

Big Oil Playground

Peter Arbo, June 2011

1. Project/publication	<p>Brunstad, B., Magnus, E., Swanson, P., Hønneland, G. and Øverland, I. (2004): <i>Big Oil Playground, Russian Bear Preserve or European Periphery? The Russian Barents Sea Region towards 2015</i>. Delft: Eburon, 212 pages.</p> <p>http://www.eburon.nl/big_oil_playground_russian_bear_preserve_or_european_periphery</p>
2. Initiator	<p>The project was financed by the Norwegian Ministry of Foreign Affairs, the Ministry of Trade and Industry, the Ministry of Petroleum and Energy, as well as Statoil and Norsk Hydro.</p>
3. Objective	<p>The objective of this project was to shed light on trends and future prospects for a major area neighboring Norway, to which a lot of uncertainty is attached.</p>
4. Geographical delimitation	<p>The project includes Barents Russia; which means Murmansk Oblast, Arkhangelsk Oblast, Nenets Autonomous Okrug, the Komi Republic, the Republic of Karelia.</p>
5. Time horizon	<p>The study goes a long time back in history, but concentrates on the period after the collapse of the Soviet Union and until 2015.</p>
6. Thematic focus	<p>The study is comprehensive and deals with demography, economic development, politics and environmental conditions. The main focus is on oil and gas. Climate change is not a central theme.</p>
7. Images of the future	<p>Following an analysis of trends, driving forces, and factors of uncertainty, three scenarios are sketched:</p> <ol style="list-style-type: none"> 1. Big Oil Playground. There is a petroleum-driven bonanza with participation from both Russian and western companies. Russian authorities welcome western companies, having in mind the development of offshore business in the region. Shtokman and other fields are developed. Murmansk gets a powerful upswing. The oil industry dominates almost everything. The domestic energy prices are close to the world market prices, which result in a disappearance of most of the mining and metals industry. The forestry and wood processing industry in the southern part of the region is doing better, while the fisheries is marginalized. Regional income disparities rise sharply. 2. Russian Bear Preserve In this scenario, Soviet traditions are continued. The relations with neighboring countries are tense. Petroleum activity is increasingly nationalized and reserved for Russian companies that are loyal to the Kremlin. Shtokman is postponed, but other fields are constructed. The military controls much in this region. Regional authorities have little influence, and political openness is low. The traditional commodity industries are maintained through public subsidies. There are serious problems related to health and environment. 3. European Periphery Russia develops into a constitutional state and market economy, however, north-west Russia lags behind in many ways. Energy reforms have reduced the domestic demand for oil and gas. Offshore developments in the Barents Sea have been postponed because of increasing costs, technological challenges and prioritizations of the Asian markets. The southwestern part of the region is doing quite all right, but the other parts of the region experience

	<p>rapid depopulation and stagnation. Most of the heavy industry is gone. The pulp and paper industry, as well as the fishing industry have gotten a little boost. The Barents region is more closely integrated into European cooperation programs, with emphasis on social and environmental development. Public health has improved.</p> <p>Finally, the scenarios are compared and discussed in terms of possible implications.</p>
8. Key driving forces	The central driving forces are oil and gas development, Russian politics, and the degree of departure from the old Soviet cold war system.
9. Uncertainties/wildcards	<p>All scenarios are based on relatively stable international oil prices. In addition, the scenarios disregard the possibility for large environmental catastrophes in the region.</p> <p>Decreasing oil prices, nuclear accidents on the Kola Peninsula, and oil spills in the Barents Sea are presented as potential wildcards.</p>
10. Accomplishment and collaboration	The study is expert-based, but it is developed through extensive participation. The work was carried out in two steps. First, a background study was conducted, which covered seven topics and resulted in seven reports and twenty memos. Subsequently, the scenarios were drawn up. The research team consisted of experts from ECON, FNI and NUPI. They carried out interviews and seminars with a wide range of Russian and Norwegian companies. Russian partners also provided written comments. Norway's present Minister of Foreign Affairs, Jonas Gahr Støre, was the project leader in the first phase. Afterwards, he led the project's reference group together with Harald Norvik.
11. Method	The study is based on quantitative and qualitative data. Important information is presented in the form of thematic maps.
12. Sources of information	The data sources are Russian (Goskomstat) and international.
13. Strengths	The study distinguishes itself through its thorough knowledge of Russian conditions and a comprehensive perspective on the region's development. It is both informative and insightful. The scenarios have a central place, and they are developed in a systematic and skillful way. The final discussion of the scenarios is illuminating.
14. Weaknesses	The time horizon was fairly short (10-12 years into the future), something which narrowed the scope and hardly opened for the alternative futures that the scenarios depicted. In retrospect it becomes evident that "things take time". It is also striking that climate change did not receive attention.
15. Attention and significance	The study got some attention from the media when it was published. The way in which it was received in Russia, is unknown to us. Several of the authors achieved knowledge and skills through the work on this study, which has been used in later scenario projects.
16. Relevance for the Fram Centre	The project is relevant and useful in different ways. It provides valuable knowledge about Russia, and it is a good example of how to build scenarios. The study was carried out by key persons with whom the Fram Centre already has close partnerships.