



OUR VALUE

”

**We aim to facilitate responsible
Arctic economic development and
make the Arctic a favorable place
for its communities and business**

—

ARCTIC ECONOMIC COUNCIL

ANNUAL REPORT 2020

CONTENT

| | |
|--|----|
| Message from the Chairman | 5 |
| AEC Members May 2021..... | 6 |
| AEC in numbers | 7 |
| Message from the director..... | 8 |
| Activities in 2020..... | 9 |
| Priorities of the Russian Chairmanship | 19 |

CHAIRMAN'S MESSAGE

It has been an honour to serve as the chairman of the Arctic Economic Council (AEC) for the past two years. During the Icelandic chairmanship we have not only strengthened the cooperation between the Arctic Council and the AEC but we have generally also experienced an increased international interest in the Arctic region.

The Arctic has emerged as a place of public interest, attracting more investments, creating new business opportunities and partnerships. When the AEC met with the Arctic Council in Reykjavik in 2019 it was the culmination of the work that the AEC has delivered since its creation in 2014.

With the pandemic the whole world has experienced a set-back but I am sure we will come stronger out of this. For years I have been working with the connectivity in the Arctic. The limits and possibilities of the digital infrastructure in the region have been tested with people working from home and more businesses collaborating online.

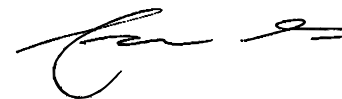
The renewed interest in the Arctic has also had some negative challenges. In October 2019 Nike partnered with the Ocean Conservancy to launch the Arctic Shipping Pledge against shipping through the Arctic Ocean. This was published without any mention of the four million people living and working in the region. Nor about all the commodities that the region provides through energy, fish, wood and raw materials to the whole world. Similarly, we have seen banks discriminating against industrial development in the Arctic. The Arctic Economic Council encourages increased engagement on environmentally and socially sound investments that benefit Arctic communities and organizations and asks financial institutions to look to the Arctic for guidance. We know that the Arctic has the best track record of any area of responsible and sustainable economic development. Our challenge is to enlighten the likes of Nike and Goldman Sachs of that fact.

That is also why we have pushed – and will continue to push – for the Arctic Investment Protocol (AIP) to guide companies that want to invest

in the Arctic. I am happy to announce that we recently received funding from the Nordic Council of Ministers to put together a report highlighting some of the investment opportunities in the Arctic that also are in line with the AIP. This work will continue through 2022.

The past two years as chairman have taken me around to each of the Arctic states and several other countries. I have met with people and told them about the work that the AEC members do in creating jobs and sustainable economic growth in the region. It has been a privilege to represent the AEC at these events and I am honored to pass on the baton to the Russian chairmanship. Luckily, we have such good structures in place at the AEC, the transition will go smoothly, and I will continue to sit on the Executive Committee.

Thank you for the past two years. I look forward to continuing to be an active member of the AEC.

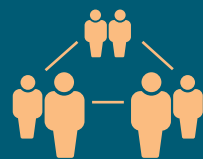


Heidar Gudjonsson

AEC MEMBERS MAY 2021



AEC 2020 IN NUMBERS



5 WORKING GROUPS



30+ MEMBERS



3345 TWITTER FOLLOWERS



863 LINKEDIN FOLLOWERS



2 NEW RECRUITMENTS
TO THE AEC OFFICE



1 NEW WEBSITE

MESSAGE FROM THE DIRECTOR

We all know that the Arctic is home to more than four million people. Citizens living in the region are blessed by having the wild nature right on their doorstep, so keeping social distancing in 2020 has been easier for the people of the north with the small population density. However, the sparsely populated areas have also been at huge risk because of the consequences of local outbreaks in the remote areas with little access to high-tech hospitals. In Tromsø, we experienced the challenge of the virus being introduced from people involved in the tourism industry. The AEC office has – like many people around the world – been working partly from home and have been forced to take many of the meetings online instead of in person.

