



It is a pleasure for me to be here at Losby Gods to talk about the Government's policy on sustainable development to such a well informed audience.

Allow me first to congratulate the organizers of this conference for delivering an impressive program with very prominent speakers from both Norway and abroad. This conference has a wide perspective, and the same can be said about The Government's strategy for sustainable development. I am pleased to be given the opportunity to present to you the Government's policy on sustainable policy.

Sustainability is a precondition for all the work of the Government. In Norway, the Ministry of Finance is responsible for sustainable development. This is to make sure that the principles of sustainability is built into all policy areas.

The Government's work on sustainable development

- A new strategy for sustainable development was presented in the National Budget 2008.
- Follow up in annual budgets
- Statistics Norway reports annually on the development
- An official expert group presented a report on guidelines for sustainable development in 2009 (Olsen-group)
- The Government intends to revise the strategy during 2011

The Government presented a new strategy for sustainable development – Norway's strategy for sustainable development – in the National Budget 2008. The strategy is followed up in the annual national budgets.

The strategy focuses on **seven policy areas** which cover both environmental, economic and social challenges.

18 standardised indicators are used to monitor the developments in these policy areas. The indicators are also used by the different ministries in their annual reporting on sustainable development to the Ministry of Finance.

Statistics Norway is given an important role in reporting on the development in the 18 indicators and in analysing the development.

The strategy is now under revision. We are investigating whether to include measures of quality of life to the indicators. We are also looking for better measures of biodiversity. We emphasise to make the process of revising the strategy open, with input from organisations such as trade unions, employers organisations, environmental organisations and local governments. We intend to present the revised strategy in the National Budget 2012, in October this year.

An official expert group, led by Mr. Øystein Olsen, then head of Statistic Norway, now head of The Central Bank of Norway, presented in 2009 a study on whether climate change, loss of biodiversity and spreading of toxic chemicals were sufficiently taken care of in existing public regulations and the guidelines for cost benefit analyses. As part of the follow up of the recommendations for this report, the Government intends to appoint an expert group that will give advice on how to set a price on emissions of greenhouse gasses in public cost-benefit analysis.

What is sustainable development?

- The World Commission on Environment and Development – The Brundtland Commission (1987):
"meets the needs of the present without compromising the ability of future generations to meet their own needs."
- Prevent irreversible man made changes – in climate, biodiversity and due to toxic chemicals.
- Global and national perspective

There are many different definitions on sustainable development. We have chosen to relate our understanding of sustainability close to the definition used by the World Commission on Environment and Development – The Brundtland Commission in 1987:

"development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

This definition implies that solidarity over time and through generations should be emphasised. In addition solidarity within the present generation should be given weight.

The focus should be on preventing irreversible man made changes – in climate, biodiversity and due to toxic chemicals. In this work it is important to have both a global and a national perspective. Man made global warming is a global challenge. High emissions of greenhouse gasses per capita in rich countries, combined with increasing emissions in developing countries and in emerging economies, makes it absolutely necessary to reach an international agreement that gives all countries the incentive to reduce emissions. At the same time rich countries like Norway have a special responsibility to contribute. Especially so when it comes to research and development of new and climate friendly technology and to contribute to financing of climate measures in developing countries. Even though the world has not yet reached a climate agreement, several industrial countries, of which Norway is one, has taken responsibility to do "our share" of the job through the Kyoto agreement. Norway has also pledged to overfulfil our commitments by 10 per cent.

Sustainable development means that we not only must be responsible for our ecological resources. We must also manage our other resources more generally in the best interest of our future generations – our finance capital, our social capital (low income differences and high level of trust) and, may be most importantly, our human capital (good education and good health).

Indicators for sustainable development

International cooperation for a sustainable development and fight against poverty

- Indicator 1** Official Development Aid (ODA) as per cent of GNI
Indicator 2 Trade with developing countries

Climate, ozone and long distance transported pollutants

- Indicator 3** Emissions of greenhouse gasses related to the Kyoto target
Indicator 4 Long distance transported pollutants and obligations related to the Gothenburg Protocol

Biodiversity and cultural heritage

- Indicator 5** Number of nesting birds
Indicator 6 Ecological conditions of main fresh water systems
Indicator 7 Ecological condition of coastal waters
Indicator 8 Condition of protected buildings

Allow me to elaborate on some of the 18 indicators in the strategy.

Norwegian official development assistance has increased from 18.0 bn. NOK in 2005 to 27.1 bn. NOK in 2011. This is an increase of 50 per cent, and the level in 2011 corresponds to 1.02 per cent of GNI.

