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Arctic Business Council

Report 2015

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**Next steps** 

Arctic Business Council





# Foreword

This report presents a summary of the second annual Arctic Business Council meeting that took place in Oslo on 2. June 2015. The objectives of the summit were to elaborate and define concrete actions on the three main focus areas identified by the 2014 summit:

- Relevant regulatory frameworks
- Infrastructural developments
- Defining the narrative of the Arctic

The Arctic Business Council provides an exclusive, "for business, by business", international meeting place for high-level business executives representing different industries. The purpose of this initiative is to get the international business community to engage more forcefully in a coordinated dialogue on the future of the Arctic. Arctic Business Council is initiated and hosted by the Norwegian Shipowners' Association together with DNV GL, KONGSBERG and Statoil, and in cooperation with the World Economic Forum.

I believe it is in the genuine self-interest of the international business community to engage in a dialogue on these issues. In order to obtain and maintain a "license to operate", we must demonstrate our commitment to a responsible and sustainable development of Arctic commercial opportunities. The business community also has extensive competence and experience to bring to bear in political and regulatory discussions. Also, it is to a large extent the business community which will have to make important investments and develop the technological and operational concepts necessary for safe and sustainable commercial activities in this region.

This year, thirty-two C-suite executives from major international companies representing different industries and countries attended the summit. They agreed on the following eight strategic streams to be developed and reported on to the next meeting of the Council:

- Common best practices
- Knowledge sharing
- Emergency preparedness
- Community engagement
- Perception of the Arctic
- Investment vehicle
- Stakeholder engagement
- Data access

I found it truly inspiring to observe the intense engagement and energy in the summit discussions, and the generous personal initiatives of several participants who volunteered to head concrete projects. These projects will be coordinated by the Arctic Business Secretariat and they will provide important inputs to next year's Arctic Business Council.



The results of these projects will also serve as input to the relevant work streams of the World Economic Forum's Global Agenda Council on the Arctic.

In times of changing and challenging geopolitical landscapes, the Arctic Business Council could fill a non-political role in convening stakeholders across political and geographical interests to advance dialogues, actions and collaborations.

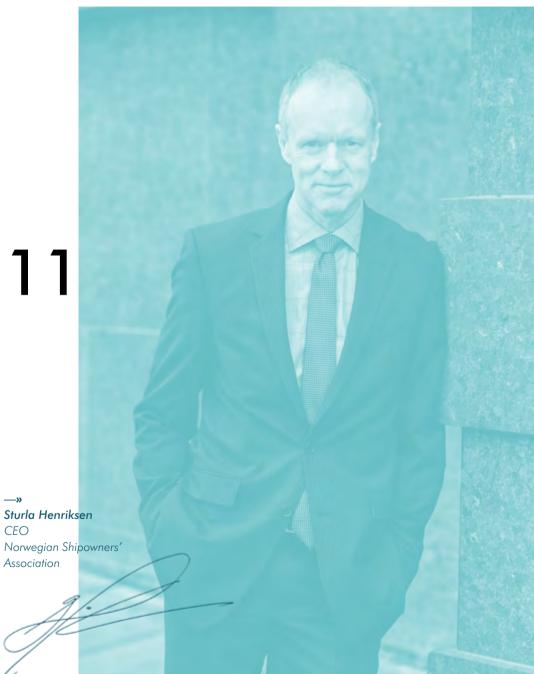
I truly believe that the Arctic Business Council is about to become an important and influential voice in the Arctic debate.

The next meeting of the Council will take place as an integral part of the larger biennial Arctic Business conference in Bodø, Norway, on May 25-26, 2016.

I hope to see you there! Sturla Henriksen



Espen Barth Eide, World Economic Forum, on opportunities and challenges



Sturla Henriksen

CEO

Arctic Business Council

Engaging, educating and committing the business community as a sustainable development of the Arctic



# Engaging educating and committing the business community to a sustainable development of the Arctic

The Arctic Business Council provides an exclusive, "for business, by business", international meeting place for high-level business executives representing different industries operating - or with an interest - in the Arctic.

Together with partners DNV GL, Kongsberg and Statoil, the Norwegian Shipowners' Association has launched the Arctic Business Council with the aim of getting the international business community to engage more forcefully in a coordinated dialogue on the future of the Arctic.

