

**CLIMATE AND CLEANTECH FINLAND  
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SPEECH BY  
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**Dear Ambassadors, dear colleagues, ladies and gentlemen,**

As a representative of one of the organizers of this forum, it is my pleasure and honor to be addressing such a large audience of distinguished guests. On my behalf also, I would like to wish you all warmly welcome to Lahti.

Today, I'm particularly pleased to present to you our national goals regarding climate policy, and where trade policy comes to play in climate issues. In the following presentations, you will see that Finland has plenty to offer in the area of environmental technologies. Cleantech, as we call it, has recently taken a significant role in Finland's export promotion activities. We have high stakes in this industry, and hope that it will show us the way up from the economic low. But for now, let's talk about climate – and why there is an urgent need for technology transformation.

**Background of climate change**

As the Copenhagen climate conference approaches, the complex interaction of environmental issues has reached the attention of the world. The data we receive about climate change is overwhelming. Can we get the world to understand that unrecoverable changes may be happening? How to convince the skeptics with our changing estimates? Can we call it a prediction that sea levels may rise between a few centimeters and a few meters?

At least we are getting more accurate information about the past.

As the world started healing from the Second World War, also world carbon dioxide emissions began a dramatic growth. This happened as a result of fast economic growth, increased trade and transportation of goods, as well as increasing individual wealth.

Carbon dioxide is only one of the greenhouse gases, but its emission levels are growing the fastest. It represented almost 80 per cent of greenhouse gas emissions in 2004, and if no action is taken, emissions in total *will continue to grow by more than 70 per cent from 2008 till 2050*. Also under the Kyoto Protocol, from the base year of 1990 to present day, world green house gas

emissions have increased 24 per cent. What is more, the most recent climate models reveal that climate is warming at a much faster rate than we have believed until these days.

### **Copenhagen climate conference**

The coming climate conference in Copenhagen has been in the news day in day out. The driving force for the negotiations is that we must not let the global average temperature rise by more than 2 degrees compared to its pre-industrial level.

The commitments of the Kyoto Protocol extend until the end of 2012, and the Protocol sets binding targets only for the industrialized countries. *It is therefore obvious that we need a new, more comprehensive climate treaty, with no major pollution sources left out, and each country committed.*

At this point, I'd like to remind you about the estimate of the IPCC, the Intergovernmental Panel on Climate Change: to stay within the 2 degree limit, the ever continuing rise of global emissions has to turn to decline by 2015. (By 2015!)

There is no denying that we Western countries have been in the frontline in the accumulation of the current high levels of carbon dioxide in the atmosphere. And yet quite recently, carbon dioxide emissions from the non-OECD countries have reached and even surpassed those of the OECD countries. This juxtaposition only highlights how utmost important it is to get all nations of the world to strive for climate action according to guidelines agreed by us together. The escalation of the problem can only be stopped as a joint effort, or the damage will hurt us all.

Unfortunately, few definite commitments have been made so far regarding Copenhagen. The European Union has committed to an unconditional emissions reduction of at least 20 percent by 2020. Norway has said it may reduce emissions by as much as 40 per cent. There are some others too, but too many are still missing!

Yet, I'm convinced that we all get it: it's about time for a change. But how does change come about?

### **Finland's targets**

Finland's government has taken a strong stand on climate issues. Our long-term climate and energy strategy as well as the recent Foresight Report on long-term climate and energy policy support our goals in the climate negotiations. But our goals don't stop there, they also go further. We want to challenge countries that do not yet have policies of their own.

Finnish government's strategy defines the principal objectives of our climate and energy policy for the next decades, within the context of the European Union and its objectives.

This strategy outlines that the share of indigenous energy, and that of renewable energy in particular, will increase markedly over current levels. The efficiency of the energy system will improve, and greenhouse gas emissions will begin to fall on a permanent basis.

The Foresight Report sets Finland's overall goal, which is the reduction of GHG emissions by 80 per cent by 2050. This means that radical changes are needed in all fields of the economy and society. We will not rely only on voluntary measures, some of which are highly creditable. To accelerate major changes, we need steering mechanisms. Let me give you a few examples.

