

# The Statkraft Conference

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## Little Norway, Big Norway

*Electricity Today and Tomorrow: Reflections on Europe, Energy and Climate Change*

1. All Norway basked that August in perpetual sunshine. Or so it seemed to one wide-eyed visitor from England, on vacation with his family in the old whaling town of Sandefjord.
2. Still in the fullness of childhood, eleven years old. Every day on the beach, in the water, swimming, splashing, shouting. *Look at me.*
3. He and his three siblings were a handful, and his parents were grateful for the support of Signe, their young Norwegian *au pair*, who went everywhere with the family. And in Sandefjord she was joined by her big sister Solveig.
4. Signe: sweet-natured and warm. Solveig: willowy, graceful, cool. Apple pie and ice cream. Both always ready with a reassuring smile, ready to throw back the beach ball, to laugh at his jokes, and to laugh with him as he did his best to

master their exotic language. *Jeg liker is. Jeg liker eplepai.*

5. Signe and Solveig were angels and that summer was a Norwegian idyll. The man the boy grew up to be can still hear the laughter on the beach, echoing down a corridor nearly five decades long.
6. Yet somehow he began in those weeks to sense that he would soon enter a more complicated world, a world of shadow as well as light, of the unexpected as well as the familiar, of feelings and events that could take you unawares.
7. One day in the warm shallow waters he noticed some strange pink blobs. And then he heard something he had never heard before. He heard his mother scream. *Brenn maneter*, one bit of Norwegian vocabulary he has never forgotten. The pink blobs were jellyfish and one of them had stung her.
8. Terror as he scrambled out of the water was quickly displaced by rage at his normally gentle father who, with a thirst for vengeance worthy of Odin himself, promptly executed the aquatic criminal by burying it in sand. "It has a right to live", protested the son in vain, not really understanding why he was so upset.
9. He learned a grown up lesson that day. The water may look inviting. But it is not always safe to go into it.

10. That summer happened to be a momentous one. It was 1968. As jellyfish invaded a Sandefjord beach, Russian tanks were rolling into Wenceslas Square, bringing the curtain brutally down on the Prague Spring. The news as it came through burst the warm holiday bubble that had enveloped the boy's family. It was not so much the tanks he found unsettling as the shadow that fell across the faces of his parents, and even of Signe and Solveig, normally ever cheerful.
11. And with that came a second grown up lesson. Contentment always exists in a bubble. The outside world is never far away and events there can prick the bubble with no warning.
12. Why after all did the Gods need to build a wall with turrets and sentinels behind which to disport themselves? Outside, their old enemies pace the bounds, waiting for a breach. Eventually the wall proves useless, the enemy swarms in, the Gods of the old order resist valiantly but they know they must perish. Asgard always falls and something new must take its place.
13. Soon afterwards Signe left to build her own life. Devoted as he had become to the two sisters, the wide-eyed English boy never saw Signe or Solveig again.
14. I am the man the boy grew up to be, today once again back in Norway in August, and I

cannot quite suppress an impossible hope that Signe and Solveig are sitting somewhere here in this hall.

15. Anyway, Sandefjord in 1968 may have been *my* first experience of Norway, but I was really only continuing a family tradition.
16. My grandparents - my mother's parents - lived in a large house, Windrush, surrounded by a garden full of apple trees, daisies and buttercups, badgers, foxes and owls. This corner of wonderland was located in Boar's Hill, outside Oxford, where my grandfather was Professor of Forestry at the University.
17. The guest bedroom in Windrush was always known in their household as "Little Norway". That was because, during the War, they had kept open house for Norwegian airmen who had escaped to Britain ahead of the German invasion, and who now flew alongside their Royal Air Force comrades, in the celebrated free Norwegian fighter squadrons, the 331<sup>st</sup> and 332<sup>nd</sup>.
18. In Boars Hill these brave men could enjoy a well-deserved respite from the Luftwaffe, amidst leafy tranquility, home cooking, and bracing Oxonian discourse.
19. Follow the branches further back and they join in a single Anglo-Norwegian trunk. I only discovered this from my mother as I was

preparing for this visit, but her mother was cousin to a shipwright from Larvik, a stone's throw from Sandefjord, whose name will be well known to you.

20. He was Colin Archer, who built the Fram, that sailed to one end of the Earth with Nansen and with Amundsen to the other, and now in stately retirement welcomes visitors not far from here in its own museum. I went there this morning. The reek of tar and pine and varnish, and of adventure, is still overpowering. I have to say I felt proud as I contemplated the handiwork of my great Norwegian forebear.

