

Keynote address
Mr. Kimmo Tiilikainen, Minister of the Environment of Finland

Madam Chair, ladies and gentlemen,

Mobilising financing for environmental investments is a task which we cannot afford to fail. We are facing great challenges, not the least in the climate and water sectors.

It is projected that global investment in new physical assets is going to triple between 2000 and 2030. This provides both a threat and an opportunity. If we fail to make the right investments, high-emission pathways and other bad environmental and social outcomes are locked-in. This will generate increasing long-term costs for our economies as shown, for example, by the Stern report on climate change.

Limiting global warming to an average of 2° C requires a comprehensive global agreement, which will reverse the trend of increasing greenhouse gas emissions within the next 10 to 15 years. Market based incentives often play a crucial role in achieving our targets. The global carbon market is a promising example of this. It has created a price for emissions, and I would like to emphasise that price is an effective way to generate awareness.

Global agreements and market based mechanisms create a signal which is important for the development of new technology. In this way we will open the potential to new innovations, and in the future we will have better tools to reach more demanding commitments.

The institutional capacity is important for policy development and enforcement. Institutional bilateral co-operation can provide for more effective institutions lowering the threshold for investments.

Before projects are implemented, they need to be developed. Projects generally originate from local demand; therefore, it is important that there is sufficient capacity locally to develop projects for financial appraisal. In particular, this is important for small and medium-sized projects.

In this connection, I would like to mention some examples of our contribution to the environmental cooperation in Eastern Europe, Caucasus and Central Asia. Finland has financed the Environment and Security Initiative, and we have been very pleased to notice the increase of transboundary environmental cooperation between the countries within this project. Water issues are one of our key priorities, and we have contributed to the Global Water Partnership and EU Water Initiative. In addition, we have projects in Kirgisia and Georgia to develop environmental monitoring and management systems.

Also I would like to mention our bilateral cooperation with Russia in the field of environmental investments. Two years ago in St. Petersburg, a new facility for

treating the waste water from some 700,000 households, was opened. The total cost was about €200 million euros and it was a result of a broad public-private partnership.

A week ago I was in St. Petersburg, to take part in a celebration of the opening of the local water utility's facilities for chemical removal of phosphorous. The project was financed by St. Petersburg Vodokanal and the Finnish Ministry of the Environment, and with funds raised by the private John Nurminen Foundation of Finland.

Finland has invested around €15 million in the Baltic Sea Region Testing Ground Facility and in the Multilateral Carbon Credit Fund to buy emission reductions from projects in economies in transition. Both of these funds are public-private partnerships which have provided considerable value-added for both governments and companies. Finland has also supported NEFCO, the Nordic Environment Finance Corporation, and the IFC, the International Finance Corporation. They have innovatively used partial-risk guarantees and revolving funds to catalyze energy efficiency projects where the investments often pay back in a very short time.

Madam Chair, ladies and gentlemen,

The private sector requires long-term policy signals because of the long lifespan of infrastructure and the long lead times in research and development. It is the task of governments to provide this credible long-term policy framework for private investment. In order to promote environmental investments, the environmental goals and projects should be integrated into the national development plans and included in the national and regional investment priorities.

Finally, I think the activity levels of international financial institutions should be sustained and the operations further developed. I would like to encourage the international financial institutions and donors to actively seek opportunities for enhancing coordination. This in the longer term improves the overall efficiency of our work.

Thank you, Madam Chair.