

The Arctic 2030 Project:
“Feasibility and Reliability of Shipping on the
Northern Sea Route and Modeling of an Arctic
Marine Transportation & Logistics System”

4-th. Industry Seminar:
“NSR’s Future Cargo Base”

Russia’s Latest Affords Regarding the Future Development of the NSR

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D.O. Rogozin, the Deputy Chairman of the Russian Federation Government, Chairman of the State Commission for Arctic Development at the Presidium of the State Commission for Arctic Development scheduled session on March 9, 2016 in Murmansk



A new approach to building the Arctic strategy

In 2015, the State Commission meetings reviewed a number of important strategic solutions aimed at improving the level of management of the Arctic zone. In particular, the Ministry of Economic Development and Trade was ordered to develop a new version of the State Program Socio-Economic Development of the Arctic Zone of the Russian Federation

The new version of the State Program with a territorial approach by establishing a number of support zones of development. The Ministry of Economic Development and Trade identifies eight such zones, one in each Arctic region of the Russian Federation: Kola, Arkhangelsk, Nenets, Vorkuta, Yamal-Nenets, Taimyr-Turukhansk (or Norilsk), North Yakutia and Chukotka ones. Their territories will be provided with state support to ensure the development of both the regions themselves and the whole Arctic zone of the Russian Federation.

The development of the Russian Arctic requires an informal and responsible state approach taking into account geopolitical interests of the country, international obligations and responsibility towards future generations.

A new approach to building the Arctic strategy

Since the above approach to creating support zones is associated with the Arctic transport infrastructure, it is needed to relate the existing transport projects to those proposed by the draft State Program and use a stage-by-stage approach and priority ranking of their implementation taking into account forecasting cargo traffic along the Northern Sea Route.

Besides that, it is needed to offer the variants of synchronizing the Ministry of Transport funds available with the activities scheduled in the State Program.

“Russia must behave in the Arctic as a sound steward who is ready to invest manpower and resources in the region’s development, provides coordination of efforts of all agencies dealing with various problems of the Arctic zone exploration, and is responsible for the region’s development in general”.

