



Confederation of Danish Industry



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Nordic Business Position on the EU Arctic Policy

Key Messages:

In the review process of the EU's Arctic policy, the EU should have greater regard for the important role of businesses and industry in realizing the economic potential in the European Arctic. In recent years, many countries have shown an increased interest in the Arctic while the EU has lacked a clear vision for its role in the region.

The Nordic business community calls on the EU to strongly promote and support sustainable development in the region. Standing on the shoulders of the current EU Arctic policy from 2016, a new strategy should aim for increasing international co-operation with the business community in the European Arctic and use the Arctic as a showcase of climate change mitigation without compromising economic growth and job creation.

Enhanced co-operation and functional linkages with the Arctic Economic Council (AEC) as well as the Arctic Council would be necessary.

Introduction

The EU has the potential to play a leading role in the development of the Arctic since the EU is already present in the region and is clearly an Arctic actor itself. A new Arctic strategy must acknowledge both the potential for sustainable economic growth and job creation, while including the complexity of geopolitics and climate change. The Nordic business community calls for a strong EU voice on Arctic matters. All EU member states, in co-operation with the Arctic nations, play an important role in the development of the Arctic.

Geopolitical interest in the Arctic region is growing due to the impact of climate change, security considerations, the region's potential as a driver of value creation, and access to energy, foodstuffs, and natural resources. The EU must be proactive now to secure influence and a say in the development of the region.

The Conclusions of the Foreign Affairs Council in 2019 to initiate a review of the EU's Arctic policy is based on the Joint Communication by the High Representative and the Commission from 2016 that highlighted the priority areas of climate change, sustainable development in and around the Arctic, and international co-operation on Arctic issues. Changes in the region in recent years have underlined the need for the EU to develop a clear and proactive position on the Arctic going forward. The Nordic business community believes that economic development is the key to solve several of the challenges facing the EU in the Arctic and of course the Arctic region itself.

The European Arctic is different from the rest of the region in many ways with better infrastructure functioning across borders. It is also home to state-of-the-art research facilities like the "UArctic" network and thriving business communities in different sectors that together represent considerable potential for value creation.

The European Arctic is an area of extensive natural resources and increasing strategic importance. Parts of Denmark, Finland, Norway, and Sweden belong to the European Arctic. In recent years, resource potential, combined with the possibility of new sea routes through the Arctic have

increased the geopolitical and global role of the Arctic region. Some of the key sectors in the Arctic today are fisheries and seafood, energy, forestry, tourism, mineral extraction, energy intensive industries, and renewable energy.

The EU has an important role in securing Europe's interests and supporting successful social, economic, and environmental development in this region that can provide the EU with a new potential growth area. The experience from the European Arctic can be used as an inspiration for sustainable business development to the rest of the region.

We believe in, and are fully committed to, making use of the Arctic region's potential to be a leading contributor to sustainable economic growth for Europe, ensuring that economic activity and sustainable development goes hand in hand – in addition to providing Europe with products, resources, and energy which will be decisive for reaching the EU's ambitious climate goals.

With active regional policies focusing on creating attractive local jobs and making full use of new digital technologies, it will be possible to better unite Europe and in addition, facilitate more cross-border trade. Resources found in the sea and underground in the Arctic will not just benefit the local population but Europe as a whole.

Economic development and activity in the Arctic region must be based on national and international obligations towards indigenous peoples who live in the region. Dialogue and mutual respect are prerequisites for achieving a sustainable and equitable resource utilization and new business activities which ensure employment and value creation.

The EU has an opportunity to set an example for the rest of the Arctic region on how sustainable economic development and local job creation is possible. The potential for economic growth and prosperity must be encouraged, not discouraged.

Current EU Arctic policy and the way forward

Current EU Arctic policy strikes a good balance focusing on three pillars:

- Climate change and safeguarding the Arctic environment
 - Focuses on research, climate mitigation and protection of the environment.
- Sustainable development in and around the Arctic
 - Key areas are support for sustainable innovation, a European Arctic stakeholder forum, various investment opportunities, space technology and safe and secure maritime activities.
- International co-operation on Arctic issues
 - Vaguely defined as support of international organisations and for bilateral co-operation, dialogue with Arctic indigenous peoples, fisheries management, and scientific co-operation.

In any future EU Arctic policy, the business community must form an integral part of these three pillars. Business has a limited role in the current strategy.

The role of the Arctic in the EU's climate strategy

The European Arctic contains the resources needed for green technologies and solutions necessary to combat climate change. Here, business and industry will play a decisive role in international efforts to reduce greenhouse gas emissions.