The year 2020 has been an annus horribilis for several industries; especially tourism, transportation and parts of the mining industry has been severely hit in the Arctic Region. Like in other industries it also affected the operations of the AEC.

In the first quarter of 2020 the AEC calendar was booked with events like AEC Chair Heidar Gudjonsson's participation in the Arctic Frontiers conference but already in March most activities were cancelled or postponed.

Going into the second quarter of 2020 the activities of the AEC went online. We spoke at the Business Index North Webinar and at "Covid-19 impacts on the Arctic" webinar organized by the Wilson Centre among several others. The annual meeting that was planned for St. Petersburg in May was postponed and at the time we did not expect to host it online in October.

Several countries have consulted with the AEC members and staff on their new Arctic strategies. Finland, Norway and Sweden have all published their new Arctic Strategies in 2020 and the Kingdom of Denmark and the European Union started their consultation in 2020, all of which the AEC gave inputs to. This happened mainly online but in August the AEC joined a physical roundtable with the Ministers of Foreign Affairs from Norway and Denmark.

What stands out for me in 2020 is our Annual Meeting that we hosted online for the first time in the AEC history. Here we manage to keep the adjust and adapt – skills often needed in the Arctic. In 2020 The AEC's executive committee has focused a lot of their work on securing a smooth handover from the Icelandic to Russian chairmanship. Another important highlight in 2020 was the Arctic Infrastructure Inventory that we launched together with the Wilson Center. It is a great product that we can use for a long time.

We all know that this health crisis is also an economic crisis for many companies, so I hope that the vaccination programmes and the summer periods will allow us to meet in person soon. Because one of the key values in the AEC is the network and access it provides to all relevant stakeholders working with and within the Arctic.

Therefore, I was happy to welcome three new members in 2020. In September the Regional Business Development Office of the Troms and Finnmark County Council joined and in November we welcomed Novatek and Rosatom into the

AEC. I also want to thank the Icelandic Ministry of Foreign Affairs and the Finnish Ministry of Foreign Affairs for their continuous financial support to the AEC.

In 2020 we also said goodbye to the first director of the AEC, Anu Fredrikson and I would like to thank her for the work that she has done in building up the organisation. We also welcomed a new adviser in the AEC office, Inger Johnsen who has run the AEC office during the change of director.


I hope that we will all get to meet in 2021.

Mads Qvist Frederiksen
Mads Qvist Frederiksen

ACTIVITIES

2020



A vibrant green aurora borealis (northern lights) dances across a dark, starry night sky. Below the lights, a rugged mountain range is visible, with snow-covered peaks and dark, silhouetted evergreen forests. The scene is captured in a wide-angle shot, emphasizing the vastness of the natural phenomenon.

2020 was an extraordinary year for all businesses around the world.
Events, meeting and other activities were canceled, postponed or made digital.

AEC has made the best of the situation and has both arranged its Annual Meeting online and participated in digital meetings throughout 2020.

Q1 2020

JANUARY

Nord i Sør

The annual Nord i Sør conference gathers around 350 representatives of Northern Norwegian businesses, policy makers and public sector stakeholders to the capital city of Oslo in the beginning of January.

Workshop: Arctic EIA and the Saami perspective

The Ministry of Environment in Finland invited representatives from Saami organizations, governmental authorities from Finland, Norway, and Sweden as well as the Arctic Economic Council (AEC) to a workshop in Ivalo, Finland at the end of January.

Arctic Frontiers Conference «Power of Knowledge»

The AEC's Icelandic Chairman, Heidar Gudjonsson, was among the keynote speakers at the Arctic Frontiers conference plenary. Discussing future business in the Arctic, Gudjonsson highlighted the key role of transport corridors and infrastructure development in order to diversify the Arctic economy.

FEBRUARY

Arctic strategies

Two stakeholder meetings for the Finnish Arctic Strategy.

Finland, Norway, Sweden, Denmark and the EU have all worked on new Arctic strategies in 2020. Many of these in close cooperation with the AEC.

MARCH

Covid-19

All events postponed/cancelled due to Covid.