21. It's a small world and in it there are bonds of history, respect and affection that tie my nation and yours together. That's why, though I am a visitor here, I feel I can only do honour to your invitation if I speak to you like this, from my heart.

[PAUSE]

22. Since those days when our airmen flew side-by-side to keep our continent free, what you have accomplished in this land is little short of miraculous.

23. I don't want to sound starry-eyed or envious. There are certainly no Utopias on Earth nor ever will be.

24. But if Utopia were a realm that is safe and fruitful, where everybody has enough; a realm where what binds people together is stronger than what pits them against each other, where those who prosper yield up freely a portion of what they gather to help those less fortunate; a realm where in times of bounty there is the foresight to put something away for when the wolf is scratching at the door; and where from childhood you can look forward to a life that will be long, healthy, and if you are not too melancholy happy as well: if Utopia were all those things then in Norway in these postwar years you came pretty close to it.

25. Yes, I did say *came*. The choice of tense was deliberate. Some of you, I know, can just hear a nagging rattle in the distance. Will Norway tomorrow really be quite such a nice place as it is today? Have you already passed your peak or if not, will you have to strive harder to hold onto what you have?

26. That is a widespread fear. It is spreading across the industrialized world, in all those countries that have enjoyed relative peace and prosperity since World War II, and even beyond to those reaching for it now. In many such places, including in Britain, anxiety about tomorrow weighs a lot heavier than it yet does here, particularly on young people.

27. And there is a good reason for the anxiety. Outside the wall, old enemies prowl with new vigour. Poverty and conflict. Discontent, displacement, and disorder. They have always been there but we sense this time that they are driven by deeper forces than we have seen in our lifetimes: historic forces, unleashed by our own unquenchable desires, and acting now on a global scale.

28. If we fail to make the effort to understand those forces, to summon the will and wisdom to tame them, they will sweep aside everything we value.

[PAUSE]

29. When what you have built is under threat, you must first remind yourself of the virtues that enabled you to build it.

30. Shared values are the bedrock of any nation. Your values - your independence of spirit, your love of freedom and of your rugged land, your commitment to each other - were forged in your successful struggles to make yourselves a free people.

31. And when on 22 July 2011 thunderbolts smashed down from a clear sky onto Oslo and Utøya, and cut short the lives of 77 Norwegians, your first instinct was not to lash out, it was to reaffirm the values that make you who are.

32. Even before you knew that there was no further threat, you made clear that no corners would be cut, no suspects secretly rounded up and tortured, no laws suspended. Standing on the shoulders of those who came before you, you knew immediately that the rights they fought and sometimes died to win must under no circumstances be compromised.

33. You also knew that the goal of politically motivated violence in peacetime is not the shedding of blood. It is by shedding blood to provoke repression, because a nation that betrays its own values is a weakened nation.

34. Please know that many of us in Britain, sharing your grief, applaud too the dignity and clarity of mind with which you acted.

35. But values alone are not enough.

36. A nation needs a vision. "Where there is no vision, the people perish" as it is written in the Book of Proverbs.

37. That's a question not just of who you are but of what kind of society you choose to build. If you have a vision, the future isn't whatever is going to happen to you. It is something you make, you take responsibility for making, even if struggle and sacrifice are going to be needed.

38. And it seems to me this taking of responsibility for the future is also a Norwegian virtue.
39. When oil and gas were found under the North Sea, we said in Britain: “Let’s make hay while the sun shines”. We taxed the companies and promptly spent the proceeds. The future could look after itself.
40. You said “a rainy day will come so let’s get ready for it”. You set up the oil fund, so that you could invest the proceeds from your windfall to build a future beyond the time when oil and gas could pay your bills.
41. Soon the oil fund will be worth \$1 trillion, and many of us in Britain are wondering why we did not have your foresight.
42. But even if you have a clear vision and the will to pursue it, you also need the capacity to act together to make it real. And for that you need a public realm in which everybody feels at home. A national hearth around which a family conversation constantly hammers out a shared appreciation of the public interest so that publicly mandated agencies can act with trust and legitimacy to secure it.
43. People need to feel, in other words, that politics is something they are part of, not something that happens far away from their communities and their lives, that their voice will be heard not

ignored, that whatever is done is done with them not to them.

44. People need to trust government and public institutions, to see them as enablers of a better future, not enemies of enterprise and freedom.

