



**A 1552/environment**

Submitted by:  
The Environment and Natural  
Resources Committee  
Business and Industry Com-  
mittee

J.nr. 12-00079-28

## **Environmental protection and oil and gas exploration in the Arctic areas**

### **1. Committee proposal**

The Environment and Natural Resources Committee propose that

The Nordic Council recommends to the governments of the Nordic countries,

*to take initiative for closer Arctic co-operation on capacity and infrastructure for clean up after an oil spill and work for a legally binding agreement between all the Arctic states on cleaning up oil spills*

*to work for close Arctic co-operation for the development of new and safer technologies in offshore oil and gas extraction in the Arctic*

*to work for a legally binding agreement between the Arctic states which will ensure the use of the best available technology and processes in offshore oil and gas extraction which build on the principles of sustainable development and the precautionary principle*

The Environment and Natural Resources Committee propose that

The Nordic Council recommends to the Nordic Council of Ministers

*to organise a seminar in co-operation with the Nordic Council, with representatives from the oil industry, inspection authorities, local communities, environmental organisations etc., on the environmental challenges that oil and gas extraction in Arctic areas will cause*

## 2. Background

The majority of the environmental threats in the Arctic areas are external and the solution requires global negotiations. The Arctic challenges can therefore not be solved by the individual countries or a co-operation of the eight Arctic countries, but require close collaboration between the Arctic countries, regional co-operation and global co-operation.

The Nordic countries have worked jointly to preserve the Arctic areas through, for example, the UN Climate Convention and the Stockholm Protocol and by contributing to the ongoing negotiations for a mercury protocol. Within the EU, the Nordic countries have also been a driving force for a political development that takes the interests of the Arctic areas into account.

Safety at sea is both an Arctic concern and a global challenge. The Nordic Council have addressed this with a recommendation which was adopted at the Session in Copenhagen in November 2011<sup>1</sup>.

The environmental challenges in the Arctic areas also have their origins internally in the Arctic. Exploitation of the living resources in the sea depends on good co-operation between the responsible parties. The mackerel conflict is an example of a difficult challenge that requires political attention. The Nordic Council have addressed this problem with a recommendation on the mackerel conflict which was adopted at the Session in Copenhagen in November 2011<sup>2</sup>.

For a long time there has been land-based industry in certain parts of the Arctic, but in many areas the cold, snow and ice protected the Arctic areas from industrial activities. But times are changing. A brand new business is starting up in the Arctic areas, the extraction of new accessible raw materials, especially oil and gas. The new exploration for raw materials is creating new opportunities for development, but also many challenges, political, social and particularly environmental. The greatest challenges are related to offshore oil and gas exploration. Shipping, which is already increasing and will probably increase considerably in the years ahead, is also considered to be a great challenge if effective emergency equipment is not put in place.

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<sup>1</sup> The Nordic Council recommends to the governments of the Nordic countries  
*to strengthen Nordic co-operation on marine surveillance in the Arctic within the framework of the Nuuk agreement*  
*to establish, in accordance with the intentions of the Nuuk agreement, a Nordic maritime response unit in the Arctic consisting of elements from the Nordic countries' coast guards and rescue services*  
*to improve national and Nordic co-ordination with regard to the ongoing work of IMO in connection with the Polar Code, so the Nordic countries can speak with one voice*  
*to make corresponding requirements in their national regulations when there is clarity about the content of an upcoming mandatory IMO Polar Code*  
*to strive for a demand on large passenger ships to sail in pairs in certain parts of the Arctic waters, when this is considered to increase safety at sea*  
*to use the experience gained from the Copenhagen Agreement to develop and obtain approval for a broad international agreement to combat pollution of the Arctic seas*  
*to investigate how the Nordic countries can finance growing expenditures related to extending surveillance and rescue capability in the Arctic seas*

<sup>2</sup> The Nordic Council recommends to the Nordic Council of Ministers  
*to prioritize efforts to resolve the ongoing conflict on mackerel fishing in the North Atlantic as soon as possible*  
*to strengthen the scientific basis regarding the assessment of the mackerel population's size and distribution*  
*to develop proposals for a management system to promote a sustainable use of the pelagic fish in the North Atlantic and reduce the risk of conflict*

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The Arctic states, despite the climatic challenges, are ready to begin oil exploration in areas which might contain over 10% of the global reserves. Norway has experience with gas exploration from the Snøhvit field and there are plans for exploration for oil in the far north. Greenland has approved test drilling, which has been going on for the last two years in Disko Bay. Russia has an oil platform in the Arctic seas about 60 km from the coast and which is ready to begin drilling in the near future. In the USA the President has approved test drilling off the Alaskan coast. Canada, which has drilled several places in the Arctic along the coast and on land, has not yet allowed offshore drilling, but demanded that the interested oil companies can prove that they are able to prevent spills within a reasonable timeframe.