Q1 2020



NORD I SØR



ARCTIC FRONTIERS 2020

Q2 2020



APRIL

All events postponed due to Covid-19.

MAY

Business Index North (Webinar)

Read the new report and watch the launch here:
businessindexnorth.com/reports

COVID-19 – Impacts on the Arctic (webinar)

Hosted by the Wilson Center’s Polar Institute, US Naval War College and US Arctic Research Commission.

AEC report on Maritime Transportation translated to Korean

The AEC Working Group on Maritime Transportation launched its first report in May 2019 “The State of Maritime Transportation in the Arctic” which was translated into Korean.

JUNE

Stakeholder meeting for the Norwegian Arctic Strategy (Webinar)

The strategy was launched in November after extensive consultation with among others the AEC.

Read the strategy here: regjeringen.no

Q2 2020



LAUNCH OF THE BUSINESS INDEX
NORTH REPORT 2020



«COVID-19 IMPACTS IN THE ARCTIC»



AEC WORKING GROUP REPORT
TRANSLATED TO KOREAN



Q3 2020

JULY

Holiday.

AUGUST

Roundtable with the Norwegian and Danish Ministers of Foreign Affairs

The Foreign Ministers' visit to Tromsø provided an opportunity to get input from organizations working in the Arctic. The AEC highlighted the role of economic sustainable development in the Arctic. The new Arctic strategy for the Kingdom of Denmark is expected to be published in 2021.

SEPTEMBER

High North Security: Development in the Shadow of COVID-19 (webinar)

The 6th Korean Arctic Academy (webinar)

The Korea Arctic Academy aims to contribute to the sustainable business practices in the Arctic by facilitating the exchange of knowledge, network, and experiences among the students from the Arctic countries and Korea.

Interview with BBC world Service Radio (The New Arctic)

Q3 2020



**ROUNDTABLE WITH DANISH AND NORWEGIAN
MINISTERS OF FOREIGN AFFAIRS**



- Agenda**
- The Arctic Economic Council
 - Sustainable Business Development
 - Investments in the Arctic

LECTURE TO THE KOREAN ARCTIC ACADEMY



Q4 2020

OKTOBER

AEC's Annual Meeting

AEC hosted its first ever online annual meeting.

NOVEMBER

Arctic Resilience Forum: Broadband Connectivity webinar

AEC's Connectivity Working Group led by Dr. Pam Lloyd and the Arctic Council's Sustainable Development Working Group held a webinar on Broadband Connectivity which focused on the connectivity's importance for poverty reduction, information exchange, and economic improvements in the Arctic region.

8th Meeting of the International Expert Council on Cooperation in the Arctic (Online)

Arctic Council's Arctic Shipping Best Practice Information Forum (Online)

AEC's new website is launched.

DECEMBER

Arctic Partnership Week 2020 (Online)

Coordination council on developing the Arctic and Northern territories

AEC statement on International Bank Discrimination Against Arctic Industrial Development

