

European Commission  
 Directorate General for Energy and Transport  
 Unit B2-Trans-European Network policies  
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 Belgium

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**Comments to the TEN-T Public consultation on the extension of the major Trans-European transport axes to the neighbouring countries and regions.**

Reference is made to the public consultation on extension of the major Trans-European transport axes to the neighbouring countries and regions.

The Northern Maritime Corridor (NMC) is an Interreg IIB project covering the Northern Periphery and North Sea areas with associated partners in Northwest Russia. 20 regions in 9 countries participate in the project. The project promotes and develops short sea shipping, considering also the environmental and safety aspects. The connections we are involved in developing are between the European Union and neighbouring countries and regions.



The Northern Maritime Corridor constitutes exactly an axis that fit very well into the envisaged axes that connect the European Union with neighbouring countries. The NMC project has suggested this corridor to become the “Motorway of the Northern Seas”, fitting into the European Union’s concept of motorways of the sea. The NMC project has had meetings with the Unit for Motorways of the Sea & Intermodality within DG TREN, and discussed how the NMC can better link itself to the TEN-T and motorways of the sea.

The NMC project provides an arena for networking between key actors in promoting sea based and intermodal transportation, and includes shipping companies, forwarders, transporters, ports, major industries and relevant governmental bodies. The NMC project has been underway for three years and will be wound up at the end of this year, However, a follow-on project, called the NMC II, has recently been approved, and this project will pursue the idea of the Northern Maritime Corridor as a specific “Motorway of the Northern Seas”. This means that short sea shipping initiatives identified in NMC I can be progressed through NMC II. On the basis of our research, with evidence presented below where appropriate, the Northern Maritime Corridor axis, with its eastern part along Norway to Russia, and its western part along Scotland to the Faeroe Islands, Iceland and Greenland, should be among the axes for TEN-T that the European Union consider “most used and pertinent to international exchanges and traffic and also strengthen long term regional integration and cohesion” (E. Thielmann, DG TREN).

This is our response to the consultations questions to the stakeholders:

### **Which are the Major Axes?**

What are the main transport axes, including motorways of the sea, connecting the European Union to the neighbouring countries or broader regions today? What will these axes be with a time horizon of 2020?

One of the main axes is the maritime corridor connecting the European Union to the Barents Sea region connecting Russia and Norway, as well as sea links to Faroe Islands, Iceland and Greenland.

The map for priority projects presented in the TEN-T Guidelines approved in 2004, has no clear indication of a motorway of the sea linking the neighbouring countries in the north, as has been defined for links to Russia and the Baltic states through the Baltic Sea, for instance. To complete the TEN-T axes to neighbouring countries an axis representing the Northern Maritime Corridor is needed.

The actual and potential freight in the strategic Northern Maritime Corridor axis is enormous for both bulk and containerised cargo, as we will demonstrate below.

Considering the bulk volume, several different scenarios exist for the expected petroleum transport towards 2020. Studies made by the NMC project show that petroleum transport from Arctic Russia, for example, will likely be 10 times as much as now in a decade. This is due to both the expected production in the area, but also an increasing shift from transshipment via St Petersburg to transshipment via North West Russia as a result of the expected new oil pipeline from Siberia to the coast of the Barents Sea (Kola Peninsula).

Considering the container potential for the NMC project, the NMC project has a number of short sea shipping sub-projects (or actions) running. These are all falling within the Northern Maritime Corridor and constitute the substance of shortsea shipping routes within this axis.

Within the western part of the Northern Maritime Corridor there are sub-projects connecting the western coast of Norway with UK and the Continent, and there are sub-projects connecting northern Norway with the Continent. One sub-project is linking northern Norway with an intermodal connection to the Continent, with train to Kristiansand in Norway and RoPax ship to the Continent.

Within the western part of the Northern Maritime Corridor there are several sub-projects connecting Greenland, Iceland and the Faroe Islands with Scotland, which also can be connected to the Superfast Ferries connection between Rosyth and Zeebrugge. There is also an initiative to link the western part to north Norway and Russia.