The emissions of green house gasses have fallen from 53.8 mill. tons in 2005 to 50.8 mill. tons in 2009. The reduction was particularly strong in 2009, and this was partly due to the financial crisis. The policy of the Government has contributed to a significant reduction of emissions over the past years. According to Norway's report for 2009 to the UN under the climate convention it is estimated (with some uncertainty) that our climate policy since 1990 has contributed to a reduction of annual emissions of green house gases in 2010 by 11-14 mill. tons. Estimated reductions in 2020 do to already implemented policy is estimated to 13-17 mill. tons compared to a reference without these policy measures.



Total consumption of energy per unit of GDP continues to decline. From 1976 to 2008 energy use per unit of GDP has been reduced by 35 per cent, corresponding to 1.3 per cent per year.

Emissions of NO_x has declined by 11 per cent in 2005-2009 , but the level in 2009 was still 7 per cent above our obligation related to the Gothenburg protocol. In January 2008 a voluntary agreement about measures to reduce NO_x-emissions was made between the Government (Ministry of Environment) and 14 different industry organisations. According to this agreement the firms will not be taxed for their NO_x-emissions in 2008-2010 if the industry reduces their emissions by a total of 30 000 tons. This will give significant contributions to fulfilling our obligations. The Government will consider how to reduce emissions also from sources that are not included in this agreement.

The quality of both fresh water and coastal water is good in most parts of the country. However, there are some challenges related to the quality of water around Oslo. Fortunately we have seen a positive trend over the last few years.

Indicators for sustainable development, cont.

Natural resources

- Indicator 9** Total energy use per unit of GDP
Indicator 10 Size of main fish stocks relative to a precautionary limit
Indicator 11 Irreversible reduction of productive agricultural area

Chemicals that are toxic for people and environment

- Indicator 12** Potential exposure to toxic chemicals

Sustainable economic development

- Indicator 13** Gross national income per capita, distributed on source of income
Indicator 14 Income distribution
Indicator 15 Generation account: Net present value of future public deficit as per cent of GDP
Indicator 16 Population distributed by level of education
Indicator 17 Number of long term unemployed people and number of disabled workers
Indicator 18 Life expectancy at birth

The Norwegian economy is in a good shape, especially compared with most other countries. Employment is increasing, and the number of unemployment is low. However, there are quite a number of people that are declared disabled to work, 346 000 by the end of 2009 – an modest increase (7000) from the year before. This corresponds to about 12 per cent of the work force. It is very important to ensure high level of work participation from groups that today have low participation rate. The Government will continue to stimulate work participation among these groups.

There has been a tendency towards increased income inequality in Norway over the past two decades. From 2005 the trend has declined again.

The generation account shows a significant need for future fiscal tightening. One of the causes for this is that Norwegians continues to live longer – and that is, of course, very positive. In 2005-2009 expected life expectancy at birth for men was increased by 0.9 years to 78.6 years, while the life expectancy for women increased by 0.6 years to 83.1 years. Well, the Government can not take the whole credit for this trend, but this important indicator proves that living conditions at least has not deteriorated during our watch. We have implemented a system of adjustment of pensions according to change in life expectancy, and this will significantly contribute to improve the Generation account.

Norway's most important contributions to a sustainable world in 2011

Commitment on development of technology for carbon capture and storage is strengthened

2.5 billion NOK

Official development aid

1.02 per cent of GNI. In total 27 billion NOK

Measures against deforestation in developing countries

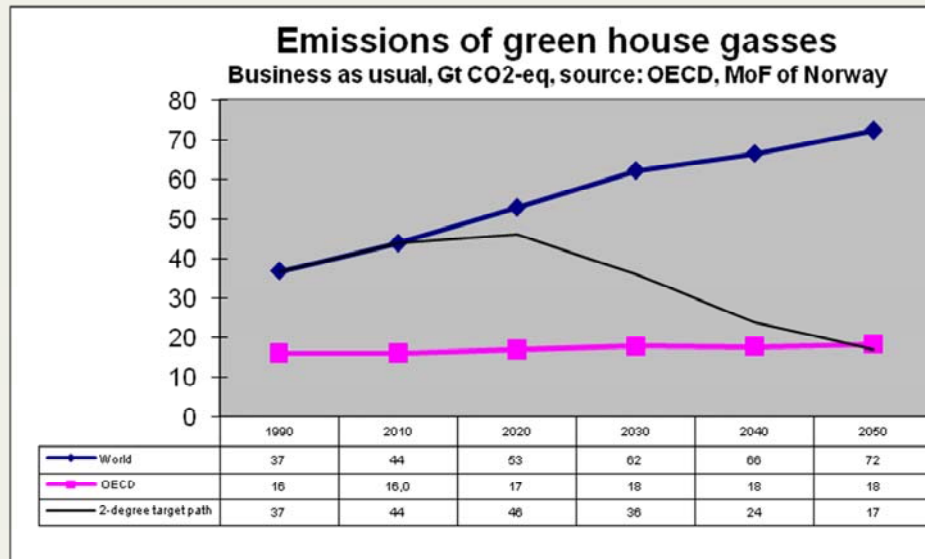
2.2 billion NOK

What are Norway's most important contributions to a sustainable world now?