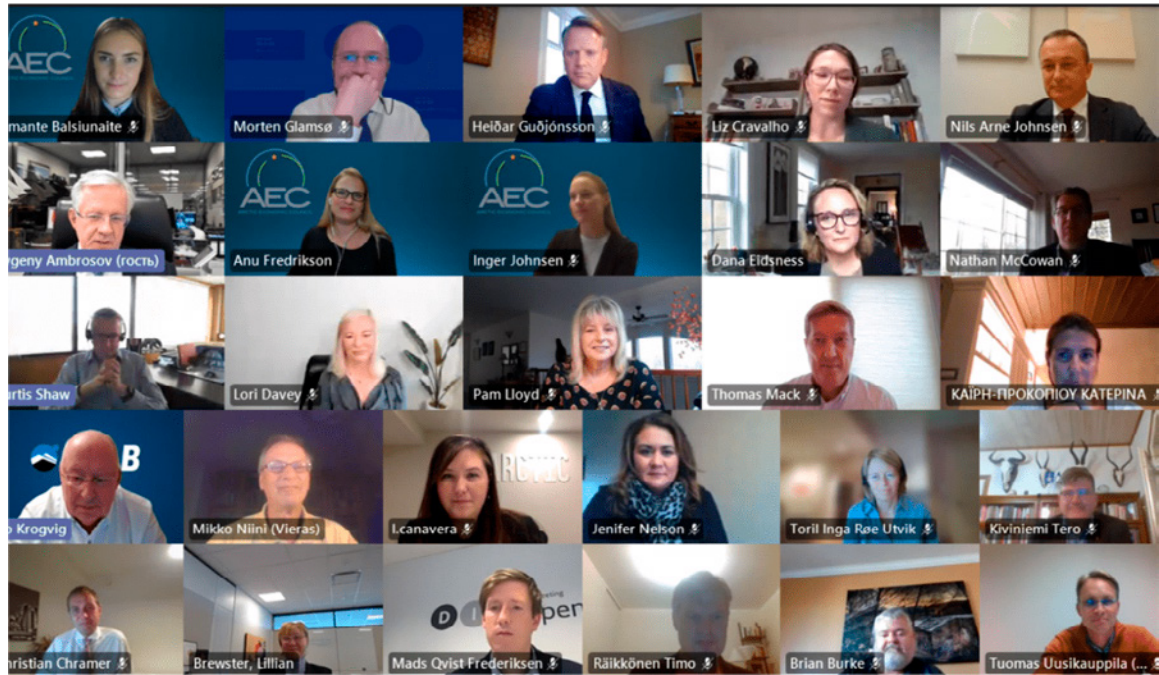
Read the full statement here:

arcticeconomiccouncil.com

Launch of the Arctic Infrastructure Inventory

Heidar Gudjonsson emphasized the use of the AEC's Arctic Investment Protocol (AIP) when investing in the Arctic. A tool for businesses and investors to focus on the creation of sustainable societies and business in the Arctic.

Q4 2020



AEC ANNUAL MEETING 2020



LAUNCH OF THE ARCTIC INFRASTRUCTURE INVENTORY

PRIORITIES OF THE RUSSIAN CHAIRMANSHIP

INTRODUCTION

The international cooperation plays a fundamental role in the effective development of the Arctic. The development of the natural resources in the Arctic and a simultaneous preservation of its vulnerable environment is impossible without an exchange of modern technologies and the development of specific Arctic competencies.

To date, a range of main issues has been formed that will determine the agenda of any form of international Arctic cooperation. In the first place, the following issues should be emphasized:

- Expansion of international cooperation for a sustainable development of the Arctic and the investment in infrastructure for Arctic industrial projects;
- Preservation of biodiversity and ecosystems in the context of increased economic activity offshore and in the Arctic seas;
- Ensuring the safety of navigation.

The issues quoted above, which have become topical in recent years, will inevitably be clarified

depending on the tasks facing specific subjects of international cooperation in the Arctic. When defining the priorities during the chairmanship of the businesses of Russian Federation in the Arctic Economic Council, Russian representatives considered it necessary, on the one hand, to find a new meaning for topical issues, on the other hand, to maintain the necessary degree of continuity in the work carried out in 2019 – 2021 under the chairmanship of Iceland.

It is crucial for the cooperative work to include:

- Establishing joint priorities during presidency in AC and AEC;
- Determination of most important joint project and forming a target group for promotion and development of current subject;
- Joint meetings of AC and AEC, including meetings with working groups;
- Annual consultations among chairmen and authorities of AC and AEC.

We truly believe that the preliminary goal can be best achieved via strengthening of the role of the AEC!



SHIPPING DEVELOPMENT IN THE ARCTIC

The Arctic is becoming a region with intense economic development, where the development of natural and, above all, fossil mineral resources becomes an important factor. The remoteness of coastal and offshore fields from the main oil and gas pipeline systems determines the importance of creating and improving maritime transportation schemes.