To illustrate, we wish to present an update of two of these, the Barents Sea Intermodal Service (BASIS), and the Scapa Flow Container Transshipment Terminal. Particular emphasis is put on presenting the BASIS project because of its primary aim of connecting Russia to the EU in an additional and sustainable manner.

#### **Barents Sea Intermodal Service (BASIS)**

Our ongoing research indicates that Arctic Russia can develop into a major gateway for containers to and from Russia. Arctic Russia does not currently benefit from a frequent, low cost container service connecting with the main markets/ports in northern Europe, the latter also giving access via transshipment to global markets.

The NMC is taking concrete initiatives to establish a new short sea shipping service from the Continent to North West Russia. In line with the NMC mode of operation, the private sector are involved in this sub-project. BASIS involves one or more ports of call on the Continent. In the Barents Sea region the port options are Murmansk, Archangel and Kirkenes. A fundamental element of BASIS is the realisation of a high-quality container terminal in the Barents Sea Region. The absence of such a terminal is believed to act as a constraint to trade.

A sophisticated BASIS connection would be expected to offer both a competitive and complementary link compared to ports in the Baltic Sea region. The dramatic growth in Russian traffic flows over recent years has placed considerable pressure on the port of St. Petersburg in particular. St. Petersburg suffers from a number of major constraints including congestion, ice, high handling charges and other related costs. Nevertheless, in the absence of good links and port facilities elsewhere in Russia to serve the European and global marketplace, traffic continues to take this routing.

There is therefore a need for a cost-effective alternative port to serve the growing Russian market. An obvious option is to use a port in the Barents Sea Region. Until now, however, the Barents transport option has been largely ignored.

There is scope for BASIS to offer more competitive freight rates on the northbound leg into Russia, even though the sea leg is a longer haul than for St. Petersburg. Importantly, all 3 northern ports (Archangel/Kirkenes/Murmansk) are eager to attract more cargo, and are perceived to be more flexible than St. Petersburg. This is expected to be by virtue of lower port handling costs, also in the

port of Kirkenes, which is expected to be competitive even if discharging cargo at Kirkenes for transport initially by truck to a Russian railhead 40 km from Kirkenes, and thence by rail to final destination inside Russia. BASIS also permits ships to avoid additional Kiel Canal transit expense.

Another opportunity for BASIS is the further connection to the Far East markets using the Trans-Siberian railroad service.

A supplement to the Barents Sea Intermodal Service, in particular when considering the Far East markets, is a freight corridor promoted by The International Union of Railways called the NEW Corridor (Northern East West Freight Corridor).

This corridor is yet not in operation, but represents an option that in combination with the sea leg to Central Europe could stimulate Europe's trade to and from Asia. The rail section of NEW will be a relevant alternative to current truck transports crossing EU countries with cargo from Russia bound for America. The port of Narvik in Northern Norway as the NEW hub has already of today a substantial volume of approximately 12 million tonnes per annum to countries within the European Union. Narvik is connected to the TEN networks by both road and rail.

It is important to note that services passing the Norwegian coast, but primarily geared at cargo to/from Russia and the Far East, can also serve the need for the European market to have good connections to the western and Northern part of Norway as well.

Another point, that is emphasised strongly from the Russian side, is that the NMC shall be regarded as the western part of their high priority sea route, the Northern Sea Route crossing from the Atlantic to the Pacific Ocean. The NMC project has had a close cooperation with regional authorities and key private sector parties in North West Russia as well as relevant central bodies in Moscow.

### **Scapa Flow International container transshipment terminal**

The NMC Highlands & Islands regional partners in Scotland are proposing to develop a major international container transshipment terminal at Scapa Flow in the Orkney Islands. Scapa Flow is a unique natural deep-water harbour, strategically located at the northern entrance to the North Sea, directly on the Atlantic Ocean Great Circle route. Scapa Flow is one of Europe's largest international oil transshipment ports. The port has 30 years' experience of handling oil transshipment.

