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# Arctic projects

## Northern Sea Route, other projects. Challenges and business opportunities

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# Proposed investments plans

In the period of 2014-2020, according Arctic Strategy financial plan, proposed investments are at the amount of 4,1 bln euros.

## Government area of responsibility:

- support of main industries like mining, timber, metal
- developing of Federal transport infrastructure ( ice-breakers, navigation means, hydrography, search and rescue)
- development and supply of residential areas of Arctic area

## Private investments, areas of responsibility:

- development of supply fleet
- development of port terminals, auxiliary infrastructure

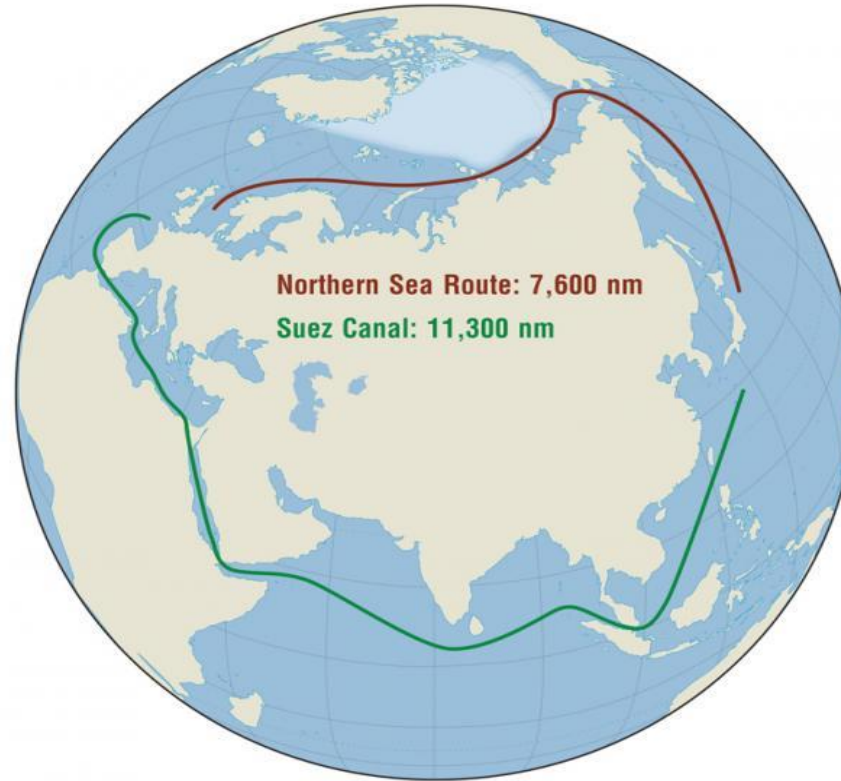
# Murmansk as the key point for Russian Arctic projects

**In every possible scenario of Russian Arctic development, Murmansk remains as the logistic, handling and service center**

## Why ?

1. The only largest Arctic non-freezing port is in Murmansk
2. The nearest industrial base with developed infrastructure is Murmansk
3. The nearest source of qualified and experienced personell is Murmansk
4. The nearest large and developed Arctic base for foreign business is Murmansk
5. Nowadays Murmansk is becoming one the main Arctic logistics investments fields

# Northern Sea Route



**Northern Sea Route is the major shipping line in Russian part of the Arctic and is the most important transport route for further Russian Arctic development**

# Northern Sea Route in comparison

## One example:

- Route Kirkenes ( Norway) – Shanghai ( China) via NSR
- Vessel type: Panamax bulker, 75 000 dwt
- Time savings, one way: 21 days
- Cost savings: 820 th. USD
- Emission savings, CO2: 3980 tn

In average, time savings via Northern Sea Route are ca. 35 % off in comparison with Suez Canal

