A Decade of Nordic Climate Policy

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In the ten years since the first issue of the Carbon & Climate Law Review (CCLR) the road travelled by the global community in seeking a sustainable response to the threat of anthropomorphic climate change has been rocky and at times uncertain. This journey has encompassed the evolution of the European Union Emissions Trading System (EU ETS) expansion, the rise and fall of the Clean Development Mechanism (CDM) - with its associated impact on the carbon market ecosystem - the widespread adoption of carbon pricing in non-OECD jurisdictions, the addition of climate change to the agenda of corporate decision-making and, in 2015, the near universal adoption of a new roadmap in the form of the Paris Agreement. Accordingly, it is easy to construct a narrative of dynamic change in relation to international climate policy, however the author suggests that various aspects of the jigsaw puzzle have remained constant: the continued evidence of rising greenhouse gas (GHG) levels and their impacts on the biosphere, a degree of public apathy (in light of other global economic and security crisis) towards the imperative of a transition towards a low-carbon economy, a lacuna of climate finance for both mitigation and adaptation and the collective action problem exemplified by the 'America First' position of the world's largest economy. The topic of this piece is a more positive constant, that of the collective and progressive climate policy of the Nordic countries and their attempts to provide global leadership within a framework of ambitious domestic action.

In order to compress the climate policies and actions of five countries over a decade into the space available, this paper is divided into three sections: Ambition, Innovation and Implementation.

I. Ambition

The climate policy of Denmark, Finland and Sweden operates within the 'at least 40%' framework of the Nationally Determined Contribution of the European Union submitted on the 6 March 2015, with Norway and Iceland (as EU ETS participants) committing to be part of the collective EU ambition. In addition to these international obligations, stronger domestic ambition has been signaled across the Nordic region: Norway has committed to climate neutrality by 2030 (through the utilisation of international offsets) and Sweden by 2045, with both dates being brought forward from 2050 as a result of the successful conclusion of the Paris Agreement. However, bold statements of long term ambition are not unique; what separates the Nordic countries from many others is the degree to which these targets are codified in domestic legislation such as the Finnish Climate Change Act 2015¹ (with a binding 80% reduction by 2050) and similar legislation in Denmark² and from 2018 Sweden³ and legislation before the *Storting* (the Norwegian Parliament) at the time of writing.⁴ The debt owed to the Climate Act 2008 of the United Kingdom should be acknowledged. The establishing of verifiable targets extends down to the municipal level with cities like Växjö in Sweden intending to be fossil fuel free by 2030 and Frederikshavn in Denmark committed to being powered solely by renewable energy. The author's home city of Helsinki is implementing a 2030 climate strategy intended to reduce the metropolitan area's carbon footprint to 4.3 tonnes per inhabitant (a 39% reduction). Perhaps as important as this long-term focus on transport, heating and the built environment is the degree to which national ambition has been reflected in the decision-making of key economic entities. Statoil, a predominant source of Norwegian

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1 Climate Change Act 609/2015 <<http://www.finlex.fi/sv/laki/kaannokset/2015/en20150609.pdf>> accessed 24 August 2017.

2 Lov om Klimarådet, klimapolitisk redegørelse og fastsættelse af nationale klimamålsætninger, LOV nr 716 af 25/06/2014 <<https://www.retsinformation.dk/forms/r0710.aspx?id=163875>> accessed 24 August 2017.

3 Klimatlag (2017:720) <https://www.riksdagen.se/sv/dokument-lagar/dokument/svensk-forfattningssamling/klimatlag-2017720_sfs-2017-720> accessed 24 August 2017.

4 Proposal (Prop 77 L) available at <<https://www.regjeringen.no/no/dokumenter/prop.-77-l-20162017/id2546463/sec1>> accessed 24 August 2017.

emissions, has recently released a Climate Roadmap that contains emission reduction and emissions intensity targets and participates in the Carbon Disclosure Project⁵. In fact, Nordic companies make up over 10% of the participants in the Carbon Disclosure Project, and major investors such as Ilmarinen Mutual Pension Fund, the Fourth Swedish National Pension Fund and Kommunal Landspensjonskasse have implemented their own climate strategies.

