MINTEL WORLD

ARCTIC

New Phase of Security, Trade and Energy Competition in the Arctic

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EDITOR'S NOTE

Dear Readers,

While the Arctic region was long viewed merely through the lens of harsh climate conditions and limited accessibility, it is now entering a new phase defined by permanent, structural global competition. In this issue of our newsletter, titled "New Phase of Security, Trade and Energy Competition," we examine the multilayered transformation spanning the region's military, commercial, and industrial domains.

In the North, temporary military demonstrations of force are giving way to permanent security architectures. The integration of unmanned systems, joint training exercises, and next-generation icebreaker production capabilities by the U.S. and its NATO allies underscores the institutionalization of a strategic presence. Conversely, Russia's continued reinforcement of its coastal defense and nuclear submarine capabilities around the Kola Peninsula establishes the new normal of regional military tension.

Yet this competition is not unfolding solely along the security axis; trade and energy corridors are also rapidly being reshaped. China's plans to transition the Northern Sea Route from trial voyages to scheduled container services (the China-Europe Arctic Express), alongside South Korea's port-integrated industrial strategies, are opening alternative arteries for global trade. Meanwhile, the efforts of the sanctioned Arctic LNG 2 project to remain operational through a new China-centered logistics and terminal network demonstrate how embargoes, rather than halting projects entirely, often push supply chains into more opaque and alternative configurations.

In this new era—further complicated by the impacts of climate change—we are witnessing the increasingly blurred boundaries between military and commercial infrastructure. Regional ports, sensors, and logistics hubs support peacetime trade yet hold the potential to serve as vital assets for military mobility during crisis scenarios. As the balance of power in the Arctic will be shaped by actors best able to integrate security initiatives with economic capabilities, I hope you find this issue—in which we thoroughly address this new era—insightful and engaging.

Levent Kemal

Executive Director, MINTEL WORLD

Competition in the Arctic is moving beyond temporary military demonstrations and developing into permanent security, industrial and logistical structures. Western allies are integrating surveillance capabilities, joint training, unmanned systems, icebreaker production and land forces designed for northern conditions. Russia continues to display its coastal defence and submarine capabilities around the Kola Peninsula. At the same time, China's preparations for regular container services to Europe, South Korea's port strategy and the development of a Chinese terminal network for Arctic LNG 2 show that the region is being reshaped by alternative trade and energy corridors as well as security competition.

THE INSTITUTIONALISATION OF THE NORTHERN DEFENCE ARCHITECTURE

Arctic Cohesion 2026, conducted by the United States and Norway, indicates that Arctic security cooperation is moving from symbolic demonstrations towards operational integration and mission compatibility. Personnel exchanges, joint seamanship training and Arctic mission planning took place between the US Coast Guard cutter Stone and the Norwegian Coast Guard vessel Hopen. These activities showed that cooperation between the two countries extends beyond individual platforms. The participation of Canada and Finland as observers suggests that the model could eventually become a broader allied standard.

Tests involving unmanned surface and underwater systems conducted by the US and Norwegian navies in northern Norway represent the technological dimension of this transformation. The Arctic's vast geography, limited infrastructure, low population density and difficult weather conditions make continuous surveillance through crewed platforms alone increasingly challenging. Allied surveillance



and reconnaissance concepts are therefore moving towards structures that combine autonomous systems with distributed sensor networks.

These activities are consistent with the broader political and military framework announced by Arctic allies in May. Their joint statement linked stronger military presence, expanded surveillance and more frequent joint training with initiatives such as Arctic Sentry, Icelandic Air Policing, the Forward Land Forces in Finland, Joint Force Command Norfolk, the planned air operations centre in Norway and the modernisation of NORAD.

Research security, investment screening and critical infrastructure protection have also been incorporated into the same security agenda. This shows that Arctic defence is no longer assessed solely through troop numbers or military platforms. Scientific research facilities, ports, energy installations, communication networks and undersea cables are becoming part of the expanding regional security architecture.

Closer Nordic coordination following Finland and Sweden's accession to NATO is helping regional and minilateral mechanisms address institutional gaps between the European Union and NATO. NORDEFCO, the Joint Expeditionary Force, the Arctic Coast Guard Forum and regional exercises are creating practical operational links in joint air operations, cross-border logistics, cyber resilience and critical infrastructure protection. These structures allow countries to coordinate more quickly and develop common standards in areas where formal institutional processes move slowly.



