

Sailing on thin ice: the future of Arctic shipping



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As the ice-caps at the Earth's poles retract at record rates, ship-owners are now alert to the potential cost savings of a shipping route once considered impassable.

The Arctic continues to experience dramatic changes, with global warming the most likely architect, and scientists now fear "Arctic meltdown" has become an irreversible process.

It is predicted the entire Arctic Ocean will be ice-free within 30 to 40 years. Seasonal sea ice is replacing multi-year ice as the dominant ice type, so Arctic shipping lanes which connect the Atlantic with the Pacific Ocean are now navigable for commercial vessels during the summer months.

With the International Maritime Organisation presently drafting The International Code of Safety for Ships in Polar Waters (the Polar Code) in preparation for the envisaged increase in vessels transiting Arctic waters, marine

Cape of Good Hope for voyages between Europe and Asia.

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However, in spite of increased shipping activity, hull underwriters are not yet convinced the risk of transiting Arctic waters has diminished. Even those vessels built to withstand the force of ice require ice-breaker assistance.

The present lack of infrastructure, in particular bunkering, rescue and salvage facilities on Russia's coastline, means the rescue of a hull-damaged vessel will be very difficult.

Further, where hull damage results in pollution, attempts to minimise environmental damage and subsequent clean-up operations will be complicated (and made significantly more expen-

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insurers are wise to give further consideration to the risks involved. The Northern Sea Route (NSR) – the shipping lane running along Russia's Arctic coast – was not considered, until recently, suitable for commercial vessels due to sections of the route being choked with ice.

However, receding ice has opened up opportunities for the shipping community and Jonas Gahr Støre, Norway's minister of foreign affairs, confirmed 34 vessels transited the NSR in 2011, up from just six vessels in 2010.

Russian authorities estimate sailing from Rotterdam to Yokohama via the NSR would save 4,450 miles and 16 days compared with the voyage via the Suez Canal. They predict 1.5 million tonnes will be carried via the NSR in 2012.

Further, as Russia's plan is for the NSR to be the conduit between its hydrocarbon fields and the Asian markets, the passage could, as the ice recedes, become a viable alternative to the Suez Canal and

sive) by hostile Arctic conditions, an issue protection and indemnity clubs are wise to consider.

As the NSR's waters would constitute an "excluded area" under a policy's institute warranties limits, shipowners must first seek permission from underwriters to transit the NSR.

Alongside charging an additional premium, underwriters typically stipulate vessels can only sail provided certain conditions are met (eg, the vessel is accompanied by an ice-breaker) and will also increase the policy deductible, often referred to as an "ice deductible". This reflects the perceived dangers associated with Arctic shipping.

However, as the Arctic's ice continues to recede and, as more vessels transit the NSR, underwriters will be able to ascertain the true risk of Arctic voyages. ■

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