

THE INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES

ICSID CASE No. ARB/20/11

PETERIS PILDEGOVICS and SIA NORTH STAR

CLAIMANTS

V.

THE KINGDOM OF NORWAY

RESPONDENT

WITNESS STATEMENT OF KIRILL LEVANIDOV

11 MARCH 2021



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INTRODUCTION

1. My name is Kirill Levanidov. I am a national of the United States¹, the majority shareholder of Seagourmet Norway AS (*Seagourmet*), a Norwegian seafood processing and transformation company based in Baatsfjord, Norway, and a business partner of Mr. Peteris Pildegovics, a Claimant in the international arbitration brought by Mr. Pildegovics and SIA North Star (*North Star*) against the Kingdom of Norway before the International Centre for the Settlement of Investment Disputes (ICSID Case No. ARB/20/11).
2. I provide this witness statement in support of Claimants' Memorial dated 11 March 2021.
3. My witness statement discusses my joint venture with Mr. Pildegovics (Section I); presents Seagourmet, one of the key companies supporting the operations of this joint venture (Section II); and describes Seagourmet's impact on the Norwegian economy (Section III).
4. Except where I say otherwise, I make this witness statement from my own personal knowledge. Where the facts are within my own knowledge, they are true. If requested to testify in person, I would give evidence in English.
5. In preparing this witness statement I have been assisted by counsel but the statement is otherwise my own.

I. JOINT VENTURE WITH PETERIS PILDEGOVICS

6. I have read the first witness statement given by Mr. Pildegovics on 11 March 2021 in support of Claimants' Memorial. I agree with Mr. Pildegovics's statements at paragraphs 13-43 and 124-144 regarding the description of our joint venture agreement, its content, its effects and its operations, and I confirm that the facts presented therein are accurate to the best of my knowledge.

¹ C-0051.

7. I hereby provide additional information on the background to our joint venture (subsection A), our joint venture agreement (subsection B), and the operations of the joint venture (subsection C).

A. BACKGROUND TO THE JOINT VENTURE

8. I am an investor and entrepreneur with over twenty-five years of experience in international fishery and seafood projects. Between 1994 and 2001, I worked in managerial roles with Japan-based seafood companies, including as the Chief Operating Officer of Mitomo Suisan Co. Ltd. Since 2001, I have launched several business ventures in the fishing and seafood industry. I have also served as a consultant and strategic advisor to various clients and business partners, including North Star.² I am currently based in Redmond, Washington, United States.

9. In May 2007, I founded Link Maritime Consulting Inc., a company organized under the laws of the State of Washington (*Link Maritime*).³ Link Maritime provides consulting services related to commercial fisheries, including strategic planning and realization of seafood projects; seafood product development, marketing and trading; design of fishery processing equipment and fishing gear; and management of fishing vessel conversion projects. Link Maritime also acts as an investor in seafood projects globally.

10. In February 2009, I started providing consultancy services to a newly formed Norwegian fishing company, Batsfjord Fangst AS (*Batsfjord Fangst*). Batsfjord Fangst's goal was to participate in the Norwegian red king crab fishery.⁴ I supported the company by developing its strategic plan and providing marketing, technical and financial advice to help it launch its operations.

11. In July 2009, Batsfjord Fangst acquired a fishing vessel, Havnefjell (formerly Jorn Hauge)⁵, which started catching red king crab in October 2009.

² Curriculum vitae of Kirill Levanidov, **KL-0001**.

³ Washington State Corporate Registry, Link Maritime, 8 September 2020, **KL-0002**.

⁴ Norwegian Commercial Registry, Batsfjord Fangst, 6 August 2009, **KL-0003**.

⁵ Technical specification for Havnefjell, 25 October 2008, **KL-0004**; Certificate of nationality for Havnefjell, 8 September 2009, **KL-0005**

12. In August 2009, I founded Ishavsbruket AS, a company incorporated under the laws of Norway (*Ishavsbruket*).⁶ Ishavsbruket was renamed Seagourmet Norway AS in December 2014.⁷
13. Ishavbruket was established to build and operate a factory in the port of Baatsfjord, which would be fitted to process and transform the king crab harvests supplied by Batsfjord Fangst. The idea to build an onshore factory came from the need to expand processing capacity in the Baatsfjord area, which was then insufficient to receive significant additional supplies of red king crab.
14. To illustrate the situation prevailing at the time, in November 2009, after a few months spent exploring the fishing grounds, Havnefjell caught approximately 30 tonnes of red king crab in a single fishing trip. Factories in and around Baatsfjord were only able to absorb two or three tonnes of crab at any given time. Havnefjell therefore had no choice but to visit several factories along the coast in the hope of selling its catch. It was only partially successful in doing so and had to discard approximately half of its catch.
15. In February 2010, Ishavbruket purchased a property located in the port of Baatsfjord at Havnegata 18, 9990 Baatsfjord, Norway, to host its future factory, at a price of [REDACTED].⁸ Renovation and refitting works started in March 2010 based on plans which had been prepared at my request in June 2009.⁹ These works included developing the general plan and layout for the factory in compliance with personel safety, food processing safety, fire safety and other applicable regulations; finding and selecting specialized contractors to carry out the works; rebuilding the interior of the factory with new walls, floors, ceilings, air ventilation, heating, electrical power supply and water supply; and building new facilities for personnel (including locker rooms, bathrooms, showers, a clean zone control room, an eatery, a rest area and a fitness room).