It is clear that Nordic stakeholders at all levels have raised their ambition levels over the previous decade, but given the small scale of Nordic emissions and the relative size of its financial sector, this contribution is catalytic but not determinative in the struggle to achieve the ultimate objective of stabilisation of GHG concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system.⁶ Perhaps the greater contribution by the region to the goal of Article 2 of the United Nations Framework Convention on Climate Change (UNFCCC) has been the innovative toolbox of climate policies that have been tested and incubated since the first issue of the CCLR.

II. Innovation

As small technology-driven economies, with a history of social experimentation, it is unsurprising that the Nordic countries have become a testbed of innovative climate policies. As noted in the 2011 Programme for the Finnish Presidency of the Nordic Council of Ministers, there is a desire to serve as a 'positive role model' on the basis of 'down to earth, pragmatic and dynamic' solutions.

In order to assist in the development of the flexibility mechanisms of the Kyoto Protocol both Finland and Sweden developed early carbon unit purchase programmes,⁷ with these initiatives responsible for the development of some of the earliest CDM and joint implementation transactions. It was these transactions, and the need for an underlying contractual structure – the emissions reductions purchase agreement – that was the subject of the author's contribution to the initial issue of the CCLR.⁸ Contemporaneously, Nordic countries and companies were also some of the first investors in the carbon funds of the World Bank⁹ and pioneered Green Investment Schemes, utilising 'hot air' assigned amount units to

generate secondary environmental benefits with Baltic States and Economies in Transition.¹⁰ This early body of work under the Kyoto Protocol laid the foundation for participation by Nordic EU ETS compliance entities in the broader carbon market and undoubtedly contributed to capacity development in countries hosting offset projects. With the decline of the Linking Directive based carbon market, Nordic policy makers have again sought to serve as agents of change with programmes such as Norway's Climate and Forests Initiative¹¹ and the Swedish Energy Agency's Programme for International Climate Change Mitigation¹². In addition to these managed sources of climate finance, the Nordic nations have collectively pledged \$958 million to the Green Climate Fund (GCF), being almost 10% of total pledges despite representing less than 0.5% of global emissions¹³ and approximately 2% of global GDP.¹⁴

Nordic innovation has also occurred in the delivery mechanisms for carbon finance. The Nordic Partnership Initiative (NPI) of the Nordic Environment Finance Corporation finances the development and implementation of Nationally Appropriate Mitigation Actions, and has on-the-ground results in Peru

5 Carbon Disclosure Project, 'About Us' <<https://www.cdp.net/en-US/Pages/About-Us.aspx>> accessed 25 August 2017.

6 art 2, UNFCCC.

7 Finnish Environment Institute, 'Finnish Carbon Procurement Programme (Finnder)' (2013) <http://www.syke.fi/en-US/Research_Development/Research_and_development_projects/Projects/Finnish_Carbon_Procurement_Programme_Finnder> accessed 24 August 2017.

8 Karl Upston-Hooper, 'Deconstruction Emission reduction Purchase Agreements: A Jurisprudential Challenge' (2007) 1(1) CCLR 73.

9 The governments of Finland, Sweden and Norway as well as Fortum Oyj, Statoil Asa and Norsk Hydro ASA were participants in the Prototype Carbon Fund, see 'Prototype Carbon Fund' (2006) <https://wbcarbonfinance.org/docs/AR_CFU_2006/Prototype_Carbon_Fund_AR_2006.pdf> accessed 24 August 2017.

10 See www.oecd.org/environment/cc/19842798.pdf accessed 24 August 2017.

11 See www.norad.no/en/front/thematic-areas/climate-change-and-environment/norways-international-climate-and-forest-initiative/ accessed 24 August 2017.

12 See <http://www.energimyndigheten.se/en/cooperation/international-climate-cooperation/flexible-mechanisms---cdm-ji--et/the-swedish-cdm-and-ji-programme/> accessed 24 August 2017.

13 See OECD Environment Directorate and International Energy Agency, 'Green Investment Schemes: Options and Issues' (2003) <<http://www.globalcarbonatlas.org/en/CO2-emissions>> accessed 24 August 2017.

14 See International Monetary Fund, 'World Economic and Financial Surveys: World Economic Outlook Database' <<https://www.imf.org/external/pubs/ft/weo/2017/01/weodata/index.aspx>> accessed 24 August 2017.

