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Finland's energy and environment policies,
combating climate change

A speech by

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フィンランドのエネルギー・環境政策

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It is a great privilege for me to address this audience today at the prestigious National Press Club in Tokyo. I am happy to see that so many of you have found time to make yourselves available in spite of your hectic schedules.

I will speak today about two major themes which are to great extent interrelated: climate and energy policy. In addition, I will also dwell a little on our common neighbour Russia .

I understood that my Swedish colleague, Mr. Reinfeldt touched upon the same issues on his visit to Tokyo earlier this spring. You may wonder why two Nordic Prime Ministers bring along the same theme on their visits to Japan. The reason is simple: we feel very strongly about this, and wish to show our resolve to Japanese policy makers and public at large.

With climate change, there is an imminent threat to the environment. We run the risk of undermining the future for coming generations.

At the same time, competition for vital natural resources, in particular water, may further intensify in many parts of the world as a result of changing weather patterns. This is likely to lead to increasing local and regional strife.

Climate change is also an economic problem. A growing number of leading economists say that climate change itself, not the various actions to mitigate it, threatens sustainable economic growth of nations.

The United Nations climate conference in Bali last December was an important milestone in the efforts to tackle climate change. Finland and the European Union are

satisfied with the Bali results. We went there to get an agreement on launching a global and comprehensive negotiation process that would lead to a global and comprehensive agreement on a post-2012 climate regime in 2009.

This is exactly what was decided – we now have a road map outlining the elements, organisation and timetable of such a process. This was, as I understand, also the goal of the Japanese government.

The first necessary steps are taken, but now the real work on equitable burden sharing begins. As you can imagine, given the diverse situations in different countries, this is not going to be an easy task.

The extent of human-induced climate change depends on the sum of human actions. All nations have a responsibility - some bigger, some smaller. Industrialised countries, such as the member states of the European Union and Japan, have a greater historical responsibility for the greenhouse gases already accumulated in the atmosphere. This situation will change as new economies take their place in the global arena.

At the end of the day, all countries have a responsibility to address the issue. It is essential that developing countries and especially the major emerging economies get on board with meaningful contributions. However, in the short term this requires financial support and technology transfer from developed countries. This is one of the fields where Japan is in a position to provide much added value.

Provided that we can find suitable incentive structures, I am confident that it is possible to engage both the emerging economies

and the developing countries to commit themselves to actions against climate change, as it is in their own long-term interest to do so. However, it is the developed world that has to lead by example.

If we look at Finland, we notice that energy use per capita is higher than in Japan. This is however not due to inefficient use of energy but rather to our Nordic climate, our long distances, and our energy-intensive industrial structure. Like Japan, we strongly support further investments in the development of energy-efficient technologies.

We are fully committed to decrease CO2 emissions in the framework of Kyoto Protocol and as a member state of the European Union. The EU objective is to achieve at least a 20% reduction of greenhouse gas emissions by 2020, compared to 1990. In case a global and comprehensive post-2012 agreement is reached, the objective for the reduction of greenhouse gas emissions will rise to 30%.

Finland strongly believes that working together will benefit us all. Global action makes climate efforts more cost-efficient and effective, and by making contributions visible creates necessary mutual trust. A transparent global framework can also allay fears of carbon leakage and competitiveness harboured by a number of countries. This is important as we have to guarantee the commitment by everyone to decrease CO2 emissions. We cannot afford free-riders.

The topics of upcoming negotiations as identified in Bali are the right ones – mitigation, adaptation, technology and finance. Obviously, the building blocks of

future agreement and the details involved are to be negotiated on the basis of these topics. The European Union has already presented its general ideas in this respect. We will come with more specific ideas as the negotiations evolve and are also happy to exchange views with other countries.

Contributions expected of countries at different stages of development need to reflect their capabilities. For industrialised countries, binding mid-term targets are necessary. They are also more flexible than often thought – they define the level of effort and outcome but leave the selection of instruments and policies to reach this outcome to national decision-making.

The role of Japan is crucial, given its economic and political weight as well as its status as the host country of the Kyoto protocol. The importance of your full involvement can not be over-emphasised.

I well know that Japan has already been active and innovative in the process. "Cool Earth 50" initiative with its long-term global reduction targets and the current discussion on domestic reduction goals of 60-80 % are laudable initiatives. I also welcome Japan's work to promote technological innovation and create financing mechanisms to enable developing countries to come on board.

A good example of Japan's innovativeness is its proposal for a sector-based approach. This is a very interesting approach as it takes into account technological efforts of the past in improving energy efficiency and allows consideration for local circumstances.

I believe that we still need to discuss the details for this approach but my feeling is that it may prove to be useful in developing

the next regime. To me the "bottom-up" and the "top-down" approaches are not mutually exclusive; used together they are capable of contributing to a new regime which is at the same time fair and ambitious.

Let me also say that an emissions-trading scheme in the European Union is a cost-efficient tool to deliver reduction targets in electricity and industrial sectors. At the same time, we cannot neglect the competitiveness of efficient energy-intensive industries.

Having said that, I would like to stress once more the necessity for clear and ambitious mid-term CO₂ reduction targets. In the European Union we are proud of the leadership that we have been able to show in the international, regional and national climate policies. I believe that Japan's level of ambition with regard to long-term targets equals that of the European Union but I would like to encourage Japan to set herself ambitious and binding targets for the medium-term. We, the European Union and Japan need to lead by example.

This is particularly important as the Copenhagen summit is fast approaching. It happens far too often that international negotiations drag on too long. This time we cannot wait.

To combat climate change we need commitment, passion and action. Let me mention a few things that we have been trying to do in Finland.

