



Organisation for Economic
Co-operation and Development

PRESS STATEMENT
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Launch of the Environmental Performance Review of Finland

By Mr. Lorents G. Lorentsen, Environment Director

Dear Ministers, dear colleagues,

It is a great pleasure to be here in Helsinki, on World Environment Day, to present the second OECD Environmental Performance Review of Finland. The report gives an overview of Finland's environmental performance in the period 1997-2008, and examines Finland's environmental achievements and remaining challenges.

The report assesses not only what the government, at national and local level, has done for Finland's environment, but also the actions taken by civil society, including enterprises, trade unions and environmental NGOs. It shows that the many actions that have been taken by these parties have helped to reduce pollution and improve the quality of the environment. However, important challenges remain. In particular, let me mention two. First, the amount of energy and materials needed to generate Finland's economic output – what we call the energy and material intensities of the economy – are higher than in most OECD countries. Second, significant additional efforts will also be needed for Finland to meet its international commitments to combat climate change. The two challenges are inter-linked.

THE REVIEW OF FINLAND

This report examines the environmental results achieved, with respect to Finland's domestic and international commitments. It is an evidence-based report, building on data and facts, as well as the policy experience of colleagues in other OECD countries.

The review of policies and country performance is a core function of the OECD. To date we have conducted some 60 country environmental performance reviews. The OECD also conducts reviews of countries' economic policies, aid policies, agricultural policies and governance, and our sister organisation, the International Energy Agency, reviews countries' energy policies. OECD policy reviews aim is to promote policy dialogue and to exchange best practices among member countries. The aim is to help countries improve environmental results, not to criticise or rank them in a league table – so, this is not an Olympics in environmental policies. In OECD, all countries are involved in reviewing each other – a process of peer review and mutual learning-by-doing. In the team that reviewed Finnish environmental policy, we had experts from Austria, Japan and the Netherlands.

An earlier draft of this report was discussed, for a full day, by OECD's Working Party on Environmental Performance in February 2009 in Paris. A very competent Finish delegation was headed by Pekka Jalakanen, and Ambassador Pertti Majanen also participated. Representatives from all OECD countries discussed the lessons learned from Finland's experience, and identified additional measures that could help Finland to improve its environmental performance. One of the main outcomes of the discussion was agreement on 43 recommendations that were approved by all OECD countries including Finland. So, these are not recommendations from the OECD Secretariat alone, they are 43 recommendations from your colleagues from 29 other OECD countries.

ENVIRONMENT AND ECONOMY

When we discussed the draft review of Finland in February, the magnitude and severity of the global economic downturn had become more evident than when we were drafting the report. During the discussion OECD country representatives recognised that the downturn presented both threats and opportunities for environmental policy in Finland and other OECD countries. On the negative side, there may be calls to weaken or delay environmental measures. This would be a mistake. Reduced economic activity will probably reduce some environmental pressures – but only temporarily. It will be essential to ensure that appropriate incentives are in place to steer economic activity in an environmentally-sustainable direction when the economy rebounds.

On the positive side, measures to stimulate economic activity can contribute to achieving both short- and long-term environmental objectives. For example, investments that will improve energy and resource efficiency can stimulate demand and employment in the short-term, while at the same time move Finland faster towards a green, low-carbon economy, creating jobs for the future

This conclusion is especially important in Finland. You have made important progress in reducing the amount of energy and materials required to support economic activity, but your energy and materials intensities are still amongst the highest in OECD countries. This is mainly due to Finland's energy-intensive industries such as pulp and paper, and basic metals. The report suggests several steps that could be taken to address this challenge.

For example, the report suggests that Finland should undertake a green tax reform. This would involve reviewing prices, taxes and subsidies in the main sectors of the economy – energy, transport, industry and agriculture. Finland has been a pioneer of environmental tax reform in the 1990s. A further reform in this direction might identify opportunities to increase revenues from environmentally-damaging activities, and reduce taxes on capital and labour.

Reducing environmentally-harmful subsidies would also reduce pressures on public budgets. Such measures would be good both for the economy and the environment.

