



**A CLEAN ENERGY ECONOMY
LESSONS FROM ICELAND**

**A Speech
by
the President of Iceland
Ólafur Ragnar Grímsson
at a meeting of OECD Ambassadors
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Distinguished Secretary-General
Your Excellencies
Ladies and Gentlemen

It is a profound pleasure to return to the OECD at the invitation of my good friend and an honour to introduce a discussion on how Iceland can offer lessons on the nature of a clean energy economy; and also some insights from our recent challenges in dealing with the financial crisis.

In the introduction to the recent OECD publication on the environment the Secretary-General describes an important initiative called “New Approaches to Economic Challenges” and emphasizes the need for “revisiting our economic models and theories, and enriching our analytical frameworks, identifying a renewed strategic policy agenda for inclusive growth and well-being that also takes into account sustainability and the respect for the environment”.

With due respect to other OECD countries I believe Iceland is well placed to serve as a testing ground, as a laboratory, where the relevance of models and theories can be examined, where experience allows us to challenge prevailing orthodoxies and thus hopefully pave a clearer way to a more sustainable, prosperous and secure economic future.

You are all familiar with our debacle in the fall of 2008 when our banking system collapsed but maybe few realize that up to the 1970s Iceland was classified by the UNDP as a developing country, a nation still

dominated by fishing and sheep farming, having for centuries been among the poorest in Europe; the energy still primarily fossil fuel, imported oil and coal.

In the decades that followed we radically transformed our energy system so now 100% of our electricity production and 100% of house heating is provided by domestic, renewable resources: hydro and geothermal. Along the way the economy has become more diversified, aided by this clean energy transformation, the bases of strong aluminium and other high-tech industries, dynamic IT companies, growing tourism, combined with creative culture and design and a deep-rooted welfare society, with universal healthcare and education for all, maintained even throughout the recent financial crisis.

Our clean energy economy helped the people of Iceland to survive the banking collapse, especially because the cost of heating and electricity for ordinary families, homes and business companies is very low compared to what it is in other European countries. But also because it makes Iceland an attractive location for industrial investments; for aluminium smelters, data-storage centres, high-tech industries and other thriving enterprises.

Thus, the first global investment decision taken by Rio Tinto after an interval following the fall of Lehman Brothers in 2008, was to modernize its aluminium smelter in Iceland, and Century Aluminium is now in the process of building its second smelter in Iceland; decisions taken because aluminium produced by clean energy maintains a strong long-term market position. Similarly, the establishment of new data storage centres is helped and inspired by the supply of clean energy.

It is also worth noting that the scale of our national savings resulting from geothermal house heating alone is demonstrated by the fact that every ten years Iceland saves by not having to import oil and coal to heat the houses what amounts to one year's GNP.

This has indeed been a revolutionary transformation, not only allowing us to build an economy with an inherent long-term strength but also to make significant contributions to the rest of the world. The geothermal sector has now become one of the major pillars of Iceland's global position, of our foreign policy and our diplomatic efforts.

The United Nations Geothermal Training Programme, founded three decades ago in Iceland, has strengthened the capabilities of more than 40 developing countries and in recent years Icelandic energy companies and engineering firms have participated in geothermal projects in China and

India, in East-Africa and Central-America, in Western and Eastern Europe, in the Middle-East, Russia and the United States.

It has been an important task of my Presidency to promote such cooperation, especially since the threat of irreversible climate changes makes it our moral duty to help others to move towards a more sustainable future.

The climate crisis constitutes a call for a fundamental energy revolution, a comprehensive transformation from fossil fuel to green energy resources. Coming from a country with the largest glaciers in Europe, close to the frozen Arctic, Icelanders do not need to attend international conferences to be convinced of the accelerating rate of climate change. Our own neighbourhood exhibits ample evidence that time is running out, that without a comprehensive transformation of the energy systems the entire world will already in this century face costly and dramatic consequences of severe weather events and rising sea levels.

In the global debate on climate change, sustainability and energy transformation, there has been a predominant tendency to concentrate primarily on electricity production and overlook the multiple economic advantages and business opportunities derived from a clean energy economy.

In this respect Iceland can be of great service, inviting visitors to witness for themselves in a matter of one or two days the various aspects of a clean energy economy as well as its contribution to bringing a country within a few years out of a profound financial crisis onto a road of recovery, economy growth and low unemployment.

Let me, therefore, in the short time allowed list briefly a number of ways in which clean energy has strengthened and broadened the Icelandic economy, making a strong practical case for a prevailing vision of sustainability; that it is indeed good for business.

First. Cheap electricity and heating for households and companies makes the energy bill far lower than in other countries, increasing the resources available for other expenditures and investments.

