

CANADA-US ARCTIC MARINE CORRIDORS AND RESOURCE DEVELOPMENT¹

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KEY POINTS

- The Arctic region stands at the cusp of tremendous economic development. Efficient, secure, environmentally sensitive marine transportation systems and smart public infrastructure could facilitate offshore and onshore energy, mineral, ecotourism and local community development.
- Current Canadian and American government policies, regulations and investment in support of Arctic maritime infrastructure and resource development are inadequate. There is an urgent need for strengthened, comprehensive and innovative national Arctic economic development policies, and Canada-US federal, regional and corporate cooperation in the Arctic.
- Public leadership and private investment, through the development of smart and strategic transportation infrastructure, is urgently needed in the North American Arctic to drive development and facilitate economic activity.

INTRODUCTION

The shrinking Arctic ice cap is creating unprecedented geophysical change in the circumpolar region, a trend that is very likely to continue. Together, this "great melt" and the delineation of extended national economic zones afford increased access to economic resources in the Arctic Ocean. Intense activities in commercial, investment, diplomatic, legal, scientific and academic sectors abound in the new Arctic, but the region's long-term significance is only gradually penetrating North American public consciousness. Media reports such as the recent, virtually ice-free trans-polar transit of a Chinese icebreaker through the Russian Northern Sea Route, or the transit of the Northwest Passage by a large cruise ship, are only the tip of the proverbial economic iceberg. In preparing for the commercialization

¹ This policy brief is drawn in large part from discussions at the Arctic Marine Corridors and Resource Development Round Table. The event was held in a House of Commons facility in Ottawa, June 2012.

ABOUT THE ARCTIC MARINE CORRIDORS AND RESOURCE DEVELOPMENT ROUND TABLE

CIGI, Carleton University's NPSIA, the Yukon government, the United States embassy and Canadian federal departments partnered in organizing a round table, bringing together Canadian and American industry and government experts on Canada-US Arctic marine corridors and resource development in June 2012 in Ottawa. The invitation-only event was organized by CIGI and NPSIA as part of Carleton University's transport policy initiative.

The round table gathered 60 Alaskan and Canadian political and business leaders, including those from Canadian and American shipping and resource development companies, senior Alaskan, territorial and federal officials and think tank experts on the Arctic and Canada-US relations for a constructive discussion of Arctic opportunities.

Carleton University's Dean of Public Affairs, André Plourde, emphasized the importance of Arctic questions facing participants. The round table was then opened by Terry Audla, newly elected president of the Inuit Tapiriit Kanatami, Canada's national Inuit organization. Former Alaska Senator and Governor Frank Murkowski co-chaired the round table with Canadian Senator Dennis Patterson, former premier of the Northwest Territories. The Alaskan group included Representative Bob Herron, an influential legislator.

Pierre Poilievre, member of Parliament and parliamentary secretary to the minister of transport, infrastructure and communities, addressed the group on behalf of the minister, drawing attention to the Canadian government's priority Northern Strategy and recent measure to streamline resource project permitting processes.

Alaskan Lieutenant-Governor Mead Treadwell, an elected official and a leading Arctic expert, opened the working session. He reviewed international Arctic developments, discussed opportunities and challenges in the Arctic in the mining and energy sectors and noted the emerging gap between North America and Russia in transport infrastructure and icebreaker capacity.



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of the Arctic Ocean, Canada and the United States, as major nations bordering the Arctic, face enormous opportunities in protecting economic and environmental interests; however, a number of challenges impede the fulfillment of this vision.

GOVERNANCE AND INFRASTRUCTURE CHALLENGES

As the Arctic Ocean's sea ice continues to melt, developing the North American Arctic's marine, resource and community potential is a clear imperative for both Canada and the United States. Such development will require an intense and focused effort in multi-level domestic and binational governance. At the same time, a dramatic gap in leadership and infrastructure is emerging between North America on one side, and Russia and Scandinavia on the other, in maritime transport facilitation, search and rescue facilities, port infrastructure and resource development priority in the Arctic Ocean. The lack of progress in developing public-private infrastructure in the North American Arctic is the product of a well-intended but complex and incoherent governance structure in the North American Arctic.

The organizational structure of the two North American governments means that national responsibility for the Arctic is fragmented among numerous federal agencies and departments, all of which face budget pressures and are mostly preoccupied with southern-based issues. The economic development potential of the Canadian territories and Alaska is not yet fully understood by Ottawa and Washington. New business opportunities in the Canadian and American Arctic regions could contribute directly to local, regional and national economic growth.