Scapa Flow is considered vital to help counteract bottlenecks at the major EU container ports. Port congestion, road and rail access problems, and lack of sufficient water depth for megaships characterize the north European ports industry today.

A Scapa Flow hub primarily serving the transshipment markets of north Europe and Baltic/Scandinavia will enable shipping lines to reduce megaship deviation time in north Europe by two-thirds, and shorten average feeder distances by 20%. This means transport movement and costs will fall, while transit times improve.

A hub port at Scapa Flow serving north Europe's fast growing container transshipment markets therefore offers major savings (compared with current congested hubs in the Le Havre-Hamburg range) in terms of transport cost and time, terminal capital and operating costs, and environmental costs.



This major public/private project will thus help to cement the creation of a new Northern Maritime Corridor axis for TEN-T covering the Baltic Sea, North Sea, Irish Sea, Norwegian Sea, Barents Sea and Iceland Sea with Scapa Flow playing a pivotal role. It is therefore important to ensure that the significance of the Northern Maritime Corridor and projects such as Scapa Flow is fully appreciated.

What are the current traffic volumes, both passenger and freight, on the proposed axes?

For the BASIS project, the statistics from the NEA institute in the Netherlands show a total trade for Northwest Russia, except for crude oil, of 25 million tonnes per annum. In addition about 12 million tonnes of export oil and oil products are delivered from the Russian part of the Barents Region to the western market along the Norwegian coast.

Combined, all of the transshipment markets in the Northern Maritime Corridor area today account for around 150 million tonnes. This is approximately equivalent to one third of the container traffic moving through the Le Havre-Hamburg port range. As transshipment is the fastest growing sector of the containerport market, this is expected to rise to about 300 million tonnes. Given the very long distances involved, in terms of tonne-kilometres the numbers will be vast even compared with some of the traffic moving via EU core ports at the moment. So, although Northern Maritime Corridor container transshipment markets account for one third of Le Havre-Hamburg range major port traffic, in terms of tonne-kilometres this is probably in excess of 50%. On this basis alone the Northern Maritime Corridor is highly important and clearly merits significant attention.

How will these traffic volumes develop by 2020?

Future traffic volumes will depend on a number of factors. First of all, there is potential for containerisation of cargo to and from Arctic Russia, and this will require more regular container services between the European Union and Arctic Russia and Norway. Secondly, the petroleum exploration in the Atlantic and Barents Sea as well as an expected large increase in oil exportation from Russia via the Barents Sea will imply increases in both upstream and downstream sea transportation. Thirdly, a competitive service to central Russia via North West Russia will shift the cargo flow from the European Union to and from Russia via Baltic Sea and on land transport. Even a small part will imply a considerable increase along the axis through the northern seas. Scapa Flow will in addition have a significant impact given its role as enterport for all peripheral feeder/transshipment markets, and for both global and intra-regional traffic.

Ocean Shipping Consultants data shows that total container transshipment volumes will exceed 300 million tonnes. More or less all the Northern Maritime Corridor regions are feeder/transshipment markets. This traffic mainly related to global cargo. We assume, very conservatively, that intra-regional traffic is the same as global traffic, which would make a Northern Maritime Corridor 'market' size of 600 million tonnes by 2020.

A number of different scenarios exist for the volume of crude oil from the Barents Sea towards 2020. Norwegian authorities have estimated the total volume, if a pipeline from the oil fields in Western Siberia to the coast of the Barents Sea is realised, to be 150 million tonnes per annum in 2015. The destination for 60 million tonnes of the total is the European Union. There is in addition exploitation of Atlantic frontier fields west of Shetland including Faeroe Islands. West of Shetland fields are already operational, and using shuttle tankers to feed terminals at Shetland and Scapa Flow. No

projections on this volume are yet available, but theoretically it could exceed 100 million tonnes per annum.

