



Japan's Arctic Policy and the Northern Sea Route: Conflict between "Energy Security" and "Freedom of Navigation"



Securing the Northern Sea Route (NSR) as its transportation route will contribute to the diversification of Japan's LNG supply sources.

Photo: Katsuya Noguchi/PIXTA

The Northern Sea Route has had appeal for the international community in recent years. Japan is working with Russia to promote participation in the development of LNG, and hopes are high for its future role as a new international route. At the same time, consensus over navigation regulations is vital to achieve this.

Kaneko Nanae, Researcher, First Research Office of the Special Committees and the Research Committees of House of Councillors

On March 23, 2021, a large container ship ran aground in the Suez Canal, causing a six-day disruption to the international logistics network. While this gave rise around the world to a renewed sense of impending crisis concerning the vulnerability of this choke point, Russia alone spied an opportunity to promote the Northern Sea Route (NSR) as an alternative transportation route. The Arctic Ocean had long been icebound, but global warming has led to a decrease in sea ice and ships can now navigate in summer. The Arctic is rapidly becoming a hive of activity as advancements in technology facilitate resource development in the Arctic Region, formerly a difficult undertaking.

No comprehensive framework convention akin to the Antarctic Treaty exists to govern the Arctic. This is because the coastal states bordering on the Arctic Ocean, namely Canada, Denmark (Greenland), Norway, Russia, and the United States (Alaska), have confirmed (in the Ilulissat Declaration of 2008) that no new legal framework is required, since the Arctic Ocean is subject to existing international law, chiefly the [United Nations Convention on the Law of the Sea](#) (UNCLOS). Unlike the Antarctic, where territorial claims are frozen by the treaty, distinct sovereign states already exist in the Arctic.

The highest level framework for international cooperation in the Arctic is the Arctic Council, which has eight full members: the aforementioned five coastal states plus Finland, Iceland, and Sweden, which have territories in the Arctic Region (north of a latitude of 66°33'N). Referred to as Arctic States, these countries are the primary actors in the Arctic. In 2013, Japan's observer status at the Arctic Council was approved, along with China and South Korea.

Japan's Arctic policy develops

It is only recently that Arctic policy has come to be treated as a separate policy in Japan. The Second Basic Plan on Ocean Policy revised in 2013 included the Arctic as a priority issue to be addressed for the first time. This was followed in 2015 by [Japan's Arctic Policy](#), the first document dedicated exclusively to the Arctic. Prior to this, a wide range of studies had been carried out under the jurisdiction of various ministries and agencies on aspects such as scientific polar observation, research on the impacts of climate change in the Arctic, potential new maritime transportation routes, and Arctic resource development.

In the future, these diverse issues will need to be sorted out and formulated into a well-organized policy, rather than simply being grouped into a single category. Among the various Arctic-related issues, this article focuses on the Northern Sea Route (NSR). Russia's attempt to establish navigation regulations in the NSR that go beyond the authority of international law is unacceptable. On the other hand, as a transportation route for resources, the NSR contributes to the security of Japan's energy supply, creating a potential inherent contradiction. Below I consider how this situation may be addressed.

Russia's cautious stance on opening the Northern Sea Route

The Northern Sea Route (NSR) refers to the sea area, mainly the Exclusive Economic Zone (EEZ), designated by Russian Law running along the Russian coast from the Kara Sea to the Chukchi Sea in the Northeast Passage that connects the Pacific Ocean and Atlantic Ocean. For reasons of security, Russia has a very strong sense of entitlement in these waters. During the Cold War period, the NSR enjoyed a strategic position and was completely closed off as an international route.

At the end of the Cold War in 1987, a speech by Mikhail Gorbachev, General Secretary of the Communist Party of the Soviet Union, in Murmansk, the largest city in the Arctic area, turned the tide toward international use of the NSR. Calling on the Arctic area and North Atlantic nations to

deliberate security issues, the speech included a message to the effect that the NSR was ready to open to foreign vessels. The navigation regulations (Regulations for Navigation on the Seaways of the Northern Sea Route) were enacted in 1990, since which time repeated reviews have been carried out to establish a system that cautiously anticipates the navigation of foreign vessels.

However, these navigation regulations include a prior permission system, and even when permission to navigate is obtained, restrictions come into play such as the obligation to regularly report the vessel's current position and other information and to be escorted by a Russian icebreaker.

UNCLOS essentially allows all ships in the EEZ the same freedom of navigation as that enjoyed in international waters. In contrast, the prior permission system leaves the decision of whether or not to navigate to the coastal states, effectively undermining freedom of navigation. In ice-covered waters with severe climatic conditions such as the Arctic Ocean, special powers are granted to coastal states in view of the particular hazards to navigation and the risk of irreversible damage caused by pollution of the marine environment (Article 234). Russia mentions this article as one of the justifications for navigation regulations in the NSR.