# Fields of operations along NSR

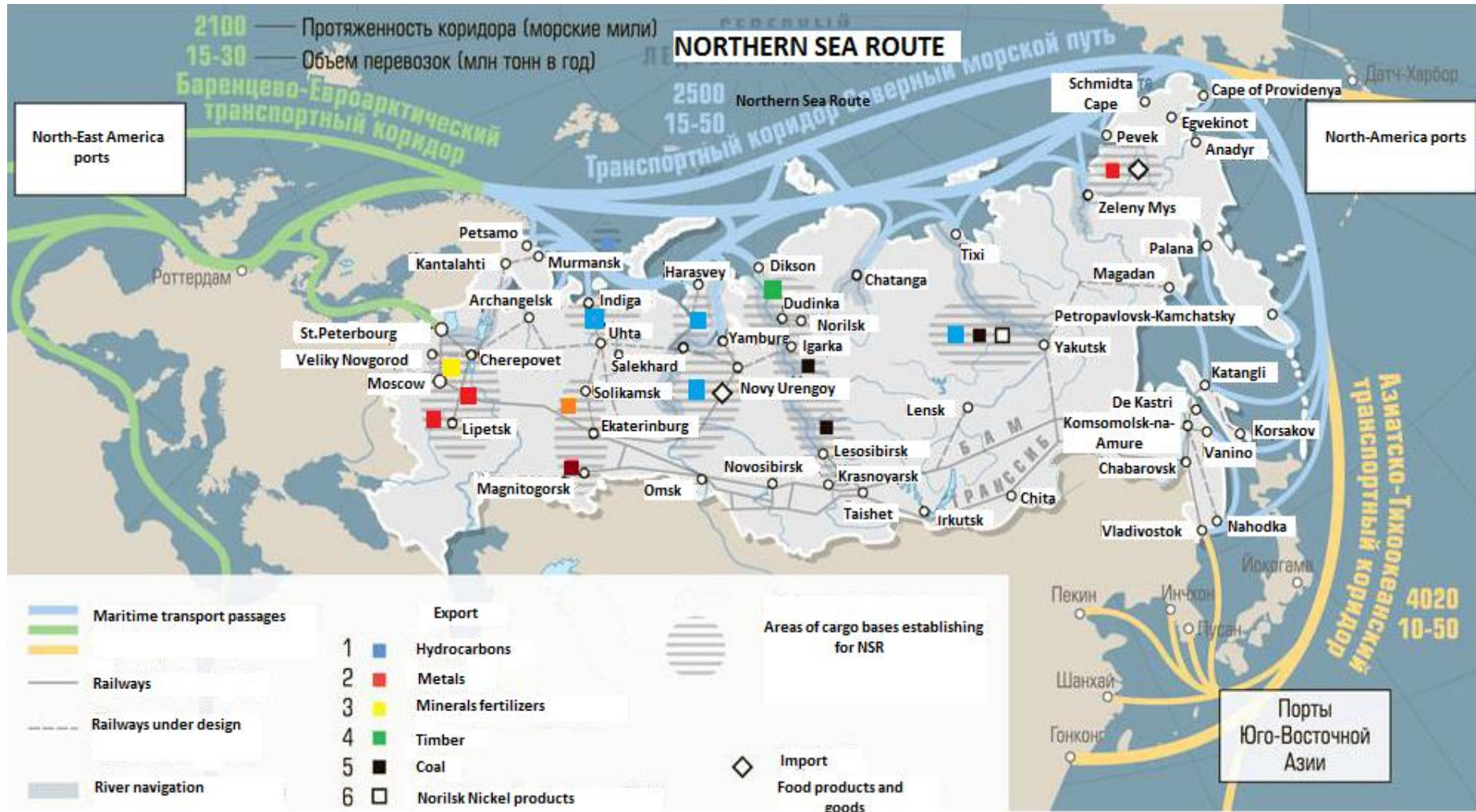
Northern Sea Route, as a national transport corridor, has been used for the following industries:

- Oil and gas, crude oil transportation / export
- Equipment, machinery transportation to Arctic industrial zones
- Food products, domestic supplies to residential areas
- Export of timber
- Export of mineral resources
- Research, scientific operations