45. And people need to understand that the market is and must always remain our servant not our master, that of course we should harness it when it can help secure the public interest but we should never surrender to it our right and responsibility to determine the public interest ourselves.

46. It is because we had lost confidence in our public realm and surrendered it to the caprices of private capital that the crash of 2008 did so much damage in Britain. We failed to ask what kind of economy we needed to bind us together and make us stronger. We let go of the tiller and allowed the animal spirits we had unleashed to drag us into overdependence on underregulated financial industries. And we are still paying the price.

47. Values; vision and the will to pursue it; and a trusted public realm animated by politics that gives everyone a voice. We must all cherish those virtues because we need them now more than we ever have before.

[PAUSE]

48. Among the first Europeans to enjoy the benefits of electric street lighting were the citizens of Hammerfest, high in the Norwegian Arctic. Not many people know that! The inauguration of the Hammerfest lights in 1891 was a landmark in the first golden age of electricity and it made Norway a pioneer.
49. Humming wires soon girdled the world and nothing was ever the same again.
50. Today we stand on the threshold of a second golden age of electricity. But facing us this time are two paths, heading in different directions.
51. If we follow the first path, we will electrify transport by road and rail, as well as heating. We will achieve a step change in the efficient use of electricity, and of energy in all its forms. We will take carbon emissions completely out of electricity, largely through the use of renewables. Access to affordable clean electricity will lift billions of people out of poverty.
52. And all this, on the first path, will be accomplished everywhere within a single investment cycle, that is, pretty much by the time the children of my generation reach our age. It is they after all who will have to reap the harvest we sow with our choices today.

53. There are no insurmountable obstacles on this path, unless they lie in our own nature. We have the knowledge, the technology, and the wealth to follow it all the way to its destination.
54. The company you are building here at Statkraft faces along the first path. Christian nailed your colours to the mast when he promised that all your new investment from now on would be in renewables.
55. You are broadening your offer beyond your core hydropower business, especially to onshore and offshore wind, including in Britain. You are speeding the expansion of community-based renewables that is turning European electricity markets upside down and threatening to do the same in the US.
56. And you are building footholds in what will be an equally dramatic expansion in renewables in South America and South Asia.
57. At first sight, the second path bears some resemblance to the first, at least in its early stages. The rise of renewable energy continues. We redouble our efforts to waste less energy. Each generation of electric cars turns ever more heads.
58. But in reality the two paths could not be more divergent.

59. Recently two of the world's biggest oil and gas companies have tried to reassure investors about the so-called carbon bubble.
60. Might today's high carbon assets end up stranded by the combination of action by governments on climate change and the plummeting cost of renewables? And if so how should this risk be priced into the value of carbon-exposed portfolios?
61. The two companies solemnly declared that there is no bubble and that the business as usual risk to shareholder value is insignificant.
62. They did acknowledge that governments have committed themselves to keeping climate change within 2°C. And they seem implicitly to accept that if governments were to force a shift away from fossil energy fast enough to stay below that threshold, some of their assets would indeed be stranded.
63. But, the companies argue, there is no prospect of governments keeping this promise. They do not have the will. Electricity won't displace oil and gas any time soon.
64. Nor will the disruptive advance of renewables continue. That's a - what shall we call it? – a courageous judgement in the light of growing expectations to the contrary in the City of London and Wall Street, and the wave of self-criticism by

those utilities who so misread energy politics in Germany. Even Statkraft burned its fingers there on gas.

65. But anyway by taking this position these two companies have also nailed their colours to the mast. They profess concern about climate change but want us to lower our ambition, to slow down the push to displace oil and gas. Change in the energy system, they are saying, has its own rhythms and cannot be rushed by the choices people make through politics about what outcomes are merely in the public interest.
66. They have chosen the second path, and are betting the shirts on their own and their shareholders' backs that we will all accept their invitation to travel along it with them.
67. This is an offer we must refuse.
68. President Obama's science adviser, John Holdren, says that when it comes to climate change we need to manage the unavoidable and avoid the unmanageable. Governments promised to keep climate change within 2°C because in their judgement that's where the unmanageable begins. Nothing we have learned since then has made this look too cautious.
69. The world's systems of food, water and energy are tightly linked. They are already under stress, squeezed between rising middle class demand

from China and other rapidly growing economies and extremes of temperature and rainfall that look like the early consequences of climate change.

70. There can be no food, water, and energy security without climate security. And a world without food, water and energy security is an unmanageable world. It's a world without the trust and confidence on which cooperation depends; where the willingness to align around agreed rules, so crucial for the open global economy, drains away; where political risk and instability stifle investment. A world on a slippery slope to fragmentation and conflict.

