

## **Norwegens Energieaussenpolitik: Zwischen Versorgungssicherheit und Klimaschutz\***

It is a telling sign of changing times when a Foreign Minister is asked to talk about the twin topics of energy security and climate change. A few years ago neither topic belonged in the foreign policy sphere.

Today it is a key issue also for foreign policy makers. And it is a real pleasure for me to address this issue here in Berlin, the capital of Norway's closest energy partner – a country with which we share the commitment to act on global warming – and to do so under the excellent auspices of the Friedrich-Ebert-Stiftung.

Let me – with the help of an illustration – frame the message of my address today. The image behind me illustrates the geographical centre of attention for my lecture: This is the High North seen from just above the North Pole – a picture taken in the summer.

When I spoke about the High North in Berlin last year, A German professor said that to him the High North was limited to Schleswig-Holstein. He had a point, and he confirmed that where you stand depends on where you sit.

My focus is much farther north and extends beyond the 70th parallel. To us Norwegians the High North covers the area of the Arctic that are adjacent to Norway, the northernmost parts of Sweden, Finland and Russia, and the ocean areas to the north of these countries, including the

Barents Sea. One third of mainland Norway lies north of the Arctic Circle.

The Norwegian mainland reaches far into the Arctic Ocean. In fact Norwegian jurisdiction in the Northeast Atlantic covers an area six times the size of mainland Norway.

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Last Friday the third report of the International Panel on Climate Change – IPCC - was published. We now know beyond reasonable doubt that climate change is man made, that global warming is speeding up and that we can and must halt it if we act swiftly.

Addressing climate change is the most global challenge there is – compelling all societies to act.

Moving beyond the Kyoto Protocol, we need a framework – internationally agreed – within which developing nations can grow, wealthy countries maintain their standard of living, and the environment be protected from disaster. Nothing less than that – and the IPCC confirms that this is possible, again – if we act now.

Under German leadership, the EU has taken important steps by setting ambitious goals for reducing greenhouse gas emissions and increasing the use of renewable energy sources and biofuels.

Berlin has succeeded in making the EU a front-runner in global climate policy.

I applaud Chancellor Merkel for having drawn the attention of the US leadership to

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the problem of climate change. As the Chancellor put it after the EU-US summit in Washington D.C. last week: "if we go back one year in time, it would have been considerably more difficult to agree on a text that describes the problem at all".

Having the US and the remaining industrialized countries onboard is crucial if we are to achieve real progress in the long run. They belong in that framework, nothing less.

We also need to devise the next climate agreement in a manner that will include the developing world. But in order to do so we - the industrialized countries - need to rise to a double challenge.

At the same time we must cut our own emissions and manifestly assist developing countries in cutting their emissions. We must both pay our bill, and help paying their bill.

Thus, Norway has set itself three ambitious goals. A few weeks ago the Norwegian Labour Party, the party I represent - made a strategic decision which now has been endorsed as Government policy and will serve as a point of departure for what we hope will be a broad political consensus:

First, Norway will aim for a 30% reduction of carbon emissions by 2020.

Second, by 2012 - the end date of the Kyoto obligations - we have set the target of reducing our emissions by an additional 10% on top of our initial Kyoto protocol commitments.

Let me explain: Kyoto allows Norway to increase emissions by 1% in 2012, based on 1990 levels. What we now have decided is to unilaterally set the target of 10% reductions by that date.

Third - looking further ahead - we have set an overriding goal of making Norway carbon neutral by 2050.

What does all this mean?

It means that we plan to exceed our obligations under the Kyoto protocol. It is a signal that we are prepared to stand together with Germany in the forefront of European climate policy.

It means that we will reduce substantially in areas where cuts count most. At home,

outside our doorsteps and coastlines, and far away - when assisting developing countries.

And finally, although significantly reduced by 2050, there is likely to still be emissions of climate gases from Norway some 43 years from now. Our obligation means that we pledge to compensate whatever emissions there may be by helping reduce the same amount of emissions elsewhere.

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I believe that in this broad societal ambition Norway and Germany will stand together.

We share basic values, history, cultural heritage and political fundamentals. We have close political, trade and cultural contacts, a number of networks, and our bilateral relations have never been better.

Of my 19 colleagues in the Government, 12 have visited Germany during the past 12 months. Bilateral trade has more than doubled in six years, and natural gas accounts for 70% of Norwegian exports to Germany.

