

# Pressures mount over Arctic energy resources

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Across the globe, reserves of oil and gas that were previously regarded as uneconomical are being actively explored and developed. From the Arctic to East Asia to the South Atlantic, untapped billions of barrels of oil are attracting the interests of energy companies and speculative finance capital, seeking to take advantage of the high price of crude oil.

One of the greatest potential oil and gas bonanzas is to be found beneath the Arctic Ocean. A report issued by the United States Geological Survey (USGS), 24 July estimated that the Arctic region holds around 90 billion barrels of oil—equal to the total proven reserves of Russia, the world's second biggest oil producer.

Up to 30 percent of the world's unproven natural gas deposits could also lie beneath the ice, as well as a possible one-fifth of untapped reserves of natural gas liquids. To date, most of the Arctic Ocean is international water, covered all year by a thick ice sheet.

Russia, like all countries around the North Pole, claims sovereignty over the seas up to 200-nautical miles (370 km) from its coast. To reinforce its claim over a further swathe of the Arctic, in 2007 a scientific submarine dropped the Russian flag under the North Pole as part of a geological survey of the seabed.

Russia recently confirmed that it regularly sends a fleet of around eight nuclear-powered ice-breakers to patrol in the Arctic Ocean. The vessels are capable of ploughing through eight-foot thick ice and can stay at sea for months on end.

In June the head of the state nuclear company Rosatom, Sergei Kiriyenko, announced that Russia is planning to construct a new fleet of ice-breakers after 2010.

“It is important to not only use the existing fleet of ice-breakers, but also to build new ships, and the first nuclear ice-breaker of a new generation will be built by 2015. This should be an ice-breaker capable of moving in rivers and seas,” said Kiriyenko.

Moscow has also renewed regular air force flights over the North Pole, halted after the collapse of the Soviet Union.

Russia's oil production in its territorial Arctic waters is estimated to rise to 5-7 million tons per year in 2010 and 10 million tons in 2015. Up to 10 billion tons of oil and gas could lie beneath the additional sector of the Arctic claimed by Moscow.

According to a September, 2007 report in the Russian news

magazine, *Itogi*, Arctic energy reserves are only part of Moscow's interest in the region. Great savings could be made by cutting shipping costs for oil and gas. Should the Arctic ice melt sufficiently to allow sea lanes to open up along Russia's northern coast, ice-strengthened oil tankers could move by sea and rivers from the highly productive Siberian oil and gas fields to the main markets of China and Europe.

This would also give Moscow new means to circumvent the US-backed Central and Eastern European states, such as Poland and Ukraine, through which Russia must now pipe oil and gas to provide much of the energy needs of Western Europe

Russia's increased activity in the Arctic has raised concerns in Washington that it is losing out in the race for control over the region. Coast Guard Commandant Admiral Thad Allen commented on Russia's ice-breaker activity in the Arctic.

“I'm concerned we are watching our nation's ice-breaking capabilities decline,” said Allen, adding that it was essential that the US renew its capacity in this area.

Energy reserves in Alaska and the Chukchi Sea have become a key part of US plans to boost domestic oil production. Speaking for the oil conglomerates who stand to make tens of billions of dollars from these oil fields, on June 18 President Bush pressed Congress to reverse the longstanding ban on offshore drilling in the Alaskan National Wildlife Refuge, as well approving the development of onshore production on federal lands.

Jonathan Eyal, of the British military think-tank the Royal United Services Institute, said the dispute between the regional powers in the Arctic is likely to build. “This dispute is not only about oil reserves which might or might not exist, it is about the control of sea lanes. Russia's movements could pitch it into a serious territorial dispute with the US for the first time,” he said.

Liam Fox, the UK's Conservative shadow defence secretary, speaking to the *Telegraph* newspaper, called on NATO to take a more active role in rolling back Russia's interests in the region:

“Four of the five Arctic powers are NATO members, yet NATO seems ill-configured to be able to respond to the sort of activities we have seen from the Russians. We need to ensure NATO has the will and the capability to deter Russian activity that contravenes international laws or treaties.”

Apart from the US, all the countries surrounding the Arctic

Ocean are actively pursuing territorial claims over the region using the 1982 United Nations Convention on the Law of Sea.

