

# Changing seas (literally) - Arctic melt sparks regulatory and insurable loss concerns

27 July 2023  Tim Johnson

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[A new study by climate scientists](#) illustrates that by 2065 the Arctic melt could yield new trade routes in international waters. Whilst such melting of Arctic ice may encourage shortcuts resulting in a **24% reduction of the shipping industry's carbon footprint** (too little; too late perhaps), [Swiss Re's latest horizon scanning report](#) also highlights the potential increased risk of geopolitical tensions. [How does Chilean freight crime affect insurers?](#)

Patrick Raaflaub, Swiss Re's Group Chief Risk Officer commented:

*'The concurrent increases in economic interests, environmental change and geopolitical tensions make the Arctic a hotbed for emerging risks and potential risk accumulation.'*

In brief, since 1982, [United Nations Convention on the Law of the Sea](#) has given Arctic coastal states enhanced authority over shipping routes. Article 234 of the Convention authorises, *'the prevention, reduction and control of marine pollution from vessels'*.

Therefore, countries whose coastlines border Arctic shipping routes are currently able to regulate this route's maritime traffic. However, this right only applies so long as the area remains ice-covered for most of the year. As such, the predicted Arctic melt may encourage increased conflict and geo-political tensions between countries and shipping businesses.

## Considerations for insurers

Climate change creates regulatory uncertainty for insurers as we await upcoming international agreements to mitigate exposure to conflicts. Considering the negotiation of the previous Convention on the Law of the Sea took ten years, insurers may be waiting some time before any further clarity is received!

Nevertheless, marine insurers in particular will want to keep a close eye on developments.

For further news and views relating to ESG issues, please visit our [ESG in 3D publication](#).

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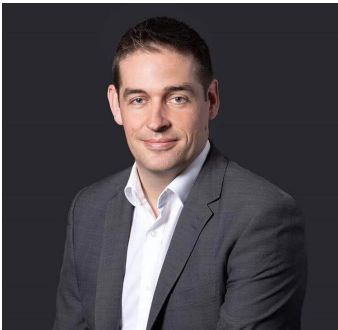
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