The emergence of energy and climate change on the international agenda prompted Mr Steinmeier and me to establish a special foreign policy dialogue between Norway and Germany on energy and the High North last year.

The purpose of the Norwegian-German dialogue is to optimise the use of our national skills and expertise in order to ensure energy security, efficiency, and sustainability. It concerns energy, climate change and environment protection, as well as a broad spectre of industry and technology cooperation.

But it also amounts to security policy and foreign policy - in short: A matter for Foreign Ministers.

Mr Steinmeier has already visited the Snøhvit liquefied natural gas (LNG) plant on the cold shores of the Barents Sea.

This summer we will be co-hosting a workshop in the town of Tromsø North in Norway, devoted to the opportunities and challenges connected with petroleum production in the High North. From Tromsø we will go together to the

northernmost part of Norway – to Spitzbergen – to focus on climate change and polar research issues.

Norway is a major supplier of oil and gas. We have a clear responsibility minimising greenhouse gas emissions, for promoting energy efficiency, and for mitigating the effects of the emissions resulting from the production and use of fossil fuels.

What then – at the outset – is Norway’s perspective on energy security and climate security? What characterises us as a state?

Our image or personality as a state is determined both by our role as a major energy supplier, and by our ambition to be a leader in safeguarding the environment and addressing the climate challenge – not least through the development of low-carbon and green technologies.

We must and will live up to our international obligations under the Kyoto Protocol – and, as I just mentioned – our targets are ambitious.

But where Norway could really make a difference is in the field of technological innovation. We possess unique opportunities and we intend to take full advantage of them, in close co-operation with German and other international partners. Norway shall also make a difference when it comes to its international development strategies.

Today, Norway is the world’s third largest exporter of both oil and gas. We have an annual oil production of three million barrels per day and an annual gas production of 85 billion cubic metres. Early in the next decade, our gas exports – almost all of it going to Europe - will have risen by 50% to 130 billion cubic metres.

This means that exports from Norway will account for nearly a third of natural gas consumption – or enough to cook every third meal - in France, Germany and the UK. And as you know, Norway is already the second largest supplier of natural gas to Germany. By 2012 we would be at the level of Russia.

The Norwegian petroleum industry – which was born at the time of the first UN conference on the environment in

Stockholm 35 years ago – has been well schooled in sustainable development.

Norway was the first nation to introduce a CO<sub>2</sub> tax on petroleum production in the early 1990s.

Not surprisingly, the industry objected to the tax. But times have changed. Environmental regulations and taxation have spurred technological innovation and made our industry more – not less – competitive in world markets.

Today, the Norwegian continental shelf is the most energy-efficient petroleum producing region in the world. CO<sub>2</sub> emissions from Norwegian production amount to less than one third of the global average per unit produced.

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But, you may ask, isn’t there a dilemma here? How can we – and why should we - increase our energy production, which involves greenhouse gas emissions, and at the same time contribute to global climate security?

Here is our approach:

On the one hand, we seek to produce more of the fossil fuels that the world needs. We do need to change the world’s energy mix. But no matter how successful the breakthroughs may be in renewable energies, the world will continue to need fossil fuels for decades to come. In the traditional sense, energy security is about making supplies available, reliable and affordable.

On the other hand, we seek to be among the most advanced and committed countries when it comes to reducing the environmental impacts of energy production and use.

Norway’s aim should be that the production and use of Norwegian oil and gas will lead to less emissions in comparison with the production and use from other providers.

Thus, we need to be ambitious. Our vision is to move towards “decarbonisation” through CO<sub>2</sub> capture and storage that enables continued use of fossil fuels without damage to the atmosphere.

And capture and storage figure among the key strategies in the fight against climate change, recommended by the IPCC last week.

Speaking in Oslo in February, EU Trade Commissioner Peter Mandelson described Norway's approach to energy and climate as "a paradox" – but "foresight".

The point is that Norway's dilemma is also the world's dilemma – and therefore we have to tailor our approach in a way that makes the Norwegian response a constructive part of the world's approach.

It is best dealt with through a combination of political, economic and technological measures – and, of course, within a framework of international cooperation.

The foresight is based on a few key assumptions about the future of fossil fuels, the nature of energy relations, the role of technology, and the benefits of strong and early action against climate change.

Let me address each of these assumptions in turn:

Assumption number one: The world will have to produce more fossil fuels before it can make do with less.

