

Prime Minister  
Gro Harlem Brundtland

GLOBAL ENERGY AND ENVIRONMENTAL ISSUES - KEY-NOTE ADDRESS AT  
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Your Majesty  
Excellencies  
Ladies and gentlemen

Is it possible to exaggerate the role of energy? Is it possible to overdramatize the role that energy production and consumption will play as we peer into the future? I believe not.

My point of departure will be the population explosion. Presently the world population is doubling every 40 years. If by the year 2040 10 billion people were to enjoy the same opportunities as our present generation, agricultural production would have to quadruple, incomes would have to rise eight-fold, and energy production would have to multiply six-fold.

Whether or not this grim scenario of population increase will materialize depends on measures taken to lower fertility in a number of countries. This will require policy changes, effective redistributive systems in countries where such are absent, and assistance from us in the North. Regrettably The Rio Conference failed to agree on workable decisions with regard to population, thus prolonging solutions to the gravest long term challenge to environment and development.

But the problem is also one of consumption and of unequal distribution of the benefits of growth. Presently, the vast majority who are poor make only a minimal claim to our natural resources, including energy, while the more voracious North is consuming in a few decades what it has taken the planet billions of years to accumulate.

This growing difference between the fortunate few and the powerless, impoverished majority is a destabilizing trend. It is dangerous as well as morally unacceptable.

Policies in many developed countries presently drive unsustainable forms of development, encourage global warming, acid rain, air

pollution, mainly as a result of the use of fossile fuels and hydrocarbon energy sources. Energy prizes support these trends. The climate for extensive research in and development of new and renewable sources of energy is not favourable. We have a great deal of knowledge about where present trends will be taking us, but international cooperation to counter these trends is too weak.

We have witnessed a revolutionary restructuring of the international scene, since I last spoke at the ONS four years ago. We are experiencing one of those rare moments in history, when the framework for new political and economic relationships can be defined and set for decades to come. The world is becoming better organized in many fields. But still much remains to be done in the field of energy.

Policies can and must be changed in ways that would not only encourage more sustainable forms of development but also improve economic productivity, industrial efficiency and international competitiveness. This can not take place if individual countries are only watching each others moves, but by countries working together, recognizing their long-term common interests.

Scientists tell us that climate change is taking place. 37 island states are under very serious threat of disappearing if the world grows any warmer. Coastal areas which contain up to one third of the world population could be devastated within the lifetime of our children and grandchildren.

Faced with these threats, also the most reluctant countries will have to adopt far more stringent measures with regard to the use of fossile fuels.

Many countries have already made deep cuts in their emissions, and pledged further reductions. And still, their economies are among the primary forces on the global scale. Germany is a case in point. The energy-efficiency of Japan is well known. We should not be surprised when these countries increase their edge in the future because they forced their industry to become more effective.

Carbon taxes have been introduced in some countries including my own. They may not be popular, but they are accepted as necessary. But all such measures in small and medium sized countries will not make a decisive difference unless they are matched by similar strong measures in major countries.

The result from Rio is a watered down climate convention. It fails to set firm targets. It fails to recognize that the longer we wait the greater the bill.

But among the most positive features of the Climate Convention is the fact that it provides a forum for future negotiation on more solid commitments, it is a flexible instrument, allowing for

measures across different gases and sectors, and it opens up for joint implementation between different countries. It is the first example of a new generation of global environmental agreements based on the principle of cost-effectiveness.

Implementation of the Climate Convention will influence international energy developments and could have important consequences for both producers and consumers of fossil fuels. We were not surprised by the high level of concern on the part of some oil-exporting countries about the outcome of the climate negotiations and the parts of the Agenda 21 dealing with the atmosphere. But we found their positions too narrowly focussed.

The issues are far from simple. Many countries correctly pointed out that fossile fuels are far from the only sources of energy having grave environmental impacts. Substitution of fossil fuels by nuclear energy is a case in point. In fact, the substitution of nuclear fuels by fossile fuels, may now be a desirable option in Russia and Eastern Europe.

Many oil exporting countries are distressed to see that Norway, itself an oil-exporter, has introduced levies on the use of fossil fuels in order to curb emissions of CO<sub>2</sub>. We have linked a part of these taxes to transfer of financial resources to developing countries as means of helping them curbing their own emissions and to become partners in our global efforts to protect the climate.

Many oil-exporting countries view such levies as a threat to their own oil revenues. It must be admitted that such taxes, while influencing consumption patterns, may also divert financial resources from producer to consumer countries.

It is of course true that it does the environment no good if taxes imposed ostensibly for environmental reasons only result in a shift in revenues from producer to consumer countries. The Climate Convention contains an obligation that measures taken should not be a means of discrimination or a disguised restriction on international trade. Under the Convention, the situation of countries which are highly dependent on income from fossil fuel production shall also be given full consideration.

Financial measures will be effective to a considerable extent, but the energy industry itself will really have to spearhead conservation. Industries taking the challenge to develop and supply environmentally sound and safe energy services are likely to thrive, while industries most content with "old days" will soon become outdated.