- The construction of new buildings will be guided by energy standards, and efficiency improvements are needed in old houses.
- Ecological tax reform will guide industries and individuals in their investment and consumption decisions, and we also support the development of carbon capture technologies.
- Most notably, we must unify the tax treatment of different sources of energy, so that taxes are insensitive to speculation and work effectively towards the prevention of green house gases.

The Foresight Report sets a number of ambitious numeric goals for 2050, but there is no escaping the final goal: we need to develop a zero-emission energy system and completely emission-free passenger traffic.

Incidentally, there are no magic tricks on the road. I mentioned carbon capture as one technology, but it will take years to develop and decades to become commercially viable. This means that strong measures regarding energy consumption are needed right away.

Next, I will focus on the significance of forests as part of our climate strategy.

## **Forests**

Forests as a renewable source of material have traditionally played a big part in our economy, but they also have a significant role in the mitigation of climate change: they store and sequester carbon, and produce renewable material to substitute fossil fuels. When we try to create synergies between climate policy and forest policy, the challenge is to find the best way to maximize total climate benefit while supporting the production of other wood-based products than energy.

Thanks to their large area, forests are a large carbon sink in Finland. In the climate negotiations, we emphasize the importance of being able to use forests in a sustainable way. By sustainable usage, I mean that the long-term carbon storage capacity of the forest remains unchanged or increases. For a forest economy like ours, the range of variation in the carbon sink should be large enough, and only permanent removal of forests should be reflected in the emission calculations.

### **Trade policy and climate**

As you may know, in trade negotiations Finland has consistently promoted the virtues of free trade, and we have seen how internationalization has made our own economy prosper. The dramatic expansion and globalization of trade makes it worthwhile to consider also the climate aspects of trade.

In truth, trade is a double-edged sword. On the one hand, increased production and exchange of goods leads to higher energy consumption. On the other hand, the way in which open trade increases production efficiencies and national wealth also improves our ability to invest in and exploit green technologies.

In the climate negotiations, two issues are pertinent to trade policy. One is technology transfer; the other is the risk of increased protectionism.

We do not believe that the weakening of intellectual property rights is a solution to technology transfer of environment-friendly products – because it may seriously hamper investment in new technologies. Instead, technology transfer can be made effective by liberalizing trade in environmental and climate-friendly products. With less barriers for the movement of goods, technology expansion is quicker and cheaper, and also clean technologies can be exploited at a faster rate.

I would like to highlight here the importance of the trade negotiations going on in the WTO, under the Doha Development Agenda. One of the aims of Doha, firmly supported by Finland, is to eliminate tariffs for environmental goods and services. The World Bank estimates reveal that with tariff removals, trade in these products will increase substantially. To start with, if we can reach an agreement on *climate-friendly* technology products, it is to the benefit of each country striving towards lower emission levels.

The interdependence of trade and climate also works the other way round: climate policy affects trade in a fundamental way. It may hamper growth in certain sectors and promote growth in others. Climate policy certainly affects the prices of different forms of energy and can lead to

carbon leakage from countries where emissions are highly sanctioned to countries that do not implement formal sanctions for their industries.

However, Finland believes that we should not increase trade barriers against countries that do not fulfill climate goals set by the EU. On the contrary, we firmly object to resorting to protectionist measures, because they will eventually complicate the functioning of the economic system. We still have the option of donating emission allowances to industries where competitiveness is at risk. The allowances will have a time-limitation, so also these industries will have to adjust their processes to ensure their future operability.

## **Conclusion**

In conclusion, I'd like to highlight the three most important issues that I have brought up in my speech.

I have just mentioned that we should not resort to protectionism to protect industries in industrialized nations. The world economy is showing signs of recovery - let's give it a chance. The trade in environmental goods can significantly help the economy recover, and new technologies are needed to help us adjust to climate change.

Second, I mentioned that for Finland, sustainable forest management is a key means for reaching our renewable energy targets and for enabling the survival of our forest industry, which still plays a big part in our economy. Like other forest nations, we need international recognition that forests can be used in a sustainable way, without compromising their role as carbon sinks.

Finally, I have talked about the necessity of reaching a comprehensive climate treaty in Copenhagen. The newspapers tell us that this is very difficult, and maybe so. But the true challenge is to initiate changes in people's lifestyles and really force emission curves to go down. The earlier we can stop the growth of energy consumption and turn emission levels down, I'm convinced that the less costly it will be for us and the generations after us.