Арктическая зона Российской Федерации The Arctic Zone of the Russian Federation

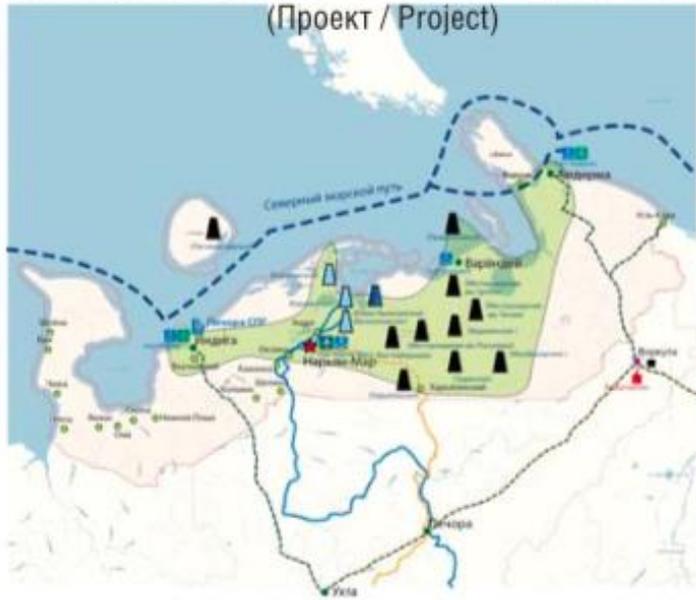


8 Arctic zones

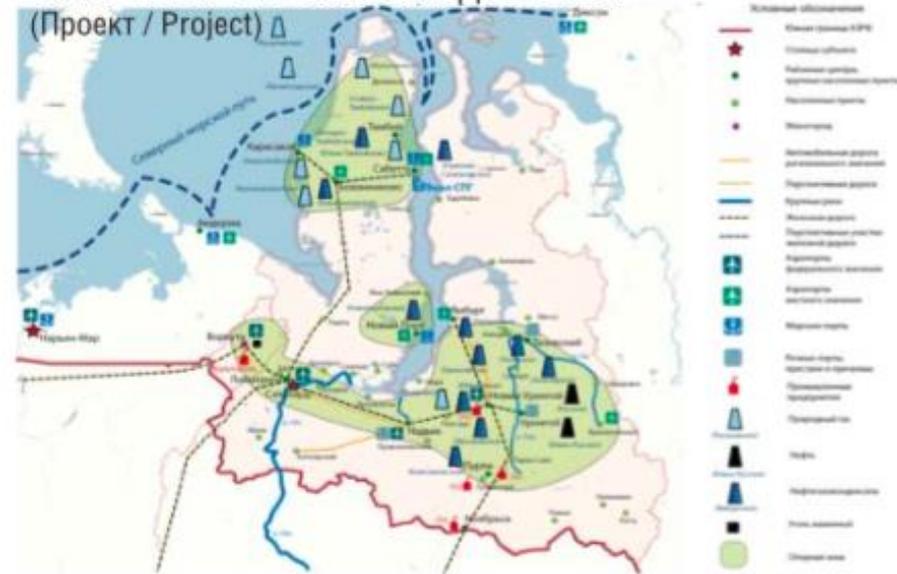
The support zone is primarily a project of planning regional development in the Arctic zone where, in order to ensure socio-economic development and national security a whole set of tools for regional development (territories of priority social and economic development, free port, free economic areas and special economic zones) and mechanisms of implementing investment projects (including infrastructure ones), among which are those of private-public partnership, have to be used in a synchronous and interconnected way.



Ненецкая опорная зона / Nenets support zone
(Проект / Project)



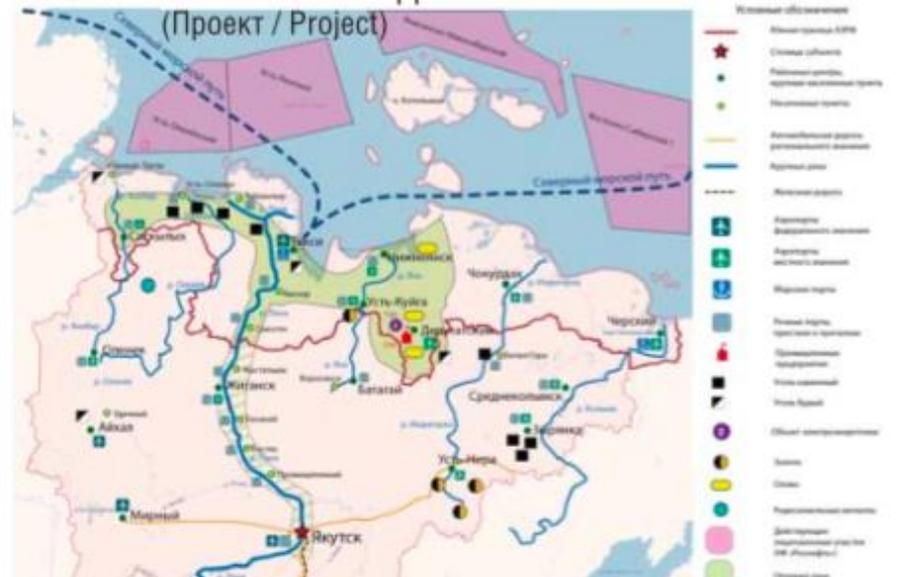
Ямало-Ненецкая и Воркутинская опорные зоны
Yamal-Nenets and Vorkuta support zones
(Проект / Project)



Таймыро-Туруханская опорная зона
Taimyr-Turukhansk (or Norilsk) support zone
(Проект / Project)



Северо-Якутская опорная зона
North Yakutia support zone
(Проект / Project)



