

Opening speech
by Prime Minister Sigmundur Davíð Gunnlaugsson,
at the Arctic Circle
Reykjavik, Harpa, 31 October 2014

President of Iceland, Mr. Ólafur Ragnar Grímsson,
President of Finland, Mr. Sauli Niinistö,
Excellencies, distinguished guests,
Ladies and Gentlemen,

I am very pleased to be here today to address the Arctic Circle in this beautiful conference and concert hall – Harpa.

I sometimes say that Iceland sits in the front row of witnessing climate change and its consequences. We can, therefore, offer the best seats and are centrally placed to host events on the Arctic.

This is the second time the Arctic Circle assembles and it is, deservedly, attracting ever more attention worldwide.

The quality of the working sessions and the level of participation from state actors, local communities, non-governmental organisations, private sector enterprises and science alike, make this Arctic assembly quite unique in form and size.

I want to thank President Grímsson for the initiative at the time and his continued engagement, and the organisers and sponsors for their hard work and commitment.

The timing of this assembly is also opportune. Last month I attended the United Nations Climate Summit in New York, to which UN Secretary General Ban Ki-moon invited world leaders from government, finance, business and civil society to galvanise climate action, and mobilise political will for a meaningful climate agreement next year.

Climate change is not a far-off problem. It is happening now and, at the Summit, I found it particularly revealing to witness how the global challenge of climate change can have intertwined consequences as well as local, and a direct impact on people's lives – from Thule to Tuvalu as the awarded documentary by Matthias von Gunten so powerfully illustrates.

It is, however, important to bear in mind that, for millennia, we have seen dramatic changes and swings in climate and global warming is not a recent phenomenon. Ever since the industrial revolution in the late 18th century, which resulted in increased greenhouse emissions, the globe has seen higher temperatures. The same applies to the ice sheet in the Arctic, which has receded on average by some 11% every decade at least since the 1970s. And it is a mixed picture. This year we have indications that the ice cap in the Arctic is not receding.

Still, the general trend is clear and the visual and rapid pace of developments in the Arctic – driven by climate change, but also by strategic considerations and high economic and commercial interests – has focused attention on the Arctic in recent years.

The stakes are, indeed, high. Numbers and figures need to be taken with caution, of course. However, it is beyond a doubt that the region has huge untapped potential when it comes to the extraction of oil and gas. Some estimates say that at least 18% of the world's undiscovered oil and 30% of gas. In addition, the region is rich of valuable minerals, fish, wood and hydro.

Moreover, alternative transportation routes are opening up, cutting distances by thousands of nautical miles to ever growing markets in the East and, hence, bringing North America, Europe and Asia closer together – geographically and commercially.

The number of vessels transiting through the Northern Sea Route in 2013 amounted to 71. This may not be a large figure in absolute terms, but the numbers are increasing – from 46 in 2012 – and the vessels are carrying ever more freight – already over 1.3 million tonnes last year. There will be ups and downs in these numbers but they will, in all likelihood, continue to increase in the long term.

Also, climate change will likely increase the potential, but also the necessity of enhanced food production in the Arctic as demographic factors change and the need for food increases globally. A growing shortage of water is another challenge mankind will be faced with in the not too distant future highlighting the significance of the Arctic's tremendous fresh water supply.

Ladies and Gentlemen,

For centuries, Iceland's economic and social well-being and livelihood has been shaped by the natural riches and climatic conditions of the North.

Our interests in the Arctic are manifold and my Government, which took office last year, has identified the Arctic as a policy priority. In fact, there is a fairly broad consensus in Icelandic politics and society on Arctic affairs and my Government's ambition is to maintain and foster this cohesion and continue to build on, and develop, the principles that underpin our Arctic policy that was unanimously agreed to in Althingi Parliament in 2011.

The changes that are occurring in the Arctic are multifaceted and affect our societies in various ways – economically, environmentally, socially and in terms of security. Therefore, a holistic approach is called for to address developments in the Arctic.

With this in mind, last year, my Government decided to establish a Committee of Ministers on Arctic Affairs, which I as Prime Minister preside over. The Committee, which meets regularly, ensures a focused political attention and a co-ordinated implementation of Iceland's Arctic policy.

Hereby, a whole-of government approach is applied, cutting across the various dimensions and complexities that characterise developments in the Arctic. Currently, the Committee is in the process of mapping out Iceland's wide ranging interests in the Arctic in a holistic manner to further underpin our policies and how we prioritise our finances.

Ladies and Gentlemen,

The key to our Arctic policy, however, is co-operation with other stakeholders in the region, which, again, underscores the importance of having a venue like the Arctic Circle that brings together different people and even different interests – but where we all benefit from dialogue and mutual understanding.

Let me first mention the Arctic Council, which remains the most important forum for discussions and decision-making on issues pertaining to the Arctic.

The composition of the Arctic Council is quite remarkable and encompassing, and includes not only Arctic member states but also, and this is important, communities of indigenous peoples as permanent participants. We also see an increasing number of observers – states, NGOs and businesses alike.

As a consequence, the Arctic Council now includes ten out of the eleven largest economies as members or observers, six out of the fifteen largest oil producers and nine out of the twenty largest fishing nations in the world.

The Arctic Council is developing with self-confidence from a forum of discussion to a decision-making body with an ever growing international attention and attraction. Two legally binding agreements on Search and Rescue and Oil Spill Response have been agreed to in recent years, which we welcome and would like to see the Council continue to develop in this direction.