According to the International Energy Agency's World Energy Outlook 2006, fossil fuels will remain the dominant source of energy up to 2030. In the Reference Scenario, oil, natural gas and coal will account for 81% of overall energy demand in 2030, as compared to 80% in 2004. During this period, global energy demand is projected to increase by just over half.

No wonder why energy security has emerged as such a key issue.

The worldwide search for greater diversity of supply extends to the petroleum resources of the Norwegian continental shelf – from the south and all the way beyond the Arctic Circle into the Barents Sea.

According to some sources the Arctic may hold a quarter of the world's undiscovered hydrocarbons. Considerable reserves of oil and gas have already been found in the Barents, Pechora and Kara Seas, such as

the Snøhvit field on the Norwegian side – which some of you may even have studied – and the huge Shtokman gas field 500 kilometres north of Russia.

Take a look at this map behind me. It may seem rather confusing and complex – and so it is – and I would need an extra hour to explain all the details. Now, just a few main points.

The map, its circles, dots, "hubs" and lines show the energy markets of Europe – Western Europe, Central and Eastern Europe – and then the growing Russian market. And it shows the resource regions surrounding Europe.

To me this map provides two messages.

First, it tells us that Europe is actually in a fortunate situation when it comes to diversification of energy supply. There are several sources.

Second, it also tells us that Europe will continue to be facing challenges of long distances and complex transit routes for a large part of its supplies.

Consequently, given the double challenge of not only upholding existing production levels, but even increasing them, it is obvious that large investments in infrastructure and production are needed – both in the "traditional" production areas and in new regions.

This is why the reserves to be found on the continental shelf North of Norway and Russia are likely to be essential to create a balanced and stable energy supply to Europe in the years to come.

And for the same reasons it is important for European decision-makers to stimulate the development of all the petroleum provinces surrounding Europe.

In sum, the key points under the first assumption are as follows:

- A) Fossil fuels will remain dominant in the energy mix for the foreseeable future.
- B) The importance of Arctic waters as a petroleum producing area is likely to increase.

- And C) Norway will continue to play a significant role in global energy markets.

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Let me now turn to assumption number two which is the following: Managing energy dependence means facing the reality of energy interdependence. Again, we are in the same boat.

Over the last few years, energy exporting countries have strengthened their bargaining position in relation to energy importing countries. But in my view, many of the assertions are too simplistic.

Because the fundamental relationship between energy producer and energy consumer is one of interdependence. Where the consumer is looking for security of supply, the producer is seeking security of delivery. Take Norway: One hundred percent of our gas currently goes to Europe. Who is more dependent on the other?

The interests of both parties must be taken into account for a stable energy relationship to emerge. This is precisely the kind of relationship that exists between Norway and Germany. It is based on commercial contracts in interlocking producer and consumer markets.

And let me add: Norway for its part is an integral part of the EU's internal energy market – as we will be an integral part of the EU's internal CO2 quota trading system.

Norway has always resisted the temptation to turn energy into more of a political or strategic commodity than it already is. I believe that this has served our interests well.

Besides, the existing interdependence in the petroleum sector is by its very nature a weighty disincentive to politicising energy pricing and “playing the energy card”.

It is both possible and desirable for major consumer countries to lessen their dependence on petroleum through various supply and demand side measures. But energy imports will remain an unavoidable reality over the next few decades.

I am also tempted to question whether the goal of being more or less “import independent” is a wise one, speaking in environmental terms: isn't it more to gain by wisely managed energy interdependence?

In sum, the reality of energy interdependence works against deliberately “playing the energy card.”

The reality of energy interdependence is reflected in the producer-consumer dialogues under the auspices of both the International Energy Agency (IEA) and the International Energy Forum (IEF). Let us continue to build on them.

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Now, on to assumption number three: Rapid technological progress is vital to achieving sustainable development.

We will need a major push for new technologies, the IPCC reports also reiterate this. We need to develop the technologies necessary to meet the twin challenges of energy security and climate security.

But it will not happen by the help of any “invisible hand” or by the market alone.

As the Stern report stated, climate change appears as a striking market failure. Wise political decisions and incentives need to be mobilized to address this challenge.

The Brundtland report – Our Common Future – published in 1987 made it clear that we - in the rich part of the world - need to change the way we produce and consume.

We cannot simply say to the developing world: sorry, we filled up the waste baskets – there is no more room left for your waste!