71. Moreover, our dependence on fossil energy is at the heart of a growth model that is corroding the ecological fabric on whose integrity the entire economy depends. It consumes resources that cannot be replenished or substituted; and it fouls land, air and ocean with its waste. A growth model that destroys the ecological foundation destroys itself.

72. This is a greater and more immediate threat than is widely realized. Here in Norway, looking towards the ocean and into the Arctic, you grasp this better than most, and have tried harder than most to tread lightly. But there will be no prosperity or security anywhere if we cannot quickly stabilize the ecological foundation of the global economy. That will require a new growth

model, liberated from the intellectually and politically bankrupt neoclassical dogma that defines the current one.

73. Today's borders in Europe and the Middle East are largely the product of the First and Second World Wars.

74. Revanchist forces in Russia are now picking holes in Europe's frontier to the East. Our dependence on Russia's gas weakens our hand in pressing it to respect its neighbours' borders.

75. The way to reduce dependence on Russian gas is to reduce dependence on gas. It is not, as some would have us do, to lock ourselves further into gas-based energy by developing costly alternative sources including shale gas.

76. The Middle East, from Libya to Iraq, is in flames and the danger of a greater conflagration is plain. This poses new risks to security in Europe. Our dependence on oil and gas from the Middle East limits our leverage with those from whom we buy it. The only way to free our hands is to reduce our dependence not just on Middle Eastern oil and gas but on oil and gas full stop.

77. So yes, the first path requires a clear choice. It invites us to draw on our values, mobilize all the forces at our disposal around a new vision for energy, summon the will to pursue that vision, and act to make it reality. It requires us to make

politics work to transform our societies in the public interest. It will demand struggle and sacrifice, because the forces of incumbency are strong and will stop at nothing to resist transformation.

78. But the first path takes us away from existential danger. And though the mounting geopolitical risks will not go away it's the only path that will put us in a better position to manage them.

79. The trouble is, we are not on the first path; not yet. We are still on the second path. We are choosing only not to make a choice, acting only to avoid taking action. The two companies have noticed that and that is why they think we have no will.

80. In Britain, yes, we have legally binding carbon budgets out to 2050. But we are not offering investors and households the certainty of outcomes and returns necessary to reach them. And we have aroused unmeetable expectations about shale gas, the pursuit of which, far from uniting the country around a single vision, is opening up new divisions.

81. Yes, we have a truly pioneering Green Investment Bank, the world's first publicly-backed financial institution designed to draw private capital on a transformational scale into low carbon infrastructure. It's great that its representatives have been in meetings with

Statkraft today. But we withhold from it the borrowing powers that would really give it leverage.

82. In Norway you already have carbon neutral electricity. Norwegians like electric cars. You have in the past been a champion of carbon capture and storage, another key piece of this jigsaw. The oil fund may soon decide to dump its carbon assets. Your climate diplomacy has set a global example (and I am delighted that Minister Brende remains as committed to it as he was when I first met him as Norway's Environment Minister).

83. But you are still, as a producer like Britain, deeply locked in to the oil and gas economy. Norwegian companies want to go on a frontier binge in the Arctic: it is madness to be developing new projects there that will only turn a profit above \$100 a barrel. On CCS you pulled the plug on Mongstad and seem to have run out of steam. There is no sign of a national vision for energy.

84. We may, each of us, be pointing hopefully towards the first path. But our feet are still firmly planted on the second. None of our mainstream political parties, yours or ours, is offering voters the choice of the first path or has even articulated that choice in meaningful political terms.

85. Those who want us to come to an accommodation with an unwelcome reality rather than changing it are still winning.

86. But that is not the Norwegian way, nor the British one.

[PAUSE]

87. A journey along the first path will have many features. But one stands out. This is something we can only do if we do it together. This is about reaching outwards. It is about Big Norway, not Little Norway.

88. Ibsen, in Peer Gynt, puts into the mouth of the Mountain King the words “vaer deg selv nok”. He’s describing the attitude that makes trolls different from humans. I suppose you could translate this loosely as “why worry about others if you are OK?”

89. In truth the approach of European nations to energy has always displayed this kind of insularity.

90. We cannot do what I have been talking about unless we do it together as Europeans. It won’t work if we approach it in the spirit of “vaer deg selv nok”..

91. There is a particular complementarity in energy and electricity around the northern seas of

Europe. And Britain and Norway each have starring roles to play in exploiting this.

