

Scenario-Based Investment Risk Assessment: Greenland

Scenario: A British company is considering a potential investment into mineral exploration rights in Greenland.

Investment Risk Assessment

Potential Economic Impact of Greenlandic Independence

- Greenland declaring independence remains a possibility. March 2025 opinion polls revealed that 84% of the population is pro-Greenlandic independence but 45% would oppose if it led to a lower standard of living. The recently elected prime minister, Jens-Frederik Nielsen, is supportive of a gradual and measured transition to independence, grounded in economic considerations.
- In the case of a pro-independence referendum outcome, it is highly improbable that Denmark would continue to support Greenland financially with its annual “block grant” of approximately \$600 million. In 2024 for instance, the Danish subsidy accounted for roughly 53% of Greenland’s government revenue, making it instrumental in Greenland’s provision of welfare state services.
- A steady shift towards independence would require Greenland to reformulate its current economic model and build upon its economic self-sufficiency. This would involve diversifying its income streams, as currently 90% of Greenland’s exports are concentrated in the marine resource sector, specifically in fishing and seafood. For instance, there are vast untapped reserves of rare earth metals that could be capitalised on. However, this economic restructuring would require significant investment and considerable time for implementation.

Influence of Government on Investment Conditions

- Although it falls under the Kingdom of Denmark, Greenland retains control over its internal political affairs. Its political system has strong underpinnings rooted in an autonomous self-government and robust democratic institutions. The World Bank’s 2023 ranking of countries for political stability and the absence of violence/terrorism put Greenland in the top 2%.
- Greenland is keen to attract higher levels of foreign investment and to increase its overall integration into the international economy. However, it expects specific conditions to be met to ensure that investment is carried out on its terms, particularly in matters of environmental protection. For example, Greenland’s government insists that sustainable management practices are essential for fishing investments. This means that fishing companies operating in the area must adhere to quotas and other standards set by Greenland’s Ministry of Fisheries.
- There is some investment risk arising from possible complications for exploration rights. For instance, in 2021 the election victory of the Inuit Ataqatigiit (IA) led to uranium mining becoming a central issue, with widespread public opposition relating to environmental and health concerns. As a result, new legislation was enacted to ban uranium mining. This halted the Kvanefjeld project of Australian company Energy Transition Minerals Limited, and they were unable to continue uranium mining, even though the project had been in process for over 10 years.

International Threats from the US, China and Russia

- Trump’s strategic intent to take control of Greenland presents an ongoing source of uncertainty for the territory, particularly when considered alongside the possibility of Greenlandic independence from Denmark. If Greenland were to become independent, it would be more susceptible to US influence in the form of economic leverage and military presence. Essentially, Greenland’s sovereignty would be diminished, even in the absence of a formal annexation.

- Greenland has also become increasingly geopolitically significant for China and is therefore an arena of US-China strategic competition. China has been striving to enhance its presence in Greenland, for instance by proposing to build airports. Although shortlisted, these proposals have been unsuccessful due to Greenland's strategic concerns.
- Russian interest also needs to be taken into consideration. Although it has no direct involvement in Greenland, it sees the area as having major economic and political importance. It will continue to monitor developments in Greenland closely and may even see the potential opportunity for cooperation with the US in the region.

Overall, I would rate this investment scenario as medium risk, as there is a high degree of uncertainty surrounding future political and economic developments in Greenland, though it is unclear whether the risks will materialise.

There is no immediate threat of economic issues stemming from an abrupt move towards Greenlandic independence, as the government has highlighted the need for a smooth and controlled transition. The domestic political scene is predominantly stable, though the risk of complications to exploration rights remains, given examples of historical cases. The extent to which international threats could pose risks to business operations depends on whether Greenland becomes independent. If Greenland were to gain independence, it may become easier for the US and China to increase their involvement, and this would likely lead to increased sensitivity on the part of Russia. It is also worth keeping in mind the environmental context. As Arctic ice continues to melt, shipping and access to Greenland's resources will continue to become easier, notwithstanding political considerations, this will lead to increased interest and competition for the region's resources.