Offshore oil exploration under Arctic conditions is a major challenge. Storm and cold, ice sheets and floating ice, long periods without daylight, and long distances to densely populated areas mark this area. Being able to prevent an accident, and if an accident were to occur, to carry out a rescue and clean-up operation, is a major technical and human challenge. Most people who have expertise in this area agree that the technology available does not provide an acceptable level of security<sup>3</sup>.

It is not only exploration that poses challenges. Transport of oil and gas in the difficult Arctic waters will also be a challenge.

At the same time as the major oil companies are moving into the Arctic areas it has been announced that the largest oil companies in the world (including BP, Chevron, Conoco Phillips, Shell, Exxon Mobil, Eni, Statoil and Total) have entered into partnership to process and prevent oil spills in the Arctic areas. Furthermore, Norway and Russia have started a bilateral project to develop new technologies to extract oil and gas in the Arctic areas.

At its meeting in Nuuk in May 2011, the Arctic Council decided to initiate negotiations for an agreement on co-operation for clean-up after oil spills. This is in accordance with the Nordic Council recommendation (A 1540/environment November 2011) to use the experience from the Copenhagen Agreement to develop and have approved a broad international agreement to combat pollution in the Arctic seas.

A review of the Nordic countries' Arctic strategies shows that the governments are taking the climate challenge seriously, and the consequences it will have on the living conditions of the indigenous people in the Arctic is emphasised in the strategies of all the Nordic countries. The countries declare that climate change should be counteracted. They point out also that the local communities should adapt themselves to climate change and the new opportunities that a warmer climate creates and seek to exploit it.

There is no indication that any country intends to postpone or refrain from developing oil and gas extraction in the Arctic. This is in spite of the consequences that this could have on the Arctic environment and that access

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<sup>3</sup> AMAP, the Arctic Monitoring and Assessment Programme, a working group under the Arctic Council, in an assessment carried out in 2004-2007, (Arctic Oil And Gas 2007 report), has not been able to prove that there is any oil protection equipment in place that will be effective under Arctic conditions. There have been positive developments with regard to being able to operate in the dark, but apart from that, there have not been any new solutions, explain the AMAP Secretariat. Some players claim, however, that they have promising equipment undergoing tests, state the AMAP Secretariat.

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to these resources<sup>4</sup> will extend the time that fossil fuels, with a negative impact on the climate, continue to be the world's most important source of energy. The vision of the Kingdom of Denmark's Arctic strategy is to exploit those resources found in Greenland as well as valuable minerals, under the best international regulations and in continued close co-operation with the relevant national authorities and international partners. The Norwegian government's Arctic strategy emphasises co-operation with Russia to develop technologies for oil and gas exploration in the Arctic areas which could create conditions for technology exports. The Swedish and Finnish strategies do not contain much about the regulation of oil and gas exploration. The Icelandic strategy has a cautious tone, and it is clear that a short-term gain from oil and gas extraction will not serve the population in the Arctic areas if it destroys the basis for other industries.

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### **3. Hearing**

There has been no formal external hearing in conjunction with this proposal.

### **4. The Committee's views**

The Environment & Natural Resources Committee and the Business & Industry Committee believe that exploration and extraction of gas and oil in the Arctic areas is more demanding and risky than in other marine areas because of the extreme weather conditions, dark, long distances, ice sheets and floating ice. An accident in a national territory could develop into a disaster which will affect several Arctic nations and the ability of the local population to exploit the seas' living resources over a longer period. Added to this is the problem associated with the transport of gas and oil.

In the Stoltenberg report, a number of proposals were presented which are relevant for strengthening the capacity of the Nordic countries to meet these new challenges together. The Nordic Council has, on several occasions, expressed its clear support for the recommendations in the Stoltenberg report.

The Arctic Council has decided to work on an agreement regarding oil spill clean-ups, but the activities are a purely national affair and there are no plans to change that within the Arctic Council. The Committee thinks that the Nordic Council should express its clear support for the decision to develop an instrument for clean-up operations, which would be legally binding. The most important thing, however, is for preventative work to avoid an accident happening.

