Howell’s emphasis on “opening the way ... for a vastly greater exploitation of the huge oil and gas resources ... under the Arctic Circle.”

Russia’s Arctic expansion has been cited by Gerald Howarth MP (then Shadow Defence Minister) as a security threat demanding response from the UK’s military, a fear also expressed in bold form by Lord Greenway: “If a much larger amount of shipping was to go round the north of Russia, and if one was to believe Wikileaks’ revelations that Russia is a mafia state, I can see various Russians becoming very interested in what was going around their shores and there is nobody there to help ships.”

Unlike the European arena, in the UK Parliament this position based on “security” (military and fossil fuel) and on using business opportunities has gone practically unchallenged, although it has not been made into official policy. At the same time, the diplomatic and administrative machine of UK foreign energy policy is already aggressively promoting British oil business interests in the Arctic.
Arctic oil as a business opportunity?

Lord Jay of Ewelme’s question on how to maximise UK companies’ chances of success is perhaps answered best by the image of Chris Huhne MP, UK Climate Change minister, standing behind BP CEO Bob Dudley, as the latter signed the agreement on collaboration with Rosneft, Russia’s national oil company. While the precise nature of DECC or FCO support for this deal is as yet unknown, Huhne’s appearance follows on a longer tradition of the UK state’s promotion of British oil interests in the Arctic and around the world.

The UK embassy in Norway has a dedicated Energy Team that does “a lot of paid market advisory work for UK companies”, according to one of its advisors. Promoting British oil business in Norway involves enrolling the support of top figures such as David Cairns, Minister of State in the Scotland Office in 2008, and more recently even Charles Hendry, UK Energy Minister. He is listed on the programme of the Norwegian conference “Offshore North Seas – 2010” as “giving [his] perspective on the challenges facing the industry, and the need to provide energy for an ever-increasing sector of the world’s growing population”. Lord Moynihan, former UK minister for energy and Chairman of the British Olympic Association is on the conference organising committee.

Gareth Ward, UK General Consul in St Petersburg (Russia), recently visited the northern town of Murmansk and expressed a particular interest in developing the city’s port facilities, as well as the Sholtman gas field. The website of UK Trade and Investment (UKTI) advertises the Sholtman project as providing “a number of opportunities, both offshore and onshore”. UKTI also lists opportunities for British companies in Canadian oil, both offshore in the Arctic and onshore in the controversial tar sands.

This business diplomacy appears to show little concern for the risks posed by Arctic oil extraction. In effect, with scarce public exposure, the UK government has been pushing for a portion of the business in Arctic fossil fuels on behalf of UK based companies.

The choice

If these current trends are to continue, the UK looks set to go on promoting the investment of funds and expertise into highly risky oil drilling, while supporting the official EU line on Arctic governance that advocates the opening up of Arctic issues to the influence of non-Arctic states like itself.

The future of the EU policy looks genuinely uncertain, played out between an ‘energy security’ approach that puts EU corporations and fossil fuel supply interests first, and a stronger focus on sustainability, safety and environmental protection. Should EU officials choose to prioritise the latter, they have the added challenge of proving their intention is to promote responsibility, not “tell the Arctic coastal states what to do.” One way of exhibiting such responsibility has been advocated by Commissioner Oettinger and by Diana Wallis: “EU companies operating outside the EU should export EU standards.”

To take this idea further, with the precautionary principle properly applied, would mean that companies would need to fully satisfy the European regulators and scientific community of both their ability to ensure the safety of oil extraction in the Arctic, and to effectively and swiftly contain any spill, before being allowed to drill.

This is a politically difficult option, but the European authorities have a real choice. It is important that this choice should also be made apparent in the UK, home to some of the largest players in the industry (BP and Shell) and some of the smaller, but high-profile participants of the Arctic resource race (Cairn). A UK Parliamentary committee formed following the Gulf of Mexico oil spill recently concluded the need for much more stringent oversight in the operations of UK North Sea drillers. Of course similar diligence cannot be exercised by UK authorities over every oil rig in the Arctic, but they can and should be questioning the companies’ safety provision – particularly so in Russia, where the implementation of environmental standards is patchy at best. The final section discusses this point, and the disproportionate faith that Western governments put in corporations’ safety practices.
6. Trusting the best?

At first glance, the odds would seem to have been stacked against BP’s deal with Russia’s national oil company.