Are there particularly environmentally sensitive areas that must be taken into account when identifying major axes?

The Barents Sea, the Arctic area is particularly sensitive to pollution from ships and petroleum exploration. The NMC project has been focusing on this matter and had a separate working group addressing risk management strategies. The NMC has provided an arena for Norwegian and Russian governmental bodies to meet and discuss this matter. The NMC has also taken the initiative to establish a separate Interreg IIIB project to pursue risk management issues, the “Safety at Sea Project”.

The BASIS project, as mentioned, will to the extent it succeeds in shifting cargo flow from the Baltic Sea to the Barents Sea, contribute to less traffic moving through the sensitive sea areas of the Danish strait and the Baltic Sea.

The Scapa Flow project will result in less ship steaming time overall and hence will reduce emissions. Diversion of ships and traffic will reduce pressure on existing bottleneck cityports. There is very limited environmental constraint in regard to this project, and certainly far less compared with ongoing strong environmental opposition to megaport developments in the congested core ports (e.g. Southampton, London, Antwerp, Rotterdam/Maasvlakte, Hamburg etc.). Scapa Flow access is direct from the open sea and avoiding heavily congested shipping channels (e.g. English Channel/Dover Strait) or dangerous to navigate in shallow rivers (e.g. Thames/Haven, Westerschelde, Elbe, Weser, Rhine, Seine etc.).

**Which investments and how?**

What kind of improvements (rehabilitation, new construction) to the infrastructure would be needed to remove the bottlenecks?

In the case of the BASIS project, the main improvement required is to establish a modern high capacity container terminal in the Barents region, either in Murmansk, Archangel and/or Kirkenes. For the upstream petroleum transportation new supply bases are required in the area.

In addition, the railway connection from Murmansk and Archangel needs upgrading in order to provide a competitive alternative gateway to central Russia.

The Scapa Flow project involves mainly private finance. This nevertheless creates a problem as all container hubs on the continent are in the main very heavily publicly financed. TEN-T must therefore be used to help enable the Scapa Flow project come to fruition, and in an effort to overcome market distortions caused by ongoing public sector financing of shallow, artificial, and heavily congested cityports in the EU core. In this regard the Scapa Flow project fits very well with TEN-T requirements and guidelines for funding.

What is the time horizon for the realisation of such a project?

The BASIS project should be realised within the coming 10 years in respect to port and terminal facilities. Improving the railway system is likely to be a longer term task.

The Scapa Flow project is expected to be operational before 2010.

What would the economic, environmental and safety benefits of such a project be?

For the BASIS project, the economic benefit will in particular be regional development in the Barents Region. In addition, as the service attracts cargo from the Baltic area and eastern European countries, there will be benefits shifting cargo from road to sea and from reduced traffic through the Baltic Sea. The cargo delays experienced in ports like St. Petersburg will also be avoided.

For the Scapa Flow container transshipment terminal, economic benefits include lower transport costs and faster transit times to market for all the Northern Maritime Corridor areas served. The environmental benefits of Scapa Flow are clear. Zero dredging, reduced movement (of large ships and feeder ships) and hence reduced emissions, plus less pressure on constrained cityports to have to continually expand. In terms of security, an offshore island hub is regarded as very much more secure than a typical congested cityport.

How can the project best be financed? What could be the role for private sector involvement and user charges?

For the BASIS project, the port and terminal facilities are envisaged to be financed mainly by the private sector, but with substantial governmental support. These facilities will require user charges to be paid.

Various global container operators (e.g. NYK, OOCL, MSC etc.) and their feeder operators/subsidiaries now running into the Baltic are interested in exploring new ways to serve the fast expanding Russian market.

Other interested parties include independent medium sized shortsea container lines (e.g. Samskip), plus nvocc operators, traders and cargo interests in general. Existing port and container terminal operators, as well as global terminal operators/investors are expected to be interested in the BASIS proposal, as will the rail intermodal operator in Russia and other entities involved in the transport chain.