Owing to the fact that Article 234 was drafted as a compromise between the United States, the Soviet Union, and Canada, ambiguities in its wording remain and the powers granted to the coastal states are open to interpretation. However, article 234 is understood to be calling for a balance between the right of navigation and marine environmental protection. The reason is, while it is affording coastal states “the right to adopt and enforce non-discriminatory laws and regulations for the prevention, reduction and control of marine pollution from vessels,” a proviso was added stating that, “Such laws and regulations shall have due regard to navigation and the protection and preservation of the marine environment based on the best available scientific evidence.” In this regard, imposing a prior permission system in the EEZ that is not even allowed in territorial waters is highly likely to jeopardize that balance.

“Free and open maritime order” in the Arctic Ocean

What vision is Japan trying to construct in respect of an NSR subject to these Russian navigation regulations? The incorporation of the “rule of law” as one of the pillars of *Japan's Arctic Policy* was influenced in no small part by the “free and open maritime order” advocated by the Abe administration at the time. Prime Minister Abe Shinzo first announced this in his “[Five Principles of Japan's ASEAN Diplomacy](#)” during a visit to Vietnam, Thailand, and Indonesia in January 2013. The notion bore fruit in the concept of “[two free and open oceans](#) (Pacific and Indian Oceans)” described at the Sixth Tokyo International Conference on African Development (TICAD VI) held in Nairobi, Kenya in August 2016, which has since been promoted as a “Free and Open Indo-Pacific (FOIP).” *Japan's Arctic Policy* was formulated in October 2015 as this process was underway, and it is likely that the echo of this concept in the context of the Arctic Ocean served to emphasize policy consistency. This can be inferred from the fact that the [then Foreign Minister Kono Taro stated](#) at the sixth Arctic Circle held in Reykjavik (Iceland) in October 2018, “I would like to stress that free

and open maritime order based on the rule of law is indispensable. The Arctic Ocean is no exception.”

If we wish to achieve a free and open maritime order in the Arctic Ocean, we will be confronted sooner or later by the hurdle of Russian navigation regulations.

The Northern Sea Route as a transportation route for resources

Japan's Arctic Policy recognizes that, if the NSR is established, a voyage between Asia and Europe will become “about 40% shorter than a voyage via the Suez Canal,” but that for the time being it is “not yet ready for safe and reliable use.” What, then, is the role of NSR currently?

As stated in the “Strategy of Development of the Arctic Zone of the Russian Federation and the Provision of National Security for the Period to 2035 (October 2020),” Russia’s desired target in respect of the NSR is to increase throughput from the current volume of 31.5 million tons in 2019 to 130 million tons by 2035. Relatively speaking, the target values for international transit account for a very small proportion of this volume, ranging from 700,000 tons (2019) to 10 million tons (2035). In contrast, production of liquefied natural gas (LNG) in the Arctic Region is expected to grow to 91 million tons by 2035. Thus, most of the cargo transported via the NSR consists of LNG and equipment and materials required for LNG development, with barely any general cargo such as container transportation envisioned. In other words, Russia is likely to position the NSR as a resource transportation route, at least for the foreseeable future.

Among the resource development projects being undertaken by Russia in the Arctic Region, Japan-affiliated enterprises are involved in various capacities in LNG projects being conducted on the Yamal Peninsula and Gydan Peninsula by the Russian independent gas company Novatek.

The Yamal LNG project is owned 50.1% by Novatek, 20% by TotalEnergies (France), 20% by China National Petroleum Corporation (CNPC), and 9.9% by Silk Road Fund, a Chinese state-owned investment fund. While no Japanese company has acquired an interest in the project, Japan nonetheless plays an important role in plant construction (Chiyoda Corporation, JGC Holdings) and marine transportation of the LNG produced (Mitsui O.S.K. Lines, MOL). Production commenced in December 2017, with 80% of the LNG shipped via the NSR to Europe and 20% to Asia. Although the route to Europe is navigable even in winter due to warm currents, shipping to Asia is not currently taking place in winter due to the presence of thick ice.