Leaders in both Alaska and the Canadian territories have expressed frustration with the lack of national strategic vision, resources and divided accountability in southern capitals. While northern governments have local knowledge and public trust, and are working to strengthen their capacities in the maritime field, they have limited authority and face complex jurisdictional issues. Given their budgetary and capability constraints, northern municipal governments, including Aboriginal communities, are struggling to provide adequate services to their people and need the solid economic development that comes with better public infrastructure, private investment and economic activity.

A coherent, multi-layered, binational Arctic governance strategy would not only accelerate resource and transportation development in the Arctic of each country, but would give greater substance to the work of international governance institutions such as the Arctic Council. Valuable work is already underway at several multilateral organizations: the Arctic Council, which Canada and the United States will sequentially chair beginning in 2013; the Inuit Circumpolar Council, which the Canadian chapter will chair beginning in 2014; and the United Nations' International Maritime Organization. But multilateral diplomacy is complex: the players and interests are many, and progress is often slow.

Despite the slow progress, work is still being done. The Canadian federal government has a number of current programs that support resource project development and mapping, bathymetric work, ice monitoring, offshore petrochemical leasing, and environmental and scientific research. Further, the Canadian and American governments are pursuing international discussions on search and rescue, oil spill remediation and polar shipping standards. Good binational cooperation exists



Sea ice retreat in the Beaufort Sea. Top image acquired May 13, 2012; bottom image acquired June 16, 2012. Source: NASA Goddard Photo and Video.

between the two countries' coast guards and between military authorities through the North American Aerospace Defense Command (NORAD).

Economic activity in the Arctic would benefit from planned and improved public-private infrastructure. The poor infrastructure in the North American Arctic impedes economic growth and the development of local jobs that private investment in energy and mineral projects could be creating. This lack of infrastructure slows community development, delays essential maritime environmental protection regimes and undermines the North American continent's long-term economic and security interests.



Canadian Coast Guard ship Louis S. St-Laurent ties up to the US Coast Guard cutter Healy in the Arctic Ocean, September 5, 2009. The two ships are taking part in a multi-year, multi-agency Arctic survey that will help define the Arctic continental shelf.

The private sector remains deeply uneasy about lengthy delays in project approvals, multiple, complex and overlapping layers of governance, and the lack of American and Canadian federal government planning and action on strategic marine transport, resource development and infrastructure issues.

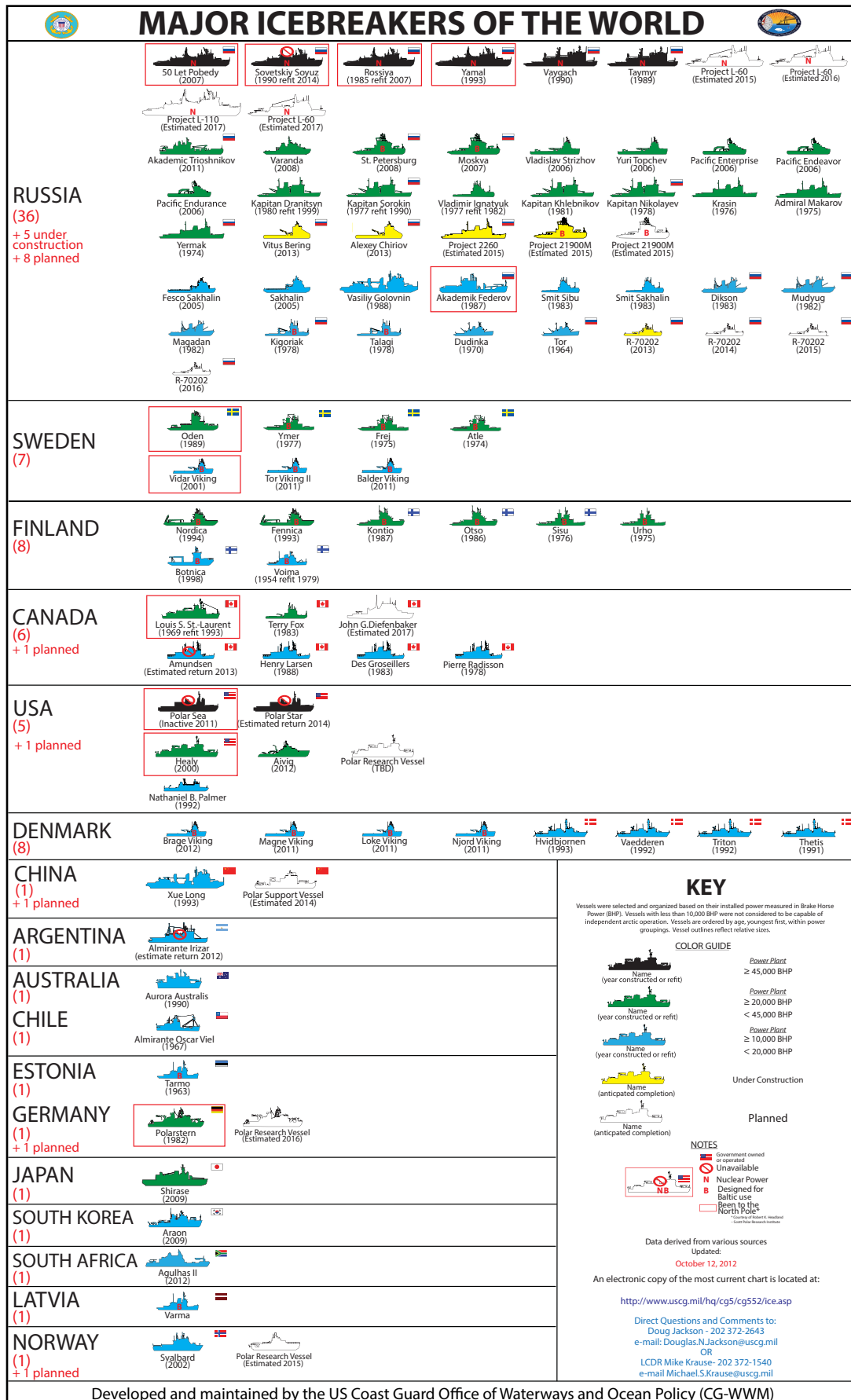
The responsibility for Canadian and American marine transportation and ports in the North American Arctic cannot simply be downloaded to the private sector on an ad hoc, stovepiped project-by-project basis. The costs and risks to individual small- and medium-sized project proponents are often prohibitively high, and regional synergies are lost if a project proceeds, however well done.