⁶ Norwegian Commercial Registry, Ishavsbruket, 2009, **KL-0006**.

⁷ *Infra*, para. 45.

⁸ Letter from Hegg & Co Advokatfirma regarding transfer of property at Havnegata 18 (GNR. 1 BNR.8), with attached deed, 17 February 2010, **KL-0007**; Photographs of Ishavsbruket's premises before renovation works, February 2010, **KL-0008**.

⁹ Plans for a crab processing factory, 30 June 2009, **KL-0009**.

16. Ishavsbruket purchased and installed high performance crab storage and processing equipment, for which it spent over [REDACTED].¹⁰ I personally planned every detail of the factory's operations, from the choice of each piece of equipment to the factory's layout and workflows.
17. In May 2010, I met with my cousin Mr. Peteris Pildegovics in Oslo to tell him about my business project in Norway. Mr. Pildegovics then worked as a senior executive in a Latvian bank. I was interested in his advice regarding financing options for my project. I presented my business vision to him, which was to set up an integrated crab fishing, processing and trading enterprise.
18. Meanwhile, Ishavsbruket continued to make investments at its Baatsfjord factory. In September 2010, it purchased a second property adjoining the first at Havnegata 16, 9990 Baatsfjord along with residential properties to host employees for [REDACTED].¹¹ The adjoining property was partly rebuilt and joined with Ishavsbruket's property at Havnegata 18, the whole forming a factory of approximately 8,300 square meters.
19. While my project initially targeted red king crab, starting in 2010, I became aware that a number of fishing vessels had reported bycatches of snow crab in the Barents Sea. Batsjord Fangst's vessel Havnefjell had itself by-caught small volumes of snow crabs. While the catches were at first modest, the scientific community was united in its opinion that the stock of snow crab would eventually grow to a commercial scale. As the red king crab fishery was proving not to be as attractive as I had hoped, I started considering that snow crab could eventually become the more attractive species to target.
20. In 2012 and 2013, Norwegian vessel Arctic Wolf and Spanish vessel Adexe Primero reported snow crab catches.¹² The size of these catches made it clear that snow crabs

¹⁰ Table regarding purchase of equipment for the factory since 2010, **KL-0010**; Marel Food Systems Proposal, 23 February 2010, **KL-0011**.

¹¹ Contract regarding the purchase of real estate in Båtsfjord, 1 September 2010, **KL-0012**.

¹² Email exchanges between Seagourmet (A. Kazakov) and Norges Rafisklag (G. Johnsen) regarding snow crab landings, 21 January – 2 February 2021, **KL-0013**.

were now present in sufficient numbers to support the development of a very large fishery.

21. As awareness of the arrival of snow crabs in the Barents Sea started growing, the media reported that the snow crab population could be significant, possibly ten times greater than the population of king crabs.¹³ Industry analysts commented that snow crabs could become a “billion-dollar industry”, with the potential to fish “somewhere between 50- and 150,000 tonnes” per year over time, constituting a fishery that could eventually challenge cod as Norway’s most important.¹⁴
22. In 2013, to be ready to take advantage of this exceptional opportunity, I decided to re-launch the works at Ishavsbruket’s factory to build the capacity to receive and process large volumes of snow crab. At the same time, my team started researching options to bring supplies of snow crabs to the factory.
23. In May 2013, in response to our enquiries, the Norwegian Directorate of Fisheries informed us that “*catching of snow crab is unregulated. Norwegian fishing vessels (i.e. vessels entered in the Norwegian Register of Fishing Vessels (Merkeregisteret) can fish for this species in the NOS/Svalbard zone. If Norwegian vessels are to catch snow crab in international waters, they must be registered for fishing in the NEAFC area.*”¹⁵
24. In June 2013, the Directorate sent us the “*regulations for registration and reporting when fishing in waters outside any state’s fisheries jurisdiction*” which were then applicable to snow crab fishing in the NEAFC area.¹⁶
25. The Directorate further explained that “*vessels that are to fish in waters outside any state’s jurisdiction must be registered through notification to the Directorate of Fisheries*” and that “*the registration notification will be processed and information*

¹³ E. Lieungh, “Ten times more snow crab than king crab”, NRK, 29 April 2013, **KL-0014**

¹⁴ A. Fendstad, “This could become a billion-dollar industry within ten years,” Fiskeribladet, 4 May 2015, **KL-0015**.