The start of steel cutting in Finland for the first US Arctic Security Cutter reflects the industrial dimension of this security approach. The first vessel is expected to be delivered before the end of 2028. Finland's expertise in icebreaker design and construction will support the initial stage of the programme. Production knowledge is then expected to be transferred to North American shipyards. Arctic security is therefore developing into a permanent structure supported by long-term industrial capacity and technology transfer.

Russia's response has been to highlight the Northern Fleet's coastal defence systems and submarine capabilities. An exercise involving the Marshal Ustinov and Admiral Golovko took place near the Rybachii Peninsula, less than 50 kilometres from the Norwegian border. The use of Bastion coastal defence systems, P-800 Oniks missiles, minesweeping units and naval aviation within the same scenario showed that the access-denial zone surrounding the Kola Peninsula remains operational.

The planned assignment of the K-563 Ulyanovsk submarine to the Northern Fleet also demonstrates the importance Russia places on submarine-based deterrence. The low visibility, long-range cruise missile capability and multi-role attack capacity of the Yasen-M class place these submarines at the centre of Russia's Arctic and North Atlantic strategy.

CHINA'S NORTHERN SEA ROUTE STRATEGY: FROM TRIAL VOYAGES TO SCHEDULED SERVICES

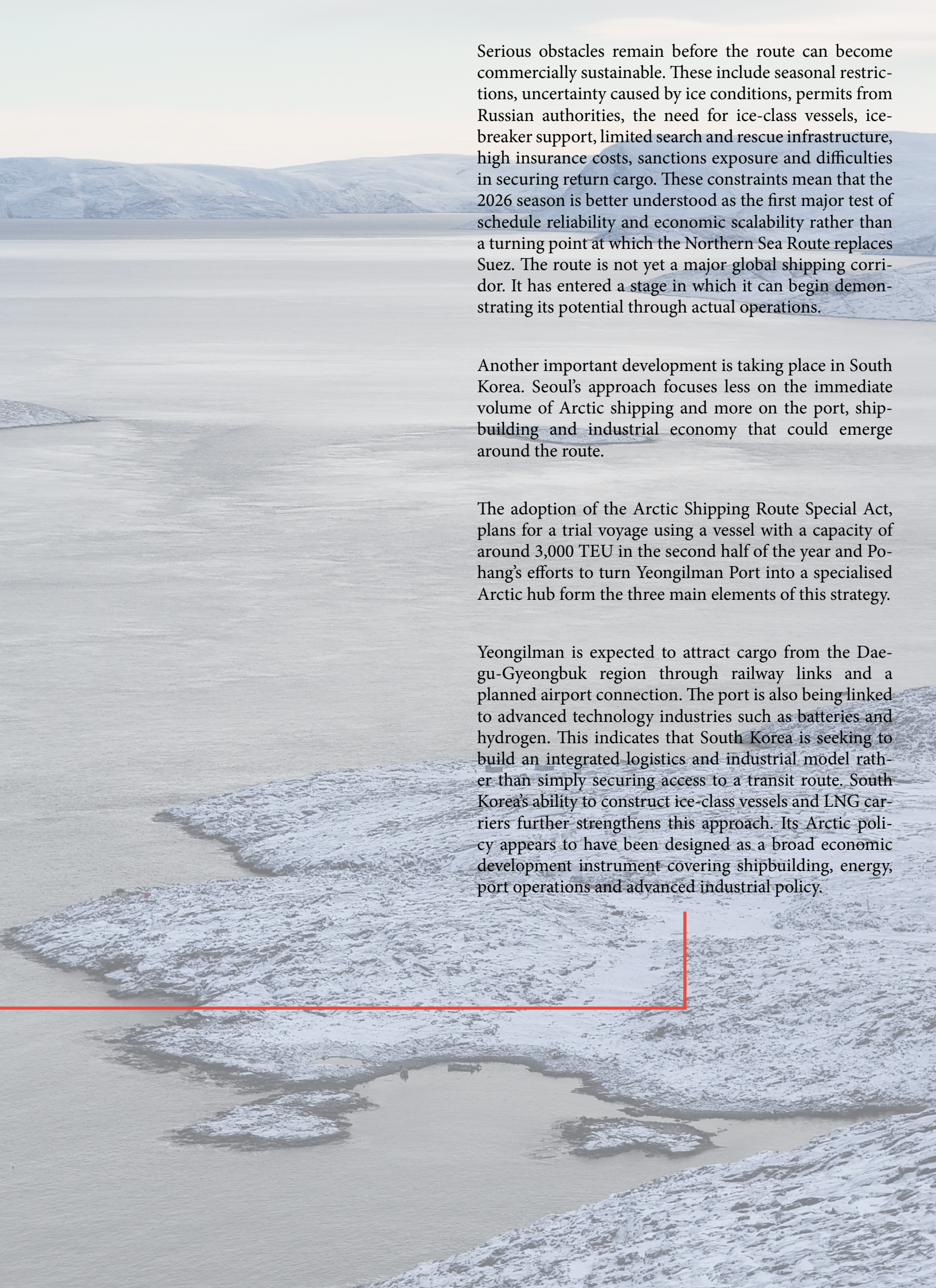
For many years, the Northern Sea Route remained largely limited to trial voyages and energy transportation. The 2026 programme published by the China Shipowners' Association represents the clearest attempt so far to move beyond isolated and seasonal projects towards a planned commercial service.