MARITIME TRANSPORTATION AND RESOURCE DEVELOPMENT CHALLENGES

An imbalance exists between marine corridor development and icebreaker capacity. As part of a forward-looking and comprehensive Arctic strategy, the Russian Federation is building new nuclear and conventional icebreakers to add to what is already the largest icebreaker fleet

in the world. Russian Arctic policies target expanded offshore resource exploitation and the establishment of the Northern Sea Route as the pre-eminent trans-Arctic marine highway. Russia recently introduced legislation that codifies and administers the Northern Sea Route. Meanwhile, Canada and the United States have only one operational medium-sized icebreaker apiece (see figure, “Major Icebreakers of the World”). Both North American nations’ plans for vessel retirement, refurbishing and new construction will influence the details of this picture, but not the striking imbalance of planned capacity. While Russia’s Northern Sea Route has physical advantages over its North American counterpart, the question that arises is whether the emerging Russian monopoly over trans-polar commercial marine transportation and rules is in North America’s economic or security interests.

There is a lack of deep water ports in the North American Arctic. In light of the economic opportunities in the North and the concomitant increase in maritime traffic, there is an urgent need to build adequate port capacity. All possibilities should be examined, for example, the development of trans-shipment hub ports in western Alaska and eastern Canada, forming either end of a North American Arctic marine highway (as Russia plans for Murmansk and Petropavlovsk); a shared port between Alaska and Yukon in the Beaufort Sea to support stranded gas development in both the United States and Canada; and another port in Bathurst Inlet in the Northwest Territories to serve new mines. These ports would support resource projects, anchor a possible “North American Marine Corridor” and act as coordinated poles of growth for other maritime and surface activities, including ecotourism. Further development of the Alaskan port at Skagway, which serves Yukon commercial and mineral development, and Canada–Alaska rail link proposals should be



examined with the same priority. Urgent action is required to improve the safety and efficiency of small community ports north of the Arctic Circle. According to the Canadian shipping industry, conditions are inefficient and unsafe.

Aboriginal communities need to be engaged and consulted in economic development that directly affects and could benefit them. The Aboriginal inhabitants of the Arctic must benefit fairly from all projects and be fully involved in the development of their traditional lands and waters as they become more accessible. As a result of Aboriginal land claims and other government agreements, a coherent distribution of rights and responsibilities is emerging; however, ongoing disputes over implementation impede investment and economic growth, and a comprehensive aboriginal marine development vision remains incomplete.

Safety and environmental concerns need to be addressed. There is a growing risk of future Arctic marine accidents, whose outcomes result in serious loss of life and environmentally damaging oil spills. International search and rescue and oil spill mitigation agreements can mislead observers to believe that there is sufficient North American capacity to implement them confidently. Increased traffic, unsafe vessels, inexperienced captains, insufficiently trained and tested crews and operators, unreliable charts, weak to non-existent disaster response and salvage capacity, and the inherent challenges of Arctic operations need to be addressed urgently. Aboriginal, local and national economic development initiatives are suffering as a result of these deficiencies.

