

Towards More Transparent and Effective Policies in the Arctic


Mark Halle, IISD Vice-President

**Arctic Circle Inaugural Meeting, 12-14 October, Reykjavik
*Plenary Session 2: Climate Change: a Plan for Action?***

The Arctic from the IISD perspective:

- The Arctic is on the cusp of rapid development. Ensuring that this development is sustainable is a challenge and an opportunity.
- It is a challenge because of the pace of change and the special characteristics of the Arctic environment
- But it is also an opportunity to place Arctic development into a sustainable framework before the momentum of energy and resource exploitation begin to close off options
- This will require concerted international cooperation to agree on the policy and regulatory frameworks and to put them in place before large-scale operation come on stream

Climate and the Arctic

- The polar regions are far more seriously affected by climate change than most of the globe
 - IPCC report released in late September confirms our most dire predictions
 - Climate action in the Arctic cannot solve the full problem, but it should not make it worse
- 




Sustainable development is being undermined by subsidies to fossil fuel exploitation and use

- continued dependence on cheap fossil fuels is a significant obstacle to climate action
- governments still subsidize consumption and production of fossil fuels, thus providing an incentive to over-use them
- fossil fuel subsidies total between \$600 billion and 2 trillion per year depending on the methodology, with high opportunity costs
- government support schemes are often misaligned with the stated policy objectives, and have unintended effects.

Transparency is a necessary first step in subsidy reform




Subsidies to fossil fuel exploration and production in selected Arctic Council member countries

Country	Scope	Subsidies Identified	Value of Subsidies	Data year
	Upstream oil & gas	9	>\$4 billion	2009
	Upstream oil activities, federal + 3 provinces	63	\$2.8 billion	2008
	Upstream oil & gas, federal	>20	>\$14 billion	2010

Source: ‘Fossil fuels – At What Cost?’ inventories of measures of government support to fossil fuel production by the IISD Global Subsidies Initiative. Subsidy value estimates are not directly comparable across countries, since there is no international taxation benchmark


Public support for Arctic development

- The temptation to subsidize will be strong given the risks and uncertainties in the Arctic
 - The form of support used will influence the kind of development the Arctic will know
 - The forms used should encourage sustainable development and not add to the climate burden, e.g. renewable energy, skill development, safeguards, institutional capacity, community development funds
- 

The rights and responsibilities of investors

- The policy framework must include strong obligations placed on investors and on companies exploiting Arctic resources
- These must be embodied in bilateral investment treaties, in contracts between investors and host governments, and in the mechanisms for resolution of disputes that may arise
- Dedicated financial vehicles need to be designed and deployed to address the particularly complex risks surrounding resource exploitation in the Arctic, such as for oil spill response in case of accidents
- Some of these instruments exist, or could be adapted, e.g. MMDA. Others will have to be designed

The time for action is now!

- The policy frameworks need to be put in place before large-scale development
 - This requires concerted international cooperation to identify and agree on the policy framework and the instruments that will enable sustainable development
 - The Arctic Circle should convene the key actors and identify international best practice in this critical area – before it is too late!
- 

Thank you!

Mark Halle, IISD Vice-President

**Arctic Circle Inaugural Meeting, 12-14 October, Reykjavik
*Plenary Session 2: Climate Change: a Plan for Action?***