They have a right to develop - and we know that this will require energy. Therefore – as I alluded to at the outset – we have an obligation to assist them by sharing technology and making new advances.

The public is now awakening to the need to act - for many reasons, including the warming weather. This is encouraging, because we will need the push of democratic forces, and we will need the

pressure of public opinion to muster the political will to take decisive action.

The benefits of improved technology in the future depend on investments being made today in research, development and demonstration, RD&D. It could trigger a revolution in how we produce and use energy.

However, it will not be sufficient to unleash the strong forces for innovation in the private sector.

Governments must also support innovation efforts, especially for technologies that require extensive development to demonstrate commercial potential.

For Norway - as a major energy producer - one main question is: how can we help to meet the continued demand for hydrocarbons from the Norwegian continental shelf with reduced emissions of carbon dioxide?

Companies operating on the Norwegian continental shelf have developed technologies that separate CO<sub>2</sub> from the oil and gas produced, and reinject it into the reservoir for underground storage.

In the illustration behind me you can see how CO<sub>2</sub> is reinjected at the Sleipner field in the North Sea.

Since 1996, one million tonnes of CO<sub>2</sub> per year has been separated from gas produced at this field and stored 1 000 metres below the seabed.

This method has attracted considerable international attention. The initial scepticism about storing CO<sub>2</sub> gas in underground reservoirs seems to be diminishing as we gain more knowledge and experience in this field. Technology leads the way.

The question is whether underground storage of CO<sub>2</sub> could also be feasible and commercially viable for power stations and other major industrial users of fossil fuels in Europe and beyond.

In its energy package the European Commission addressed this question and set ambitious goals: 12 demonstration projects are to be set up by 2015, and full-scale commercial facilities are expected to be in operation by 2020. I understand that

several projects are being planned in Germany.

For this to happen, we need to remove legal and political barriers and develop proper incentives.

Last autumn, Norway embarked on a major new research, development and demonstration project. Our aim is to build the world's largest full-scale CO<sub>2</sub> capture and storage facility in connection with a combined gas-fired heat and power plant at Mongstad on the west coast. The CCS facility will be fully operational by 2014.

The vision is that building a full-scale CO<sub>2</sub> capture and storage facility will accelerate Norway's transition to a low-carbon economy.

As far as I know, two major German companies have been invited to take part in the company which will develop the technology for carbon capture and storage at Mongstad. This we welcome.

Succeeding at Mongstad will be important for Norway. But it will also be important for the rest of the world if the technology can be applied far beyond our country – including in emerging economies – allowing others to leap-frog towards cleaner and more efficient technologies.

Like Norway, Germany is seeking ways of achieving effective carbon capture and safe storage of CO<sub>2</sub>. New technologies are being tested in pilot projects that can provide decisive input to future solutions.

The environment ministers of our two countries have engaged in a dialogue on carbon capture and storage which entails an exchange of knowledge. Soon we hope to receive our German colleagues at the Sleipner platform.

Carbon capture and storage projects may involve different energy carriers, mainly coal in Germany and gas in Norway. However, there are a number of similarities in the technologies in use and under development in our countries.

I believe a strengthened dialogue on this issue would be of benefit to us all and facilitate the overriding goal of reducing CO<sub>2</sub> emissions from fossil fuels.

To sum up assumption number three, let me reaffirm what the European Commission says in its energy package: to achieve the twin objectives of energy security and climate security, we must transform our economies, by catalysing a new industrial revolution, accelerating the change to low carbon growth, and dramatically increasing the amount of local, low-emission energy that we produce and use.

The challenge, of course, is to do this in a way that maximises the potential gains and limits potential costs.

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Assumption number four is that the costs of inaction on climate change will fall first and heaviest on the weakest shoulders.

Climate change will affect the basic elements of life for people around the world – access to water, food production, health and the environment. Hundreds of millions of people could suffer water shortages, famine and coastal flooding, and become climate refugees as the world warms.

This fact makes climate change an issue of justice and morality in world politics today.

Let us now again look north. The High North - covering land and sea in the Arctic from Greenland in the west to Novaya Zemlya in the east – provides early warning of climate change. The High North offers front-row seats for the study of the cumulative effects of greenhouse gases and environmental toxins.

Sptizbergen serves as a natural laboratory for research in these fields. The international community is showing increasing interest in utilising the scientific infrastructure available at Spitzbergen, and we are pleased to have the eminent German researchers of the well-reputed Alfred Wegner Institute present there.