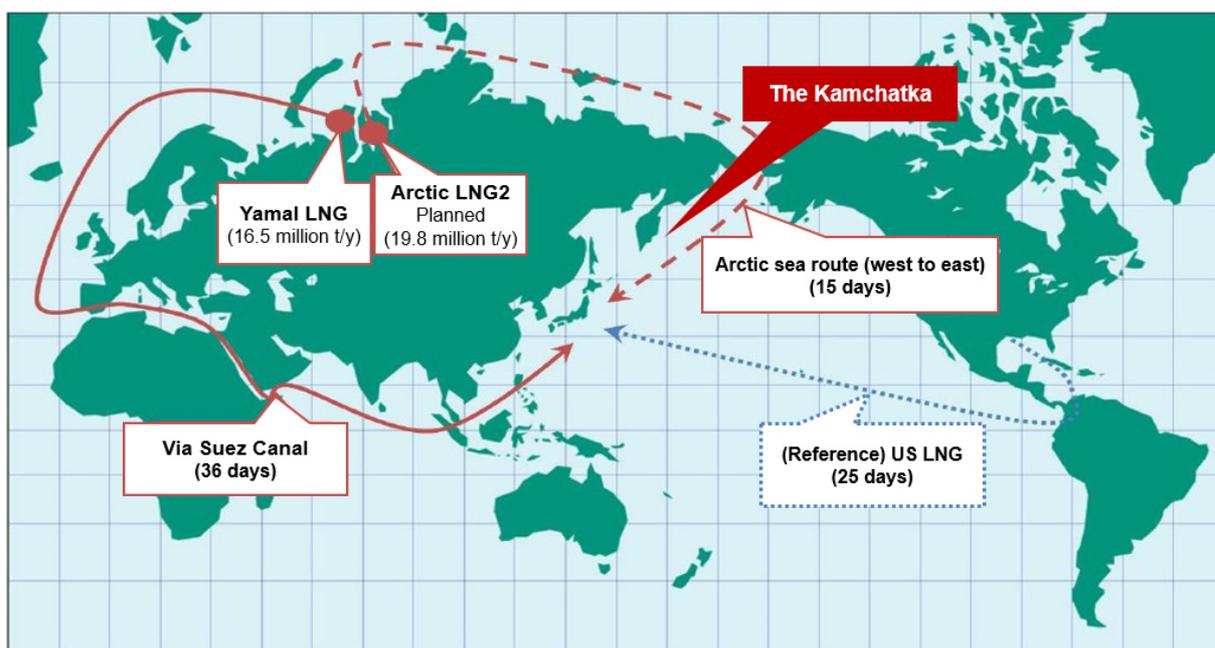
In terms of investment share in the Arctic LNG 2 project, Novatek has 60%, TotalEnergies 10%, CNPC 10%, China National Offshore Oil Corporation (CNOOC) 10%, with the remaining 10% share held through joint investment between Japan Oil, Gas and Metals National Corporation (JOGMEC), and Mitsui & Co. Operations are scheduled to begin progressively from 2023, with the MOL continuing to assume responsibility for marine transportation. This differs significantly from the Yamal LNG project in that 80% of the LNG shipped will be destined for Asia. Even for high ice class icebreakers, navigation to Asia in winter will not be easy, and the risk of accidents and other difficulties will make year-round navigation an issue to contend with in the future.

Contribution to energy security

We may ask what is the significance for Japan of its involvement in the development of resources in the Russian Arctic? The first, as stated in *Japan's Arctic Policy*, is the diversification of resource supply. Japan imports virtually all of its oil and natural gas, and its high dependence on the Middle East and the geopolitical risks that entails has long been a focus of commentary. Diversification of sources of supply from other regions and the associated diversification of risk is therefore a key issue for energy security.

Secondly, the acquisition of upstream interests in Russia is significant for Japan in terms of obtaining a more competitive LNG price. Currently, the Russian LNG price is competitive with that of Japan's other major importing countries of Australia, Malaysia, and Qatar. When contracts are renewed periodically, Russia will be a potential supplier, which is expected to lead to the securing of lower prices for LNG.

Northern Sea Route and the current routes



Source: Directions of the New International Resource Strategy, Agency for Natural Resources and Energy, Ministry of Economy, Trade and Industry, November 2019

Thirdly, the NSR will pass through waters completely different from the existing sea lanes such as the Indian Ocean and Straits of Malacca, which is significant for the diversification of transportation routes. In a statement to the Diet, Minister of Economy, Trade and Industry Kajiyama Hiroshi said, “Resource development in the Arctic Region and securing the NSR as its transportation route will contribute to the diversification of Japan’s LNG supply sources,” acknowledging that Arctic resource development and the securing of NSR as its transportation route will contribute to energy security as a whole.

On the other hand, Russia has inherent risks of its own, so opinions differ on the advisability of depending on it to some extent for the supply of resources. In 2006 and 2009, the issue of the so-called natural gas supply disruption to the Ukraine attracted a great deal of attention, especially in Europe. When Russia and the Ukraine were unable to agree on a natural gas price and Russia supplied a volume of gas minus the amount exported to Ukraine, Ukraine withdrew gas from the pipeline without warning. This resulted in a lower volume supplied to Europe, which developed into an international issue.

