



MINISTRY OF FOREIGN AFFAIRS
AND EDUCATION, RESEARCH AND CULTURE

An updated EU Arctic Policy – increased focus on partnerships and implementation

The Government of the Faroe Islands welcomes the opportunity to provide input to the update of EU's Arctic Policy. The joint comments soon to be submitted by the Kingdom of Denmark cover the broader perspectives of Denmark, the Faroe Islands and Greenland regarding the future priorities of the updated EU Arctic Policy. This document presents more specific perspectives of the Government of the Faroe Islands with regard to bilateral relations with the EU and their relevance for EU's engagement in the Arctic.

The Faroe Islands appreciate the EU's initiative to update its Arctic Policy from 2016. This process provides an excellent opportunity to increase awareness about the Arctic region in the EU, to draw attention to the EU's engagement in the Arctic and to assess the effectiveness of the EU's Arctic policies so far.

The Faroe Islands strongly concur with the balance achieved in the current Arctic Policy between sustainable development and environmental protection. These are not opposing goals but should be regarded as mutually supportive. This balance should remain as the focal point in the updated Policy.

The Arctic countries have the primary responsibility for ensuring that the Arctic remains a zone of peace, prosperity and constructive international cooperation. With its three Arctic member states, two non-EU EEA Arctic states, having some of its closest neighbours in the Arctic region and being the world's largest economy, with a total population of some 440 million people, the EU has an important role to play in contributing to a stable and balanced development of the region.

This is already proven by the EU's actions in a range of key areas such as research in climate change, investments in SME's and active participation in the Arctic Council. It is further encouraging to see that the new Commission has placed the Arctic even higher on its agenda. The appointment of an EU Arctic envoy and the establishment of the Arctic Friendship Group in the Parliament are also important steps towards a more focused engagement in the Arctic

The European Arctic, both within and outside the EU, is a thriving region with a great deal of potential which the EU can help to promote. This should first and foremost be done by:

- Developing strong partnerships and bilateral relations with the countries and stakeholders in the region.
- Mainstreaming Arctic issues into all relevant priorities, programmes, funds, multilateral and bilateral relations.
- Maintaining active participation in the Arctic Council and international processes relevant to the Arctic, such as negotiations to prevent climate change and pollution and encouraging ratification and implementation of relevant instruments globally.

In order to ensure that the engagement of the EU continues to support long-term sustainable development in the region, it is imperative that decisions on Arctic matters in the EU are based on dialogue and cooperation with governments and stakeholders in the Arctic.

The Faroes participated actively in the EU Arctic Stakeholder Forum in 2016 and 2017. The report from the process provides a range of recommendations which are still relevant for the current update of the Arctic policy. The Faroes would be pleased to continue participating in a similar forum when the new Policy has been adopted.

The success of the updated Arctic Policy lies with a focused and structured implementation. For the actors in the region it would be very helpful if a single-entry portal covering all the Arctic initiatives and activities across the EU institutions was developed. This would provide stakeholders with an overview of ongoing actions and facilitate broader participation. Further in the implementation process it would also be useful if there was a collective reporting mechanism of the EU's engagement in the Arctic.

When formulating the updated Policy and preparing the implementation strategy it is important to have in mind the specific challenges and circumstances in the Arctic region, with its sparse populations and relatively small administrative entities. When developing partnerships and cooperation it is therefore important to ensure clear-cut and transparent procedures and processes with a strong focus on micro solutions.

The Faroe Islands – a European Arctic neighbour

Strategically located where the North Atlantic meets the Arctic, the Faroe Islands lie at the centre of one of the world's most productive and sustainably managed fisheries regions. The Faroe Islands governs a maritime area of 274,000 km², with a continental shelf area of 301,000 km².

The Faroe Islands are a self-governing nation within the Danish Realm. The Faroe Islands have exclusive competence to legislate and govern independently in a wide range of areas. These include for example the conservation and management of living marine resources, protection of the environment, sub-surface resources, trade, taxation, industrial relations, energy, transport, communications, social security, culture, education and research.

Faroese autonomy in foreign relations is provided for by a treaty between the Faroe Islands and Denmark. The Foreign Policy Act gives full powers to the Government of the Faroes to negotiate and conclude agreements under international law on behalf of the Kingdom of Denmark where such agreements relate solely to matters which have been fully transferred to the Faroese Government.