Evidence is now emerging from the Arctic. An assessment of climate change in the Arctic concluded that the Arctic is getting warmer and wetter. Snow, ice and permafrost are melting, ocean levels are rising, the seawater is becoming less saline

and more acidic, and the ozone layer is thinning and ultraviolet radiation is increasing.

In short: climate change is happening twice as fast in the Arctic as elsewhere on the globe.

The illustration shows how the scientists – in 2004 – projected the Arctic ice to recede. At the time, regular shipping traffic across the Arctic Ocean was expected to be possible from somewhere between 2090 and 2100, due to the North Pole melting. Now, the projections are that regular sailings will be possible from 2050, and extended summer sailings may be seen already by 2030.

The potential for increased maritime transport in the Arctic is an important perspective. As the sea ice continues to recede, the opportunities for profitable, year-round trans-Arctic traffic from Europe to Asia - and westbound through Canadian islands – to America will increase.

Apart from new shipping routes, in the Arctic we could be facing consequences for commercial activities, like fisheries and aquaculture, and to the way of life of the indigenous peoples of the North.

And then of course less sea ice will likely also open new areas of the Arctic for the development of petroleum and other natural resources. Again: this cannot happen until we have technology and procedures to proceed in a way that the environment can tolerate.

And as you know, the receding ice indeed poses a threat to the polar bear – maybe not to Knut in the Berlin Zoo, but certainly to his wild relatives. This great symbol of the Arctic - faces starvation now that it has to swim over great distances in the open sea to reach the ice that it depends on to catch food.

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Friends,

I have made numerous references to Norway's policy in the High North. This is no coincidence. The High North is where two of the world's major petroleum providers, Norway and Russia, have a huge

and largely untapped resource potential. And this is where climate change happens first and fastest. Therefore, the key external drivers of the Norwegian Government's High North policy are, simply stated: energy, climate change, and Russia - our neighbouring country.

Let me therefore conclude with a few words about Norwegian-Russian relations. Norway and Germany both enjoy close relations with Russia. Both will stand to gain from working together in engaging Russia in the broadest possible cooperation and integration.

Norway and Russia share the Barents Sea, we share many of the sustainability challenges of the High North and we must thus cooperate in a number of areas: on the harvesting of fish stocks, on exploration, production and technological developments in the petroleum sector, and on the adoption of health, safety and environmental standards in petroleum operations and maritime transport.

On the Russian side, President Putin has called for a strategic energy partnership between our two countries in the High North, and successive Norwegian governments have accepted the invitation. The question is what it takes to realise this ambition and achieve a quantum leap in economic and industrial cooperation between Norway and Russia.

Some of the key success criteria for the relations between Norway and Russia in the High North are the following:

First, prospects for energy cooperation will, of course, be linked to resource potential: if such a potential materializes the greater the potential mutual attraction - for Norway and Russia - as well as for many of our partners.

Second, the prospects for cooperation will also be determined by the investment climate. Foreign investors must have access to licenses and reserves on terms that are favourable enough to compensate for technological, financial and political risks. Here Russia is up against a challenge to demonstrate that there are long term and

stable market conditions for foreign investors.

Third, political agreement between Norway and Russia on a delimitation line in the Barents Sea would release considerable potential for cooperation in the petroleum sector. Today's area of overlapping claims, which covers a total of 175 000 square kilometres, could then be opened for exploration and production.

Fourth, the combination of industrial complementarity and geographic proximity constitutes a potential for energy cooperation between Norway and Russia. Both sides stand to gain from cross-utilisation and co-development of skilled labour, specialised offshore technologies, logistical networks and other infrastructure in the High North.

We will continue to develop our good relations with Russia, based on practical cooperation in areas of common interest. At the same time we will maintain a candid dialogue with Russia, and we will be clear about Norway's views on human and political rights, democracy, and the principle of the rule of law.

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In conclusion, Norway and Germany take the twin challenge of energy security and climate security seriously – two top issues on today's global political agenda.

Our dialogue is evolving on many fronts. I do my share with my German colleague Mr. Steinmeier. We will continue to present our High North maps and illustrations – like these – and share our ideas and thoughts.

Getting all of this right – addressing the dual challenge of energy security and climate change – will call on the very best of democracy – and the best of the whole of Europe – not the least here we are now, at the centre of Europe.

In short – it will call on the very best of Norway and Germany.