¹⁵ Email exchange between the Norwegian Directorate of Fisheries, K. Levanidov and S. Ankipov, 9-21 May 2013, **KL-0016**.

¹⁶ Email from the Norwegian Directorate of Fisheries (H.M. Jensen) to S. Ankipov, 12 June 2013, **KL-0017**; Regulations on registration and reporting when fishing in waters outside any state’s fishing jurisdiction, 18 April 2013, **KL-0018**, s. 1.

about the vessel will be sent to the NEAFC Secretariat in London". The "processing of registration notifications" would "normally take 2-3 days", indicating that registration was a mere formality.¹⁷

26. On 5 July 2013, Batsfjord Fangst applied to register Havnefjell for snow crab fishing in the NEAFC area. On 18 July 2013, the Directorate acknowledged receipt of its registration notification and indicated that "*we have registered the vessel for fishing for snow crab in international waters, the NEAFC area*", an area falling "*outside any state's fishing jurisdiction*". The vessel would be required to comply "*with the regulations that apply specifically to fishing in the NEAFC area*".¹⁸ Havnefjell's registration was renewed on the same basis in July 2014.¹⁹
27. In 2013, Havnefjell caught 1.4 tonnes of snow crab, a number which improved slightly in 2014 to 4.6 tonnes.²⁰ These very modest catch numbers were a disappointment. The vessel proved ill-suited for snow crab fishing mainly due to its small size. This meant that Batsfjord Fangst would likely not be able to supply the large volumes of snow crab Ishavsbruket was hoping to buy. My team therefore kept looking for alternative options to supply Ishavsbruket with snow crabs, including the possibility of relying on EU-based fishing companies for this purpose.
28. In February 2014, the Norwegian Food Safety Authority (*Mattilsynet*) informed us that "*EU-registered fishing boats can deliver crab freely in Norwegian crab reception points. If the catch is quota-regulated (king crab, for example), the boats must possess a quota*".²¹
29. This note confirmed what was already apparent in the market, namely that vessels flying EU flags were delivering snow crab catches to Norwegian ports without facing any legal

¹⁷ Email from the Norwegian Directorate of Fisheries (H.M. Jensen) to S. Ankipov, 12 June 2013, **KL-0017**.

¹⁸ **C-0087**.

¹⁹ **C-0088**.

²⁰ Email exchanges between Seagourmet (A. Kazakov) and Norges Rafisklag (G. Johnsen) regarding snow crab landings, 21 January – 2 February 2021, **KL-0013**.

²¹ Email exchange between Mattilsynet and S. Ankipov, 3-5 February 2014, **KL-0019**.

difficulty. Snow crab was not quota-regulated, and ships therefore did not need to possess a quota.

30. In July 2014, my team sought further information from the Norwegian Directorate of Fisheries regarding the framework applicable to “*EU vessels that will fish snow crabs in the NEAFC area*”. In an email exchange entitled “*Landing a snow crab*”, our project coordinator, Mr. Sergei Ankipov, explained to the Directorate that his query related to “*a project where a fishing vessel under the EU flag will land live snow crabs at approved Norwegian reception stations (factories).*” He asked the Directorate to “*describe or present the process regarding the documents to be sent to the Directorate of Fisheries in this case*”.²²
31. On 25 July 2014, the Directorate provided the following reply:

“1. In principle, EU vessels can land fish, including snow crab to Norway on an equal footing with Norwegian fishing vessels. There are therefore no other rules for EU vessels when it comes to fresh and live goods. All registered buyers in Finnmark have a good overview of the conditions for landing.

2. In principle, no special documentation shall be submitted to the fisheries authorities when the crab is to be landed alive at a Norwegian reception centre, and the crab has been caught outside the Norwegian Economic Zone.

3. The catch shall be landed to the buyer who is registered with the Directorate of Fisheries Register of Buyers. Regulations on the duty to provide information: <http://www.fiskeridir.no/fiske-og-fangst/j-meldinger/gjeldende-j-meldinger/j-45-2014> determines the procedures for landing.

4. If the vessel is to deliver frozen products, this must be reported 24 hours in advance in accordance with regulations on fishing by foreigners <http://www.fiskeridir.no/fiske-og-fangst/j-meldinger/gjeldende-j-meldinger/j-38-2014>. Vessels that are to fish in the Norwegian Economic

²² Email exchange between the Norwegian Directorate of Fisheries and S. Ankipov, 20-25 July 2014, **KL-0020**.

Zone are also subject to reporting according to the same regulations. As the activity is described, it does not fall under these regulations.

