WILL THE REAL CANADA PLEASE STAND UP? [P.6]

Source: Ingle International

TRUDEAU’S CANADA AS A PEACEKEEPER ONCE MORE [P.8]
In 2013 Russia’s National Security Council declared that the Arctic must become the “basic strategic resource base of Russia.” The thinking behind this grand, optimistic declaration was simple: Russia’s economy is heavily reliant on resource extraction – primarily oil and gas – and maintaining its output requires expansion into new basins. In Canada and the United States, the past decade has seen a similar, if less dramatic, emphasis on northern resources, with billions in offshore leases sold to multinational oil companies and new permits issued for precious and base mineral extraction across the region. For fifteen years, what Oran Young called the “Age of the Arctic” appeared to be upon us, driven by Chinese demand for northern products and framed by security and economic concerns stemming from that new and anticipated activity. And then, it seems, it all fell apart.

By 2016, in a strikingly similar repeat of the mid-1980s, new sources of supply and Saudi Arabia’s hunt for market share have driven down the price of oil and gas, rendering Arctic resources grossly uneconomical. Mineral prices have fallen in lockstep as oversupply, matched with a stutter in Chinese growth prospects, has wiped out the past fifteen years of price gains in most Arctic commodities. The result is a decade of assumptions of what the Arctic’s future will look like and how circumpolar states should respond and prepare for an imminent “race for resources” being upended.

If BP CEO Bob Dudley is correct and the price of oil will be “lower for longer,” analysts will have to reconsider certain notions of Arctic security (broadly defined). This is particularly necessary in Russia, where billions have been invested in the Barents, Kara and Pechora Seas and along the Yamal Peninsula. This Arctic buildup, premised on the notion that oil, gas, and minerals from the region will provide Russia with much of the hard currency that it needs to maintain its lopsided economy, has been imbued with nationalistic undertones reminiscent of Soviet themes of conquering harsh environments and capped with large military deployments. Thirteen new airfields and special Arctic brigades, protected by S-400 missile systems and new fleet units, now “guard” resources that few foreign interests are eager to develop.

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Sub-fifty dollar oil (let alone sub-thirty dollar oil) would leave virtually all of Russia’s northern hydrocarbons as stranded assets. Prirazlomnaya, Russia’s first offshore platform, has been in operation since 2014, but its high lifting and transportation costs mean it began burning money as soon as Brent crude prices fell below $80-$90/barrel. Other offshore assets, or onshore assets exported by icebreaking tankers, face similarly dire economics.

In the wake of these new realities, Russia may have to reconsider its approach to Arctic defence and security.

In Canada, the Harper government also pursued an Arctic strategy framed by aggressive rhetoric (at least from 2006-09) predicated on potential sovereignty threats and the need to protect Arctic resources. In practice, both Canada and the United States have crafted national strategies that are both restrained and more appropriate to the realities (and uncertainties) of the North American Arctic and the circumpolar world. Both countries have moved cautiously in establishing new Arctic defence capabilities and, accordingly, the integrated policies established during a time of high resource prices oil are well suited to a world where northern mining has slowed and hydrocarbon extraction has fallen off the visible horizon.

Over the last decade, Canada has crafted its military strategy and operational plans for the North around the assumption that emerging threats will be unconventional. Ship groundings, disaster relief, policing, and assistance to other government departments – not warfighting – are the types of scenarios that frame most training and exercises. Canada’s ground presence, such as the Canadian Rangers and the Arctic Response Company groups, are small, specialty forces designed to be self-sustaining, flexible, and responsive. Trained not to “defend” our natural resources from foreign competitors but to deal with the most probable “soft” security and safety scenarios, these forces will retain the same mandate and requirements regardless of the pace of resource extraction.

In a ‘lower for longer’ world, Arctic defence and security will lose much of the sense of dire urgency attached to it over the past decade. This might mean that major capital projects, like the Canadian AOPS or American icebreaker replacements, will proceed more slowly – though they will proceed. In Russia, however, it may mean a fundamental revision to how budgets are allocated, how national defence is funded, and how the world’s largest Arctic state maintains itself when its strategic resource base is a bust.

2 http://www.cnbc.com/2015/04/21/bp-ceo-oil-prices-will-stay-lower-for-longer.html

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