Since 1991 NSR is open for international traffic

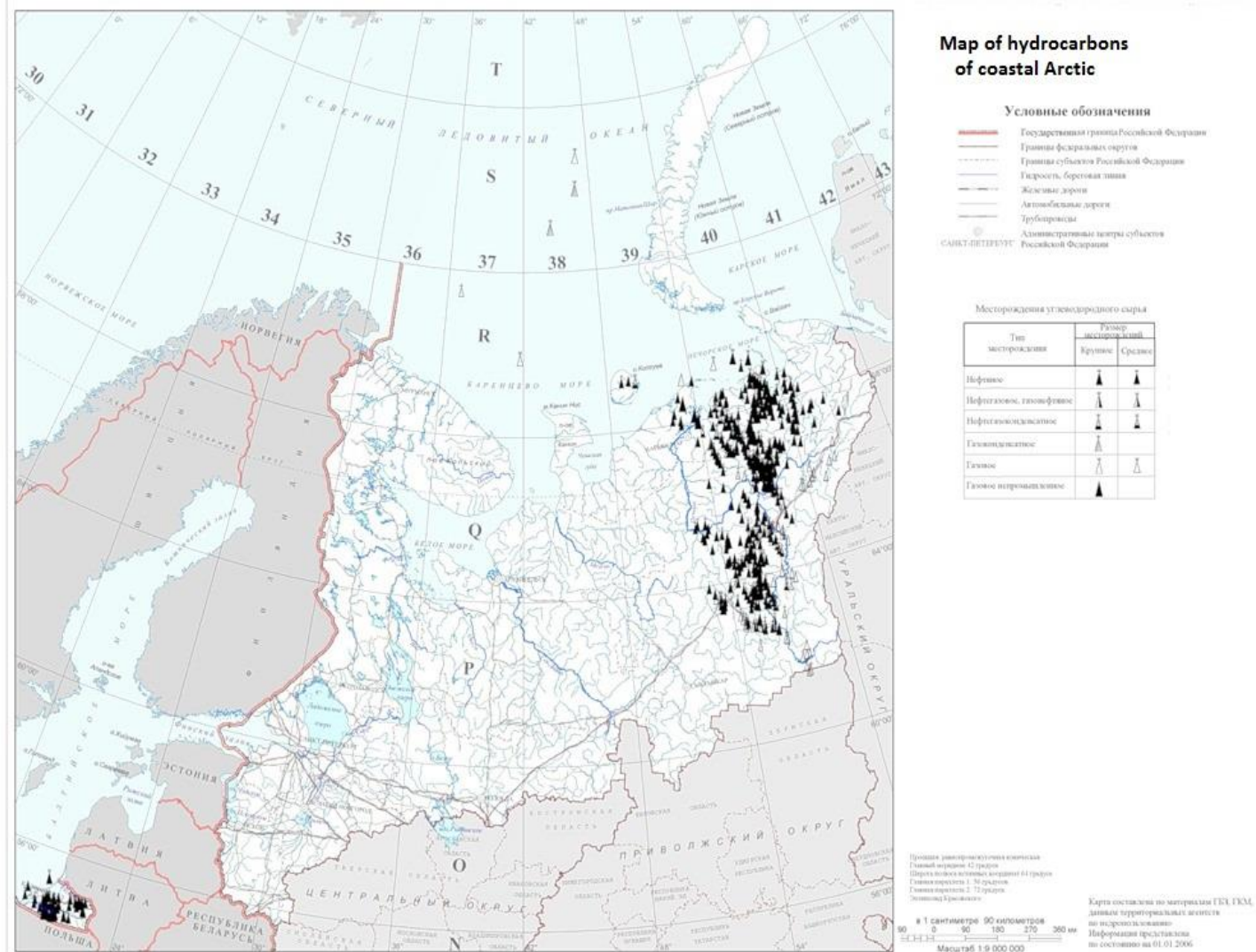
# NSR as gates for Arctic zone and Siberia

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# Oil and gas as the main driver for NSR