The Arctic Business Council had its inaugural meeting during the Arctic Business 2014 conference, in Bodø, Norway. The outcome was a set of three recommended focus areas to advance the development of the Arctic business:

#### Regulatory framework

- Establishing a regulatory framework for Arctic operations
- Developing shared environmental and safety standards
- · Developing industrial standards for Arctic operations

#### Infrastructure

- There is a need to expand on the knowledge of risks in the Arctic in order to be able to handle the consequences
- Mapping and assessing the need for infrastructure for navigation, communication, weather forecasts, monitoring of ice and icing conditions, contingency, search and rescue, and bases for maintenance and supply

 Shared ambitions and collaboration across actors and geographies on planning and execution of specific infrastructure initiatives in the Arctic

#### , Public Image

• Improving communication and dialogue with the general public to increase awareness of what the Arctic is, why businesses are present in the Arctic, and how the businesses will engage and act to ensure sustainable development of the Arctic

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Cooperation and partnership between industries and across borders will be key for Arctic businesses to succeed

During the discussions at the Arctic Business 2014 conference the Council agreed on the following as clear drivers for the development of the Arctic:

Energy demand is projected to grow towards

**2020,** increasing interest in new sources of supply; however, Arctic offshore petroleum will be competing with many lower-cost sources, including possible advancements in unconventional and renewable energies.

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Challenges related to **lack of infrastructure**, including oil spill preparedness and search and rescue resources, must be solved if costs are to be reduced and economies of scale exploited. There is a need to establish sets of common standards in all industries in order to enable designers to develop cost effective solutions, as well as to meet the skepticism of society about operating in a pristine environment.

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**Climate change** will have an important impact on operating conditions, while the perception of climate change will influence relevant environmental regulations.

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**Cooperation and partnership** between industries and across borders will be key for Arctic businesses to succeed. Under certain conditions, oil and gas exploration and production can act as a locomotive for other industries; however, coexistence can be a challenge, particularly between petroleum and fishing.

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Infrastructure - Intense engagement and discussions on the Arcitc investment vehicle **Technological advancements** can be relatively quick game-changers with long-term consequences, as can political developments in other parts of the world.

**Chinese economic growth** and demand will be important for all sectors; Chinese financing will also be important, particularly for oil and gas and mineral developments if Western companies are not able to participate in Russia.



Arctic Business Council





## From Talk to action

Since the first Arctic Business Council convened in October 2014, we have witnessed dramatic changes:

- · increased changes in the geopolitical landscape
- lower oil prices
- · a weaker and less reliable economic growth

In light of the ever changing conditions, the Arctic Business Council 2015 summit set out to identify high impact initiatives and possible collaborations to forward the action within the three recommended focus areas: regulatory framework, infrastructure and public image.

32 participants representing multiple stakeholders across businesses and geographies worked collaboratively to cut through layers of complexity in order to prepare the ground for safe and sustainable operations in the Arctic.

Espen Barth Eide, Managing Director at the World Economic Forum, and Paul Holthus, President and CEO of the World Ocean Council, generously shared their knowledge, experiences and insights to challenge and broaden the perspectives.

Through sharing and using the collective competence and experiences in the room, the participants identified a number of concrete, high impact initiatives that would forward intentions and discussions into actions and results.





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Identifying high impact initiatives and possible collaborations to forward the action within the regulatory framework, infrastructure and public image

#### Key messages from the summit

The business community needs to be organized and take the lead on preparing the ground for safe and sustainable operations in the Arctic, independent of complementing governmental and intergovernmental initiatives and processes. The businesses must show that they can be leaders in the responsible development of the Arctic.

In times of changing and challenging geopolitical landscapes, the Arctic Business Council could fill a non-political role in convening stakeholders across political and geographical interests to forward the dialogue, actions and collaborations of what is needed and how it should be done.

Despite the fact that the responsible development of the Arctic should be a collaborative effort with all stakeholders represented in the process, there might be a need for first movers to pave the way for others to follow. With the present geopolitical situation with conflicting strategic interests, a collective approach might hamper the process.

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Financing often seems to be a constraint, but good ideas and initiatives have a tendency to bootstrap their way forward. The Arctic Business Council should establish initiatives with likeminded peers and organizations, like the World Economic Forum, the World Ocean Council, and the Arctic Council, to make things happen. Where there is a value to the initiative, the resources come into being to get the right and necessary things done.