First, the company has received a bad name internationally because of the Gulf of Mexico disaster, the largest accidental marine oil spill in history. But Russia was the first state to receive a visit from the then CEO Tony Hayward with assurances of the company’s good financial standing. Following the visit, Igor Sechin (Russia’s deputy prime minister, Rosneft Chairman, widely believed to be one of Putin’s close circle, and ex-secret services officer)’s office had been subject to raids, staff were refused visas, and Dudley himself had to leave Russia and run the company from an undisclosed location. According to documents from the US embassy in Moscow recently released by Wikileaks, Dudley as well as the embassy staff believed that the Russian government and Igor Sechin in particular were instrumental in organising the campaign against him.122

Second, with Tony Hayward having actually stepped down, the company got a new CEO in the shape of Robert Dudley, ex-head of TNK-BP, BP’s existing Russian Joint Venture. During a 2008 dispute between BP and the Russian shareholders of TNK-BP, Dudley’s office had been subject to raids, staff were refused visas, and Dudley himself had to leave Russia and run the company from an undisclosed location. According to documents from the US embassy in Moscow recently released by Wikileaks, Dudley as well as the embassy staff believed that the Russian government and Igor Sechin in particular were instrumental in organising the campaign against him.122

Third, a court in Moscow recently sentenced ex-oil tycoon Mikhail Khodorkovsky to an extra 14 years in prison for financial crimes, leading to outspoken criticism from the West, including UK Foreign Secretary William Hague.124

Rosneft’s most significant assets were acquired in a controversial move from the ruins of Khodorkovsky’s business empire. This has led to Chris Huhne being criticised in the Financial Times for lending support to BP’s deal with Rosneft and contradicting the UK’s line on Khodorkovsky.125

Despite all this in January 2011 BP and Rosneft clinched a high-profile deal, involving a swap of 5% of BP’s shares for 9.5% of Rosneft’s (in addition to the 1% already owned by BP), and plans to develop the Russian Arctic seas, starting with three exploration blocks East of the Novaya Zemlya archipelago.

When questioned by The Guardian about Khodorkovsky and Rosneft, Charles Hendry, UK Energy Minister said: “We recognise where there are government issues and we recognise where there are commercial issues. The two should rightly be kept separate.”126 Declaring the deal and the government’s involvement ‘purely commercial’ strips the government of responsibility for any political and environmental risks associated with it, as if diplomatic support is unrelated to them.

Putting trust in BP’s expertise (much applauded by the Russian government) and its potential to improve environmental protection or corporate governance standards in Russia (celebrated by some in the business community) is not justified.

Why does Russia need BP? Russian industry needs external investment and technology to drill in the Arctic Ocean. Since the early 2000s there have been several shifts and some cross-purposes policymaking from the Ministry for Natural Resources and the Ministry for Energy. Mostly, it has been assumed that offshore drilling concessions would be shared out between Rosneft and Gazprom, with the possibility of bringing in a foreign partner. It became increasingly clear that Russian companies lacked the funds or expertise to drill offshore in the Arctic: in 2010, even a return to Production Sharing Agreements was discussed. At the end of 2010, ahead of the BP deal, Rosneft was handed a number of Arctic concessions.

The offshore fields: the concessions East Pri-Novoe-Zemskoye (ENPZ-1,2,3) contain 1.8 trillion cubic meters of gas, 50 mln tonnes of oil, and 49 mln tonnes of gas condensate. To exploit them, BP and Rosneft are forming a Joint Venture 66.7% owned by Rosneft, 33.4% by BP. ENPZ translates as ‘East next to Novaya Zemlya’, Novaya Zemlya being an archipelago which in Soviet times was home to airforce bases and nuclear testing, and has a population of just over 2 thousand (100 self-identify as Indigenous Nenets people). It’s likely that the onshore oil & gas infrastructure (e.g. an LNG plant) will be based there.

The national parks. According to a recent analysis by WWF and Russian NGO Transparent World, the ENPZ-1,2,3 drilling concession areas overlap with two major nature reserves: Russian Arctic National Park and the Yamal Regional Wildlife Reservation.127 The Russian Arctic National Park in Novaya Zemlya is an important site for populations of polar bears, walruses, narwhals and Greenland whale, as well as a migratory stop for numerous bird species.