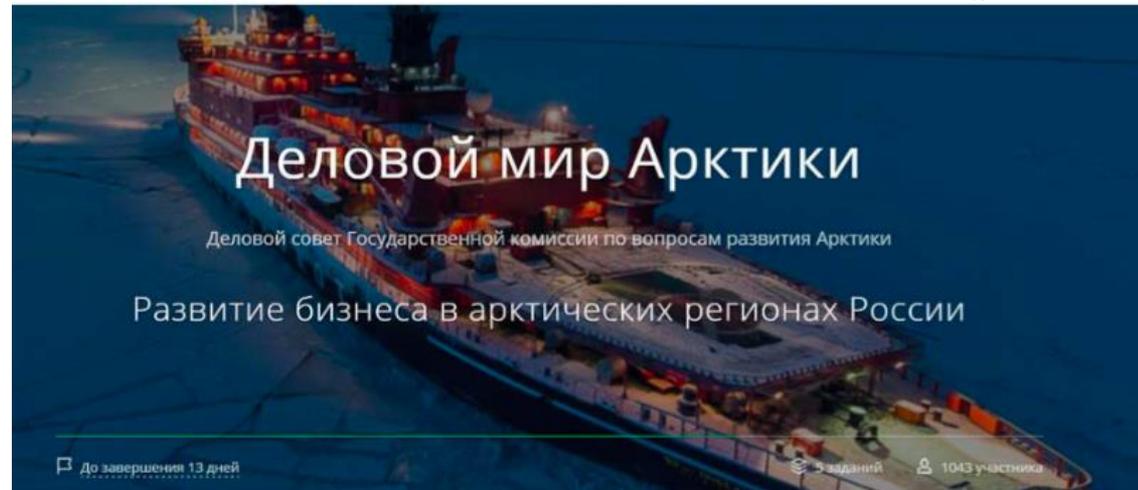
Sergey Lavrov
Minister of Foreign Affairs of the
Russian Federation



We are open to joint implementation of large- scale projects in the region, including in the Arctic zone of the Russian Federation. This refers, in particular, to the development of oil and gas fields, the use of the Northern Sea Route as the shortest cargo transit route between Europe and Asia, and the development of industrial, transport and tourist infrastructure. We have always believed that the economic development of the Arctic should be pursued in compliance with the highest environmental standards, and with due respect for the people living in that region, and the traditional lifestyle of the indigenous peoples.

The Business Council of the State Commission on the Arctic Development

The Business Council is an advisory body founded in March 2015 to support and develop business in the RF Arctic region. The objective of the Business Council is to establish dialogue between business and state representatives, strengthen business community, enhance business climate and contribute to attracting investments in the Arctic.



The Council is headed by Sergey N. Shishkarev, the President of the Group of Companies Delo, one of the largest holdings in the transport market. The Business Council includes 43 representatives from big business and public organizations operating in Russia's Arctic region. This is one of two expert bodies, which, in line with the Scientific Advisory Board is designed to study in detail the issues to be discussed at a meeting of the State Commission.

The Business Council first steps

The Business Council has held three meetings since its establishment.

The subject of the **first meeting** held on September 18, 2015 was the Northern Sea Route development.

At the **second meeting** on November 27, 2015, the Council members discussed the implementation of modern information telecommunication technologies and systems in the Arctic regions of the Russian Federation, directions for the development of port infrastructure in the Arctic zone of the Russian Federation, measures to install and improve checkpoints to enhance efficiency of handling freight traffic in seaports, and economic, social and environmental aspects of using biological resources in the Arctic.

The subjects of the **third meeting** of the Business Council held on February 5, 2016 were the improvement of transport infrastructure of the Arctic zone of the Russian Federation, creation of an integrated transport infrastructure of the Arctic zone of the Russian Federation and support with transport vehicles; creation of opportunities to implement investment projects, in particular, the establishment of priority development areas, and creation of favorable conditions to implement investment projects in the Russian Arctic zone.

The Business Council first steps

The Business Council meetings defined the key goals of the Northern Sea Route development for today:

- recovery of the infrastructure and development of competitive tariff policy;
- year-round ice escort along the Northern Sea Route (Rosatom should implement the program of constructing three 60-MW nuclear icebreakers of new generation by 2020);
- increase in economic efficiency of escorts along the NSR by reviving caravans and using diesel icebreakers to escort of small and medium-sized vessels in summer;
- improvement of the navigation control system for the Northern Sea Route through the establishment of the Control Center;
- involvement of insurance companies in freight insurance;
- granting of free port status to the Far East seaports;
- market research of promising traffic flows from the Asia-Pacific Region to the European Union and the U.S. through the Northern Sea Route.