Washington has until now rejected the 1982 convention due to concerns that it could place UN restrictions on unilateral American claims over sea routes. However, reflecting concerns that the US is losing a march on its rivals in Russia, Canada, Denmark and Norway, the Bush administration and many within the Democratic Party have moved to support US ratification of the treaty.

The Arctic's untapped natural resources are becoming accessible due to the retreat of the polar ice due to global warming. A recent survey of the once vast Ellesmere Island ice shelf in northern Canada has revealed it has retreated by 90 percent over the past century.

Canada is developing military capabilities in its far north, with an army training centre based at Resolute Bay and a port for a new fleet of ice-strengthened patrol ships on the northern tip of Baffin Island. These capabilities, as well as a C\$40 million mapping project in the Arctic, are aimed at fending off its rivals.

Canada is especially concerned about the US claim that the Northwest Passage from the Atlantic to the Pacific, should it open due to retreating ice, must be an international sea route. Ottawa insists that the passage would be an internal Canadian waterway.

Other remote parts of the globe are also being drawn into the new scramble for untapped hydrocarbon reserves. Potentially large deposits of oil and gas in the South Atlantic, off the Malvinas (Falkland) Islands, have attracted much speculation among oil companies.

Fought over between Britain and Argentina in 1982, the Malvinas are an isolated and sparsely populated group of islands several hundred kilometres off the southern tip of South America. Following its victory in the 1982 war, the UK established a 200-nautical mile claim around the islands, backed up by the presence of British armed forces.

Tests indicate that these waters could contain between 14 and 60 billion barrels of oil. Initial drilling in the 1990s by several companies, including Anglo-Dutch energy giant Shell, was abandoned due to the high cost of extraction from such a remote, deep water area. The price of a barrel of crude oil at that time was between \$10 and \$15.

Today these reserves are once again being seriously considered, renewing tensions between the British territory and Argentina, which maintains its claim over the Malvinas.

An Argentine government spokesman claimed that the UK had reneged on a 1995 agreement to jointly explore the islands' offshore oil deposits. "The intransigence of Great Britain has not permitted that open and frank dialogue," the spokesman said.

Other untapped oil and gas deposits that could come online, with attendant conflicts between and within states, include:

\* The North Sea: A report in July by industry group Oil and

Gas UK estimated that the British sector of the North Sea could still hold 25 billion barrels of recoverable oil. The industry expects to extract 10 billion barrels over the next two decades; however, continuing high prices could make some of the remaining deposits economically viable.

These high prices have fuelled the dispute between the pro-independence Scottish National Party (SNP) government in Edinburgh and the UK government. The SNP is advancing a case for a portion of oil and gas revenues from the North Sea, currently collected and spent through the UK Treasury, to be placed at its disposal.

\* Oil fields in the former East Germany, closed since reunification in 1990, are coming back into use. At its peak in the 1970s, East Germany produced 8 million tons of oil per year.

"In 1990, all oil production was stopped in East Germany as it was not profitable," said Klaus Freytag, a spokesman from the geological office of the state of Brandenburg.

"Now with prices increasing six-fold, the boom is so big that there is a shortage of oil experts, exploration teams are booked out for many months in advance and drilling equipment is totally unavailable for purchase on the market."

Among the companies interested in renewing oil production in the area are Exxon Mobil and Gaz de France.

\* The waters around the Spratly Islands archipelago in the South China Sea could contain over 100 billion barrels of oil, an estimated 10 percent of which is commercially recoverable. In 2003 the Chinese National Offshore Oil Company (CNOOC) and the Philippine National Oil Company signed a deal to jointly explore the area's offshore oil deposits. This was extended in 2005 to include Vietnamese involvement.

Sovereignty over the islands is disputed between Vietnam, China, the Philippines, Malaysia and Taiwan. In 1988 China and Vietnam fought a brief naval conflict at Johnson Reef in the Spratlys, while Vietnamese forces allegedly fired warning shots at Philippine air force planes over the islands in 2002. Many critics of President Gloria Macapagal-Arroyo of the Philippines claim that the deal with CNOOC was a betrayal of the country's claim to sovereignty over the islands.

Exploratory drilling led by CNOOC began this year and China estimates that initial full scale production could yield 1.9 million barrels per day. Half of the world's merchant fleet (by tonnage) passes near the archipelago every year, including more than half of all oil super tanker traffic.



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