China-linked Sea Legend Shipping plans to launch the China-Europe Arctic Express between Ningbo-Zhoushan and the Port of Felixstowe in the United Kingdom in mid-August. The programme includes eight consecutive weekly voyages using seven small and medium-sized vessels. It aims to transform isolated Arctic container crossings into a scheduled transport service with fixed departure dates and onward connections within Europe. The main innovation is that the route will be tested through a regular and repeatable operating model.

Around 20,000 TEU of capacity has been allocated to container and multipurpose vessels under the announced programme. Bulk carriers have been assigned a further 1.4 million DWT of capacity. The eight voyages are scheduled to begin on 15 August, with an expected transit time of around 20 days to Felixstowe. These sailings will test whether the route can provide a reliable option for high-value and time-sensitive cargo rather than simply proving that the passage is navigable.

The strategic significance of this initiative extends beyond the shorter distance it may offer compared with the Suez Canal. Security concerns in the Red Sea, disruptions around Suez and heavy dependence on the Strait of Malacca have encouraged Northeast Asian economies to search for alternative corridors. The Northern Sea Route responds to this need. It is unlikely to replace the main arteries of global trade in the near term, but it could serve as a strategic alternative during crises or for certain categories of cargo.





Serious obstacles remain before the route can become commercially sustainable. These include seasonal restrictions, uncertainty caused by ice conditions, permits from Russian authorities, the need for ice-class vessels, icebreaker support, limited search and rescue infrastructure, high insurance costs, sanctions exposure and difficulties in securing return cargo. These constraints mean that the 2026 season is better understood as the first major test of schedule reliability and economic scalability rather than a turning point at which the Northern Sea Route replaces Suez. The route is not yet a major global shipping corridor. It has entered a stage in which it can begin demonstrating its potential through actual operations.

Another important development is taking place in South Korea. Seoul's approach focuses less on the immediate volume of Arctic shipping and more on the port, shipbuilding and industrial economy that could emerge around the route.

The adoption of the Arctic Shipping Route Special Act, plans for a trial voyage using a vessel with a capacity of around 3,000 TEU in the second half of the year and Pohang's efforts to turn Yeongilman Port into a specialised Arctic hub form the three main elements of this strategy.

Yeongilman is expected to attract cargo from the Daegu-Gyeongbuk region through railway links and a planned airport connection. The port is also being linked to advanced technology industries such as batteries and hydrogen. This indicates that South Korea is seeking to build an integrated logistics and industrial model rather than simply securing access to a transit route. South Korea's ability to construct ice-class vessels and LNG carriers further strengthens this approach. Its Arctic policy appears to have been designed as a broad economic development instrument covering shipbuilding, energy, port operations and advanced industrial policy.


КАПИТАН ДРАНИЦЫН



ARCTIC LNG 2: FROM SANCTIONS PRESSURE TO LOGISTICAL RESTRUCTURING

China's preparations to establish the Longkou terminal in Shandong Province as a second hub for Arctic LNG 2 cargoes are reshaping the project's export infrastructure. The terminal is expected to begin operations in October. For vessels arriving through the Northern Sea Route, Longkou is around 2,000 nautical miles closer than the Beihai terminal. The terminal is expected to provide around 5 million tonnes of additional annual LNG import capacity. This could allow shipments to be completed under more favourable time and cost conditions.

