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Greenland Bets on Oil, Metals, Cows as Ticket to Independence  
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By Marianne Stigset

May 12 (Bloomberg) -- Greenland is betting a two-year commodity-price boom will bring it closer to ending almost three centuries of Danish colonial rule.

The Arctic island is becoming a hotspot for drillers as easier-to-access resources dwindle, crude prices tripled since 2008 and tighter legislation in the Gulf of Mexico attracts companies such as Royal Dutch Shell Plc and Exxon Mobil Corp. Waters off Greenland may hold 48 billion barrels of oil equivalent, the U.S. Geological Survey estimates, almost double 2009 U.S. oil reserves. The island has also become a target for companies seeking minerals such as iron and diamonds.

"There's a stronger belief that we can free ourselves from Denmark's economic and political domination," Prime Minister Kuupik Kleist, 53, said in an interview in the capital Nuuk.

Greenland got a record 17 applications from 12 companies in last year's oil licensing round to explore its Baffin Bay after two wells drilled by Cairn Energy Plc in 2010 indicated hydrocarbons. The Scottish producer is drilling as many as four wells this year in a campaign that will top \$1 billion.

Cairn's exploration "has resulted in more interest from the international oil industry, higher tax revenue, higher employment in certain areas and greater political focus on the opportunities for mineral exploitation," Kleist said.

Greenland, which gets about half its exports from shrimp, is also trying to carve out a niche in food production and targets cattle and sheep farming in its warmer southern parts, Kleist said. The push comes as global food prices have surged amid weather shocks, including drought.

#### Cattle Breeding

Cattle breeding "we had 100 years ago, and then it disappeared -- now it's coming back," Kleist said. "We import large quantities of food products, while at the same time we have a lot of potential to produce food ourselves, so we're investing a lot on replacing imports with production."

The island had 49 cows in 2008, up from 5 in 2000, according to a 2010 fact book from Greenland's statistics agency. It had more than 20,000 sheep in 2008.

While the island was granted home rule in 1979 and broader domestic governance in 2009, it still relies on an annual subsidy from Denmark of about \$674 million, or 30 percent of the economy and equivalent to almost \$12,000 per person.

Viking Chief

The ties between the two countries date back to Viking chief Erik the Red, who moved to Greenland in 982 after being banished from Iceland for murder. Legend has it that the island's name was crafted to attract settlers. Denmark colonized Greenland in the 18th century.

Oil production "could start in five years time at the very earliest -- we'll see this summer what indications we get" from Cairn, Kleist said.

Greenland and Denmark have an agreement to split petroleum revenue in excess of 75 million kroner (\$14 million), Kleist said. "That mechanism continues until we reach 6.4 billion kroner. When we reach that point, we'll say 'OK, we want a new deal,' but what that will consist of we haven't decided yet as it's so far into the future."

The island is also benefiting from soaring prices in the metals industry as producers and miners race to secure access to minerals such as iron ore. London Mining Plc, which says it wants to become one of the world's 10 biggest producers of iron ore, is investing \$2 billion in the Isua project north of Nuuk.

#### Mineral Licenses

The country granted 40 mineral licenses last year, bringing the total up to 120, and hopes to employ more than 1,000 people in the industry over the next five to 10 years, according to the Bureau of Minerals and Petroleum. Natural resources include a number of basic metals, as well as gold, platinum and uranium.

The Standard & Poor's GSCI Index of 24 commodities has doubled since the end of 2008, and is up 12 percent even after slumping 11 percent last week. Investors retreated after funds had made near-record bets on gains and the index reached the highest since August 2008.

Global warming is helping Greenland's economic prospects, as thawing ice eases access to its shores. The island may also be able to generate more revenue from shipping as the thaw creates routes once impassable, Kleist said.

The annual temperature increase in the Arctic since 1980 has been twice as high as in the rest of the world, meaning the Arctic Ocean may during the summer months be largely ice-free by 2050, according to a May report by the Arctic Monitoring and Assessment Program.

#### Life Expectancy

Greenland, where 9.2 percent of the population lives below the poverty line, is trying to reduce an unemployment measure of about 7.7 percent, on average, last year. Average life expectancy is 71 years, according to the CIA Factbook, nine years below the average for industrialized countries.

"Greenland's economy is extremely sensitive," said Kleist, who leads Greenland's socialist Inuit Ataqatigiit party and in been in power with the Demokraatit and Kattusseqatigiit parties since June 2009. "The main focus of my government is on improving living standards."

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