According to the Norwegian Food Safety Authority, it should also be okay to land live crabs at Norwegian reception centres.”²³

32. The statement from the Directorate that EU vessels were being treated “*on an equal footing with Norwegian fishing vessels*” confirmed our understanding that Ishavsbruket could legally rely on an EU-based fishing company for its supplies of snow crabs, to the extent that the crabs could be caught “*outside the Norwegian Economic Zone*”. Since the Loophole area of the NEAFC zone was considered by the Directorate as “*international waters*” falling “*outside any state’s fisheries jurisdiction*”²⁴, we understood that EU-registered vessels could catch snow crabs there in full compliance with Norwegian laws and regulations.
33. Our various inquiries with the Norwegian authorities clearly highlighted that we were looking to supply Ishavsbruket’s factory with snow crabs caught by European vessels. At no point did any Norwegian official express concerns or doubts about the legality of such fishing activities by EU vessels, or about the right of such vessels to catch snow crabs in the NEAFC zone.

B. THE JOINT VENTURE AGREEMENT WITH MR. PILDEGOVICS

34. In or around June 2013, Mr. Pildegovics and I resumed our conversation related to my project to build an integrated crab fishing and processing enterprise in Baatsfjord, which by then had been steered towards snow crab.
35. Due to the demands associated with building and running Ishavsbruket’s factory, I was then hoping to find a trustworthy partner who would be willing to work on the fishery side of the project. While Mr. Pildegovics had no prior formal experience in the fishing industry, his family had worked in fisheries and marine biology research for two generations, giving him a good general understanding of the field. I also considered that

²³ *Ibid.*, [Emphasis added].

²⁴ Email exchange between the Norwegian Directorate of Fisheries, K. Levanidov and S. Ankipov, 9-21 May 2013, **KL-0016; C-0087; C-0088**.

his background in senior banking roles, contacts in Latvia and experience with early-stage companies made him a strong candidate who would be able to quickly learn the ropes of the fishing trade and possibly be interested in building a fishing enterprise from Latvia. Finally, Mr. Pildegovics and I are cousins and personally close to each other, which meant that a high level of trust already existed between us.

36. In mid-to-late 2013, Mr Pildegovics and I had several exchanges regarding the possible launch of a joint venture between us. As part of this joint venture, Mr Pildegovics would launch a new fishing company that would bring snow crab supplies to Ishavsbruket's Baatsfjord factory. For this purpose, Mr Pildegovics researched the possibility of establishing such a company in Latvia and reviewed the regulatory and licensing requirements for the operation of Latvian fishing vessels. Together, we also started looking for suitable ships that could be available for purchase.
37. In late 2013, Mr. Pildegovics informed me that he was interested in taking part in the project I had proposed, and we arranged a meeting in Riga in January 2014 to seal our agreement.
38. On 29 January 2014, Mr. Pildegovics and I agreed to coordinate our business efforts as part of a joint venture spanning the harvest, processing and sale of snow crabs in Norway. Our joint venture agreement was concluded through a handshake.
39. Despite the absence of a written instrument setting out the terms of this agreement, I agree that I am bound by it and that our agreement generates rights and obligations between Mr. Pildegovics and myself.
40. In 2013, it became clear to me that the processing plant I was building in Baatsfjord could not succeed without a reliable fishing partner. Following my agreement with Mr. Pildegovics to form a joint venture and Mr. Pildegovics' subsequent creation of SIA North Star (*North Star*) in March 2014, North Star became this partner.
41. Without North Star, Ishavsbruket (and later Seagourmet) could never have operated successfully as a standalone processing and transformation plant, and it would not have made the substantial additional investments required to turn its factory into a world-class snow crab transformation facility.

C. OPERATIONS OF THE JOINT VENTURE

42. Starting in January 2014, within the framework of our joint venture agreement, I supported Mr. Pildegovics in his efforts to create North Star and to acquire vessels for this company. I provided ongoing advice to Mr. Pildegovics based on my many years of experience in the fishing industry and we made all the key decisions pertaining to the acquisition of North Star's ships together.
43. I also supported Mr. Pildegovics in his efforts to secure financing for North Star. My company Link Martime invested in North Star in the form of loans. I also introduced Mr. Pildegovics to business contacts at three companies active in the fishing and seafood industry: [REDACTED], and helped him arrange debt financing with these companies.
44. My core responsibility within the framework of my joint venture with Mr. Pildegovics was to build processing and transformation capacity at the port of Baatsfjord which could absorb large volumes of snow crab to be caught by North Star.
45. In December 2014, as our project was getting ready for its official launch, Ishavsbruket was rebranded as Seagourmet Norway AS.²⁵
46. Between 2013 and late 2015, I invested a further [REDACTED] for the expansion, renovation and refitting of Seagourmet's factory in Baatsfjord, including for the purchase and installation of high-performance equipment specifically designed for snow crab processing and transformation.²⁶
47. Among these investments, in August 2015, Seagourmet purchased an automated snow crab meat line designed by CMP Limited, a Canadian manufacturer of seafood process equipment and systems.²⁷ This meat line was built specifically to allow Seagourmet to

²⁵ Resolution of the board and shareholders of Ishavsbruket and Minutes of the board meeting, 17-19 December 2014, **KL-0021**.