The Scapa Flow port authority has selected a private developer to take the project forward and make the necessary investments. However, given the distortions that exist elsewhere in the major ports market, plus the ground-breaking nature of the project, there is expected to be a need for some public sector support. Nevertheless, most of the investments will be made by the private sector, and recovered through user charges. The main users of the Scapa Flow terminal will be the major global container lines, plus leading intra-Europe feeder and short sea carriers.

**How to ensure seamless and efficient use of the axes?**

What are the main technical and administrative bottlenecks on the axes?

For the BASIS project the main bottleneck of realising a seamless and efficient use of the axis through

the northern seas to Russia, is likely to be border crossing, customs arrangements, different traffic management systems etc. in Russia. Also, railway improvement in Russia may pose a delay in gaining the full benefit of the new services.

Considering Scapa Flow, the main problem just now is worsening congestion at EU core major ports and this is neither seamless or efficient. The only way to rectify this is via 'offshore' hub terminals, as envisaged at Scapa Flow, and as has occurred in many other regions around the world, not least southern Europe.

Is safety or security a major concern along an axis?

As mentioned above, the Barents Sea is a vulnerable area. This implies that attention will be paid to the standard of the ships as well as continuous surveillance to detect the development of an accident or pollution at an early stage. Maritime safety is already a high priority with the UK, Norwegian and Russian governments. The Automatic Information System (AIS) will for instance by the end of 2005 be completed along the Norwegian coast.

The island hub of Scapa Flow is expected to strengthen EU security through enhanced compliance with US Customs regulation requirements and in avoiding heavily congested and delicate cityport regions for a large volume of transshipment traffic. Diversion of this part of the containerport business (i.e. existing transshipment flows) will also help to improve safety in the shallow congested seaport areas of the North Sea Basin.

What common market rules should be implemented to facilitate and speed up transport along an axis?

The taxation of road transport is one important means to speed up a shift from road to sea. It is also of great importance to look at the support mechanisms through the Marco Polo programme and the Motorways of the Sea regime in conjunction. Once cargo is placed on a truck in a neighbouring country it is very unlikely that the cargo will shift to sea or rail at the EU border! In regard to Scapa Flow, we anticipate that this project could merit Marco Polo applications covering different feeder services where these services attract traffic, which formerly moved by road.

Which policies or administrative procedures should be better integrated?

As mentioned the Marco Polo and the Motorways of the Sea regime should be well integrated. This goes also for programmes that are including Russia, like the TACIS programme.

What could be the role of the private sector?

In the Northern Maritime Corridor project the involvement of the private sector has been, and is, a fundamental aspect. All the short sea shipping initiatives taken by NMC have been pursued together with the private sector, including shipping companies, transporters, forwarders, major industries and ports. In improving and developing ports, supply bases and container terminals, the private sector should be the main investor. But where there is a need to promote a project of common European interest this may require some form of public sector intervention. Developing a new Northern Maritime Corridor based on major intermodal projects such as BASIS and Scapa Flow to help provide alternative short sea shipping solutions in a market already heavily subsidised (e.g. roads, railways,





and major container) is clearly going to need some form of intervention, though with strong private sector interest already in such initiatives the degree of intervention required is not considered to be significant.

Signposting the Northern Maritime Corridor as a TEN-T priority, and helping to develop NMC initiatives will improve EU competitiveness and integration, cohesion, sustainability, enlargement, and access to neighbouring countries.

Yours sincerely,

Eirik Fiva  
Chair IMG  
NMC Northern Periphery

Gunnar Eiterjord  
Chair IMG  
NMC North Sea

Northern Maritime Corridor  
Landselsutvalget /  
Executive Committee for  
Northern Norway  
Sjøgata 3  
N-8002 Bodø, Norway

T +47 75 50 34 20  
F +47 75 52 67 25