A fundamental prerequisite for change will be more stable energy prices at a higher and reasonable level. Already in 1987, the World Commission on Environment and Development called attention to the need for a steady improvement of energy efficiency and to

shift the energy mix towards more sustainable patterns. The Commission also pointed out the need to avoid extreme fluctuations of oil prices. We emphasized the difficulty of developing alternative energy sources as long as oil prices remain low and we recommended that new mechanisms for dialogue between producers and consumers be explored.

Norway made a parallel call for a Global Energy Policy Interrelationship based on greater contact and deeper mutual understanding between oil-exporting and oil-importing countries. Key objectives of such a dialogue include greater stability and predictability in oil market developments, and prices at a reasonable level, promotion of energy efficiency and environmental considerations, better security of supply, demand and investments.

In early July, Norway hosted a workshop on Energy. It was co-sponsored by Italy and Egypt. It gave us an early opportunity to discuss environmental concerns in the wake of the Earth Summit in Rio.

The discussions will be followed up by further confidence-building contacts and cooperation at political and technical level, on a bilateral, regional and more global basis. Industry itself, international organizations and financial institutions have their role to play in addition to governments.

We were pleased by the willingness expressed by Spain to host a new meeting at political level and we will support their efforts.

Progress today and tomorrow depends fundamentally on our ability to cooperate. We must fully recognize the fact that the nation state alone is too small a scene for addressing regional and global issues. Markets are becoming more interdependent. Growth in the industrialized world depend on the growth in developing countries and vice versa. Developments the last decades have fully underlined that the world economy heavily depends on developments in the Middle East and their impact on oil markets.

Two thirds of the world's oil reserves are in the Gulf. But only 28% of oil production comes from the Gulf while 72% is produced by the rest of the world. Thus, the rest of the world depletes its oil reserves thereby increasing our dependence on oil coming from the Gulf. If a few million barrels a day were withdrawn, we would face a very serious problem, even a disaster and a ruin of the world economy.

Alternatives are needed, both alternative oil resources and alternative forms of energy.

In Europe, the Energy Charter and the legally binding agreements now under negotiation can encourage commercial activity and

investments and cooperation across earlier political and economic dividing lines.

The overriding principle of state sovereignty and sovereign rights over energy resources is recognized in the Charter. This is a principle of fundamental importance to Norway. Likewise, we recognize the importance to producers and consumers of having access to energy resources and markets and to liberalize trade in energy. The Charter has appropriate focus also on the important link between energy and environment.

International cooperation in developing the enormous petroleum reserves of Russia and modernizing their infrastructure can strengthen the security of energy supply. At the same time, energy export earnings can promote the economic reform which is so important also for political developments in Russia.

In July, on the Gullfaks C, Norway and Russia established a bilateral Forum for Energy and Environment. The Forum will promote closer and more systematic contact and cooperation between the our governments at ministerial and officials' level. Companies and industry will as appropriate also have a role to play within this framework.

Russian authorities and companies are showing increasing interest in joint ventures with Norwegian, as with other foreign countries in the petroleum sector. The Norwegian Government takes a positive view on our companies supplying goods and services to Russian petroleum activity in undisputed areas of the Barents Sea on a commercial basis and in accordance with our international obligations.

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The issue of European integration is at the top of our domestic and foreign policy agenda. We expect the agreement establishing a European Economic Area between nineteen European countries to be ratified this fall.

Participation in the Internal Market is of utmost importance to Norwegian economy. The EEA Agreement has implications beyond those of trade policy and provides a strong stimulus to the broader process of European integration.

The energy sector has not had a predominant role in the EEA negotiations. The EEA Agreement does contain some general principles and provisions to be applied to the energy sector, such as rules of competition and rules on state aid.

I would like to emphasize that resource management is a national responsibility and falls outside the scope of the agreement.

Given the open policy practiced by Norway, the petroleum sector is already exposed to strong foreign competition. Our industries are fully competitive and have acquired the competence needed to take on the future challenges on the Norwegian shelf as well as increasingly abroad. We welcome this future competition. Real and equal competition in all EEA offshore markets will open new opportunities also for Norwegian industries abroad.

The EC is now considering a Commission proposal for a Council Directive on the conditions for granting and using petroleum licenses. This is an area that affects vital Norwegian interests. It goes without saying that Norway will be following this matter very closely. We expect the Community to pay due regard to our interests and would find it prudent if we were consulted. We are a potential applicant country and we will have the by far largest unused reserves in Western Europe.

As the fourth largest oil-exporting country in the world, Norway intends to make its voice heard regarding international issues of energy and environment. Our rise to being a mature oil producing country and a well established energy-rich country in general gives us responsibilities as well as opportunities.

We intend to continue to provide predictable and attractive conditions for foreign companies working in Norway. We intend to pursue the goal of sustainable development aiming at meeting energy demands and diversify energy sources. A more equitable, sustainable and better organized World Community will remain the ultimate goal of our foreign policy for sustainable development.

While it would be an illusion to believe that the world can do without oil, gas and coal far into the next century, we will have to use the gifts of the world's crust more thoughtfully and more efficiently. We must treasure them more, price them properly and keep more of them available for future generations.