²⁶ Table regarding purchase of equipment for the factory (since 2010), **KL-0010**.

²⁷ Invoice for purchase of an automated crab meat line, CMP Ltd., 7 August 2015, **KL-0022**.

process the lower-meat-fill crabs caught by North Star during the summer months. It was installed at Seagourmet's factory in Baatsfjord in July 2016.²⁸

48. Through my connections in the fishing industry, I was also tasked to find markets for our joint venture's snow crab production. In 2015 and 2016, over █% of North Star's harvest of snow crabs were sold to two companies: Seagourmet, a company I own and control, and █. █. ²⁹ I also helped arrange supplier agreements for North Star with Link Maritime and █.
49. Mr. Pildegovics and I initially decided to maintain separate ownership of our respective investments and companies. While these companies would work together on a daily basis, and while Mr. Pildegovics and I took all important decisions together regarding each company participating in our joint venture (namely North Star, Seagourmet and Sea & Coast AS), each company maintained its independent existence and profit-and-loss profile.
50. Mr. Pildegovics and I agreed that we would discuss the possibility of developing a profit-sharing mechanism between us once our investments came to maturity, including the possibility of bringing our respective assets together within a single corporate structure. When Norway started taking adverse action against North Star, we had not yet settled this aspect of our joint venture, and the discussion has since been suspended due to the destruction of the value of our respective investments following Norway's decision to stop EU vessels from harvesting snow crabs in the Barents Sea.
51. In 2017, I invited Mr. Pildegovics to join Seagourmet's board, in recognition of his essential role in the management of the company within the context of our joint venture. Mr. Pildegovics also invited me to join North Star's Board, which I did in December 2020.³⁰

²⁸ Layout of automated crab meat line, 24 November 2015, **KL-0023**.

²⁹ Hong Kong Company Registry, Declaration Form AR1, █, 5 September 2012, **KL-0024**.

³⁰ Witness Statement of Peteris Pildegovics, para. 132.

52. Since early 2014, my investments and those made by Mr. Pildegovics have been presented to the outside world as being part of a single integrated enterprise. Seagourmet's website has presented North Star as a key partner to Seagourmet since at least 2015.³¹

53. Seagourmet and North Star have together participated in trade fairs, including in Brussels in 2015 and 2016, and Hong Kong in 2015, where Seagourmet's and North Star's brands were featured together.³²

54. I consider that my joint venture agreement with Mr. Pildegovics is a valuable and essential asset of my seafood business in Norway. As was unfortunately demonstrated by the events, the success of my company Seagourmet was (and remains) tied to the performance of Mr. Pildegovics' investments in Norway, and more specifically to North Star's ability to deliver consistent, predictable and high quality supplies of snow crab to Seagourmet's factory at the port of Baatsfjord. When Norway started preventing North Star from supplying snow crabs to Seagourmet, Seagourmet's business collapsed as it was unable to replace North Star as a snow crab supplier.

55. [REDACTED]

II. SEAGOURMET

56. Seagourmet Norway AS is a corporation organized under the laws of Norway which was registered under its former name Ishavsbruket AS on 23 September 2009.³³ Its head office is located at:

³¹ C-0079.

³² Witness Statement of Peteris Pildegovics, para. 140-143

³³ C-0003.

Havnegata 16-18,
9990 Baatsfjord
Norway

57. I am currently the majority shareholder of Seagourmet, having acquired 80% of its shares over time.³⁴ Since the company's incorporation in 2009, I have been the controlling shareholder of Seagourmet. While other passive investors have held shares in Seagourmet over this period, none of them was involved in its management and I have always maintained operational control of the company.
58. Seagourmet's sole business is the operation of a seafood processing and transformation plant located at Havnegata 16-18, 9990 Baatsfjord, Norway.
59. For purposes of the operation of this facility, between April 2015 and September 2016, Seagourmet relied on a single snow crab supplier, North Star, as contemplated by my joint venture agreement with Mr. Pildegovics. In 2016 and 2017, Seagourmet entered into supplier agreements with North Star pursuant to which Seagourmet committed to purchase predetermined quantities of snow crabs from North Star.³⁵
60. Between April 2015 and September 2016, Seagourmet purchased over █████ tons of live snow crabs from North Star, which were transformed into over █████ tons of cooked frozen snow crab clusters packaged for sale to end customers. Seagourmet also sold over █████ of live snow crabs to end customers.³⁶

³⁴ Articles of Association for Seagourmet Norway AS, 19 April 2018, **KL-0025**; Ishavsbruket AS Equity Certificate, 28 August 2009, **KL-0026**; Shareholder Book for Ishavsbruket AS, 28 August 2009, **KL-0027**; Foundation Document for Ishasbruket AS, 28 August 2009, **KL-0028**; Share purchase agreement for Seagourmet shares between █████ and K. Levanidov, 25 February 2016, **KL-0029**; Share purchase agreement for Seagourmet shares between █████ and K. Levanidov, 25 February 2016, **KL-0030**; Share purchase agreement for Seagourmet shares between █████ and K. Levanidov, 16 March 2018, **KL-0031**; Share purchase agreement for Seagourmet shares between █████ and K. Levanidov, 10 January 2020, **KL-0032**; **C-0003**.