The reception: The deal was welcomed by Russian, UK, and Norwegian governments, but caused controversy in the US, with Congressman Ed Markey coining the phrase “Blackfish Petroleum”. Several UK and Russian environmental organisations (WWF UK, Greenpeace UK, Friends of the Earth UK, Belona and WWF Russia) all issued statements against BP and Rosneft’s plans.

TheROSNEFTPB/Rosneft deal: background

Igor Sechin: Rosneft Chairman (2004–current), has a reputation of one of the strongest ‘silovik’ (man of the forces) in Russian government. Reputedly he worked for the FSB (Soviet/Russian intelligence service) in Angola and Mozambique, where BP has long had significant involvement and investments. Deputy Chief of Staff and later Special Aide to President during Putin’s presidency, Sechin is now Deputy Prime Minister. Sechin also hired Andrei Patrushev, son of the current FSB director Nikolai Patrushev, as an advisor in Rosneft.

Rosneft: Russia’s national oil company, 75.16% state owned with 15.4% shares in circulation previous to the swap with BP (2010). Associated with Putin just as Gazprom is associated with its ex-chairman, now President Dimitry Medvedev), Putin personally backed the deal between Rosneft and BP.

“[BP] has a great deal of experience, including in the Gulf of Mexico clean-up operation.” - Igor Sechin, Russian deputy prime minister and chairman of Rosneft, explaining the choice of BP as a partner for developing the Arctic.128
BP’s frontier safety record

BP’s Gulf of Mexico catastrophe has come to epitomise reckless frontier oil extraction. In its final report, the National Commission set up by President Obama to investigate the causes of the disaster identified a number of management decisions and cost-cutting measures that greatly increased the risk of a blowout, such as the failure of BP engineers to inspect a faulty cement job done by Halliburton.128 Judging by the commission’s report, if BP’s Gulf of Mexico disaster can be framed as “gaining experience” (as Igor Sechin claimed), it was only a lesson in the need to apply standards already expected of the company, and has by no means prepared it for the much tougher conditions of the Arctic.

BP’s Arctic-specific experience comes mainly from Alaska. The company controls or has lease-holdings over nearly half a million acres of land on the North Slope region of the state, some 250 miles north of the Arctic Circle. BP is the main operator of the Prudhoe Bay field and its satellite fields, as well as the first Arctic offshore field, Endicott (since 1987). It is the largest shareholder (46.93%) of Alyeska, the consortium that controls and operates the 800-mile Trans-Alaska Pipeline System (TPS) that delivers oil from Prudhoe Bay on the North Slope to Valdez marine terminal in South Central Alaska.

The Endicott project has been plagued with problems since its inception. Endicott began production in 1987, and is touted by BP as the “first continuously producing offshore field in the Arctic.”129 In order to facilitate operations, BP created two artificial gravel islands 2.5 miles offshore in the US Beaufort Sea, some 15 miles northeast of Prudhoe Bay. Beginning in 1993, BP’s exploration arm in Alaska (BPX Alaska), and its contractor Doyon Drilling, had been routinely injecting hazardous waste into the waters around Endicott Island including paint thinner and several toxic solvents containing lead, benzene, toluene, and methylene chloride. A joint FBI, DOJ and EPA investigation in 1998 led to BP pleading guilty to one felony count of illegal disposal of hazardous waste and agreeing to pay $22 million in court fees, fines and civil liabilities.130 On 25 April 2010, the same day that BP’s Macondo well in the Gulf of Mexico suffered a blowout, the US Department of Transportation’s Pipeline and Hazardous Materials Safety Administration (PHMSA) had sent letters to BP citing safety concerns with the Endicott pipeline.

A safety inspector in June 2009 found that BP’s pipeline showed worrying signs of corrosion and a general lack of oversight. In one letter from PHMSA Deputy Director Dennis Hinnah to Anthony Brock of BP Exploration Alaska, the regulators cite tests indicating that some pipes at Endicott had already lost nearly 20% of their internal wall thickness, and that several sections of the pipeline were showing signs of severe weather damage. External corrosion of some pipes were said to be in the area of 40% wear. Lack of corrosion monitoring and poor management were singled out as the most major violations of safety protocol. Torn seals, standing water in what should be dry vaults and pumping stations that the pipes pass through, and water-soaked insulation were also highlighted as major concerns. The PHMSA warned BP that it would face “enforcement actions” if it did not address the issues.131

BP’s pipeline woes extend to the Trans Alaska Pipeline System which has suffered a number of accidents over the past decade. On 25 May 2010, the pipeline was forced to shut down after a series of mishaps including a power outage and a malfunctioning shutoff valve, led to several thousand gallons of crude spilling out into backup containers at a pumping station south of Fairbanks.