The Business Council first steps

The question was the need to integrate the Northern Sea Route's logistics projects with the projects of creating points of transport services demand; development of railway component of the Murmansk transport hub, airport network, etc.

The purpose of the proposals made at the Business Council meetings was to provide a number of benefits to investment projects in the RF Arctic zone including:

- special land use regime and establishment of preferential rental rates;
- granting of tax and insurance advantages;
- special regime of state and municipal control;
- advantages in connecting to infrastructure facilities;
- application of free customs zone procedures;
- application of technical and sanitary regulations of the most developed OECD countries.

The Business Council first steps

The Business Council initiative on the Northern Sea Route development

An example of successful interaction between the Business Council and the State Commission may be proposals and developments of the Business Council members at the meeting of the Presidium of the State Commission on the Arctic Development on March 9, 2016 in Murmansk.

Particularities and problems of transport and logistics support in the Arctic region:

- companies have to use special handling equipment to work on landfast ice and beaches due to a short period of navigation. Since far from all companies have such equipment, it is important to place it in the points where handling takes place throughout the navigation period;
- since ice class vessels capable of operating in the Arctic are not so many, it is unacceptable to carry so-called dead freight;
- existing contractual system of purchasing goods, works and services is not perfect for solving the problems in the Arctic;

The Business Council first steps

Idea to establish an integrated transport and logistics operator for the Northern Sea Route with the involvement of private companies. It is expected to perform the following functions:

- development of a navigation plan based on data from all cargo owners planning of the fleet and unloading facilities;
- development and approval of a Rate Manual based on the principles of Price-List No. 11- 01 on the Shipping of Goods by Sea in the Coastal Navigation approved by the USSR State Committee on Prices Decree No. 274 of 27.03.1989; justification of multiplying conversion rate in a similar way to the 1993 ORGRES Price List;
- conclusion of agreements with contractors based on the Price List and responsibility towards the customers for the quality of their execution;
- coordination with FSUE Rosatomflot and other icebreaker owners.
- The Business Council together with interested ministries and agencies is ready to develop a concept of establishing the Northern Sea Route integrated transport and logistics operator.

Ministry for Development of Russian Far East

Ministry for Development of Russian Far East jointly with foreign consultants will prepare financial and economic development model for the Northern Sea Route (NSR) up to July 2016.

“By order of the President, our Ministry will prepare financial and economic development model for the NSR as the competitive passage with global value and with the focus point at container shipping. This work should be done up to the 1st of July, the work is comprehensive and deep”, said Galushka.



“I can say that the model is innovative. It is a new way of looking at the global map of transit flows, at what is happening in the world today. The changes generated by Chinese economic growth, by intensification of some contradictions, including those within existing transit passages in the world”. “In this regard, the NSR can play role and defuse this tension, create new opportunities for the participants of foreign economic activity and addition income flow for Russia. Russia can gain profit on it”, pointed the Minister.

Ministry for Development of Russian Far East

Research project “Development of conceptual frameworks of competitive development model of the Northern Sea Route” implemented by the Analytical Center for the Government of the Russian Federation.

The project has two main goals. The first one is to analyze necessary and sufficient conditions for the development of the Northern sea transport corridor with the usage of the Northern Sea Route.

The other one is development of organizational, financial, economic and competitive models of development and functioning of the Northern Sea Route in short and long-term perspective.

It includes retaining and expansion of the NSR recreational functions in the light of the objectives of social and economic development of the Russian Federation that ensure the growth of transit capacity as a competitive, trans-border corridor of global importance including for container transport.

The Center should perform retrospective analysis and forecast of transport needs of the NSR considering development trends of the economy and population of the Russian Federation, Far East, Arctic macro region, European countries Asia-Pacific region and North America in short- and long-term perspective.

Other, equally important, objective is developing of a financial and economic model for developing the Northern Sea Route as a competitive transport corridor of global importance, including for container transport.

Conclusion

We have many active players on Russian side.

- State Commission for Arctic Development
- The Business Council of the State Commission on the Arctic Development
- Ministry for Development of Russian Far East
- Far East development Fund
- Ministry of Transport
- Rosatomflot
- NSR Administration
- Regional Administrations

We hope that nearest future will show us which plans and proposals for NSR development will be implemented in practice.