# What challenges are on the way?

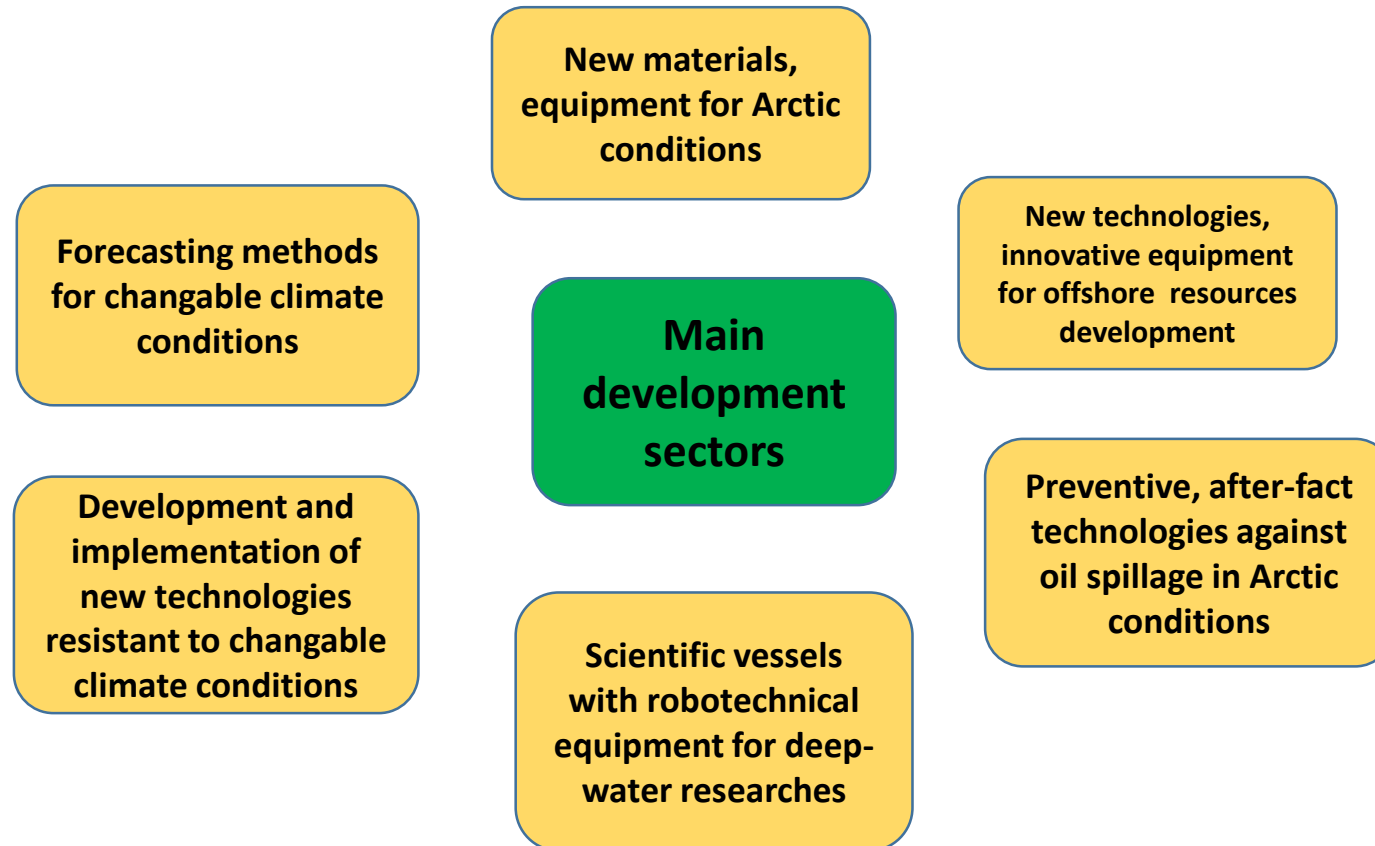


# Challenges

1. Human resources: lack of competence and knowledge
2. Lack of technologies for Arctic development
3. Reconstruction and modernization of existing ports
4. Construction of new ports ( Sabetta is a good example, Indiga – next?)
5. Search and rescue centers ( modernization of existing, opening of new ones )
6. Navigation infrastructure, up-to-date navigation data transmitting
7. Data centers and telecommunication infrastructure ( fast, reliable, efficient)
8. Arctic ecology safety infrastructure ( oil spillages, emissions, hazardous wastes as main threats
9. Energy efficiency ( whereas energy supply are far from sufficient)

# Development priorities

This is how Russia is going to develop Northern Sea Route :



# Arctic fleet

According Central Scientific, Project and Construction Institute of Marine Fleet of Russian Federation (St.Peterbourg), demand for new Arctic vessels is as follows:

- **Coastal shipping ( cabotage):**
  - Ice-class multi-purpose vessels, deadweight of 10-25,000 t  
Demand: up to 10 vessels
- **Transit ( not hydrocarbons transportation):**
  - Ice-class products carrier, deadweight of 20-40,000 t  
Demand: up to 10 vessels
- **Hydrocarbons export:**
  - Ice-class crude oil tankers, deadweight of 80-110,000 t  
Demand: up to 20 vessels

# Arctic fleet

- **Export of hydrocarbons :**
  - Ice-class shuttle crude oil tankers, deadweight of 40-70,000 t  
Demand: up to 20 vessels
  - Ice-class LNG tankers, deadweight of 80-110,000 t  
Demand: up to 30 vessels
- **Nuclear ice-breakers:**
  - by 2020: 3 ice-breakers
  - by 2030: 2 + 1 leading ice-breaker

# Murmansk transport Hub

**In March 2014, the tender for engineering and construction of Murmansk Transport Hub is completed.**

**The tender's ask price is 43,4 bl. rub / ca. 1 bl. Euro.**

**In the frame of the project there will be new railway network construction, new and upgraded road infrastructure established.**

**Next step for Murmansk Transport Hub is construction of coal handling terminals ( 12 and 20 ml tons per year)**



# Rosneft in Murmansk

**In order to develop Arctic shelf projects, Rosneft establishes large-scale logistic and supply base in Murmansk ( Roslyakovo settlement)**

- underwater reinforcing steel elements factory
- concrete elements factory
- warestorages network
- logisitc center
- cargo handling terminals



# Recommendations

- Being persistent and proactive is the most efficient way to work with large Russian customers
- Monitoring tenders, investments plans on a constant basis is the great way to spot opportunity in good time, prepare and take part in projects
- Establishing and keeping long-term contacts with Russian partners will be beneficial after all
- Registering a legal body in Russia gives an extra value ( payments, tenders participation..)
- Finpro assistance in contacting, approaching and even negotiating with a Russian side is time and resource-saving in many situations



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# Finpro in Murmansk

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