³⁵ **C-0053**; **C-0054**.

³⁶ Seagourmet production figures, 2015, **KL-0033**; Seagourmet production figures, 2016, **KL-0034**

61. Based on these activities, in 2015, Seagourmet generated sales of over NOK 55.3 million.³⁷ In 2016, Seagourmet's sales increased to over NOK 58.8 million.³⁸
62. In late 2015 and 2016, Seagourmet further upgraded its capacity by installing new snow crab processing equipment, including automated butchering equipment, a new crab meat extraction line and a second cooking line, at a total cost of approximately [REDACTED].³⁹ By then, Seagourmet had built the capacity to process [REDACTED] tonnes of live crab annually, and to store and sell a further [REDACTED] tonnes of live or chilled crab, for a total annual absorption capacity of [REDACTED] tonnes of raw snow crab.
63. Seagourmet unfortunately never came close to achieving this level of productivity due to the catastrophic loss of supply it experienced when Norway suddenly stopped North Star's snow crab fishing activities starting in September 2016. As a result of Norway's adverse actions against North Star, Seagourmet is now a shadow of the company it was in 2016. In 2017, its production collapsed and its sales dropped to NOK 9.4 million.⁴⁰
64. Seagourmet was over time built into a snow crab producer, with limited capacity to receive and sell king crab as an ancillary business. Its factory cannot operate profitably by processing only king crab. Since early 2017, in an effort to survive, Seagourmet has continued to partner with North Star to attempt to catch live northern shrimp using crab fishing techniques. It has also rented out its live storage equipment to other local businesses involved in king crab fishery and provided freezing and packing services to a company involved in production of frozen cod bones destined to the Asian and African markets. In 2018 and 2019, these activities allowed Seagourmet to earn revenues of NOK 12.5 million and NOK 8.8 million respectively. The company has operated at a loss in each year.⁴¹

³⁷ Seagourmet Annual Report, 2015, **KL-0035**.

³⁸ Seagourmet Annual Report, 2016, **KL-0036**.

³⁹ Table regarding purchase of equipment for the factory (since 2010), **KL-0010**.

⁴⁰ Seagourmet Annual Report, 2017, **KL-0037**; Seagourmet Annual Report, 2018, **KL-0038**; Seagourmet Annual Report, 2019, **KL-0039**.

⁴¹ Seagourmet Annual Report, 2018, **KL-0038**; Seagourmet Annual Report, 2019, **KL-0039**.

65. In 2015 and 2016, Seagourmet spent over NOK 23.7 million in salaries and other employee compensation.⁴² At its peak in 2016, Seagourmet employed 67 employees, all based in Baatsfjord, at an annual labor cost of over NOK 13.6 million.⁴³
66. Starting in late 2016, as North Star was no longer able to deliver snow crab supplies, Seagourmet had no choice but to lay off most of its employees.⁴⁴ At the end of 2017, Seagourmet's staff was reduced to three employees, which remains the current headcount of the company.

III. SEAGOURMET'S POSITIVE IMPACT ON NORWAY'S ECONOMY

67. In 2015 and 2016, when it was able to process North Star's supplies of snow crabs, Seagourmet emerged as one of the largest employers in the town of Baatsfjord. At its peak in 2016, Seagourmet provided employment to over 3% of the town's total population of 2,200.
68. Over the same period, Seagourmet spent over NOK 109 million in Norway, including over NOK 12 million with suppliers based in Baatsfjord⁴⁵, for the purchase of goods and services including technical and maintenance support, transportation services, storage, professional services, production and factory operation supplies, and utilities.
69. Notably, Seagourmet's needs were a major contributing factor in the expansion of Baatsfjord's central freezer warehouse, which made significant freezing capacity investments to serve Seagourmet's storage needs.⁴⁶
70. Seagourmet paid significant fees, dues and taxes to Norwegian authorities and trade bodies, including over NOK 4 million to Norges Rafisklag, a Norwegian sales organization regulated under Norway's Fisheries Act which controls first-hand sales of fish and shellfish in Norwegian ports; over NOK 1.9 million in customs duties; over

⁴² Seagourmet Annual Report, 2015, **KL-0035**; Seagourmet Annual Report, 2016, **KL-0036**.

⁴³ Seagourmet Annual Report, 2016, **KL-0036**.

⁴⁴ **C-115**.

⁴⁵ **C-0052**, p. 11

⁴⁶ "The central freezer storage gets more space," Fiskerihovedstaden, 4 September 2015, **KL-0040**.