Norway focuses on fight against poverty and preventing irreversible environmental damages. Allow me to illustrate this by highlighting three important measures:

1. Both the UN Climate panel and IEA has stated that carbon capture and storage (CCS) can be a very important contribution to mitigation in the future. This is the reason why Norway in 2011 uses 2.5 bn. NOK on development of technology for CCS. The aim is that Norway's investment on this technology will contribute to reduce the cost of CCS so that the technology can be internationally wide spread.
2. Norway is among those countries that gives the largest share of its income as aid to developing countries. In 2011 Norwegian official aid (ODA) amounts to 1.02 per cent of our gross national income (GNI). The UN recommends that rich countries give at least 0.7 per cent of GNI, but only five countries (Denmark, Netherland, Norway, Luxembourg and Sweden) reached this target in 2009. Some of Norway's ODA will be used to avoid deforestation in developing countries. Norway has indicated that we wish to strengthen the focus on climate measures in our ODA. We hope that measures against deforestation can give substantial, quick and very cost efficient reductions in greenhouse gasses.
3. In the budget for 2011 we have granted 2.2 bn. NOK on measures against deforestation in developing countries. Norway has a bilateral cooperation with Brazil and Tanzania about rainforest protection. In addition we have intentional agreements about cooperation with Guyana, Mexico and Indonesia. Norway also supports several multinational initiatives on this area.

Global emissions of GHG are increasing



Emissions of greenhouse gasses have increased significantly over the past decades. And with no/(without) new measures, emissions are expected to continue to increase rapidly, perhaps by as much as 50 per cent from now till 2050. Historically most of the emissions have taken place in developed countries. However, emerging and developing countries are experiencing a very rapid increase in energy use, and consequently, in emissions of CO₂.

The graph on the screen shows emissions in a business-as-usual scenario estimated by the OECD. We (can) see that emissions in OECD countries are hardly expected to increase, while emissions in the rest of the world will grow rapidly. The thin black line illustrate(s) a path consistent with limiting global warming to 2 degrees.

In fact, nearly all the expected growth from now on will be in emerging and developing countries. The driving forces are improvement in living conditions, which is good, and a continued strong growth in the population.



The climate conference in Cancun led to some steps in the right direction, and the result was better than (the rather low) expectations. However, some of the most difficult questions were postponed. We will have to wait some time to see an ambitious international climate agreement. The biggest challenge is that USA and China, which are responsible for more than 40 per cent of emissions, show little willingness to international commitments.

An important decision in Cancun was the agreement to create a "Green Fund" for financing of climate measures in developing countries. This reflects that all parties understand that a lot of investments are needed also in developing countries and that rich countries must contribute economically. Let us work and pray for a successful meeting.

The negotiation process will continue towards the meeting in South Africa next year, and the aim is to reach an international climate agreement there.

Government Pension Fund Global - investments in the future

- Ownership in more than 7 000 companies
- Long horizon- safeguard long-term financial return, benefit to future generations
- Safeguard the ethical values of the owners of the fund, the Norwegian people
- Do not invest in companies which contribute to grossly unethical activity, including severe environmental damage

Let me finally briefly touch upon the guidelines of The Government Pension Fund Global.

The fund now has a value of about 3 000 bn NOK (about 500 bn USD) and owns shares in more than 7 000 companies. It is the world's second largest sovereign wealth fund. In accordance with the principles for sustainable development, the wealth generated by petroleum actually belongs to future generations.

In 2004 we established ethical guidelines for the fund. A Council on Ethics recommends observation or exclusion of individual companies.

In accordance with the principles for sustainable development, the wealth generated by petroleum activities belongs to future both present and future generations.

A good long-term return depends on sustainable development in economic, environmental and social terms. We will therefore use the instruments we have as a financial investor to contribute to such a development.

Two main mechanisms:

- Exercise of ownership.
- Exclusion and observation. At year end 2010 the Ministry had excluded 51 companies and placed one company (Siemens) under observation.

The Ethical Guidelines have received much global interest. Some will see it as a "naming and shaming" tool. That's never been a point from our perspective. For us it's about signalling what we as an investor see as a no-go-zone or as illegitimate investment returns. For us as a global investor with a long term perspective global sustainability is an important precondition for safeguarding our investments

Summary

- Sustainability is a precondition for all the work of the Government.
- We use relevant indicators to measure the development in different areas, and we follow up the strategy in annual budgets.
- The main areas of focus are:
 - Preventing of irreversible damage to environment
 - Fight against poverty
 - Securing sustainable management of human and economic resources in the best interest of both the present and future generations.

Thank you for listening!

I wish you a good and interesting conference!