Such cases undeniably give rise to questions as to the desirability of increasing dependence on Russia. However, since Russia depends heavily on resource tax revenues for its public finances, maintaining its position as a responsible supplier also means securing its own financial resources. As such, it is unlikely that Russia will agree very easily to measures that will disrupt supply.

In particular, faced with a number of issues concerning its pipeline network to Europe, Russia is discovering new ways of using LNG to earn foreign currency, positioning this as a project of national importance. When the MOL sought permission for its maritime transport operations, the Russian authorities responded cooperatively and the process was straightforward.

Dual perspective approach: short-term and long-term

Thus, the issues addressed in *Japan's Arctic Policy* contain an inherent contradiction between securing “freedom of navigation” and promoting resource development, in the context of the NSR. This is because, while a free and open NSR is requested from the perspective of freedom of navigation, Japan cannot assume a hostile stance toward Russia as long as it is to take an active role in the Russian resource development project.

The promotion of Arctic policy will require Japan to focus on the positioning of the NSR, and to prioritize issues from both short- and long-term perspectives.

Energy security as a short-term priority

For the time being, it is expected that the NSR will continue to be used as a resource transportation route. In other words, it will be a long time before the NSR can become a sea route that can replace the route around the Suez Canal. Sea ice has decreased due to global warming but it will not disappear completely. The presence of ice impedes safe navigation, creates uncertainty around the number of sailing days, and makes ships more expensive.

In addition, sea lanes require evacuation points and rescue systems for losses at sea in case of ship engine malfunction or accidents. However, first of all, the Russian Arctic coast is very sparsely populated. Furthermore, a market that requires a shipping route does not currently exist. There are numerous unloading points and resupply ports along the route around the Suez Canal, and the economic activity involved in the simultaneous unloading of cargo and loading of new cargo makes the route commercially viable. In contrast, Yamal LNG's tankers are engaged in one-way transportation only.

On the other hand, as long as the NSR is utilized as part of Russia's critical resource development project, it is difficult to envision that it would impose any disadvantage. In the short term, therefore, an emphasis should be placed on energy security and resource development in the Arctic Region.

Creation of a safe navigation regime in the NSR as a long-term goal

The overwhelming presence of Russia will be a challenge to achieving the goal of a free and open NSR. It is hard to imagine that Russia would be keen to tolerate free navigation for foreign ships that have no relation to its own projects. When dealing with issues that may not be welcomed by Russia, it would be advantageous to cooperate with other countries that share our values to establish a safe navigation regime for the NSR that is internationally agreed upon. Now, turning to the opposite end of the NSR, we find that the Northern European countries (Denmark, Finland, Iceland, Norway, Sweden) are all Arctic States of particular importance. At a seminar held in January 2021, the Director, Section for the High North, Norwegian Ministry of Foreign Affairs, Birgitte E. B. Hygen, said that the cooperation that exists in the Arctic today is not just a coincidence, but is the result of investments in human and natural resources. This implies that the maintenance of rule-based order requires the tireless efforts of the countries concerned, something that resonates deeply with Japan. The fact that this is a long-term issue that will not yield immediate results makes it all the more important to work with partners who share our values, such as Northern European countries, to build mutual understanding and agreement with Russia.

Translated from "Nihon no Hokkyoku-seisaku to Hokkyokukai Koro: 'Enerugii anzenhosho' to 'Kokonojiyu' no sokoku (Japan's Arctic Policy and the Northern Sea Route: Conflict between "Energy Security" and "Freedom of Navigation")," Gaiko (Diplomacy), Vol. 67 May/Jun. 2021 pp. 119-125. (Courtesy of Toshi Shuppan) [August 2021]

KANEKO Nanae

Researcher, First Research Office of the Special Committees and the Research Committees (in charge of Special Committee on Okinawa and Northern Problems, Special Committee on Official Development Assistance and Related Matters, and Research Committee on International Economy and Foreign Affairs) of House of Councillors

Entered the Secretariat of the House of Councilors in 2007. Positions held include those in the Research Office for the Committee on Foreign Affairs, Defense and the International Conference Division of the International Department, and the Third Research Office of the Special Committees and the Research Committees (in charge of Research Committee on Natural Resources and Energy). Has occupied her current position since 2021. Completed a Masters Degree at the National Graduate Institute for Policy Studies in 2021. Articles include *Anzen hosho kaigi no kino to yakuwari* [Role and Function of Security Council of Japan].