At the same time, the expansion of exploration in the Arctic arouses a well-founded and intense interest in the problems of preserving the natural environment of the Arctic regions, protecting their ecological systems and biological diversity. One of the possible ways to reduce the anthropogenic load on the Arctic nature is the use of the most innovative low-impact technologies in production and transportation.

One of our primary priorities for the next two years is the determination of a safe shipping development in the Arctic as well as the prospects of using the Northern Sea Route as an international transportation corridor, based on the principles of safe and environmentally friendly shipping.

The development of merchant shipping is closely related to the training of highly qualified maritime personnel, the development of unified educational standards in this particular area, the further harmonization of international classification requirements for ice-class vessels, as well as ensuring the readiness to provide emergency rescue services and units, as well as the development of means of communication and navigation.



INVESTMENTS WITHIN THE FRAMEWORK OF THE “SUSTAINABLE DEVELOPMENT”

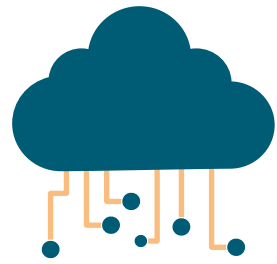
Investment cooperation is extremely important in the context of maintaining the concept of sustainable development.

Along with the development of a green economy (which to an increasing degree is also becoming a priority internationally with the European Union leading the way, and the development of which will also have an impact in the Arctic due to the international character of our markets), common areas of interest include the buildup of the economic potential, risk management, interconnect- edness, technology and provision of services in low temperature conditions, maritime, air and rail transport, tourism, housing and mining.

The sustainable development of the Arctic territories is closely related to the training of highly qualified marine, industrial, rescue, flight, medical and other personnel to work in the Arctic.

It is worthwhile to consider the possibility of holding the Arctic Business Summit in the Arctic during our chairmanship. While emphasizing the importance of responsible economic cooperation, it is necessary to accentuate the investments in the context of “sustainable development”.

In continuation of the work begun during the business chairmanships of Finland and Iceland, further efforts of the Arctic Economic Council should be made towards increasing the role of the Arctic Investment Protocol in ensuring sustainable development and selecting the best practices for investing in Arctic projects.

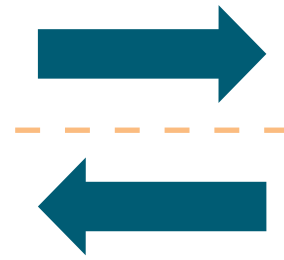


TELECOMMUNICATIONAL INFRA-STRUCTURE AND INTRODUCTION OF INFORMATIONAL SYSTEMS

The digitalization in the Arctic makes it possible not only to raise the standard of living of people experiencing difficult climatic conditions far from the cultural and economic centers of their states, but also to significantly increase their safety.

It is obvious that digital telecommunications are one of the life support systems in the Arctic, which makes it possible to ensure effective management of settlements, timely and adequately respond to emergencies, and ensure that people can turn to qualified medical care and other resources.

There are four million people living in the Arctic regions. Access to communications is either unavailable or unreasonably expensive, unlike people living in megacities. Thesis of so-called digital inequality seems justified in such conditions.



CROSS-BORDER COOPERATION

Another priority for Arctic region is the development of cross-border cooperation with a particular focus on small and medium sized business-projects.

Besides the analysis of conditions for cross-border cooperation in different states and proposals for unification and enhancements, it is necessary to organize a list of Arctic business projects unified for the entire Arctic Economic Council. Such publication could promote enhancements for business ties and attract further Arctic investments. Denmark has similar experience, as it has developed such “business-portfolio” for Greenland.



CORPORATE SOCIAL RESPONSIBILITY

The particular priority is to launch the business principles development in the Arctic region in close cooperation with the Arctic indigenous peoples, taking into account all the national economy features along with the their characteristics and values.



INTERACTION WITH THE ARCTIC COUNCIL

It is evident that successful work in the Arctic Economical Council’s priorities is impossible without the establishment of close coordination with the Arctic Council. Discussions that took place among AEC members show that it is essential for AEC to have cooperation with AC within the limits of performing certain projects and regular consultations.