1. Since the beginning of 2000's the Arctic has evolved to become a new strategic action area of global affairs. Although there remain some unresolved border disputes, namely in the Beaufort Sea, over Hans island and in the central Arctic basin, it is safe to say that the future development of the region will follow a peaceful trajectory. Harsh environmental conditions and abundance of natural and logistical resources create favorable conditions for cooperation between circumpolar and non-regional countries in the Arctic.

2. Development of the Arctic region unveils a whole range of opportunities for the British economy and businesses.

3. Firstly, Norwegian and Russian parts of the Arctic could be of great significance for the UK as a potential hydrocarbon province, which can eventually substitute depleting oil & gas resources of the North Sea.

4. Secondly, the necessary prerequisite for a full-scale and responsible development of the Arctic shelf deposits is the availability of a wide range of cutting-edge technologies and equipment, tailored for hydrocarbons exploration and production in harsh environment conditions. Many British companies - not only major offshore operators like BP and Shell, but also engineering enterprises, like Rolls-Royce, Subsea7, Converteam, Precision Polymer Engineering, e.t.c. - have valuable experience in this field. So there are good reasons to claim that Arctic technological expertise of the British industry will be in-demand asset during the implementation of Arctic offshore projects, as already confirmed by the regional experience of Sea Drill Offshore, Rolls-Royce and Tullow Oil.

5. Thirdly, if in the long term, Europe-Asia trade turnover increases substantially, it can inspire the UK to take a closer look at Arctic shipping opportunities, namely the Northern Sea Route (NSR), which provides the shortest distance between British and East Asian ports. A pioneering voyage of „Beluga Group“ vessels in 2009 triggered the demand for Arctic transit. Due to the involvement of the international shipping community the NSR transit cargo turnover reached a record level of 1.2 million tonnes in 2013. However, in spite of all optimistic claims and statements, made by President V. Putin and other senior Russian officials, still much preparatory work should be done until the NSR potential becomes attractive enough for foreign stakeholders. So far UK cargo owners and shipping companies prefer to stay aside from „Arctic euphoria“ because of the NSR unpreparedness for regular shipments\(^1\) of containerized cargo, which dominates in the structure of British export, and comparatively high level of icebreaking fees.

6. If the Northern Sea Route transit development still follows a favorable scenario, Lloyd's of London can take advantage of this trend and emerge as one of the leading financial organizations, providing maritime insurance for sailings in the Arctic. The level of maritime insurance rates, fixed by Lloyd's, would be one of the key factors, determining economic efficiency of Arctic shipping in general. Another strong asset, which could serve as an additional pillar of the UK presence in the Arctic is the outstanding excellence Lloyd's Register in the sphere of ice technologies research and ice classification of ships.

---

\(^{\text{a}}\) Lecturer at the School of International Relations, St. Petersburg State University (Russia).
\(^{\text{b}}\) Expert in Arctic Affairs at the Russian International Affairs Council.
\(^{\text{1}}\) Arctic is navigable only 4-5 months a year
7. While pursuing a balance between economic benefits and environmental protection considerations, we should proceed from the premise that development of Arctic ocean resources is inevitable. Readiness of stakeholder countries to provide maximum safety of Arctic nature amid increasing industrial activity in the region should be expressed in disposal of sophisticated technologies for environmental emergency response. For example, in the sphere of Arctic oil spill recovery the majority of equipment is currently produced by three European companies: Desmi (Denmark), Lamor (Finland) and Vikoma (UK). Though it should be admitted that existing technological solutions are not enough to provide maximum environmental preparedness in the Arctic. The UK can contribute to further work in this field by establishing environmental engineering cluster(s) in Aberdeen and/or Sullom Voe, which will be dealing with R&D and production of cutting-edge oil spill response equipment, specifically tailored for Arctic conditions.

8. Since the beginning of 2000's a fairly extensive volume of Arctic-related data has been produced. However, the extracting of relevant information from the bulk of Arctic knowledge turns out to be an uneasy task. On the basis of my professional experience, I would like to suggest several points on how to streamline the information support of the UK Arctic policy decision-making.

- The key condition for success is a simple and reliable methodology. Collection and analysis of information on various Arctic issues should be continuous, comprehensive and comparative. Meeting these three C's can provide the Foreign and Commonwealth Office with the most acute understanding of key interests, capabilities, comparative advantages and disadvantages of stakeholder countries, as well as driving factors of regional development in general.
- Officials and experts, preparing the ground for Arctic policy decisions, should be particularly fastidious and critical about the sources of information in use. Most relevant information on regional issues comes from the first-hand sources, i.e. Arctic strategies, governmental papers, statements and interviews of senior political officials, reports of research organizations, e.t.c. Publications, based on interpretations and commentaries, which are so wide-spread in the mass media, should be treated with caution, though not disregarded.
- Verification of technical data, statistics and other specific information, pertaining to the Arctic development, is absolutely necessary as well.

9. It seems reasonable to establish a special analytical division within the FCO’s Polar Regions Unit (PRU) framework. A team of 5-7 highly qualified specialists will be enough to carry out full-fledged information support of the UK Arctic policy decision-making. For purposes of getting valuable current information on various Arctic issues PRU should keep in close touch with UK diplomatic missions accredited to circumpolar and non-Arctic states. If it is necessary, Polar Regions Unit can also outsource Arctic expertise from relevant research organizations, like Chatham House, London School of Economics and Royal Geographic Society.

10. Generally speaking, the UK’s Government approach to the presence in the Arctic region seems to be balanced and well-thought. Threefold vision, outlined in the Arctic policy framework, sends a positive signal to other stakeholder countries. Working in the IMO and

---

2 (please, refer to Report No. 32 on Joint Industry Program „Oil Spill Contingency for Arctic and ice-covered waters“)
the Arctic Council gives the UK a room for manoeuvre to push for Arctic environmental compliance measures. However, when it comes to promotion of UK commercial interests in energy, shipping, banking and technological spheres, international organisations turn out to be irrelevant. For this purpose, bilateral intergovernmental forums or meetings are much more effective, because they create a platform for direct discussion and promotion of concrete regional projects between senior politicians and business leaders from both sides. Thereby, I would recommend the HM Government to consider opportunity of establishing a UK-Russian forum or commission on Arctic cooperation. Due to the negative impact of the War in Ukraine on diplomatic relations between Russia and the West, further practical elaboration of this idea will become possible only in the long term. But nevertheless the Arctic cooperation has good chances to become a brand new dimension of the UK-Russian agenda, which will cool down mutual controversies and misperceptions as well as open a new space for cooperation.

August 2014