The Arctic Council's ministerial meeting in 2009 revised the *Arctic Council Offshore Oil and Gas Guidelines*. These guidelines recommend voluntary standards, technical and environmental best practice regarding *offshore* drilling for oil and gas in the Arctic. The guidelines represent the minimum standard in the national legislation. This will be a voluntary standard.

The committees note that the EU Commission has, with reference to the large and serious *Deepwater Horizon* oil spill in the Gulf of Mexico and two recent incidents in the North Sea (Gullfaks C in May 2010 and Gannet F in 2011) where there was potential for major disasters, issued a proposal for regulation<sup>5</sup> on safety of offshore oil and gas activities. Up until now the countries in question have regulated these activities themselves. It is un-

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<sup>4</sup> There are several different assessments of how great the resources are. The strategy of the Kingdom of Denmark states that the Arctic may contain up to 30% of the world's undiscovered gas resources and about 10% of the oil resources. In Icelandic strategy the figure is 18% and in the Finnish it is 5 to 13%

<sup>5</sup> COM(2011) 0688, Proposal for a regulation of the European Parliament and of the Council on safety of offshore oil and gas prospecting, exploration and production activities.

clear whether the proposal, if adopted, will include the EEA countries Iceland and Norway.

Technological developments advance rapidly and new and better technologies are continuously being developed. There is a question of whether there is a lack of a mechanism to ensure follow-up and updating of regulations and standards for gas and oil activities in the eight Arctic countries. Collaboration between the world's largest oil companies on the development of new technologies for use in the Arctic areas shows that there is great willingness in the industry to set aside funds for this purpose. However, it is not enough that new technologies are developed. It is also important to ensure that the new technologies will be used. This can best be achieved if the Arctic country in question enters into a legally binding agreement on the use of the best available technology<sup>6</sup>.

It is the assessment of the Environment & Natural Resources Committee and the Business & Industry Committee that it is time to work on an agreement between the Arctic states which will make it legally binding to implement the current best practice in national legislation on oil and gas exploration in the Arctic areas. The principle basis for such an agreement is caution and a target of long-term sustainable development in the Arctic areas, which in the long-term will ensure good living conditions for the indigenous people in the Arctic.

To create clarity about what is best practice, an Arctic expert panel could be set up that regularly, based on new technologies and experience<sup>7</sup>, develops regulations for technology and safety measures in offshore oil and gas activities. This should be done in close collaboration with the industry.

The committees believe that it is important to clarify whether there are particularly vulnerable areas where oil and gas exploration should not take place. The Committees will come back to this question at a later date.

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<sup>6</sup> In practice this means the best available technology at the time the authorities issue the concession.

<sup>7</sup> In a report AMAP has concluded that oil spills cannot be avoided, therefore it is important to focus on preventative work, improving management and developing oil protection equipment which can be used under Arctic conditions. Furthermore, according to AMAP, activities should be avoided in vulnerable areas. Work is underway to identify the most vulnerable areas in the Arctic.

## 5. Conclusion

On the basis of the above, the Nordic Council Environment and Natural Resources Committee and the Business and Industry Committee propose that

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to take initiative for closer Arctic co-operation on capacity and infrastructure for clean up after an oil spill and work for a legally binding agreement between all the Arctic states on cleaning up oil spills

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The Nordic Council recommends to the Nordic Council of Ministers

to organise a seminar in co-operation with the Nordic Council, with representatives from the oil industry, inspection authorities, local communities, environmental organisations etc., on the environmental challenges that oil and gas exploration in Arctic areas will cause

Reykjavik, 22 March 2012

*Agneta Börjesson (MP)*  
*Álfheiður Ingadóttir (VG)*  
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*Ann-Kristine Johansson (S), Chairperson*  
*Christina Gestrin (sv)*  
*Eeva Maria Maijala (cent)*  
*Erik Almqvist (SD)*  
*Janne Sankelo (saml)*  
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*Anne Baastrup (SF)*  
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*Billy Gustafsson (S)*  
*Bjarni Benediktsson (Sj.)*  
*Eero Suutari (saml)*  
*Eeva-Johanna Eloranta (sd)*  
*Erling Bonnesen (V)*  
*Harry Jansson (ÅC)*  
*Tone Merete Sønsterud (A)*  
*Torfinn Opheim (A)*  
*Torgeir Trældal (FrP)*  
*Wille Valve (MÅ)*

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