More than 40 shipments carrying around 2.6 million tonnes of LNG have reached China since August 2025. This indicates that sanctions have not brought the Arctic LNG 2 project to a complete halt. A new operating structure is instead emerging as buyers, terminals, vessels and logistics providers become concentrated within a China-centred network.

The resumed shipment of large modules manufactured for Train 3 from China to Russia after a long period of inactivity also supports this trend. It remains unclear whether the modules will be used for the third production train, transferred to another LNG project or placed in temporary storage.

The shipment involved sanctioned heavy-lift vessels, several Chinese ports, renamed shipyard entities and altered routes. This suggests that external pressure has made the project's logistics more opaque and expensive rather than stopping it automatically.

This emerging system has two major strategic consequences for Russia and China. Russia can continue its export operations despite restricted access to Western technology, finance and transport services. China's engineering capacity, heavy-lift shipping, terminal infrastructure and energy demand provide Moscow with alternative options.

However, Russia is becoming increasingly dependent on a limited number of Chinese buyers, terminals and logistics hubs. Over time, this dependence could weaken Moscow's bargaining position on prices and contractual conditions.

China is doing more than diversifying its sources of energy supply. Beijing is becoming an essential



facilitator of trade, terminal operations, shipbuilding and industrial infrastructure along the Northern Sea Route. This role gives China economic and logistical influence in the Arctic that extends beyond its formal position within regional governance structures.

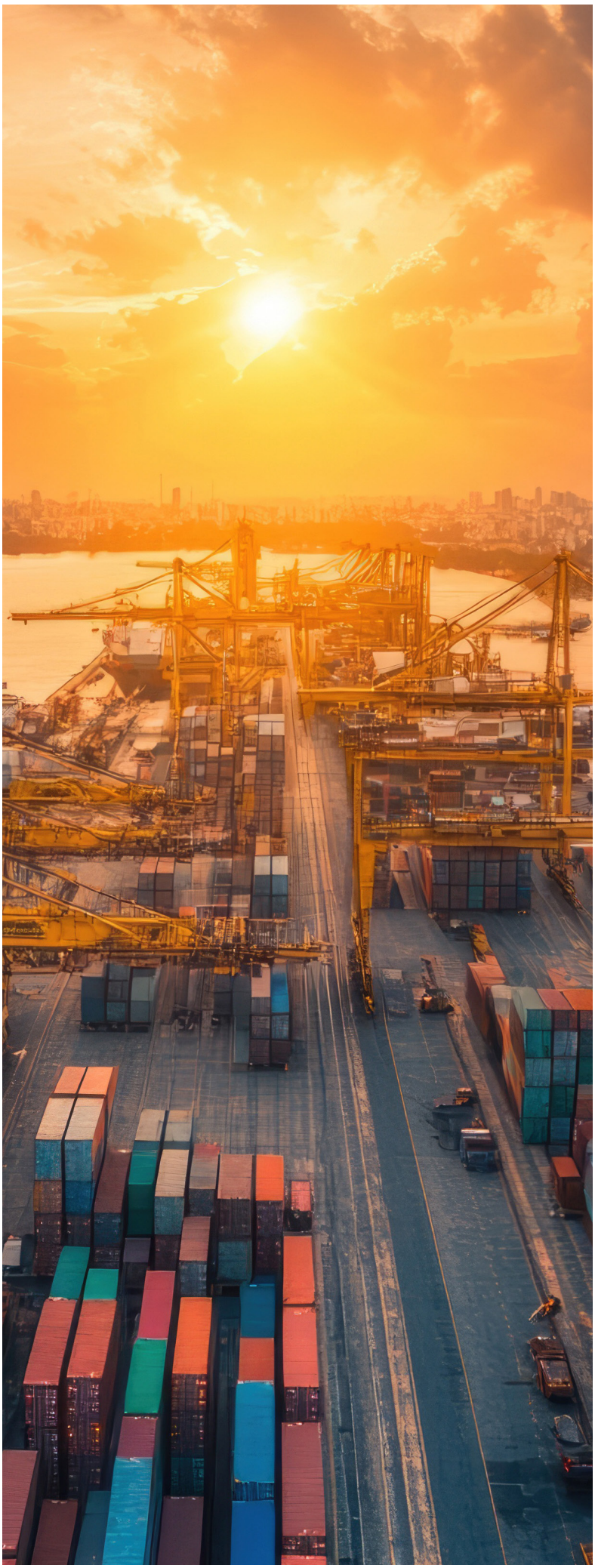
STRATEGIC IMPLICATIONS OF ARCTIC COMPETITION

A defining feature of Arctic competition is the increasingly blurred boundary between military and commercial infrastructure. Icebreakers, ports, satellite systems, seabed sensors, unmanned platforms and logistics centres can support commercial access during peacetime. The same assets can provide military mobility during a crisis or conflict.