Workers at the station had to be evacuated and oil intake from North Slope was forced to be restricted for several days as low as 8% of normal flow rates. On 8 January 2011, just as the National Commission was presenting its final report on the Gulf of Mexico spill, the Trans Alaska Pipeline System had to be shut for all of nine days because of a leak at a pumping station on the North Slope.132

Statoil - on the tracks of BP?

Norway’s 67% state-owned corporation StatoilHydro generally has a better reputation than most oil companies, particularly in Norway itself. The expectation is that if Statoil does it, it will be done safer / with more care / with less corruption. As Norway’s North Sea reserves diminish, recently Statoil has been following in BP’s footsteps in risky and controversial behaviour.

**Tar sands:** In 2007 Statoil acquired a 275,200-acre concession in Alberta, Canada, for extracting tar sands, and faced major investor pressure to pull out.133 In 2010, the company sold 40% in its tar sands operation to Thailand’s PTT Exploration and Production.134

**A near blow-out:** Statoil’s safety practice at home also faced criticism after the Gulfstream C rig narrowly avoided a blowout in May 2010, having experienced multiple well control problems since November 2009.135 The details are strikingly similar to BP’s Deepwater Horizon case. A government investigation brought to light failures to properly address a number of risks;136 most significantly, that the company had no contingency plan for drilling a relief well in the event of a blowout.137

**Lofoten:** The largest controversy was caused by the Norwegian government’s plans to open the seas around the Lofoten islands to oil exploration. These islands are Northern Norway’s prime tourist resort and home to one of the world’s largest cod stocks. In 2010, Statoil received clearance to drill a well further offshore from the islands. The argument over the advisability of drilling closer to the islands is ongoing, with environmentalists, the local tourism and fishing industries on one side, and the ruling Labour party and oil companies on the other.
A lesser evil?

An argument commonly heard in Russia is that Western investors or financial institutions are a positive influence because they have higher standards and better accountability than companies based in Russia. Brook Horowitz, Executive Director of the International Business Leaders Forum (IBLF, an organisation connecting big business and international development) for Russia, wrote in the Moscow Times following the BP-Rosneft deal:

“In making an assessment of the benefits and risks ahead, it is instructive to look at the record of other extractive joint ventures in Russia. BP’s existing operation, TNK-BP, seems to have managed its environmental risks well. There has been special attention to the impact of exploration and drilling, for example, in environmentally protected areas such as the wetlands in Khanty–Mansiysk in West Siberia, one of TNK-BP’s major sites … Shell’s joint venture with Gazprom, Sakhalin Energy, has taken on board the environmental concerns of international nongovernmental organizations in a way that would have been unlikely had Gazprom worked on the project alone.”139 (emphasis added)

One would expect an official of an organisation that advocates the role of the private sector in “addressing development challenges” to make this kind of argument.140 But it is also commonly made by NGOs and members of Indigenous Communities. A senior official of RAIPON (the Russian Association of the Indigenous Peoples of the North) explained in an interview that they advocated the involvement of Western companies and financial institutions like the World Bank and Indigenous Peoples’ organizations or representatives. In an interview with Christina Henriksen, the former President of Yasavey (Nenets Indigenous People’s association) Vladislav Peskov confirmed that Yasavey had not received any response from Statoil regarding their operation in the Kharyaga field, and that other international corporations respond that they let the Russian companies deal with the dialogue with Indigenous Peoples’ organisations.152

The Western standards

TNK-BP, owned half by BP and half by a group of Russian investors, has been important to its parent company; it accounts for about quarter of BP’s output.142 During a 2008 dispute between BP and the Russian shareholders, Peter Mandelson, then the EU Commissioner for Trade, pressured the Russian government on BP’s behalf.143

Yet Brook Horowitz’s insistence on TNK-BP as an exemplary enterprise in environmental terms is at best misguided. A 2006 fact-finding trip by the Russian NGO, the Grazier Foundation, returned with images of long neglected oil spills at the gigantic Samotlor oil field, operated by TNK-BP, in the Khanty-Mansiysk Region (presumably the same field that Horowitz was referring to). New pipelines had been laid straight on top of disused old ones, left to corrode and leak crude. Large pools of crude were found in seven of production facilities.144 According to the Grazhdanin Foundation, the area of the spills comprised about 4000 hectares, and no cleanup operation has been undertaken since 2006. Despite a visit to Samotlor from British MPs and media, BP issued no response to the criticisms.

