Search for an Alternative to the Suez Canal is becoming Increasingly Relevant

On May 28, the administration of the Suez Canal once again had to take emergency measures to unblock this highly congested global transportation artery. The 353-meter-long container ship Maersk Emerald ran aground due to engine problems. And although, as stated on the Facebook page of the Suez Canal Authority, they “promptly dealt with a sudden problem of one of the ships crossing the canal” with the help of four towboats, its overload and the objective threat of another accident once again raises the question of finding an alternative to this route.

One of the largest logistics companies on the planet A.P. Moller-Maersk Group from Denmark (headquarters in Copenhagen), specializing in container shipping, clearly was not pleased with the March episode of the container ship Ever Given (of Evergreen Line) in the Suez Canal and opted to be on the safe side and secure a backup solution. As a result, the company has taken the path of increasing its cargo traffic through Russia, having already sent containers with various products from Asia to Europe via a new route that bypasses the Suez Canal. Thus, containers from Asia will be delivered by sea to the port of Vostochny (Primorsky Krai), to be then transported by Russian railroads to the port of Novorossiysk (Krasnodar Krai), where they will be shipped to the Eastern Mediterranean Sea. This new transcontinental business, the Danes admit, promises a clear profit thanks to cutting travel time in half, so it is assumed that such transports will be scheduled on a weekly basis. On May 25, the Far Eastern Customs Directorate posted on its website that the first 247 containers of A.P. Moller-Maersk Group with automobile parts and polypropylene, expected to reach customers in Turkey, have already been processed by Nakhodka Customs. Delivery time by rail between Russian ports is 12 days. The total transit time from the port of departure to the port of arrival is 25-30 days, while the traditional sea route through the Suez Canal takes 40-45 days. In 2019, the above-mentioned Danish company launched a similar route between the Russian ports of Vostochny and St. Petersburg,
transporting 1,986 containers through it since the beginning of 2021 alone.

In addition to the use of Russian railroads as one of the alternatives to the Suez Canal, the Northern Sea Route (NSR) has recently been increasingly mentioned. This was announced by the Minister for the Development of the Far East and Arctic Alexei Chekunkov at a meeting of the board of the Ministry on May 28. According to the official, a number of Asian countries are already considering the Northern Sea Route as a replacement for the currently overloaded transport maritime arteries. He also stressed that the Northern Sea Route has several significant advantages over the Suez Canal, being, in particular, 40% shorter and seven days faster by open water. At the end of May the Ministry of Industry and Trade of Russia offered to transport oil and gas along the Northern Sea Route by Russian-built ships that would be able to carry coal and hydrocarbons, as well as to engage in coast navigation, icebreaking and pilotage.

The volume of cargo shipments along the Northern Sea Route has increased 5.5 times in the last five years. In 2021, it has already amounted to 33 million tons. This was reported by the Presidential Envoy to the Far Eastern Federal District Yuri Trutnev at a meeting on the development of infrastructure of the Northern Sea Route. According to the forecast of the Ministry of Foreign Economic Development, by 2024 the transportation of goods in the NSR should grow to 80 million tons from 20.2 million, and in 2035, they will amount to at least 160 million tons. Russian authorities suggested that the NSR should be considered as an alternative to the route through the Red Sea on the way from Asia to Europe. Movement along the Northern Sea Route will become year-round thanks to the icebreaker fleet currently constructed by Russia. This was announced by Russian President Vladimir Putin at a meeting of the Board of Trustees of the Russian Geographical Society on April 14. Earlier, the Russian president called to make the Northern Sea Route “a global, competitive transport artery”.

Unfortunately, one of the current deterrents to the active use of the Northern Sea Route is the lack of a network of ports with rail infrastructure inside Russia. Although today communication is generally established in the north, in case of illness of a participant in the transport passage by NSR, doctors must be dispatched by plane as soon as possible, not to mention any other urgent services. Therefore, the flow of cargo along the Northern Sea Route will increase as the infrastructure develops.

And in this regard, the recent construction of the largest Arctic port in the world in Russia is rather noteworthy. The harbor was named The North Bay and is located on the Taimyr Peninsula, the northernmost continental part of Eurasia. This large-scale project is being implemented by Rosneft. It will be built in three stages, and the cargo turnover of the harbor will increase as the 15 hydrocarbon field towns are built. Commissioning of the first stage is expected in 2024, which will allow the transshipment of up to 30 million tons of oil. Completion of the next two stages will increase the harbor’s cargo turnover to 115 million tons per year. As a result, the North Bay should become one of the largest specialized oil ports in the world.

The construction of this port is necessary for the further development of Vostok Oil, the largest investment project in which the Russian oil company Rosneft is starting to develop the richest in reserves fields located in the Arctic zone. At the moment ships with the necessary equipment, machinery, as well as modular structures for the construction of shift camps have already arrived at the Taimyr. In total, during the construction of facilities in scope of the Vostok Oil project, it is planned to involve more than 400,000 construction workers.

In assessing the advantages and competitiveness of the Northern Sea Route, it is certainly necessary to take into account that the Arctic Ocean is deep water, while the coastline is not. If there is a need to refuel a large ship, one cannot possibly bring it into the bay, which means that outboard piers must be put in place. Of course, Russia already has a large and well-equipped icebreaker fleet, and new icebreakers are expected to arrive in the near future. It is a strenuous and expensive operation, and someone has to pay for it, and it has to be supported by cargo traffic so that the fleet is profitable.

So in conclusion, the NSR, as an alternative transport route, should be more actively pursued. That said, one should not expect the NSR to infringe on anyone’s commercial interests, in particular those of Egypt. It is there for another reason entirely: to provide backup routes in case of various collapses and external circumstances.

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