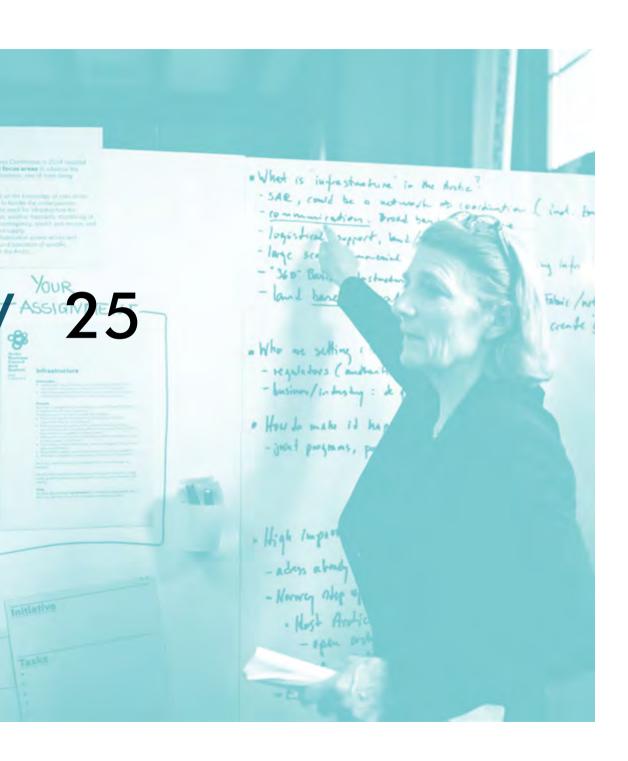
### Concrete projects from the Arctic Business Council summit

Concrete project	Project lead	<u>Title</u>	Company
Utilizing satellite solutions for increased communication	Walter Qvam	CEO	KONGSBERG
Engaging with the Svalbard community	Annette Malm Justad	Chairman of the Board	Store Norske Spitsbergen Kulkompani
Focusing on responsible development in the Arctic for the next 50 years	Morten Mauritzen	Norway Lead Country Manager	ExxonMobil
Preventing loss	Ståle Hansen	President & CEO	Assuranceforeningen Skuld
Collaborating on search and rescue	Tor Husjord	Managing director	Maritime Forum North
Developing efficient and sustainable logistics solutions	Felix Tschudi	Chairman of the Board	Tschudi Group
Establishing circumpolar common principles and best practices	Paul Holthus	Founding CEO & President	World Ocean Council



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In teams, deepening the insights and forwarding the action