The Shтокман field, until recently Russia’s flagship Arctic oil and gas project, is another example of the fate of Western investments. Run in its first stage by a consortium (Shтокман Development AG) of Gazprom (51% owner), Total (25%), and StatOil (24%), Shтокман has gigantic reserves of 3.8 trillion cubic metres of gas and 37 million tonnes of condensate.145 Similarly to Novaya Zemlya, the Kola Peninsula where the project’s onshore infrastructure will be based was home to several strategic Cold War military sites. The new infrastructure includes a port and an LNG plant, which will be situated in the port of Teriberka,146 and a pipeline across the whole of the Kola Peninsula.

Shтокман Development’s relations with local communities and the regional administration are problematic in several ways. According to Nina Lesikhina, a campaigner at the environmental group Bellona and participant in the public environmental consultations for Shтокман, the meetings “left practically no room for dialogue”, were closed to journalists, and the participants were not even allowed a copy of Shтокман Development’s presentation slides. Nina said that in 2010, WWF-Russia announced they would be carrying out an independent environmental assessment of the offshore part of the project, but Rosateknadzor (the safety regulator) quickly approved the project documents before WWF’s expert group even had time to examine the relevant materials from Shтокман Development.147

Indigenous Saami organisations on the Kola Peninsula experience even more problems. The Murmansk regional administration has allegedly been thwarting attempts to institute a Saami Parliament in Russia (modeled on the existing Parliaments in Norway, Sweden and Finland), stopped subsidies to reindeer-herders and in 2010 arrested the President of the Kola Saami Association.148 It also “restructured” the ownership of a piece of land used for reindeer pastures in favour of Shтокман Development AG.149

139 Brook Horowitz, “BP: the most green of Russian oil companies”, Moscow Times, 15 September 2008.
142 “BP’s TNK-BP among world’s top 25 ‘green’ companies”, Interfax, 28 August 2009.
143 “BP, its shareholders, face EU Commissioner”, Moscow Times, 19 September 2008.
145 “Gazprom to build Russia’s first LNG plant on Kola Peninsula”, Interfax, 22 September 2004.
146 Murmansk Oblast Administration, “TheKola Peninsula. Cold War military sites. The new infrastructure includes a port and an LNG plant, which will be situated in the port of Teriberka, and a pipeline across the whole of the Kola Peninsula.”
147 “WWF: Scope of Shтокман project’s threat for Russian Arctic”, WWF, 29 April 2010.
The existing legal and policy regimes (UNCLOS and the Arctic Council) do not adequately address the risks of an aggressive rush for resources. Without a focused and strong international agreement on resource exploitation, dangerous drilling is unavoidable.

British and EU government institutions currently have a responsibility in Arctic issues as home to some of the largest extractive corporations relying on a stake in the region, as well as through their relations with the Arctic Council. If and when engaging their influence, they need to ensure the precautionary principle, free prior and informed consent of local communities, and the environmental importance of Arctic ecosystems are prioritized over corporate interests.

EU-based companies should not be allowed to drill in the Arctic before they fully satisfy the precautionary principle, free prior and informed consent of local communities, and the environmental importance of Arctic ecosystems are prioritized over corporate interests.
In January 2011, BP signed a deal with Russian state oil company Rosneft to together explore for Arctic oil in an area the size of the entire UK North Sea. This report from PLATFORM and Greenpeace shows that no company is at present adequately prepared to drill offshore in the Arctic, given the current lack of regulation, knowledge, technology or research. It highlights BP’s persistent managerial failures to address safety risks in the Gulf of Mexico and its safety record in Alaska, and argues against its involvement in pushing new boundaries of fossil fuel development in conditions as treacherous as those to be found in the Arctic.

The report also examines the role of the UK government’s foreign energy policy in supporting BP’s controversial activities abroad. Lobbying for oil deals is conducted behind closed doors with little public oversight or accountability. Using political will and spending public funds to promote British businesses’ exploitation of fossil fuel frontiers is a significant matter that should not be decided without public discussion.