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A warmer Arctic in colder geopolitical climate: What role for the private sector?

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Brief Summary

- The Arctic is experiencing considerable physical and geopolitical change affecting states, Indigenous peoples and various stakeholders.
- Private sector actors are also affected by climate change, geopolitical developments and economic trends in the Arctic, although the impacts on and potential governance role of the private sector in securing safety and stability in the Arctic are often neglected in policy analyses.
- This policy note outlines key stressors in the region and gives recommendations as to how the private sector can contribute to a safe and stable Arctic by supporting governance and sharing knowledge.

Arctic Ocean politics – stressors and drivers

Rapidly changing climate: heightened stressors and changing activity levels

The Arctic is being transformed by the impact of global climate change. The region continues to warm at as much as four times the rest of the planet. Sea ice present in the month of September has declined precipitously since 1980. Recent Arctic summers have seen unprecedented levels and intensity of wildland fire. Melting and subsiding permafrost in the region presents challenges to cities, communities and infrastructure (railways, roads, pipelines) in the North and has the potential to be a vast accelerator of global climate change through release of long-stored greenhouse gases.

The evolution of a white ice-covered Arctic Ocean to an increasingly blue one presents challenges as well as opportunities. For example, sea ice change has extended the seasonal window for shipping on existing routes and raised the prospect of new ones

and increased the range of tourist cruise-vessels. These novel or intensified activities bring their own risks as well, from environmental threats to intensified demands on search and rescue capacity. The operational environment for these heightened commercial uses and safety services is varied:In some parts of the Barents Sea, for example, maritime operations are no more challenging than in other harsh water areas, like the Norwegian Sea. In other seas, despite unevenly retreating ice, polar fog, drifting ice, vast distances from centers of population, and risks of sudden icing create challenging operational conditions.

Climate change is also impacting the distribution of fish stocks, some of which are moving northwards towards the Arctic Ocean. A recent study by WWF ("The Arctic Conflict Case Study") underlined that most contentious moments in the Arctic have stemmed from disputes over access to fishing grounds and concerns over health of fish stocks. While contention around fisheries issues has thus far been resolved through negotiations and established channels, heightened natural and political stressors may make conflict or tensions over fish stocks and fishing grounds more acute.

Competition and security tensions

Russia's re-invasion of Ukraine precipitated Sweden and Finland to abandon a decades-long politics of non-alignment and join the NATO alliance. This strengthens Nordic and North American security and military capacity in the region, even as the 'Arctic' profile in this cooperation continues to develop.

Russia has long been enhancing and modernizing strategic assets in the region as part of its broader security and nuclear strategy. The Arctic is also a strategically important area for Russia from an economic perspective, accounting by some estimates for 10% of its GDP, largely from oil, gas and mineral revenues, before the sanctions regime was enacted. This percentage is likely higher today.

Oil and gas from Arctic and other regions of Russia flow through and past Arctic waterways, seas and coastlines. Some of these exports are sent to global markets with the 'shadow fleet' of tankers – a growing number of potentially poorly maintained and uninsured vessels – operating in defiance of Western sanctions and outside of global shipping governance frameworks. These tankers operate outside standard shipping practices to bring Russian oil – being sold above the price cap enacted by the sanctions regime after the country's reinvasion of Ukraine – to market with India and China as the largest volume consumers.

Similarly, Arctic states have watched with concern as Russia and China's 'unlimited friendship' has taken on aspects of Arctic cooperation. This includes activities in the security sphere, such as via joint naval and air exercises in the Bering Sea. In the economic sphere, even as many countries have backed away from using the Russian-regulated Northern Sea Route, China has continued to view with interest a possible "Polar Silk Route" for shipping through the region. Chinese companies, from capital providers through construction to shipping actors, have joined flagship Arctic liquefied natural gas projects (LNG). ,

New forms of technology and use in the region also can bring new security challenges, particularly against the backdrop of distrust and rivalry across the NATO-Russia divide. For example, the fiber optic cable between Svalbard and mainland Norway was cut in January 2022, and two more in the Baltic Sea in 2024 were suspected of being cut, all in suspicious circumstances. Globally and regionally, protection of sub-sea fiber optic cables is gaining increasing attention as part of preparation for hybrid threats and challenges.

Governance structures and challenges

While undergoing unprecedented environmental change and subject to security tensions, the Arctic has underlying governance structures in which states and the Indigenous peoples of the Arctic region have long cooperated. The Arctic itself is divided by the sovereign territory of Arctic states, adjacent national coastal and Exclusive Economic Zones, and confirmed or pending rights to extended continental shelf zones. Most maritime boundaries in the Arctic are agreed, and the process for delimiting Arctic extended continental shelf is being handled through procedures under UN Convention on the Law of the Sea. In addition, there is a comparatively small area of open high seas around the North Pole.