There are other regional bodies I could mention that are also important in the Arctic discourse, including the Barents Euro-Arctic Council, which Finland currently chairs, the Northern Dimension and West-Nordic co-operation, which my Government also places an emphasis on. And only this week I attended the Nordic Council Session, which approved a revised Arctic Strategy.

Second, the United Nations Convention on the Law of the Sea, which all Arctic countries agree should be our guiding light in resolving legal matters and any outstanding disputes. Indeed, the Arctic states have a history and good record in resolving their differences in a cordial and peaceful manner in the High North. We may not agree on all issues everywhere, as certainly is the case these days. However, it remains important to maintain good relations and co-operation in the Arctic where the stakes are high and our interests, in many ways, converge.

It is quite remarkable, when you think about it, how the Arctic has become a region of stability and co-operation after decades of tensions during the Cold War. We must continue to build on this and avoid the slippery slope of military build-ups and confrontation in the region. Catchy and often misleading headlines indicating a “Race for the Arctic” should not become a self-fulfilling prophecy. High North – low tension should be the order of the day.

Thirdly, let me say a few words on the co-operation between the public and the private sector, which is imperative if we, collectively, wish to exploit the various emerging economic and commercial opportunities whilst addressing inevitable accompanying challenges.

And let me be clear. There will be necessary balances to strike – between exploitation and conservation in this highly complex and environmentally sensitive region.

Public and private actors and enterprises will need to co-operate, share responsibilities, build on each other's strengths and add capacities where needed.

This approach – to marry the potential economic advantages with the accompanying environmental and security challenges – is an imperative one from my standpoint and cannot only be the responsibility of the State. Here, other stakeholders like municipalities, academia, businesses and industries all have a role to play.

Therefore, I welcome the Arctic Economic Council, which was formally established last month and brings together all relevant parties with the aim of contributing to sustainable and responsible economic and social development in the Arctic.

We must, however, never forget that the Arctic will always be the Arctic - not the Mediterranean to borrow a popular anecdote from the discourse on the Arctic.

Although it is warming up for business, we still have to keep our heads cool. The weathers in the Arctic will continue to be cold and unpredictable, and the high seas hazardous. Drifting ice is no less dangerous than bigger icebergs. The region is becoming more accessible, yes, but it is not an open highway.

And although the stakes are high for states and businesses alike, we must always remember that there are people, including indigenous peoples, living in these areas, whose livelihood and rights need to be fully protected.

Ladies and Gentlemen,

Iceland will remain a responsible partner in the Arctic. My Government is currently looking into the possibility of establishing an international rescue and response hub in Iceland. We are strategically located to provide services in a region, which, in many places, lacks the necessary infrastructure.

My country has good logistical facilities to offer, including international airports, deep ports, medical services and accommodation facilities. We also have valuable expertise to share, including within our Coast Guard, which is well acquainted with climatic conditions in the North and has, in recent years, invested in high quality assets for pollution management and search and rescue purposes.

Furthermore, the opening up of alternative transportation routes put Iceland in a favourable geostrategic position for the provision of trans-shipping and other related services. Already, concepts and projects are being developed in this direction and interest from international operators is increasing.

We will also apply the highest environmental standards when it comes to economic and human activities in the area.

Icelandic authorities have issued three licenses to international consortia for prospecting, exploration and production of hydrocarbons as accumulating data indicates that oil and gas is to be found northeast of Iceland.

This notwithstanding, Iceland will continue to develop and invest in renewable energy resources. Here, we are in a particularly good position to lead by example as almost 100% of Iceland's electricity and heating today comes from renewables, mainly hydro and geothermal.

Hydro, geothermal, wind, ocean or solar power will not resolve all our problems but those are becoming increasingly technologically accessible and reliable energy sources and could be utilised by millions of people worldwide for electricity and heating, including in the Arctic.

I could foresee that not only would we apply the highest environmental standards, but also make use of the potential material wealth and dividends to invest further in human capital, necessary infrastructure and alternative energy resources.

This way, we can reap the potential economic benefits of extracting oil and gas and, at the same time, address the importance of sustainability and human investment. Hence, the “Arctic paradox”, of contributing to climate change by utilising non-renewable resources does not, if properly handled, necessarily have to involve a contradiction in terms.

Iceland will also continue to contribute to science in the Arctic. To name just one example, the Vilhjálmur Stefánsson Arctic Institute is currently working on an ambitious Arctic Human Development Report, which will give special attention to arctic demographics, societies and cultures, but also the broader issues of climate change. The report is near completion and will be an important contribution to our knowledge of the Arctic.

Ladies and Gentlemen,

You will probably take from my remarks here today that I remain optimistic on the present and future prospects of the Arctic – and I am. I base my optimism partly on the fact that the Arctic is a well governed area. The institutions and legal arrangements in the region are firmly in place and the Arctic states have a good record and history in resolving matters pertaining to the Arctic in a cordial manner. By and large, we all share the same vision of co-habitation and co-operation.

I am optimistic that we will be able to tread the golden path, find the necessary balances and address, in good co-operation, opportunities and challenges alike.

It is fitting that we gather here today on the 150th anniversary of the birth of one of Iceland's most loved poets, Einar Benediktsson, who travelled to, and lived in, many of the countries of the north. He combined in one man a great love and understanding of history and culture and the enormous potential for economic

progress here in the north - just as this forum combines an understanding of all the different aspects that make the Arctic such a fascinating place.

I am confident that you will have an informative and productive week-end here in Harpa. I also hope you will be able to experience and enjoy the vibrant city of Reykjavík and Iceland to some extent.

Thank you again for inviting me to the Arctic Circle.

I wish you well.