

Russian Arctic Seaports Expand Activity Despite War in Ukraine

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OE Watch Commentary

According to the excerpted article from Norway-based *The Barents Observer*, despite fighting in Ukraine and sanctions by the West, Russia continues to strongly push the expansion of the Northern Sea Route's capacity. Most notably, the accompanying article notes that Russia seeks to expand from a shipment of 34 million tons of goods in 2022 to a projected 80 million tons by 2024. It also notes that Russia has set a target of implementing the construction of 41 new cargo vessels by 2030. In the past, President Putin has set increased shipping goals for the Northern Sea Route and, officially, they have been met. Yet, given the significantly ambitious increase from 34 million metric tons to 80 million metric tons, we do not know what goods are being shipped and who the customers are. Today, much of the Northern Sea Route shipping goes east to the Russian Far East and China; it

also remains the case that many non-European countries are ready to expand trade with Russia regardless of its invasion of Ukraine. In terms of what will get shipped, given Russia's natural resources and the never-ending need for sources of energy, much of this cargo will be liquified natural gas (LNG), coal, oil, timber, and processed metals. Grain shipments by barge up the Lena River to the Arctic Ocean and on to China have already been accomplished at a cheaper rate than rail. Still, it may be the case that the new proposed capacities might exceed demand. Annual increases of two to four million metric tons are achievable, but an increase to of the likes projected here would be unprecedented. If accomplished, though, any increase in shipping capacity could help Russia offset export losses due to ongoing sanctions.

The most important issue on today's agenda is the fulfillment of President Putin's instructions to increase shipping volumes on the Northern Sea Route to 80 million tons by the year 2024.

Source: Atle Staalesen, "Moscow assures it will not lower ambitions in Arctic," *The Barents Observer* (independent Norwegian news site in Russian and English currently blocked in Russia), 13 February 2023. <https://thebarentsobserver.com/en/arctic/2023/02/moscow-assures-it-will-not-lower-ambitions-arctic>

"The most important issue on today's agenda is the fulfillment of President Vladimir Vladimirovich Putin's instructions to increase shipping volumes on the Northern Sea Route to 80 million tons by the year 2024," Russian Deputy Prime Minister Yuri Truter said as he on the 11th of February opened a meeting in the State Commission on Arctic Development.

In the room were representatives of key federal ministries, regional governments, and state companies. Western sanctions have caused certain difficulties in reaching the president's objectives, the high-ranking government official admitted. But investment projects in the Arctic are still proceeding according to plans, he assured the group.

In 2022, a total of 34 million tons of goods was shipped on the route. "It is a good result," Trutnev underlined, and explained that the original plan for the year was only 32 million tons.

Despite the war against Ukraine and the severe economic hardships facing the country, the Northern Sea Route remains a top priority for the Russian government.

The cabinet headed by Premier Mikhail Mishustin continues to aim for an unprecedented boost in Arctic shipping, and the ambitions outlined in the federal "Plan on the development of the Northern Sea Route" as adopted in August 2022 remains intact.

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The document says shipping on the route is to increase to 80 million tons in 2024 and later to 150 million tons in 2030 and 220 million tons in 2035.

In order to reach the target, a total of 41 new cargo vessels must be built by 2030, the leader of the Arctic Commission argued in last week’s meeting. Trutnev also underlined that the goods capacity of seaports along the Northern Sea Route will increase to 36 million tons in 2023 and to 83 million tons in 2024.

Behind the port development stands nuclear power company Rosatom, that in 2022 completed the construction of the Utrenneye terminal in the Gulf of Ob. In 2024, Rosneft’s Sever Bay terminal will stand ready on the coast of the Kara Sea, and the same year — the nearby new coal terminal of the Severnaya Zvezda.

But there are looming financial troubles in the horizon. “I do not exclude that we will have to find new solutions to financing the operations, so that there appears no deficit of funds in any phases of development,” Trutnev told his commission colleagues.

And despite the dramatic increase in federal deficit, the government official underlined that the state is ready to offer support. “If one of the companies will not have financing, that does not mean that it will be abandoned, [but] we must help,” Trutnev said.