NOK 770,000 to the Baatsjord commune for taxes and utilities; and over NOK 5.1 million in Norwegian taxes.⁴⁷

71. Seagourmet also made significant contributions and investments into the social and cultural development of Baatsfjord. For example, For example, it co-hosted a local fishery industry event in 2015, catering with its own products and co-sponsored the Baatsfjord summer festival in July 2016. In the summer of 2016, Seagourmet financed the upgrade and reconstruction of two local playgrounds for children.⁴⁸
72. Seagourmet's presence in Baatsfjord positively impacted every segment of the local economy, from transportation to hospitality, from local real estate to retail and services to the population, all of which suffered indirectly from the significant decline in Seagourmet's activities since late 2016.
73. Seagourmet received strong support from the local community after the Norwegian government stopped North Star's snow crab fishing activities, which was broadly understood as the cause of Seagourmet's collapse and its negative impacts on the community.
74. In September 2016, after Senator has been fined by Norway for catching snow crab in the Loophole, the Mayor of Baatsfjord, Mr. Geir Knutsen, stated in a media interview that *"Seagourmet has gradually become one of the cornerstone companies here in the municipality with great potential for futher ripple effect. It has simply become a model company with great local significance. So, here we will do everything we can to try and find a solution that can secure raw materials for the company"*.⁴⁹
75. In late 2016, Mayor Knutsen met with Mr Per Sandberg, the Norwegian Minister of Fisheries, and Mr Ronny Berg, Norway's State Secretary, to advocate for a resumption of snow crab fishing activities by EU ships to save the jobs created by Seagourmet's factory.⁵⁰ He proposed a pilot project that would have allowed North Star to benefit

⁴⁷ C-0052, p. 11.

⁴⁸ C-0052, p. 12.

⁴⁹ *"Negotiator with the Russians,"* Fiskeribaldet Fiskaren, 21 September 2016, **KL-0041**, p. 2.

⁵⁰ *"Three week deadline,"* Kyst og Fjord, 9 December 2016, **KL-0042**; *"Will have its own Baatsfjord quota,"* Kyst og Fjord, 14 February 2017, **KL-0043**.

from temporary permits allowing it to continue its activities.⁵¹ Unfortunately, these efforts were to no avail.

76. On 10 January 2017, Norway’s Ministry of Trade, Industry and Fisheries addressed a letter to the municipality of Baatsfjord. It acknowledged “*that investment had been made in a new snow crab factory in Baatsfjord which has employed 40 people and had major positive ripple effects in the local community.*” However, the letter fell short of offering any tangible solution, essentially brushing aside the municipality’s request that “*the four Latvian vessels that have delivered to Seagourmet Baatsfjord are allowed to fish in the Svalbard zone, possibly in the Norwegian part of Smutthullet [or the Loophole]*”. To this request, the Ministry answered that catches by EU vessels *on the Norwegian continental shelf can only take place by agreement with Norway*” and that the matter was one between Norway and the EU Commission.⁵²
77. The Ministry’s refusal to find a solution to Seagourmet’s supply problem proved controversial at the Norwegian Parliament. On 9 January 2017, Ms. Helga Pedersen, the leader of the opposition party and a former Minister of Fisheries, submitted a written question to Minister Sandberg: “*What will the government do to secure deliveries of snow crab to Seagourmet AS in Baatsfjord?*”⁵³
78. Ms Pedersen’s question was preceded by the following contextual note:

In the autumn of 2016, the company Seagourmet AS in Batsfjord had to lay off almost 50 employees, due to the Latvian vessels that delivered snow crabs to the company being banned from fishing. In Norway, several vessels have been granted permission to fish for snow crab, but it is said that only one vessel delivers on land. For the affected economy, the employees and the boating

⁵¹ O. Pedersen, “*Seagourmet fights overtime against bankruptcy – Gets no response from the authorities,*” iFinnmark, 12 January 2017, **KL-0044**.

⁵² Letter from the Ministry of Trade, Industry and Fisheries to the Baatsfjord municipality, 10 January 2017, **KL-0045**

⁵³ Written question and answer between Helga Pedersen, Member of Parliament, and Per Sandberg, Minister of Fisheries, 9 January 2017, **KL-0046**; H. Pedersen, “*Government on a cushion,*” Finnmark Dagblad, 13 January 2017, **KL-0047**; O. Pedersen, “*Seagourmet fights overtime against bankruptcy – Gets no response from the authorities,*” iFinnmark, 12 January 2017, **KL-0044**.