Arctic Business Council

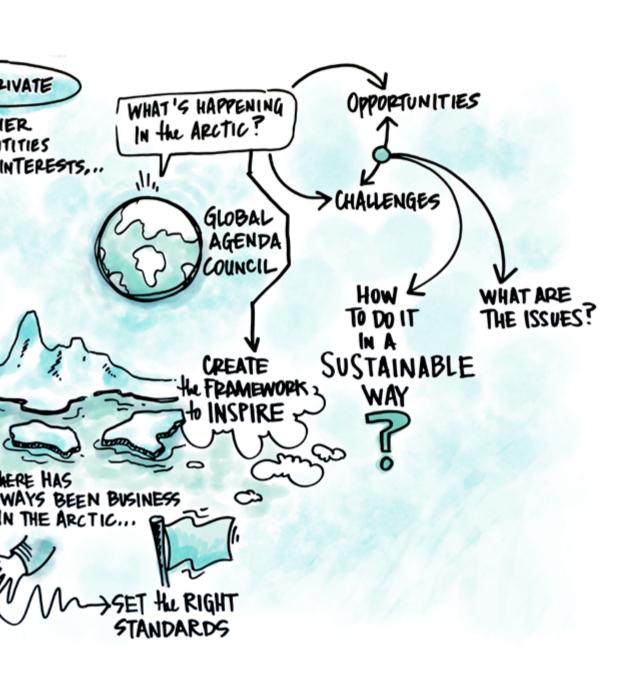


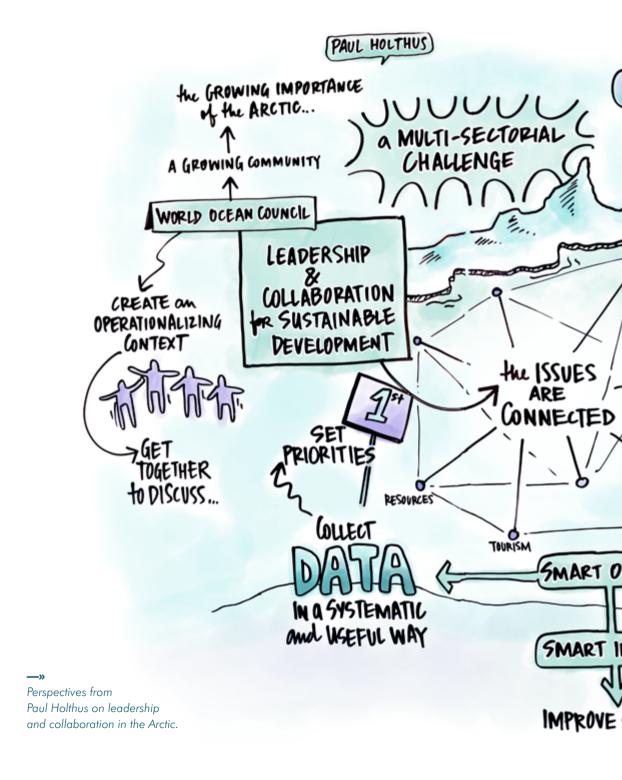


of perspectives

# Perspectives









Arctic Business Council

Projects and Initiatives



# Projects and Initiatives

The Arctic Business Council 2015 summit concluded with and committed to a number of concrete collaborations to forward the action, based on the identified high impact initiatives and corresponding tasks and key players. These initiatives and projects – all from the three focus areas: Regulatory framework, Infrastructure and Public Image – are divided into eight strategic areas: Common best practices, Knowledge sharing, Emergency preparedness, Community engagement, Perception of the Arctic, Investment vehicle, Stakeholder engagement and Data access.



# 35

# Tasks Communication Communication Communication Communication Tasks Communication Of The orche Communities Archic standards Local communities Key Players Roles Archic Communities HOO Inolustry-(coal communities)

#### **Common best practices**

#### **Recommended initiatives**

#### Develop circumpolar multi-industry principles and best practices for responsible Arctic industry

#### Tasks

- Compile state of art principles and best practices from different sectors and countries
- Extract common components
- Develop principles engage industry participation

### Communication, navigation, meteorology

#### Tasks

- Establish broadband communication – infrastructure
- Offshore, defense, aviation etc.
- One standard for all
- Studies to action

#### **Key players**

- Funding
  - Governmental bodies (defense/civil)
- Providers:
  - Inmarsat
  - Telenor

#### **Concrete projects**

# Establishing circumpolar common principles and best practices

The World Ocean Council invited the Arctic Business Council to a joint collaboration to form a direct effort around the development of a set of common principles and best practices on a circumpolar multi-industry scale, including data collection.

# Developing efficient and sustainable logistics solutions

Centre for High North Logistics is focusing on creating and developing efficient and sustainable logistic solutions for the High North. It was pointed out that their activities fit quite well with some of the initiatives identified by the Arctic Business Council. One of the Arctic Business Council members committed to make the link for collaborations.

#### **Knowledge sharing**

#### **Recommended initiatives**

#### Arctic data collection: Smart Ocean - Smart Industry

#### **Tasks**

- Develop science industry collaboration
- Ensure data is used for management, stakeholder engagement, etc.

#### Cooperate with Shell and ExxonMobil (Alaska) projects

#### Tasks

- Invite Royal Dutch Shell and ExxonMobil to Arctic Business Council, in order to learn from their experience on how to develop an infrastructure
- Will enable us to develop joint infrastructure projects

#### **Key players**

• Arctic Business Council

#### Create "user groups" for pooling and sharing, cross industry

#### Tasks

 Define networks and establish contact points

#### **Key players**

- · Arctic Business Council
- The Federation of Norwegian Industries
- Fishing industry
- Others

#### **Concrete projects**

Arctic Business Council invites Shell and ExxonMobil to participate in the Arctic Business Council 2016 summit.



# Initiative TEAN OF WITH NORM OF SCATTER SO YE CHEBRATH FEELS TO THE FOCUS OF NEW TO THE OF E

### Tasks

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### Key Players

Holes

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### **Emergency preparedness**

### **Recommended initiatives**

### Search and Rescue systems, SAR – "Safety at Sea" Safety for

- People
- Environment
- Assets

### Tasks

- Implementing actions from SARiNOR project

   a national Norwegian ongoing project doing a gap analysis on safety efforts in the Arctic
- Safety infrastructure
- Oil contingency depots
- SAR depots
- Ensure coordination across Arctic countries
- One standard

### **Key players**

- Funding and implementation
  - Governmental bodies (defense/civil)
  - Oil and gas operators
- Vessel owners
- Arctic Business Council
- Arctic Council
- Arctic Economic Council

### **Concrete projects**

### **Preventing loss**

Accidents in the Arctic are far more costly than working to preventing them. Representatives from the insurance business offered to take responsibility for and contribute to a set of common advice and standards for loss prevention in the Arctic.

