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Transport of Oil and Gas – Safety and Security of the Baltic Sea

- Eutrophication and oil transport remain, by far, the top threats to the Baltic Sea.
- Piping gas is better than transporting gas in LNG tankers, at least in the Baltic context;
- Demand for gas will grow, partly because gas is seen as the bridge fuel in countries opposed to nuclear energy.
- The interdependence between Europe and Russia is a fact – a very European phenomenon.

The world's second largest low-saline water basin, the Baltic Sea, is essentially a shared shallow lake of the EU states and Russia.

Since the end of the Cold War, economic activity in and around the Baltic, especially sea transport, has grown dramatically. Today 15 per cent of world sea transport takes place in these constricted waters. Statistics show that about 1,350 vessels are on the move in the Baltic at any given time. The fastest-growing group of vessels are oil tankers. Their numbers are stunning. More than 150 million tons of crude now annually transit the Danish Straits. Russia is currently building an additional oil pipeline and a new export terminal on the Gulf of Finland that will add another 50 million tons a year to this traffic. The consensus estimate at the moment is that crude oil exports shipped via the Baltic will rise 40% by 2015.

These facts alone should justify increased efforts to assure maritime safety, especially since maritime safety and the safety of the marine environment are closely intertwined.

The two biggest threats to the Baltic Sea, by far, remain **eutrophication** and **oil transport**. While the building of a gas pipeline will cause some transitory environmental impacts, they are smaller by several orders of magnitude relative to the damage and potential for damage of oil spills. The Nord Stream pipeline, buried in Baltic seabed, will transmit 55 billion cubic metres of gas across the Gulf of Finland to central Europe each year. Now imagine if that amount of gas instead had to be carried by hundreds of LNG tankers in already crowded sea lanes. LNG is the future, probably already for Yamal, but not for the Baltic.

Please, don't misunderstand me. A lot has been done to improve maritime safety in the Baltic Sea. Single-hulled tankers have all

but disappeared from the Gulf of Finland, and since 2004, a mandatory ship reporting system (GOFREP) maintained trilaterally by Estonia, Finland and Russia guides traffic and monitors it. New technologies provide excellent opportunities to significantly decrease traffic risks.

Even so, the need for enhanced cooperation and interaction is evident. **The Northern Dimension of the European Union** launched under the Finnish EU presidency 1999 was well received, but really took off only after its overhaul in 2007 when Russia, Norway and Iceland were invited to participate in redrafting the concept. The lesson learned is evident: All players need to be involved early on in development of partnership programs to get the best results. The most topical program to be finalized shortly is the **Northern Dimension Partnership on Transport and Logistics**.

An interesting Russian initiative, which the Finnish Industries welcome, concerns the creation of a **Northern Dimension Business Council**. I am sure we will hear more about it in the coming months and years.

We can see distinctive differences in approach in energy infrastructure projects currently under way. The Nord Stream project was forced to keep all affected parties in the loop from its inception. Of course, this required elaborate environmental studies, demanding technical measures and extensive consultations, and the process is not over yet. Contrast this with oil transport. Russia made the sovereign decision in the 1990s to shift the bulk of oil exports to a new terminal at Primorsk, located at the north-eastern end of the Gulf of Finland. More recently, Russia made a sovereign decision to build the BTS-2 oil pipeline, along with a new terminal at the Russian port of Ust-Luga on the south-eastern shore of the Gulf of Finland. The pipeline and oil transshipment terminal should become operational in 2012.

I will leave it to the audience to judge which approach to energy transport – an ever-increasing number oil tankers plying the Baltic or a gas pipeline encased in concrete below the seabed – merits greater attention, and which, in light of the risks they present, deserves further consultation.

And of course, Russia should ratify the Espoo Convention on Environmental Impact Assessment in a Transboundary Context.

My point is very simple. We all benefit from regional cooperation and environmental consultation, and to get there we need much greater interaction. This applies to all fields and in all directions. The security issues in the Baltic Sea region are increasing environmental. I do not believe that the mysterious “Arctic Sea” incident characterizes the threats of tomorrow, at least in this part of the world, although terrorist attacks cannot be excluded. Neither do I see classical military threats on the horizon, except for occasional showing of force. It suffices to consult the annual “Military Balance” of the IISS to see the dramatic build-down of military capabilities in the region.

There is a lot of baggage in the relations between the countries of the Baltic Sea. This explains part of the acrimony affecting major energy infrastructure decisions. As we are today in Stockholm, let me just remind you that the original Finnish idea

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of securing a second source for gas was to extend the existing gas pipeline from Russia via Sweden to Norway. But it was a sovereign Swedish decision not to opt for gas for the Stockholm region. I am not claiming that the gas pipeline issue would have created a major row between Helsinki and Stockholm, save a few caustic remarks. -- And as we all know the Nord Stream pipeline project has its history, too.

Energy is security. For the consumer of energy, energy security means guaranteed delivery, and stable and predictable prices. This, in most cases, needs to be coupled with assured and secure transit. For the exporter of energy, guaranteed and secure demand is often the crucial issue, given the scale of required investment in new production and infrastructure. A strong element of interdependence describes the energy relationship between the EU and Russia.

The integration of the European and Russian energy markets is all but a fact, and the demand for gas is growing. As so often is the case, however, the formalities of such arrangements lag behind. Even if Russia is not prepared to join the energy charter at this time, we need an understanding and a commitment to common rules. We need transparency, reciprocity and non-discrimination, plus consultations and cooperation with all parties and at all levels. In a nutshell, this is what the WTO is all about. As a trading nation, Russia needs reliable customers and stable markets. We need Russia integrated into the world market, because, by definition, it enhances security.

To sum up:

- 1. Eutrophication and oil transport remain, by far, the top threats to the Baltic Sea.**
- 2. Piping gas is better than transporting gas in LNG tankers, at least in the Baltic context;**
- 3. Demand for gas will grow, partly because gas is seen as the bridge fuel in countries opposed to nuclear energy.**
- 4. The interdependence between Europe and Russia is a fact – a very European phenomenon.**

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