*fjord community, this is a challenging situation, and political solutions are necessary.*⁵⁴

79. On 16 January 2017, Minister Sandberg gave a reply that did not directly answer Ms. Pedersen’s question. He reiterated Norway’s position that snow crab is a sedentary species managed according to the rules of the continental shelf, with the consequence that those who wish “*to catch snow crab on the Norwegian shelf must have permission from the Norwegian authorities*”. He stressed that Norway would only grant its permission to vessels flying EU flags if Norway were “*compensated in the form of [a transfer of EU] quotas for blue withing, blue halibut, sprat and other species*”.⁵⁵
80. While Minister Sandberg acknowledged that he had “*long been aware of the situation around the lack of raw materials for Seagourmet AS’s factory in Baatsfjord*”, he deflected the blame on the EU and on Seagourmet itself, emphasizing that “*every player who establishes a business is responsible for ensuring that operations have a sufficient resource base*”.⁵⁶ This statement ignored the fact that, from the time of Seagourmet’s establishment until Norway itself decided to put a halt to North Star’s fishing activities, Seagourmet had been able to secure sample supplies of snow crab through North Star. The Norwegian Directorate of Fisheries had itself given us its confirmation that our factory could legally source its crabs from an EU-based company.
81. In another statement reported by the media on 15 January 2017, Minister Sandberg attempted to put the blame on Russia while again insisting that granting access to the “*Norwegian zone*” to EU vessels required an assignment of other EU quotas to Norway:

Norway is not the challenge here. When Russia has imposed a ban, it is because it is them who decide. It is the relationship between the EU and Russia, not Norway.

I work towards the EU. But I cannot give them access to the Norwegian zone without us getting something back. Then we would have been in a completely

⁵⁴ Written question and answer between Helga Pedersen, Member of Parliament, and Per Sandberg, Minister of Fisheries, 9 January 2017, **KL-0046**.

⁵⁵ *Ibid.*

⁵⁶ *Ibid.*

*different political situation, and then Helga would probably come and blame me for that.*⁵⁷

82. In June 2017, Ms. Pedersen again raised the issue and pressed the Minister to explain whether Norway's quota setting had taken into account the need "*to secure deliveries to Seagourmet's production in Baatsfjord and thereby secure important jobs there*"?⁵⁸
83. Minister Sandberg replied that Norway's quota setting had "*no connection to the snow crab factory in Baatsfjord*".⁵⁹ He indicated that Norway had "*set aside*" 500 tonnes "*for agreements with other countries*", on the condition that bilateral quota exchange agreements could be reached with those other countries.⁶⁰
84. However, even had such a bilateral agreement been reached with the EU and EU vessels had been allowed to fish, the proposed quota would have been far insufficient to allow Seagourmet to operate. [REDACTED]
[REDACTED]
[REDACTED].
85. The media reported that "*big politics*"⁶¹ were the motivating factor behind the Norwegian government's decision to stop North Star's fishing activities and thus to shut down our joint venture. Minister Sandberg openly admitted to NRK that he was "*using the snow crab as a strong bargaining chip*" to obtain other fishing quotas from the EU "*in return for giving the EU access to the snow crab...*".⁶² Minister Sandberg also

⁵⁷ Ole-Tommy Pedersen, "*How dare you Helga! No one has ever received such close follow-up from a Minister of Fisheries as Baatsfjord*," iFinmark, 15 January 2017, **KL-0051**.

⁵⁸ Written question and answer between Helga Pedersen, Member of Parliament, and Per Sandberg, Minister of Fisheries, 21 June 2017, **KL-0048**; T. Antonsen, "*Answered about snow crab*," Kyst og Fjord, 30 June 2017, **KL-0049**.

⁵⁹ T. Antonsen, "*Answered about snow crab*," Kyst og Fjord, 30 June 2017, **KL-0049**.

⁶⁰ T. Antonsen, "*Answered about snow crab*," Kyst og Fjord, 30 June 2017, **KL-0049**.

⁶¹ T. Abelsen, E. Lieungh, "*Big politics has put the snow crab industry down*," NRK, 3 May 2017, **KL-0050**; T. Abelsen, S. Vik, "*Jobs are at risk while Norway and the EU quarrel*," NRK, 14 February 2017, **PP-0035**.

⁶² T. Abelsen, E. Lieungh, "*Big politics has put the snow crab industry down*," NRK, 3 May 2017, **KL-0050**.

declared that he felt “*reasonably comfortable*” with Norway’s legal position and that he believed that his efforts would soon bring the EU “*to the negotiating table*”.⁶³

86. In another illustration of Norway’s internal conflicts about the merits of Minister Sandberg’s political strategy, NRK reported that “*in Baatsfjord, the perception is different. The mayor believes that the Latvian ship that is now in custody should be allowed to deliver fish.*” As the mayor noted, “*the 50 jobs [in Baatsfjord] would amount to 20,000 in Oslo. I think the government has not done enough*”.⁶⁴

Signed in Redmond on 11 March 2021



Kirill Levanidov

⁶³ T. Abelsen, E. Lieungh, “*Big politics has put the snow crab industry down,*” NRK, 3 May 2017, **KL-0050**.

⁶⁴ T. Abelsen, E. Lieungh, “*Big politics has put the snow crab industry down,*” NRK, 3 May 2017, **KL-0050**.