The disparity in safety regulations, equipment and training between vessels sanctioned by the US government to navigate the Arctic and itinerant vessels is a concern. Shipping in the Bering Strait has increased,

creating a more pressing need for improved marine safety. The St. Lawrence Seaway is an example of Canada-US cooperation where territories and management are shared for common advantage. Ensuring harmonization of national policies and regulations in the North American Arctic is vital. For instance, Canada and the United States could require all captains in the North to have an oil spill contingency plan (perhaps in-line with the US Oil Pollution Act of 1990) until the Arctic Council's plan is unveiled.

RECOMMENDATIONS

To overcome these challenges, an ideal North American Arctic strategy directed by the Canadian and American federal governments would include the following recommendations:

- Support destination shipping in the short term and North American polar transit over the longer term, should this become economically feasible. Shipping distances are shorter between East Asia and the North American East Coast through the North American, rather than Eurasian, Arctic Ocean. Legal differences between the two North American nations could be finessed in practical, binational ways without sacrificing any party's position of principle.
- Create North American Arctic marine "highways." Safe, secure and efficient maritime corridors or shipping lanes could be agreed to binationally, through mutually beneficial regulation and management. Improved Arctic corridor management and regulation would help to ensure that key routes would be the first to receive up-to-date and accurate charts, real-time movement monitoring and aids to navigation, tested search and

rescue capabilities, and available robust icebreaker service. Tighter regulation of itinerant marine traffic is needed to improve safety and security, based on the present shortcomings of existing international maritime law. Plans for an Alaska-Yukon rail corridor should be revisited, as should other surface infrastructure elements, including all-weather airports, serving northern deep-water and community ports.

- Establish a strict and safe temporary North American Arctic maritime regulatory regime in anticipation of the International Maritime Organization's mandatory Polar Code, as Sweden and Finland have done in the Baltic Sea. Norway and the Russian Federation are currently developing robust cooperative binational arrangements on energy, border and other issues, and Finland and Norway have recently agreed on major new binational Arctic infrastructure development cooperation. Canada and the United States should consider adopting a similar strategy, building upon the innovative operation of processes currently managed by binational mechanisms such as the Canada-US St. Lawrence Seaway Development Corporation, the International Joint Commission and the Beyond the Borders agreement, as well as the North American Aerospace Defense Command and the North American Free Trade Agreement.

WAYS FORWARD

- The extensive Arctic expertise held by Canadian and US private sectors, the Government of Canada's increased attention to the North and current North American federal governments' Arctic programs form a strong and essential foundation for future

national, binational and international efforts to promote economic development in the Arctic.

- The North American Arctic maritime and resource development agenda is largely a domestic economic issue, not an international diplomatic or political matter. Essential North American Arctic economic interests should be addressed directly and not be slowed by multilateral inertia.
- Canada and the United States should implement a new binational understanding, standing mechanism or wise persons' group that would help to focus federal, Alaskan, territorial and Aboriginal entities' energies on meeting the new Arctic challenges that require integrated solutions and new public resources. A strong, new Arctic development voice from the business communities of both countries together is urgently required.
- More purposeful policy coordination is essential in national capitals, and capacities must be strengthened in regional and aboriginal governments. Alaska and the territories should have a formal regional cooperative arrangement as do western, central and eastern states and provinces in the south.
- Canadian and American non-governmental and academic experts should explore the role of business and public-private partnerships in the Arctic, the need for a high-level Canada-US machinery to deal with Arctic issues, better ways to inform the two countries' federal legislatures, local communities and the general public on complex Arctic issues, as well as the overall policy and infrastructure capacity gaps in the two countries.
- Internationally, Canada's chair of the Arctic Council should focus unambiguously upon responsible

marine, resource and community development, regularly reviewing national progress in meeting goals and developing concrete cooperation among Arctic states, permanent participants and others.

- A small but useful step would be to re-open Canada's consulate in Anchorage. Senior Alaskan stakeholders are surprised and disappointed with the Canadian government's decision to close its mission in Anchorage as a deficit-reduction measure, given the identified need for more, rather than less, sophisticated binational dialogue on North American Arctic development cooperation.

CONCLUSION

New federal Arctic leadership and resources, as well as strengthened national and local coordination, are urgently required in both countries. Enhanced Canada-US binational cooperation in the Arctic over the next decade — on the foundation of a shared northern border and unique historic, economic, military and people-to-people ties — is also essential, given the changes affecting the Arctic.

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Le CIGI a été fondé en 2001 par Jim Balsillie, qui était alors co-chef de la direction de Research In Motion. Il collabore avec de nombreux partenaires stratégiques et exprime sa reconnaissance du soutien reçu de ceux-ci, notamment de l'appui reçu du gouvernement du Canada et de celui du gouvernement de l'Ontario.

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