### Collaborating on search and rescue

SARINOR is a collaboration on search and rescue in the high north that is already substantially funded by community and government. The first step is addressing search and rescue for humans, next step includes the environment, and then assets. This initiative is something that the Arctic Business Council can contribute to carrying forward, and the commitment to establishing the connections were made in the Arctic Business Council 2015 summit.

### **Community engagement**

### **Recommended initiatives**

# Create win-win between industry and local communities

### Tasks

- Support local communities with skills
- Create win-win cases
- Communicate these success stories

### **Key players**

- Local communities
- Arctic Council as driver
- Private companies

### **Concrete projects**

### Engaging with the Svalbard community

Businesses already operating in the Arctic constitute an infrastructure which can be used more efficiently. Svalbard has a key position in the Arctic, and like other countries Norway is cautious to maintain their territorial claim. There is currently a window of opportunity to get funding for infrastructure projects which would benefit all actors in the

Arctic. Members of the Arctic Business Council will join efforts to connect and engage with the Svalbard community to forward the action.

### WEF GACA – Business community engagement

The Arctic Business initiative is bridged with the World Economic Forum's Global Agenda Council on the Arctic. One of three work streams, Business Community Engagement, aims at engaging, educating and committing the business community to a sustainable development of the Arctic, as well as liaising with other relevant stakeholders.

This work stream will be important for the Arctic Business Council to collaborate with.

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initiative Devip circumpder, nulti-industry principles & best practices for resp. Arctic industry

### Tasks

- · Compile state of art
- · Devip principles engage indos participation

Key Players

Roles

# Initiative Arctic Date collection "Smart Green-Smart Indus" Tacks

Devip Science-Industry collab.
Finsure data is used for
inguit, stateholder engage,
etc.

Key Players

Roles

### Perception of the Arctic

### **Recommended initiatives**

### Communication and educational campaign

### Tasks

- Define what Arctic is and communicate that to the public
- Showcase how collaboration of businesses, communities and public sector develop local communities
- Communicate what Arctic standards the industry actually is working according to
- Communicate how the local communities want to develop and how that may be supported by investments in the area

### **Key players**

- Arctic Council
- IMO
- Industries and local communities

### **Concrete projects**

# Focusing on responsible development in the Arctic for the next 50 years

The Arctic Business Council will seek collaboration with the Norwegian Oil and Gas Association in a joint effort to focus on responsible development of the Arctic for the next 50 years. This will be one of the initiatives during the Norwegian Oil and Gas Association's celebration of the 50th anniversary of well drilling on the Norwegian continental shelf.

### Investment vehicle

### **Recommended initiatives**

### "Arctic Clearing House"

- Satellite communication
- Common solutions
- Data management and distribution
- Open source sharing platform

### Tasks

 Define host role and project (JIP - joint investment program)

### **Key players**

- Arctic Business Council
- Norwegian authorities
- Business community in Svalbard

### Arctic Investment Vehicle covering the region

### Tasks

- Act as a catalyst to make infrastructure investments possible
- Guarantee a responsible behavior
- Transborder projects is key
- Ensure predictability without it, no one will invest
- Mutuality sharing risks between parties
- Private funding

 Government – guarantees, securing that funding

### **Key players**

- Governmental bodies -Priorities, timing, finance
- Business Priorities, timing, finance
- Finance community Priorities, timing, finance
- Arctic Council Priorities, timing, finance - Create urgency
- Arctic Economic Council -Create urgency
- Arctic Business Council -Create urgency

### **Concrete projects**

## WEF GACA – Investment protocol work stream

The Arctic Business initiative is bridged with the World Economic Forum's Global Agenda Council on the Arctic. One of three work streams, Arctic Investment Protocol, aims at matching the high demand from long term, patient capital with the urgent need for investments in the Arctic, particularly in infrastructure. This work stream will be important for the Arctic Business Council to

collaborate with.