The highly productive marine ecosystem in the region and a well-educated population has made it possible for the Faroe Islanders to develop a dynamic and prosperous society with a work force which is one of the most active in Europe, one of the worlds' highest GDP's per capita and at the same time one of the most equal societies in the world in terms of income. During the last decade this positive development has resulted in a high population growth with more citizens returning to the Faroe Islands and fewer young people moving abroad.

As a nation in the Arctic, the Faroe Islands give high priority to active participation in all relevant aspects of circumpolar cooperation. The Faroe Islands have participated in the Arctic Council together with Greenland and Denmark since its establishment in 1996, as well as in the scientific and environmental work under the former AEPS (Arctic Environmental Protection Strategy).

Faroese representatives are active all of the Arctic Council workings groups except ACAP and Faroese researchers have contributed to a wide range of Arctic Council monitoring and assessment reports, such as on climate change, human health, pollution, gender equality and living conditions. In addition, the Faroe Islands take part in the cooperation on Arctic affairs within the Nordic Council of Ministers as well as in the Northern Periphery and the Arctic Programme which is highly valued in the Faroe Islands.

In order to best adapt to the changes happening in the region and to make the most of the new opportunities, the Faroese Government has circumpolar affairs high on the agenda. The Faroe Islands are contributing to the process of updating the Arctic Strategy of the Kingdom of Denmark. In addition, the Faroe Islands are evaluating the Faroese Governments' Arctic strategic assessment from 2013 with a view to further elaborating Faroese priorities in our region, both nationally and internationally.

An important element in the strategic work is to advance strong economic and cultural partnerships across the circumpolar region including with other countries in Europe and the European Union.

The Faroe Islands and the European Union – a close and dynamic partnership

Located in the Arctic region, the Faroe Islands are one of the European Union's closest neighbours in Northern Europe. The Faroe Islands are a part of Europe not only geographically but also due to shared European history, linguistic and cultural heritage and common European values of freedom, democracy, respect for human rights and the rule of law.

Formal relations between the Faroe Islands and the EU today are defined first and foremost by three separate but equally important agreements on trade, fisheries and research cooperation. Although improvements are needed, particularly in the trade agreement, the cooperation under these agreements functions well.

The bilateral agreements are, however, sectoral in nature. There is no cross-cutting political framework for dialogue and coordination between the Faroe Islands and the EU on existing and new areas of cooperation. Unlike our closest neighbours in the European Arctic region, Iceland and Norway, the Faroe Islands are not a part of the EEA Agreement, nor do we have the status of Overseas Countries and Territories, as Greenland. In addition, there is no EU delegation in the Faroe Islands and no dedicated delegation in the European Parliament covering bilateral relations with the Faroe Islands.

As a result of this, the level of awareness and knowledge about the Faroes in the EU system is limited. This makes for a fragmented relationship that is difficult to develop and broaden.

Successive governments in the Faroe Islands have become increasingly aware of the need to further strengthen and modernise bilateral relations with the EU in a way that can better provide for a closer and more dynamic partnership for the mutual benefit of both parties.

In July 2020, the Prime Minister of the Faroe Islands, Bárður á Steig Nielsen, proposed in a letter to the Commission President, Ursula von der Leyen, to establish a dialogue to enhance bilateral cooperation. It was suggested that a first step could be to develop a cross-cutting political partnership for cooperation on existing and emerging areas, such as education, culture, energy and digitalisation. Other important elements would be to establish a regular high-level dialogue and to make sure that the Faroe Islands can be associated to all relevant EU Programmes and be eligible for relevant calls that are open to other non-EU European countries.

The prospect of developing, in the short term, a new framework for a dynamic and forward-looking relationship has been strengthened by the positive response from the Commission President, who acknowledges the Faroe Islands as a strategic partner with regard to the EU's Arctic policy and underlines her support for further enhancing the bilateral cooperation on a mutually beneficial basis.

Encouraged by this promising response and the high priority given by the EU to increasing its engagement in the Arctic, developing strong relations with its neighbours and taking into account the situation of small countries in Europe, the Government of the Faroes is looking forward to advancing bilateral relations with the EU.

The update of the EU Arctic policy is an excellent opportunity to take stock of whether the priorities required to contribute to sustainable development in the Arctic are fully covered. Some areas which would be relevant to include or strengthen in the updated Arctic Policy and where the Faroe Islands can offer valuable insight and expertise include demographical challenges, healthcare in remote areas and sustainable tourism. With future Faroese/EU collaboration in mind, other proposed areas for more active EU engagement in the Arctic are outlined below.

Sustainable Blue Growth

Oceans, coastal areas and marine-based activities are vital for our societies and the future of our planet. In its Blue Growth Strategy, the EU underlines its goal to support sustainable growth in the marine and maritime sectors in the European Union. Since a large part of the Arctic is covered by ocean and marine resources are a crucial part of the economies in the region, the EU's visions for sustainable Blue Growth should also be a prevalent theme through the updated Arctic Policy.

An important element in developing sustainable Blue Growth is by strengthening collaboration to develop maritime industries and ensure appropriate shipping regulations, SAR collaboration and marine environmental protection.

Another integral part of developing the blue bio-economy is to encourage innovation and development of value-added and niche products from the ocean, thereby making best use of the resources and creating new and diversified job opportunities in the marine sector.

In the Faroe Islands seafood products from both capture fisheries and aquaculture account for about 95% of the total value of Faroese exported goods. In addition, there is a promising algae aquaculture industry. Per capita, the Faroe Islands are by far the largest producer of seafood in the world.

Ensuring the sustainable utilisation of these resources requires sound science and effective international cooperation on the conservation and management of shared stocks. The Faroe Islands participate actively in all relevant Regional Fisheries Management Organisations and Instruments. The European Union remains a close partner in these processes.

Free access to markets and the removal of tariffs and non-tariff barriers on seafood are essential in underpinning sustainable fisheries and aquaculture, contributing to Blue Growth and ensuring a stable supply of quality protein for the benefit of global food security.

The EU remains the largest and most important market for Faroese exports. The majority of goods imported to the Faroes originate from the EU, with a total value of almost 1 billion Euros.

The current Agreement on Trade between the EU and the Faroe Islands is from 1997. The Agreement provides for tariff free trade in all goods with some significant exceptions for seafood exports from the Faroe Islands.

Very few processed, value-added seafood products from the Faroes have tariff free access to the EU market. The addition of any new product lines must be negotiated on a case-by-case basis. If an agreement is reached this proves to be a very lengthy process. This is an obstacle for innovation, entrepreneurship and creation of jobs in the Faroes.

In contrast, the EU has tariff free access to the Faroese market for all its goods, including all food products. The only exceptions are sheep meat, to which a small tariff-free quota applies, and fresh dairy products like milk and cream.

The current asymmetry in the Trade Agreement with the EU results in a balance of trade that is considerably in favour of the EU. The Faroe Islands are therefore seeking improved market access for value-added seafood products and full liberalisation of trade in all seafood products.

In a few years there will be no tariffs on seafood from a range of third countries outside of Europe through the EU's new generation of Free Trade Agreements. At the same time, few improvements have been made in access for seafood products from the EU's European Arctic partners. These are sustainably produced and healthy sources of food from a short distance imported from some of the EU's closest partners.

The Government of the Faroes therefore encourages the EU to include Blue Growth, trade policy and improved access for seafood products from the European Arctic in the update of the EU Arctic Policy.

Research and innovation

Among the mainstays of the EU's engagement in the Arctic is the Framework Programme for Research and Innovation, which is among the EU's most important tools to foster knowledge and development in the Arctic.

The Faroe Islands have participated as an associated country to the European research cooperation since becoming a part of the EU's Seventh Framework Programme in 2010.

Faroese association to the EU's Research and Innovation Programme gives researchers, research institutes and enterprises in the Faroe Islands full access to European funding and collaborative activities for research and innovation on an equal footing with EU Member States and other countries that are also associated to Horizon 2020.

Faroese researchers are active in projects examining climate change, the ocean and marine resources, energy and IT, as well as social and demographic trends and health issues, all with direct relevance for enhancing our common understanding of the Arctic region. Some of these projects are: EduArctic, ArcticHubs, ARCSAR, INTERACT, ClimeFish, PrimeFish, Blue-Action and AtlantOS.

The Faroe Marine Research Institute is also a part of EUROFLEETS+ which will give access for EU researchers to use the facilities of the new Faroese state-of-the art research vessel *Jákup Sverri*.

Another cooperation which has proven to be highly successful is a collaboration between the Faroese bank BankNordik and the European Investment Fund (EIF) under the "InnovFin SME Guarantee Facility". The guarantee agreement allows BankNordik to issue new loans for in total DKK 450 million under more favorable

conditions to local SMEs in the Faroe Islands and Greenland. This project is an excellent example of how the EU can make a difference in contributing to a diversification of the economies in the High North.

The Government of the Faroes encourages the EU to prioritize research and innovation in the Arctic even further and make sure that institutions from partner countries like the Faroe Islands can participate in all relevant calls that are open for third country participation.

Youth, Education and Culture

In order to have resilient and healthy societies in the Arctic it is fundamental to ensure thriving conditions for the young people living in the region with diverse and high quality access to education and cultural life.

While the Faroe Islands are an associated member of UNESCO, they are the only country in the European Arctic which is not a part of the EU Framework Programmes on Education and Culture.

The University in the Faroe Islands and other educational institutions have a strong interest in joining Erasmus+. This would also be an important element in strengthening and broadening the Faroese participation in Horizon Europe.

There is a rich cultural scene within all genres in the Faroe Islands. There is also a developing film industry. There is a strong interest in joining Creative Europe in the creative sector, where the Faroe Islands would bring valuable contributions to European cultural cooperation with our unique Nordic cultural traditions.

The Government of the Faroe Islands has therefore decided to seek associated membership in Erasmus+ and Creative Europe. This would give students and artists from Europe the opportunity to cooperate with partners from the Faroe Islands and would be a very efficient way to raise awareness about the way of life in this part of the High North.

The Government of the Faroes encourages the EU to prioritize youth, education and culture in the updated Policy and to ensure that it will be possible for Faroese students, institutions and artists to take part and contribute to the European programmes on education and culture.

Digitalisation

Living in remote and sparsely populated areas in the 21st century, digitalisation and connectivity are vital for developing modern and efficient societies.

The advanced telecommunications network in the Faroe Islands matches or exceeds in coverage and internet speed anything available in metropolitan areas across the world. High-speed internet connections extend across the entire country even to the most remote islands, and vessels have mobile coverage up to 70 nautical miles offshore. Digital services from the Faroe Islands are providing global offshore companies in the North Atlantic and the North Sea with high-speed internet. This high level of service can provide a model for other small-scale communities facing the challenge of comparative remoteness.

The Government of the Faroes has recently launched an ambitious National Digitalisation Programme. The programme facilitates online access to public and private services. The flagship Digital ID facilitates the access of individuals to their digital services and data. The eID is developed in accordance with the eIDAS Regulation to make sure it can also be used across borders. Based on the provisions in the eIDAS Regulation the Faroe Islands are seeking a bilateral agreement with the EU on mutual recognition of electronic identity.

The Government of the Faroes encourages the EU enhance the focus on digitalisation and connectivity in the updated EU Arctic Policy.

Green Transition

The Faroe Islands welcome the ambitious agenda of the European Green Deal. The EU's objective to substantially limit greenhouse emissions, as well as taking the lead in global negotiations, is of utmost importance for the Arctic region.

The impacts of climate change happening in the High North are not only caused by pollution originating from the region but do indeed expose the negative environmental effects of global emissions. Nevertheless, all countries in the region are taking responsibility and making great efforts to limit emissions in the region. Ensuring an economically sound transition to renewable energy will contribute to limiting global emissions and generate more sustainable economies which are less dependent on large imports of fossil fuels.

The Faroe Islands are committed to setting ambitious targets for the reduction of greenhouse gases and to meet its obligations in the Paris agreement. There is no shortage of renewable energy in the Faroe Islands, due to an abundance of strong wind most of the year and the consistent ocean currents and tides of the Northeast Atlantic.

With an existing network of hydropower from mountain streams and lakes, converting other sources of natural power into affordable green energy is a top priority. The proportion of green energy on the national grid is growing, with more wind turbines installed in recent and coming years, soon providing around 50% of the total electricity production. The aim of the Faroese Government is that 100% of electricity production should be from renewable sources in 2030.

Numerous projects are ongoing and planned, such as solar power, biogas production, power to X and offshore wind energy. One of the most recent innovative projects with promising prospects involves tidal energy and is supported by Horizon2020. It is a collaboration between the Swedish company Minesto and the Faroese electricity supplier SEV.

Pioneering projects such as these show that the Faroe Islands can provide an ideal environment for "small-but-full-scale" testing of new ideas and technologies before they are scaled up for larger markets.

These are often costly projects which require numerous partners. The particular challenge of reducing emissions from vessels in the fisheries and shipping sectors is another area which requires international collaboration and investment in innovative green technology. An increase in marine traffic in the North will most likely add to the adverse impacts of climate change already happening in the Arctic unless the challenges are addressed timely and adequately.

The Government of the Faroe Islands encourages the EU to promote approaches relevant to islands and small and remote communities across the Arctic and to direct programmes, funds and investments to support the green transition for the mutual benefit of the countries in the High North and the EU.