Second. Long term access to clean energy has proven itself to be a magnet for foreign investment, e.g. aluminium and other industrial companies.

Third. The access to clean energy strengthens, through low carbon footprint, the global marketing position of the emerging and dynamic high-tech and IT sectors since the combination of advanced technology

and clean energy appeals increasingly to enlightened customers all over the world.

Fourth. Greenhouse agriculture which diversifies the farming sector, enables us to enjoy the domestic production of tomatoes, cucumbers, peppers and a variety of vegetables while it also fascinates the tourists. Indeed, tomato growing has been so successful that Iceland could within a few years begin exporting tomatoes to Europe.

Fifth. Fish farming with geothermal heat adjusting the sea and fresh water temperatures according to the needs of different species; the most recent example being the construction of a 2,000 tons Senegal sole fish farm within the Reykjanes geothermal power park.

Sixth. Tourism has benefited largely in recent decades from various spas of which the Blue Lagoon is the most famous example as well as from outdoor swimming pools and other lifestyle by-products of the clean energy transformation. Now more than half a million tourists visit the Blue Lagoon every year; soon twice the total total population of the country.

Seventh. Health and cosmetics. The chemicals in the geothermal water, have, together with the growing of barley in greenhouses, turned out to be a fertile basis for modern cosmetic and health products, proving how cutting-edge science and high-tech innovation can use the clean energy supplies for product development.

Eighth. The drying of fish products, especially fish heads, backbones and other parts which previously were thrown away, has in the last 30 years evolved into a prosperous multi-million dollar export market; allowing the Icelandic fish products to be stored in their dry form by local Nigerian street vendors for up to two years without any special infrastructure; a method which I am now advocating at the global level since the drying of fish, meat, fruit and vegetables could be a major contribution to enhancing food security on every continent, especially since a large part of the food already produced in the developing world gets destroyed within a week due to the lack of proper storage methods and facilities

Ninth. The potential of a zero emission urban traffic by introducing, in the coming years, electric and hydrogen vehicles using the clean energy grid already established by our utility companies.

Tenth. Clean energy projects have strengthened the capacities of our universities and been the foundation of a strong engineering and technical sector, invigorated in the last decades of the twentieth century by various

clean energy efforts and is now increasingly engaged in projects in other countries, adding science and research to our modern export endeavours.

Eleventh. The clean energy achievements and our multi-dimensional clean energy economy has, especially in this new century, become an expanding foundation of our foreign relations, our diplomatic, political and economic cooperation with countries in Asia, Africa, Europe and the Americas. It is the major reason why global leaders like China and India engage with my small nation and why dozens of other countries have recently opened their doors to a constructive cooperation with Iceland.

All of this shows in numerous ways how the transformation towards clean energy and the vision of sustainability have strengthened the Icelandic economy; indeed one of the explanations for our successful recovery after the financial crisis four years ago.

Thus it can truly be said, based on our experience, that the development of a clean energy economy is a good insurance policy against long-term difficulties which inevitably will continue to follow the financial crises of the future; against making the downturns of economic cycles too painful.

The clean energy transformation in previous decades is definitely a major dimension of our recent recovery but there are, of course, other factors which we could examine in the question session following my opening statement.

Among these a few are paramount:

We did not follow the established financial orthodoxies of the Western World since the 1980s, the so-called Washington Consensus. We let the private banks fail; we introduced currency controls; we protected the welfare system and to that extent rejected orthodox austerity measures.

We realized early that this was not just a financial crisis, but also a profound political, democratic and even a judicial crisis. Wide-ranging reforms in all these areas were needed in order to rebuild the confidence of the nation so the people could move together through the crisis towards a new road of recovery.

And, when we faced the so-called Icesave dispute in which the Governments of the United Kingdom and the Netherlands, supported by all EU governments and others, demanded that the ordinary people of Iceland – fishermen, farmers, teachers, nurses – should shoulder through their taxes the debts of a failed private bank – we had to choose between the financial interests as they were presented by the established leadership

of Europe and the democratic will of the Icelandic nation and decided to allow democracy to prevail.

Following the two referendums, in which the people overwhelmingly voted No, the economy started to recover, becoming healthier with each quarter. The financial doomsayers, whether experts or leaders, who advised strongly against the democratic will of the people turned out to be entirely wrong in their analysis and predictions; a result which certainly should serve as a challenge to many of the policies which are still being advocated and followed in many countries.

When the EFTA Court last month ruled that there was no legal basis for the case of Britain, the Netherlands and the EU against Iceland, it became clear that in addition to the democratic will of the people, justice and the rule of law was also on our side.