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Initiative

Devip telecom capacity,
statis, protocol;

Tasks
Gap early sis
Devip telecom in support of SAR

Key Players Roles

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### Stakeholder engagement

### **Recommended initiatives**

# Form workgroup representing all stakeholders

### **Tasks**

- Gather information through experts and institutions
- Digest and value information in collaboration with appropriate authorities
- Ensure that the wording of regulations are specific, succinct and unambiguous

### **Key players**

Combining practical experience with experts:

- Scientists
- Statisticians
- Lawyers
- Experienced operators
- Politicians, to approve the suggestion for regulations, not to develop them

### **Concrete projects**

No concrete projects during the Arctic Business Council 2015 summit but the stakeholder engagement in itself, during the session, was high.

### Data access

### **Recommended initiatives**

### Develop telecom capacity, standards and protocols

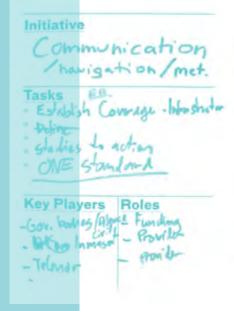
### Tasks

- Gap analysis
- Develop telecom in support of search and rescue

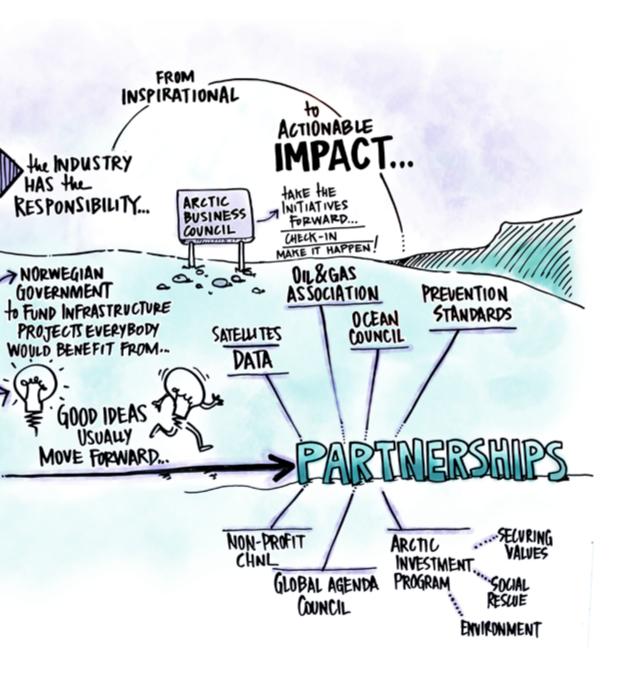
### **Concrete projects**

# Utilizing satellite solutions for increased communication

Data collection and communication were recurring themes during the Arctic Business Council 2015 summit. One of the key success factors identified was ensuring access to real time data through satellite capacity. KONGSBERG offered to make the connection with external partners in order to take the first step towards making it happen.







Arctic Business Council





Chapter 6

# Next steps

Moving from talk to actions, Arctic Business Council recommends focusing on the following initiatives, derived from the eight strategic areas:

- Develop circumpolar multi-industry principles and best practices for responsible Arctic industry
- Develop telecom capacity, standards and protocols
- Develop science-industry collaboration for Arctic data collection
- Establish collaborative efforts with track-record companies – learn from successful projects
- Create "user groups" for pooling and sharing, cross industry
- Search and Rescue systems, SAR "Safety at Sea"
- Create win-win between industry and local communities
- Communication and educational campaign
- Team up with other activities and events to establish a common front on "communicating the Arctic"
- Arctic countries to host "Arctic Clearing House"
- Arctic Investment Vehicle covering the region
- Form workgroup representing all stakeholders

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All the themes the participants made sure were addressed during the ABC 2015 summit on elephants, teared out from pieces of paper.

Arctic Business Secretariat will follow up the work to make sure none of the initiatives comes to nothing, even if not all of them directly were followed up with a concrete project during the Arctic Business Council 2015 summit.

The projects will report back during the Arctic Business Council 2016 summit.

The Secretariat will coordinate the concrete projects with the project leads to ensure progression and synergy:

Concrete project	Project lead	<u>Title</u>	Company
Utilizing satellite solutions for increased communication	Walter Qvam	CEO	KONGSBERG
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Establishing circumpolar common principles and best practices	Paul Holthus	Founding CEO & President	World Ocean Council

In addition, the Arctic Business Secretariat will work to include other influential Arctic industries, such as seafood, mining, tourism and marine bioprospecting in the Arctic Business initiative.

Russia carries a substantial part of the Arctic and Russian industry has an important role in the development of the Arctic areas. The Arctic Business Secretariat will work to motivate Russian business leaders to participate in the Arctic Business Council 2016 summit.













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