(waste management) and Vietnam (cement sector).¹⁵ The NPI's approach of leveraging public carbon finance for transformational and demonstrative effect is a typical Nordic approach to climate finance. On the other hand, carbon taxes are an old domestic instrument, but the scale of their use in the Nordic region is also innovative. First implemented in 1991, the Swedish total effective carbon rate now exceeds €350 per tonne (including EU ETS pricing and excise taxes as well as self-described carbon tax) in certain sectors, being the highest in the world¹⁶ and has driven a revolution in the use of biomass for district heating. The use of carbon taxes in Norway, as an oil and gas producing nation, are significant and have led to Statoil to equip its North Sea extraction platforms with renewable energy sources, eliminate flaring and implement an internal price of carbon globally across its operations.¹⁷ Another example of innovation in policy design has been achieved with the joint Sweden-Norway electricity certificate market.¹⁸

A critical area of leadership by the Nordic nations over the past decade is the mainstreaming of gender considerations in the climate negotiation process and climate finance decision-making. Nordic support for the Global Gender and Climate Alliance and associated efforts to enshrine gender responsiveness into the funding criteria of the GCF and the Global Environment Fund has succeeded in entrenching gender considerations in climate discourse. As noted by Tarja Halonen, ex-President of Finland:¹⁹

Women are often primarily responsible for everyday choices made in households, for the majority of agricultural work and for ensuring families food security. This means that they play a key role in

both production and consumption, and can make valuable contributions to low carbon development. Gender equality must be incorporated into all matters connected to climate change.

But it is not just the scale and innovation of Nordic climate policy that provides a 'positive role model' of climate action, the methodology of climate policy implementation per se is worthy of consideration.

III. Implementation

The primary characteristic of Nordic climate policy is that it is undertaken in a culturally Nordic manner. Although each country has distinct priorities (wind energy in Denmark, biomass in Finland, deep electrification in Norway and Sweden and renewables in Iceland) coordination, transparency and partnership are viewed as goals in and of themselves. This is assisted by a shared history, a degree of common language roots similar political cultures and most importantly longstanding joint institutions focused on policy coordination. The Nordic Investment Bank, Nordic Environment Finance Corporation (NEFCO) and Nordic Development Fund (NDF) are at the disposal of the five countries and an increased focus by each on climate change has blurred traditional boundaries in their scopes of operation. The recent transfer of the Energy and Environment Partnership from the Finnish Ministry of Foreign Affairs to NDF and the new global climate mandate for NEFCO highlight the overlaps. In addition to institutions that are responsive and collective, the Nordic region benefits from the political alignment that occurs at the Nordic Council of Ministers, and in the climate context, at Nordic Working Group for Climate Negotiations. This modus operandi filters down to the coalface of climate negotiations, and any casual observer at Conference of the Parties or an intersessional in Bonn will note the co-ordination (and often friendship) between negotiators in the Nordic pavilions.

The author has been fortunate to work in the Nordic climate sector since the publication of the inaugural issue of CCLR, and genuinely believes that the ambitious, innovative and cooperative approach of these five small nations over the subsequent decade provides a paradigm that could be adopted by others.

15 See Páll Tómas Finnsson, 'Climate Financing: Nordic Partnership Initiative supports NAMA readiness in Peru and Vietnam' (*Green Growth webmagazine*, June 2017) <<http://nordicway.org/2015/11/climate-financing-nordic-partnership-initiative-supports-nama-readiness-in-peru-and-vietnam/>> accessed 24 August 2017.

16 OECD, 'Effective Carbon Rates: Pricing CO2 through Taxes and Emissions Trading Schemes' (2016) <<http://www.oecd.org/tax/tax-policy/effective-carbon-rates-on-energy.pdf>> accessed 24 August 2017.

17 See Statoil, 'Statoil presents 2030 climate roadmap' (3 April 2017) <<https://www.statoil.com/en/news/2030-climate-roadmap.html>> accessed 24 August 2017.

18 See Swedish Energy Agency, 'The Electricity Certificate System' (3 July 2017) <<http://www.energimyndigheten.se/en/Sustainability/The-electricity-certificate-system/>> accessed 24 August 2017.

19 See NIKK, 'Nordic action on gender and climate' (2 May 2016) <<http://www.nikk.no/en/publications/nordic-action-on-gender-and-climate/>> accessed 24 August 2017.