Another recommendation to help reduce Finland's energy and material intensity is to promote eco-innovation. Finland has a world-renowned reputation for innovation. It is exactly in the energy- and resource-intensive industries that the world needs smart solutions, so Finland should aim at capturing major new markets globally, while improving its own environmental performance by fostering innovation in these areas.

ENVIRONMENTAL MANAGEMENT

Finland's environmental legislation has been significantly strengthened in the review period. The need to transpose EU environmental Directives was an important push in this regard. Efforts to enforce environmental laws have been strengthened, and costs and administrative burdens reduced. A wide range of environmental policy instruments have been deployed, supplemented by private sector initiatives. These measures have helped to reduce pollution and improve environmental quality. For example:

- Finland has achieved its targets to reduce many traditional air pollutants such as sulfur oxides and heavy metals
- Urban air quality is generally good
- Finnish lakes are recovering from serious acidification problems
- There has been significant progress in meeting, or exceeding some, waste reduction targets by manufacturing industry and municipalities, and
- Finland has pioneered the development of noise abatement policies and reduced the number of people exposed to excessive levels of noise.

At the same time, the report suggests that further efforts are needed in a number of areas:

- To reduce the potential impact on human health from particulates generated by small scale wood burning for heating and by traffic. You should also be aware of the increasing levels of ground-level ozone, which is a growing problem in many places.

- To reduce the incidence of water-borne diseases from small water supply systems
- To more effectively implement waste policies so as to reduce the volumes of waste generated – which for manufacturing waste is still twice the OECD average per unit of GDP – and to improve waste recovery, and
- To implement more effective measures to protect biodiversity, – which has continued to decline –, and to expand protected areas.

INTERNATIONAL COOPERATION

At the international level Finland has advocated forcefully the importance of environmental issues and sustainable development. This has been the case in its relations with its Nordic and Russian neighbours, in managing shared resources such as the Baltic Sea and the Arctic region, and within the EU. More globally, Finland has contributed to raising international awareness concerning climate change, biodiversity, and resource efficiency issues associated with consumption and production patterns.

At the same time, like most other countries, Finland will have to do more to address climate change. In 2006, Finland's greenhouse gas emissions had increased by 13 per cent compared to 1990, well above your Kyoto commitment of maintaining emissions at the 1990 level. Meeting the targets in the Kyoto Protocol and the new EU Energy and Climate Package will require additional national measures, emissions trading and purchasing credits through the Kyoto mechanisms. The *Long-Term Climate and Energy Strategy* unveiled by the government in November last year suggests ways in which this could be done. A green tax reform as well as eco-innovation could also help achieve your climate targets and move towards a greener low-carbon economy more generally.

This OECD report suggests several other ways in which Finland could contribute to international environmental efforts. These include

- To reduce nutrient loading from the agricultural sector into the Baltic Sea
- To strengthen pollution prevention from ships
- To further promote bilateral cooperation on sustainable forest management in north-west Russia, and
- To strengthen environmental measures in Finnish official development assistance.

CONCLUSION

In conclusion, I would like to reiterate our two key messages.

- ◇ First, since the OECD review in 1997, the adoption and implementation of a comprehensive package of environmental measures has enabled Finland to achieve significant environmental progress. Congratulations. You can be proud of what you have achieved.
- ◇ But, more needs to be done to reduce the amount of energy and materials used per unit of GDP, to tackle climate change, and to address a range of other issues including the health impacts of pollution, and management of waste. Well-designed environmental measures can be mutually supportive with economic policies, and create opportunities for innovative Finnish companies.

Finland is a small, rich and open economy, with a lot of valuable and beautiful nature. It is not only good for the health and productivity of the Finnish people to be green, — it is also good for the Finnish economy. Green is cash. Finland has been a pioneer in environmental policy, and it would be good for Finland and the rest of the world if you could maintain that role. The rest of the world expects you to be green, whether they come here as tourists or they buy your export products or new technologies.

Ministers, let me thank you, and through you, the many talented and committed officials and experts who have contributed to this review in a spirit of openness and

transparency. I sincerely hope that the report will help you and your colleagues to further strengthen what is already a very good environmental performance, and to further contribute to our common international efforts. I will now formally hand over the report to you, Ministers, to formally transfer the ownership. It is now up to you to follow it up.