The advantages of the Northern Sea Route remain hazy for stakeholders

By Sascha Matuszak

China and Russia are moving to cooperate in developing a passage through the Arctic for the shipping and energy industries. China COSCO Holdings Company Ltd. and Russia’s PAO Sovcomflot have agreed to a joint venture that will, according to The Wall Street Journal, “operate a fleet of a dozen ice-breaking liquefied natural gas tankers from Russia’s massive Yamal LNG project along the northern coast of central Siberia to destinations in Northern Europe, Japan, South Korea and China.”

The joint venture, known as the Northern Sea Route, seeks to take advantage of a steady decline in ice coverage in the Arctic Ocean that is opening the area up to cargo shipments and exploitation of oil and gas reserves trapped under the ice. Russia has been keen on developing the northern route as an alternative to cargo that transits the Suez Canal on its way from Russian ports to European markets. The northern route shaves as much as 20% of travel length off the journey, saving time and money, while also cutting down on emissions. Ever since the U.S. imposed sanctions on Russia through the Countering America’s Adversaries Through Sanctions Act and various executive orders following conflicts in Ukraine and Crimea, Russian oil and gas firms have sought alternative routes and markets for Russia’s massive liquefied natural gas (LNG) reserves.

A deal with China to develop the route, including exploration and research of the Arctic and investment in infrastructure and services, serves several purposes: