

The Arctic Express



China has opened the first regular container service through the Arctic, cutting the journey to Europe from around 40 days to 20. But turning the Northern Sea Route into a genuine rival to the Suez Canal will require more than melting icebergs and geopolitical disruption.

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Introduction

For decades, the Northern Sea Route was more of a strategic ambition than a commercial alternative. Extreme weather, unpredictable ice conditions and high operating costs kept Arctic shipping largely confined to specialised vessels and experimental voyages. That is beginning to change. China has launched the first regular container service between Asia and Europe through the Arctic, while South Korea inaugurated a competing route. At the same time, retreating sea ice is extending the summer navigation season, while disruption in the Middle East has made traditional shipping routes through Suez and the Strait of Hormuz longer, more expensive and less predictable. Yet the Arctic remains a difficult commercial proposition, constrained by Russian control, environmental risks, limited infrastructure and high insurance costs. The question is therefore not whether the route is becoming more accessible, but whether it can become economically viable at scale.

Private equity moves up the value chain

One of the most significant recent developments is the launch of the first regular container shipping service through the Arctic's Northern Sea Route (NSR), the maritime corridor running through the Bering Strait and along Russia's northern coastline. Chinese carrier, Sea Legend, has branded the route the "Ice Silk Road." Its vessel, Dubai Tower, sailed from Ningbo on China's east coast towards Felixstowe, UK, covering roughly 5,600 kilometres through Arctic waters. The journey takes around 20 days, compared with roughly 40 days via Suez. Sea Legend tested the concept in 2025 with a single voyage. It has since licensed seven vessels for a 2026 season of scheduled sailings, formally named the China-Europe Arctic Express. Container transits along the Northern Sea Route (NSR) reached a record 23 in 2025, according to the Financial Times, up sharply from the previous year. Tracking sources, however, differ on the exact total, reflecting the lack of standardised Arctic shipping statistics. Experts say the route is ideal for temperature-sensitive cargo, including electric vehicles, lithium batteries and solar products, all areas where China has become a dominant global exporter.

South Korea is also entering the Arctic. PanStar Group has launched a pilot service linking Busan with Rotterdam, Hamburg and Gdansk. It is the first such voyage by a Korean operator, with Seoul's government backing research to promote the route as a more compliant, Western-standard alternative to the Chinese service. The first carrier departed on 22 August and is set to arrive in Hamburg by 12 September, reducing the usual average delivery time from 43 days to 24 days. The rapid entry of two Asian carriers in a single season signals the NSR's shift from experimental to commercially contested. Yet, Maersk and MSC, the world's two largest container lines, continue to avoid the route, citing unpredictability, limited realised savings, and discomfort operating within Russia's discretionary permitting regime. This split between Asian carriers, with partial state backing, willingness to experiment, and European majors choosing to abstain is the clearest signal that the route is maturing from curiosity toward genuine competition, but not yet toward mainstream viability.

Two forces have converged to make the route commercially arguable for the first time. The first is climate. Retreating Arctic ice is extending the summer navigation season and reducing the need for specialised ships designed to clear a path through sea ice. Less ice can therefore reduce both sailing constraints and some of the additional costs associated with Arctic travel. The second is geopolitics. Houthi attacks in the Red Sea since 2023 have forced many ships to avoid Suez and sail around the Cape of Good Hope instead. That diversion adds considerable distance, time and fuel consumption. The US-Iran conflict has also disrupted traffic through the Strait of Hormuz. Hormuz traffic has fallen sharply from pre-war levels, and higher energy prices make distance even more important.

Brent crude, which briefly spiked to \$120 a barrel during the sharpest phase of the conflict in early spring, has remained elevated ever since. By mid-August it stood roughly 25% above pre-war levels. The International Energy Agency expects global oil supply to remain below near-normal levels until early 2027. That feeds directly into bunker fuel, the fuel used by commercial ships. When bunker fuel is expensive, every additional day at sea costs more. A route capable of cutting the Asia-Europe journey roughly in half therefore becomes far more valuable than it would be in a low-energy-price environment. The final calculation still needs to include Arctic-specific costs such as icebreaker assistance, Russian transit fees, and higher insurance premiums.



Source: Syz Bank

A new geopolitical battleground

Russia has been broadly supportive of China's growing presence in the Arctic. Since the NSR follows Russia's northern coastline, Moscow retains considerable influence over transit permissions and fees. Rosatom, Russia's state-owned nuclear energy group, oversees development of the route and administers large parts of its operations. That gives Moscow another source of leverage as sanctions continue to pressure its traditional export channels. Moscow has also dispatched oil tanker convoys as far north as 81.5°N, in what has been described as an unprecedented Arctic operation. While separate from the container-shipping story, it points to the same broader objective: diversifying export routes away from Black Sea and Baltic terminals exposed to Ukrainian attacks.

China, meanwhile, appears to be taking a longer-term strategic approach. Its Polar Silk Road framework, in place since 2018, has involved committing capital before commercial demand was firmly established. For Beijing, the route offers two strategic advantages. First, it reduces dependence on the Malacca Strait, the narrow maritime passage connecting the Indian and Pacific Oceans through which a large share of Chinese trade and energy imports currently flows. Second, deeper Arctic cooperation strengthens China's access to Russian oil, gas, and other natural resources.

The United States is responding as well. Under President Trump, Washington has pushed for more icebreakers, greater development of Alaskan resources, and stronger influence over Greenland. The push has been explicitly presented as a response to growing Russian and Chinese ambitions.

The Arctic is consequently developing into a three-way strategic contest between the US, Russia and China. Some analysts compare the dynamic with the South China Sea: commercial routes, access to resources, military positioning and national influence are increasingly intertwined. That competition could drive major government spending even before Arctic shipping becomes commercially significant. Icebreakers, ports, satellites, navigation systems and defence infrastructure can all attract investment for strategic reasons alone.

In that sense, governments may build the Arctic before private-sector economics fully justify it. Yet growing state interest does not remove the physical and environmental constraints that make the region one of the world's most challenging shipping environments in the world.

Risks and environmental implications

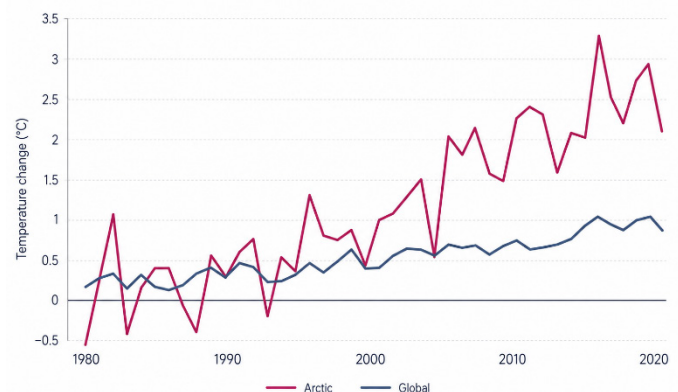
Structural vulnerability is becoming increasingly apparent. A Chinese-led scientific study has warned that thawing Siberian permafrost threatens the ports, pipelines, and mining infrastructure on which the Arctic ambitions of all three powers depend. As the ground becomes less stable and methane emissions rise, existing facilities face greater physical risks.

Yet the same warming trend is making surrounding waters easier to navigate, an important paradox, given that both developments originate from the same process. The Arctic Council estimates that the region is warming around 3 times faster than the global average. Peer-reviewed research suggests that almost 70% of pan-Arctic infrastructure could be located in areas facing high thaw risk by 2050. In Russia alone, the resulting maintenance costs for the road network are projected to reach billions of dollars.

Environmental groups also warn that rising Arctic shipping activity could produce a self-reinforcing cycle. Ships using heavy fuel oil release black carbon, which settles on snow and ice, lowers their reflectivity and accelerates melting. As the ice retreats, more Arctic waters become accessible to shipping, potentially encouraging further traffic and emissions. Although the IMO introduced a heavy fuel oil ban in 2024, advocacy groups argue that significant loopholes limit its effectiveness. A later resolution encouraging the use of cleaner distillate fuels remains voluntary rather than mandatory. Its practical impact therefore depends largely on whether shipping companies are prepared to accept the additional cost without being legally required to do so.

Arctic Warming Outpaces the Global Trend

Temperature change in degrees Celsius, compared to the 1951-1980 average



Sources: NASA, Rantanen et al., *Communications Earth & Environment*, 2022

For investors, however, the scale of Arctic shipping remains the key limitation. Scheduled voyages can still be counted in handfuls, while the global container fleet is measured in tens of thousands of vessels. The direct commercial impact on global freight economics therefore remains immaterial at current volumes. Arctic crude flows are nonetheless worth monitoring. Russia's wider crude-export position remains under pressure, with four-week average shipments declining to 3.58 million barrels per day through 16 August, their lowest level since late April, as repeated Ukrainian drone attacks forced Black Sea loading terminals to shut. This gives Moscow additional incentive to expand Arctic export capacity, even as the resulting economic pressure reduces the fiscal resources available to finance that expansion. Although still modest, Arctic crude flows could provide a growing offset to Russia's Black Sea export losses, potentially affecting both the discount applied to Russian crude and the effectiveness of Western sanctions over the medium term.

Insurers exposed to Arctic shipping and infrastructure face a different set of challenges. The actuarial history available for the region remains limited; premiums can run several times those charged on conventional routes, and thawing permafrost creates additional infrastructure risks that may not yet be fully reflected in current pricing. State-backed investment is likely to be more significant. Spending on icebreakers, polar-capable shipbuilding, particularly in South Korea and Finland, as well as satellite and navigation infrastructure is likely to continue expanding regardless of whether the commercial case for Arctic shipping itself proves compelling. From an investment perspective, this suggests that targeted industrial exposures may offer a clearer opportunity than a broad Arctic-trade thesis.

Conclusion

For now, the Northern Sea Route is therefore better viewed as a corridor to monitor than as evidence of an imminent restructuring of global trade. A second consecutive season of higher-volume, reliable and incident-free scheduled services would provide far stronger evidence that the route can move beyond state-backed experimentation toward genuine commercial viability.

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