Arctic Ocean cooperation is undergirded by several region-specific international agreements on search and rescue, oil spill preparedness, scientific cooperation and on fisheries management. All eight Arctic states are party to each of these agreements. The Central Arctic Ocean fisheries agreement, signed in 2018, is noteworthy in that it brought together the Arctic coastal states and many non-Arctic states with substantial fishing interests, such as China, South Korea and the EU. This precautionary agreement prohibits commercial fisheries in the Central Arctic Ocean pending scientific research that might lead to negotiation of management rules for new fisheries. Key forms of Arctic governance have also been generated

in global multilateral settings. A prime example is the Polar Code negotiated within the International Maritime Organization, which attempts to reduce risks in polar shipping through regulations relating to ship design and ice navigation.

Cooperation at the pan-Arctic level has been impacted by Russia's reinvasion of Ukraine. Cooperation in the Arctic Council – the 8-country body within which Indigenous peoples' organizations meet alongside states – was first paused in 2022 and then resumed at lowered levels of scientific cooperation in 2023. Higher-level political interactions in the body remain limited.

Regional governance is also buffeted by the same challenges facing multilateralism at the global level. There is well-founded uncertainty, in light of global challenges to multilateralism and rule of law as well as heightened regional tension, about how agreements relevant to the Arctic would function if tested or if they are functioning optimally.

What can the private sector do to support a stable and safe Arctic?

The private sector will be presented with novel risks and opportunities considering the rapidly changing conditions outlined above.

The private sector can contribute to a safe and stable Arctic more generally by supporting governance and sharing knowledge.

To support good governance, the private sector can:

a. Advocate for the importance of enforcing and developing UNCLOS and relevant global conventions/protocols in all settings and regions. A robust, implemented and consistent global ocean regime will have significant benefits for an increasingly open and navigable Arctic Ocean in the decades to come. This includes asking governments to dedicate increased attention to development of regulations at the International Maritime Organization affecting the Arctic, such as decarbonization of shipping by 2050 and financial mechanisms to facilitate this transition and supporting efforts to counter the evasive measures of the shadow fleet. It also includes private sector cooperation with governments and international organizations to realize international objectives to protect and conserve Arctic land and sea areas, including through monitoring natural conditions. The private sector also has an important role to play in promoting sustainable fisheries and preventing illegal, unreported and unregulated fishing.

b. Contribute to improving literacy about and advocate consistently for knowledge-based approaches to the specific challenges for commercial operations in the Arctic. Pay attention to Arctic-related regulatory changes, including within national, state and local governments in Arctic regions, and implement internationally relevant shipping regulations (like emissions regulations, Polar Code) at IMO.

c. Identify, support and implement voluntary principles/protocols for sustainable Arctic maritime operations that provide best practices models that complement but exceed existing regulatory frameworks (like the UNGC Sustainable Ocean Principles, the Arctic Investment Protocol, the Association of Arctic Expedition Cruise Operators guidelines and similar). Interface with Arctic states to identify private sector priorities, such as possibilities for decarbonization of marine activities or reduction in marine pollution, that could be assessed or addressed in Arctic-relevant governance settings.

d. Engage in meaningful consultation on and relevant action to meet evolving needs and requirements of Indigenous and local communities, including mitigating negative effects on economic activities, cultural and social integrity and livelihoods. The private sector should seek to facilitate positive effects for Arctic communities, which are facing rapid climate change already, from all forms of economic activity. For example, companies should actively consider how economic activities could contribute to securing and renewing Arctic infrastructure impacted by ongoing permafrost melt.

To promote sharing of knowledge and building capacity, the private sector can:

e. Share commercially non-sensitive data, information and observations that can improve scientific insights (including development of Arctic Ocean digital twins), contingency preparedness and situational awareness.

f. Support actions towards meeting the Paris Agreement targets and addressing the global challenge of climate change. This can include supporting climate science research and developing climate related mitigation technologies in the Arctic context. This may be a bit more complicated for the private sector in the U.S. if the new Trump Administration again withdraws from the Paris Agreement. However, mitigating carbon emissions should still be given priority by private sector actors seeking to engage in an Arctic so highly impacted by global climate change.

g. Encourage, initiate and participate in international, public-private and cross-industry cooperation to ensure sufficient search and rescue capacity (like the SARiNOR), and explore innovative approaches (such as mandatory or voluntary "buddy-sailings" for cruise vessels, merchant ships and fishing boats).

h. Engage in public-private sector dialogue across the Arctic to share knowledge of and responses to security threats and promote knowledge-based discussions about Arctic challenges on a general level. Other efforts could include comparing private actors' responses to NOTAMs in the Bering and Barents Sea or exploring common approaches to how the private sector can help heighten awareness of threats to and contribute to protection of critical Arctic infrastructure, including sub-sea infrastructure.

Suggested reading

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