

**Address by Ms Paula Lehtomäki,
Minister for Foreign Trade and Development of Finland
at the Arctic Passion Seminar on March 15, 2007**

FINLAND'S ARCTIC EXPERIENCE

Mr President, Ladies and Gentlemen,

I would like to start by thanking Mr Niini, the President of Aker Arctic Technology Inc for inviting me to address this high level seminar, and by the same token welcome you all to Helsinki on behalf of the Finnish Government.

We are here on the southernmost shores of Finland, and the sea is still partly frozen in mid March. And this year we have had an especially mild winter. For us, arctic technology is something we have needed in our everyday lives to survive in these climatic conditions.

Ladies and Gentlemen,

Finland is a highly developed and a very open economy. Most of our imports - including oil - and exports move by ship all year round irrespective of weather and ice conditions. Having sturdy vessels able to navigate in these conditions has always been and still is of vital importance for us.

Cold climate, long distances and traditionally strong forest and metal industries have made Finland a very energy

intensive economy. In fact, we have the highest energy consumption per capita among EU members. But this energy is not wasted but used very efficiently.

Changing climate conditions around the world and undisputable scientific evidence have come to underline the urgent need to fight climate change. The European Council, that is, the EU Heads of State and Government, showed bold leadership in this fight a week ago at their Summit by committing the EU to challenging objectives in our integrated climate and energy policy:

The EU is committed to an objective of a 30 percent reduction in greenhouse gas emissions by 2020 compared to 1990 provided that other developed countries commit themselves to comparable emission reductions. Furthermore, the EU made a firm independent commitment to achieve at least a 20 percent reduction of greenhouse gas emissions by 2020.

In addition, the EU Leaders endorsed a binding target of a 20 percent share of renewable energies in overall EU energy consumption by 2020, and a 10 percent binding minimum target to be achieved by all EU Member States for the share of bio fuels in overall EU transport petrol and diesel consumption by 2020.

Finland supported these bold commitments. We realise the importance of the EU showing leadership and determination in the global fight against climate change. But we emphasize

fairness and transparency in burden-sharing. Different national circumstances and starting points and potentials have to be duly acknowledged when later agreeing on country specific objectives within the EU.

For example, our present energy mix is much wider than in other European countries. Finland is currently the leading user of modern bio energy in Europe and we have already passed the EU goal of 20% share of renewable energy in energy consumption.

Our cities are heated by combined heat and power stations which reach up to 90% energy efficiency. New nuclear power is also being built in Finland. This allows us to reduce our dependence on fossil fuels in base load electricity production.

Ladies and Gentlemen,

Our dependence on foreign trade and need for sea transport have been the basis for our shipbuilding traditions. Not only did we build ships here in Finland more than 100 years ago but Finnish timber and tar for European shipyards was the mainstay of our exports some 150 years ago.

The need to rebuild our fleet after the Second World War and new trading relations with the then Soviet Union created conditions for rapid expansion in shipbuilding. The competitive edge of Finnish shipyards became strongest in

building vessels for arctic ice conditions and - to compensate the cold - for cruise lines in the Caribbean.

Aker Arctic which is our host today is a proud flag carrier of this long tradition. Those Finnish shipyards whose arctic experience is concentrated in this house have built more than half of all the ice-breakers ever built in the world. Impressive! And most of these ships have been tested in the previous locations of the ice basin which is now located in this building, as well.

Ships need engines and propulsion systems. And with revolutionary inventions, double action vessels have become reality; something new to me, I have to admit. With this technology, an ordinary tanker transforms itself into an ice breaker. So simple and genius that you wonder why nobody invented it before.

And just a few hundred meters from here, ABB is building its new facility to produce these propulsion systems of the future. Finland is also the home of Wärtsilä, the world leader in diesel engines, which can use both natural gas and diesel oil as fuel.

As you can see, luckily - and as a necessity - we have managed to turn our challenging living conditions into a technological asset!

Ladies and Gentlemen,

Finland is not only the northernmost EU country but also the country with the longest border with Russia. Our mutual geopolitical history with the Eastern neighbour dates back several hundred years. And in fact, Finnish involvement in Russian Arctic has even deeper roots and dates back even longer in history.

The first captain to navigate the North East passage from Atlantic to the Pacific Ocean was a Finnish born Nordenskjöld on his ship Vega. And there is even an American connection to this Finnish-Russian arctic cooperation: two Finns served as Governors of Alaska when it was still called Russian America.

In the decades since the end of the war in mid 1940's, our trade with the then Soviet Union grew rapidly. Our shipyards built hundreds of ships to Soviet customers: icebreakers, ice strengthened tankers, research vessels, drilling ships. We also started wide ranging cooperation in offshore technology.

After the fall of the Soviet Union, our relations with Russia have widened further and now cover everything from trade and investments to culture and tourism. I have first hand experience of this positive development as I come from a town only a few kilometres from the Russian border.

Finnish presence in the arctic technology market in Russia has continued. At the moment, Finnish technology and

constructors are present in Russian offshore all the way from the Barents to the Ohotsk Sea. And the Caspian Sea should not be forgotten either. The conditions can be rather arctic there, as well, as the Northern parts of the sea freeze in winter.

Ladies and Gentlemen,

The arctic region is one of the last and at the same time least known frontiers of energy exploration. Alaskan fields have been developed and used for decades. There are good reasons to believe that the seabed in other arctic regions contain oil and gas, as well. Some of these fields have been known for a while and just need to be exploited. A good example is the giant Shtokmanovskoe field in the Barents Sea.

Global consumption of hydrocarbons is expected to grow and many of the existing fields in Europe and North America are being depleted. In addition, there is a growing interest both in Europe and in the US to diversify their supply of hydrocarbons.

Arctic regions which are geographically near are especially interesting. Just to remind you that Jamal - not to speak about Shtokmanovskoe - are much closer to the US East coast than Nigeria and other prospective supply areas in West Africa.

The growing interest in arctic energy exploration in our corner of the world further underlines the strategic significance of the Baltic Sea as a transport route. The planned Nord Stream gas pipeline is, of course, an obvious case in point. We in Finland follow these developments with great interest while emphasising the need to properly address the environmental aspects of the plans.

Thus, there is expectedly an abundance of gas in the arctic region. The relevant question is how much investment is needed to bring all this gas to all interested customers in Europe, Asia and the US. And how fast these investments should be made in order to satisfy the growing demand.

For the investments to realise - both Russian and foreign - we need a stable and predictable investment climate.

Investments are made by companies based on private interests but Governments have a role to play in creating favourable conditions for investments.

Therefore, one of our central aims within the EU is to include trade and investments in energy as an integral part in the new basic treaty to be negotiated between the EU and Russia. This new treaty will, when ready, replace the existing Partnership and Cooperation Agreement.

Ladies and Gentlemen,

I would like to conclude with a practical observation from a layman's point of view. When we know that natural gas has to be frozen to minus 160 degrees Centigrade in order to make it liquid, it must be much easier and cheaper to do it when it is minus 40 degrees Centigrade outside than in the burning heat of the Persian Gulf.

Whether this observation helps to make investments in arctic LNG facilities easier or not I do not know. But one thing is sure: there is energy in the North and Finland can offer technology to bring that energy to the markets.

I wish you a very useful and productive seminar.

Thank you.