92. We must now build a proper integrated grid, fully connected across borders. We must use that grid to smooth out peaks and troughs by trading electricity freely in real time, and by actively managing demand, across our continent. We will incidentally get maximum value for cables between the UK and Norway if we route them past big wind sources in the North Sea, like Dogger Bank where Statkraft has a stake.
93. Your capacity to store surplus electricity generated elsewhere and sell it back into the grid when needed is a huge asset for Norway and for all of us. And when we really get moving on CCS we will wake up to the value of the storage capacity under the North Sea. Statoil has shown the way at Sleipner.
94. A project like this would require serious investment - perhaps some €100 billion over the next 15-20 years. But the benefits would be enormous.
95. This would not only usher in a new golden age of electricity.
96. It would provide the stimulus we need to get Europe moving again. It would put a new motor at the heart of a stronger more competitive economy, better able to withstand global shocks.

It would create high value real economy jobs spread across all regions, including where jobs are most needed like the East coast industrial ports of Britain. It would drive innovation, boost skills, grow new supply chains and give old ones, like those in offshore engineering, a new lease of life.

97. And politically this would offer a new prospect of progress, hope and common purpose across our continent, especially for young people. As we did after the War, we would be taking responsibility once again for our future.

98. It is for the Norwegian people to decide Norway's national interest. But if I could be your Prime Minister for a day, I would deploy the oil fund actively and urgently to jump onto the first path. I'm sure that should include an injection of capital for Statkraft. Christian, just say the word, I have the chequebook here.

99. And I would get on the phone to my Nordic neighbours, to Prime Minister Cameron, Chancellor Merkel, President Hollande, and to all their counterparts. I would urge them to join me in building the shared political vision and mobilizing the unstoppable coalition that will persuade investors that the long-discussed plan to build an integrated European power grid is now a bankable opportunity.

[PAUSE]

100. Reading the old Norse myths, there is a terrible inevitability about the chain of events that leads to the fall of Asgard.

101. As soon as you are told that Odin's beautiful son Baldur has been made impervious to all anticipated threats, you know he will fall victim to one that has not been anticipated. As soon as you learn of the heart-rending effort by Baldur's grieving mother Frigg to persuade all of Nature to weep him back into the land of the living, you know that tears will flow in rivers everywhere except from the eyes of one mysterious creature who insists on weeping with dry eyes.

102. And there is something about the onset of the winter that follows that heralds the final fatal reckoning between the Gods and their old enemies the Giants. The end of the world as it had been foretold. Ragnarök

103. The pivotal figure in these myths is Loki, the shape shifter, with one foot among the Gods and the other among the Giants. Loki who stands for fire and light. Loki who more than any figure in any mythology embodies our own ingenuity in harnessing fire and light for better or worse.

104. Loki who cannot resist pointing out the hidden chink in Baldur's armour. Loki who all of a sudden can only weep only with dry eyes. Loki who comes with his terrible offspring the wolf and the

serpent to assist in the destruction of the order he is at once part of and detests; and in his own destruction.

105. Loki does what he does not because he chooses to destroy but because destruction is in his nature. He is clever; he is proud; he has unquenchable desires. In indulging his desires and his pride he cannot resist doing what his cleverness enables him to do.

106. Loki is in all of us. It was Loki who lit up Hammerfest. It was Loki who lit up Hiroshima and Nagasaki. He is never still, and for better or for worse we can see his fleeting footprints everywhere today.

107. But though we too are clever, and proud, and driven by unquenchable desires, we also have values, we have our own will, we can choose between different paths.

108. In the great Norse poem of creation the Völuspá there is a haunting account of what comes to pass after Ragnarök. Some say it was smuggled into an earlier text to bring a pagan myth into line with Christian resurrection. They argue that there was no new beginning.

109. But the idea of death followed by regeneration is as old as we are, and the voice that utters these evocative lines is surely an ancestral voice.

110. The question for us is not “will the old order give way to something different?” Of course it will. It is happening already.

111. The question is: “will the transition to what comes next be accomplished in an orderly way by our own will. Or will it accomplish itself in disorder because for too long our choice was only not to choose? And in that event, by the time it is over, will we be in any condition to appreciate what comes next?”

112. It's up to us. If we make the other choice, we may even see....

*....come up  
a second time  
earth out of ocean  
once again green.  
The waterfalls flow  
an eagle flies over  
in the hills  
hunting fish.*

*Without sowing  
cornfields will grow -  
all harm will be healed,  
Baldur will come.*

