

Statistics Norway  
ECONOR – The economy of the North

The first phase of the ECONOR project was finished by the end of 2006 (Econor I), and a second phase for 2007/2008 is currently running (Econor II). Below we present some main results and contemplate on the material presented in the first project report - “The economy of the North”.

- The Economy of the North gives a first comprehensive overview of the circumpolar economy and its natural resource base. Economic indicators include gross regional product (corresponding to GDP at national level), GDP per capita by 28 regions and breakdown of GDP by 17 industries to highlight the structure of each regional economy. For each region there is an overview of value added by extractive industries, manufacturing and service industries – and by nature based versus other industries.
- The Arctic is rich – on average. The circumpolar Arctic has 0.16 percent of global population, and 0.44 percent of global GDP. GDP per capita in the Arctic is close to the double that of Saudi Arabia. Only 8 out of 28 arctic regions have a GDP per capita below that of Saudi Arabia. The value added from petroleum and mineral mining in the Arctic is a major factor behind this situation. However, the arctic GDP does not reflect the income level of the arctic population, as revenues from huge resource industries go to external capital owners.
- The Arctic is a major supplier of petroleum to the world market. About 10 percent of global petroleum production and 25 percent of global gas production takes place in the Arctic. Russia is the dominant supplier of both oil and gas. Estimates of petroleum reserves in the Arctic indicate that the region can continue to play this role in the future global petroleum market.
- GDP per capita is highest in the Northwest Territories in Canada due to low population density and high revenues in the diamond industry. The three next on the ranking list are Yamalo-Nenets, Alaska and Khanty-Mansi, all mainly based on petroleum production and topping the list according to GDP by region.
- The Arctic share with Saudi Arabia the fortune of rich mineral reserves, and the large areas of infertile soil under a harsh climate. However, in addition the Arctic is rich in water and biological resources: hydropower potential, geothermal energy, fish and forests. Overall, the Arctic has an abundance of increasingly valuable resources in terms of food and carbon-neutral energy. The annual fish harvest is about 10 percent of global fish harvest – and 8 percent of global forest volume is found in the Arctic region.
- The indigenous people of the Arctic participate in the market economy in addition to harvest and produce for their own household consumption. 40-60 percent of fish and meat consumed by households in Greenland, Chukotka and

Alaska are harvested by household members. In Greenland, informal hunting activities contributed 1.3 percent to GDP in 2001.

- In Iceland and arctic regions of Finland, Sweden and Norway extractive industries contribute only 5-10 percent to regional GDP. Finland and Iceland have the highest shares of value added from manufacturing. The mineral based American Arctic and fishing based Faroe Islands and Greenland have considerable shares of value added from their extractive industries. Finland has the highest share of manufacturing industries.
- Nature based industries generate about 50 per cent of arctic Russia's GDP. After Russia, Faroe Islands and Greenland are the most nature based economies. The economy of Alaska is the least diversified. Arctic Russia shares the heavy reliance on energy production with Alaska.
- Climate change will be larger in the Arctic than in most other regions. Global warming is expected to have a variety of impacts on most industries. ECONOR I provides an overview of how industries might be affected.
- The overview of the Arctic economies in terms of scale, composition and structure may help decision makers to better see the position of various stakeholders – the large commercial interests, local and central governments, the indigenous people and the citizens of the Arctic as a whole.
- Economic statistics of the circumpolar Arctic still has white spots, and a close and regular cooperation between arctic statistical bureaus is necessary to improve and broaden the scope. ArcticStat and SLiCA projects provide significant support for further work. Among the challenges for better assessment of income on a circumpolar basis is the need to establish regional arctic price indices.

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ECONOR II will proceed by approaching the following issues:

- Econor I had an emphasis on the supply side of the economy and mainly gave a snapshot of year 2002, *Econor II* will build time series and introduce welfare indicators (consumption, disposable income).
- Econor I provided natural resource data in physical terms. *Econor II* will assess natural resources in value terms, mainly petroleum and fish. Further, *Econor II* will decompose resource value into compensation to labour, capital and resource rent.
- *Econor II* will proceed further to clarify the incentives of arctic people relying on a mixture of market participation and subsistence production. This information will be valuable for use in welfare assessments and when assessing the impact of climate change.

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- In a longer perspective, the roles of *the Arctic in the global economy and in the changing global climate* are seen as core issues. Besides climate change there are

future climate policies that might affect the markets for petroleum and minerals. This is of particular relevance to the Arctic, because extraction costs are higher in the Arctic. Further, the economy in other parts of the world affects the environment in the Arctic, for instance coal use in Asia.

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- *Arctic environmental accounts* could be useful by linking the arctic generated pollution to the economic activities that generate them.
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- The climate change will increasingly affect the Arctic economy – the region could benefit from developing *climate feedback accounts* – that is linking the climate effects to the productivity industry by industry according to statistical definitions to trace the economic consequences at large.