We fully agree to the ambitious goals set inside the European Union for mid-term emission reductions as well as increasing the share of renewables in the energy palette. In Finland, we already produce 25% of our energy consumption with renewables

thanks to large-scale use of biomass in energy production.

The second element I would like to mention relates to the diversification of energy sources. This has allowed Finland to reply to medium-term commitments to curb emissions while guaranteeing energy security. I am proud to say that our balanced set of energy sources from nuclear to bio and hydroenergy, natural gas and so on is considered a case to emulate for other countries by the International Energy Agency.

We seek pragmatism in our policy. We fully agree on the need to increase renewables further, but we are also aware that this can not be done overnight. To make good our commitments, we have to make level-headed decisions and leave ideology aside. With this I refer especially to our decision to build more nuclear energy in Finland. Personally, I have never been a fan of nuclear energy, but we have to be pragmatic.

Furthermore, we are the only country in the world to have made a government-level decision on the final disposal of nuclear waste. We are currently building an underground facility deep in our bedrock to bury nuclear waste from our reactors. I admit that in this respect we are in a fortunate position as the ground in Finland is not volcanic like it is for example here in Japan.

To manage challenges ahead we have to be forward-looking. We need to make good use of the regulatory instruments available to guide development and behaviour. Policy-makers have to develop new approaches and solutions to promote cleaner and greener technologies. It is of utmost importance to launch specific

research and development programmes that focus on developing environmental and energy technologies. This costs money but it is an investment that will pay itself back in future.

Let me note a few other ideas that we have put into practice. In the northern part of the world it makes a difference how we build and insulate our buildings and how we heat them. Energy efficiency is taken into account when we design new buildings and houses, but we should also find ways to encourage people to make changes in houses already built. This will open new business opportunities in constructing and equipping houses. To give you an example, virtually all houses in Finland are equipped with triple windows to improve insulation.

Road traffic is one of the biggest polluters. In Finland it produces about 18% of all CO₂ emissions. In this sector there are huge possibilities to cut emissions by creating technological solutions for engines and developing biofuels. I know that Japan is a technological front-runner in this field.

As part of our own climate and energy strategy, the Finnish government proposed to Parliament that car taxation should be based on carbon-dioxide emissions. The car tax levied on passenger cars upon registration and the annual vehicle tax levied on all registered vehicles depend on the vehicle's carbon dioxide emissions. The tax rate will vary between 10 and 40 per cent of the consumer price. I believe that this constitutes a clear incentive for consumers to choose cars which use less fuel. At the same time, it gives a clear signal to car manufacturers to develop and produce cars with significantly lower emissions and fuel consumption.

Lastly, sustainable forest management. In

our view, sustainable forest management can make a crucial contribution to reducing greenhouse gases anywhere, not only through the sink effect, but also by providing a source for renewable energy and material substitution through harvested wood products. We have a lot of accumulated knowledge in this sector, and we are happy to share it with other countries.

I would like to point out that all of the measures that I have listed here reflect the fact that the climate change challenge can also be transformed into an opportunity for industry. Clean energy and industrial technologies are a growing field offering advantages to the first entrants.

No speech about energy and climate in the European context is complete without discussing the role of Russia. Russia is the most important energy supplier for the European Union, and more so in the future for Japan as well. Currently about one quarter of the natural gas and one third of oil consumed in the European Union comes from Russia.

On the other hand, the European Union is an important source of income for the Russian energy companies. In Russia, energy provides over 50 % of budget revenue and over 60 % of export income. The importance of the European Union is especially clear in the natural gas sector.

For Finland, Russia has been a reliable supplier of gas and electricity for years. But we have noticed that during the coldest winter spells when power consumption is at its highest, Russia has some difficulties to deliver electricity in agreed quantities. This is not a problem for Finland as we have appropriate fallback systems but there is a

clear lesson for both parties: new generating capacity is needed.

Russia is clearly interested in exporting more energy to Europe. The reason is simple: there is a buyer, and there is a seller. Europe needs the energy, they need the money. That is what trade is all about.

But increased deliveries require new infrastructure. In our neighbourhood a joint venture owned by Gazprom and its German and Dutch partners is planning to build a new major pipeline from Russia across the Baltic Sea to Germany.

The Europeans are indeed interested in importing even more gas from Russia as the gas demand is rising and as domestic production in the North Sea declines. The main question raised in this context is not whether energy might be used as a political weapon, but is there enough gas to be exported?

The reason for this question is Russia's quick economic growth and rising demand for gas and electricity. At present, more than half of the electricity is produced in gas-fired plants. In spite of Russia's ambitious plans to build more nuclear and coal-fired power stations, gas will dominate power generation in the coming .

Probably the quickest and environmentally best way to have more natural gas available for export would be to increase energy efficiency in Russia. The Russian government is taking steps in this direction. Domestic prices of natural gas will be

increased by 25 % each year until 2011.

In any case, huge investments are needed both in European and Russian energy production and transport. There are already several investments by European companies in the Russian energy sector as well as Russian investments in European energy markets. We hope that these mutually beneficial investments could continue and strengthen the EU-Russia energy and economic ties. I believe this holds true to Japan as well.

Now let me try to summarise:

Climate change is the largest single global challenge we are facing. It is of the utmost importance that we can come up with a meaningful outcome in the Copenhagen Conference next year. To guarantee this, it is important that industrialised countries show strong leadership. We in Finland and in the European Union are determined to do so, and I trust that Japan will be there with us.

On energy, both the European Union and Japan are and will be heavily dependent on imported energy. In consequence, we must improve energy efficiency and develop a feasible energy mix, with more renewables. At the same time, alternative import sources and routes must be found. Forging a functioning partnership with Russia is vital to the EU, and I assume to Japan also.

I would like to thank you for giving me this opportunity to share our ideas with you.