The Arctic is a showcase of renewable energy such as wind, solar, and hydro power. Future reserves of natural gas, minerals, and metals, which are essential to achieving the green transition, are found in abundance in areas north of the Arctic circle.

The Arctic's reserves of raw materials and its geographic location make it ideal for data centres. The potential for spin-off activities in the shape of new digital start-ups is also considerable. Here, the EU could play a key role in reducing environmental impact and increasing economic development.

In order to make use of the potential in the Arctic region, a future EU Arctic policy must focus on developing the Arctic and realize its potential as a contributor to the green transition of Europe's economy. To accelerate this development, it is vital to address EU funding to support investment in the Arctic region.

The Nordic business community recommends

- We need to replace more energy sources and provide alternatives. *The EU's energy security policies and policies for a carbon-neutral future should include the European Arctic as a reliable, long-term, and politically stable source of low- and zero-emission energy for Europe.*
- Hydrogen is expected to become an important energy source and means of energy storage in the future. The reserves of natural gas and the usage of carbon capture, together with the vast potential for renewable energy production, makes the Arctic a future source of both blue and green hydrogen for the EU market as well as for production of other means of energy storage. *The EU should take part in the development and implementation of large-scale clean hydrogen energy systems based on emission-free hydrogen.*
- The transition to a carbon neutral future with considerably higher use of electricity requires access to large new reserves of minerals and metals. The Arctic has large proven and expected resources of such minerals and metals both onshore and offshore. *The EU should review the possibilities for future sustainable use of these resources onshore and offshore in the European part of the Arctic.*

Sustainable economic growth in the Arctic

Realizing the economic potential of the European Arctic would provide the EU with economic growth at a time when the continent is struggling with low growth rates.

The resources of the Arctic have the potential to benefit all of Europe. Fish stocks to feed a growing population sustainably; and mineral resources in the ground both deliver iron and ore to the European market and some of the minerals used in new green technologies.

Today, the energy sector is the largest European Arctic industry in terms of value creation and employment. Combined with minerals, forestry, aquaculture, and fishing, the European Arctic could help secure Europe's domestic supply of the same products. In addition, in sectors like tourism and digitalization, there is the potential to be frontrunners in securing sustainable economic growth.

An EU policy on the Arctic should include job creation and focus on the potential for sustainable growth in key sectors.

The Nordic business community recommends

- The human related climate challenges in the Arctic are caused by activities globally. *The EU should devise its policies such that climate change as such will not become a barrier to economic development in this region, doubling the negative effects for the Arctic; severe climate effects and reduced economic development.*
- Economic activity, value- and job creation are the most important drivers for securing settlement and sovereignty in the Arctic region. *Future EU policy should be oriented around business-friendly policies which contribute to achieving societal and geopolitical/security objectives.*
- There is significant economic potential in the Arctic for traditional industries as well as for new industries and businesses focusing on sustainability and emission reductions. Securing stable living conditions and employment in the northern regions is a precondition for realising this potential. *The EU should encourage industrial activities in the Arctic region where expertise shows that these can be performed in a sustainable and acceptable manner. Further, the EU should consider the Arctic as a new growth region for the European economy.*

International co-operation on Arctic issues

The importance of the Arctic has grown rapidly in recent years. The region attracts attention from European and non-European countries alike. However, the EU has a modest geopolitical role in the Arctic. Currently, three EU Member States are full members of the Arctic Council, while a further six are observers. Many more are in the process of seeking observer status. The key role of the Arctic Council at the core of Arctic governance will increase considerably and it is therefore important to construct a functioning and dynamic relationship between the Arctic Council and the EU.

The European Arctic is a vibrant, well developed, and populated European region. From a security point of view, keeping the European Arctic populated is the single most important tool to maintain European sovereignty in this region.

The Nordic business community recommends

- Arctic governance is handled by the eight Arctic nations and by international law. *While acknowledging the EU's role as an Arctic power in terms of research, the EU's engagement in the Arctic should build on the current governance by the sovereign Arctic states.*
- The AEC is a business forum initiated by the Arctic Council and established to foster good business development across the Arctic, including its indigenous peoples. *The European Commission should establish close co-operation with AEC to have first-hand access to input from the Arctic business community in the formulation of various Arctic- related policies and legislation.*
- Considerable differences exist between the various parts of the Arctic. *The EU should recognize that the European part of the Arctic, with large ice-free ports and where the population has the same standard of living and infrastructure as the population further to the south, is significantly different from other parts of the Arctic.*