It will therefore become increasingly difficult to assess the security effects of economic investments separately from the commercial consequences of military investments.



China's decision to make the Longkou terminal a second hub for Russia's Arctic LNG 2 shipments is helping Moscow sustain LNG exports despite sanctions. However, this structure is also increasing Russia's dependence on a China-centred logistics network.



For China and South Korea, the Northern Sea Route is better understood as a complementary resilience corridor than as a continuous main route capable of replacing the Suez Canal or the Strait of Malacca. It may be used during certain seasons, for high-value cargo or in periods of disruption.

Its strategic value in the near term is likely to come from the alternative access it provides rather than the total volume of cargo it can carry. Its success should therefore be measured by whether it can provide reliable backup capacity during disruptions rather than whether it can compete directly with the world's main trade routes.

The Arctic LNG 2 case shows that assessing sanctions solely through project companies and individual vessels provides an incomplete picture. Sanctions can slow shipments, raise costs and make operations more complicated. Activities may still continue when terminals, heavy-lift operators, vessel managers, transshipment points, insurance mechanisms and buyer networks adapt to new conditions.

Assessments of sanctions effectiveness should therefore focus on the operation of the entire logistics network rather than individual lists of companies and vessels.

A more integrated NATO defence structure in the north strengthens allied deterrence and improves the ability to respond to crises. At the same time, the strategic importance of the Kola Peninsula to Russia's sea-based nuclear forces, submarine bases and early warning infrastructure increases the risk that intensive surveillance and military exercises could be misinterpreted.

Climate change is also altering ice coverage, underwater acoustics, infrastructure security and military mobility. This makes existing risks more complex. The practice of addressing climate-related threats and nuclear or military risks through separate institutions and processes is becoming less suited to the new security environment.

CONCLUSION

Recent developments in the Arctic indicate that military security, trade, energy and industrial policy are becoming increasingly interconnected. Western efforts to integrate surveillance, command and control, unmanned systems and defence industrial capacity are taking place alongside Russia's military activities around the Kola Peninsula.

China is expanding its energy and logistics networks, while South Korea is developing policies focused on ports and shipbuilding. Together, these developments suggest that regional competition may become more permanent and multilayered.

In the near term, the Northern Sea Route is more likely to provide a complementary option for selected cargo categories and seasonal transport than to transform global maritime trade on a broad scale. Vessel capacity, the limited navigation season, the need for ice-class ships, insurance costs and dependence on Russian operational infrastructure will shape the pace at which the route develops.

Regular voyages completed according to schedule could make the route more visible for certain high-value and time-sensitive cargoes. Its strategic importance may therefore depend more on its ability to diversify routes and generate operational experience than on the total amount of cargo transported.

Shipping and terminal activity linked to Arctic LNG 2 suggests that sanctions may lead to a restructuring of logistics rather than the complete suspension of the project. China's terminal capacity, engineering expertise, heavy-lift transport services and energy demand can provide Russia with alternative channels for maintaining exports.



This trend may also increase Russia's dependence on a limited number of Chinese buyers, terminals and logistics providers. Such a structure could strengthen China's economic influence in the Arctic while reducing Russia's room for manoeuvre in pricing and contractual negotiations.

Competition in the Arctic is likely to remain controlled but intense. Commercial activity may grow gradually and remain seasonal, while military surveillance networks, command and control systems and dual-use infrastructure could develop more rapidly.

The direction of this competition will depend on economic costs, political relations, sanctions regimes, environmental conditions and the practical performance of the announced projects.

Relative advantage in the Arctic is unlikely to be determined solely by the number of ships, bases or military personnel. Actors that can combine security capacity with industrial production, data sharing, logistical resilience, energy infrastructure and crisis management may gain a stronger position.

These assessments will ultimately depend on the actual performance of planned shipping services, energy projects and security initiatives in the coming period.





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