

Ladies and gentlemen,

I should start by saying thank you to Arion Bank - that also happens to be my bank - for being so optimistic about Iceland's future as an oil-producer, as witnessed by this morning's meeting. I have shared that optimism since 2007, when I earned myself the dubious honor of being derisively dubbed by the Opposition the Oil Minister of Iceland.

I should also say thank you to the bank for giving me a rock-solid excuse for escaping - even if just for a moment - the noise of Icelandic politics, that as most of you will know is perhaps not the place where you go to enjoy interesting or creative discussions these days.

I would also like to welcome the Norwegian relatives, that are with us today to share with us their knowledge and experience.

To them I think it is fair to say, that we have always had a very close, if sometimes a bit complicated, relationship with Norway, from the time our blessed forefathers and -mothers decided 1100 years ago to escape the harsh taxation of the Norwegian kings, by coming to Iceland as probably the first tax refugees in history.

Indeed, during the crisis of 2008 one of the options was to flee back to Norway.

It is not always easy to be in politics in Iceland, but I belong to that rare breed of politician that wake up happy almost every morning, and I sometimes describe myself as the eternal optimist. I can confide in you, distinguished audience, that I am very optimistic when I look ahead and ponder the future of Iceland.

One of the reason is the topic of the day – the Dreki area and oil.

It is one of the many opportunities that I see on the horizon, and if the next speaker doesn't knock me too harshly I feel it is fair to say, that in future the production of oil, and service to oil-fields off Iceland,

could create some considerable wealth for our society. This, however, is not only based on optimism.

It is my good fortune to be happily married to a geologist that not only is an expert in geothermal, but who also sat for years on the first official oil committee in Iceland. In fact, you could say that the pillow talk in our bedroom was geothermal and oil. Quite an exciting marriage, as you can hear.

At the time she was privy to all the scientific data available on the possibility of striking oil within our economic zone. She became very convinced that there is oil or gas to be found in Iceland – in fact in more places than just in the Dreki Area.

My secret of a happy marriage is that the wife is always right. So when I became Minister for Industry and Energy in 2007 my first task was to scrutinize all the old reports on the Dreki Area. I felt the available data at the time was quite strong, and it aroused my interest to the extent that I obtained the counsel of two unrelated experts from the oil industry in Norway and one from Houston.

Their advice was unanimous. They all agreed that the seismic data pointed to the fact that the Dreki Area is a potential oil-field.

At the time, however, the sceptics were not so few. In the Ministry, we were not ready to go for an international tender at the time and needed quite a big sum of money to finance the last explorations to make that possible. I had to slay quite a few Dragons of my own, and it took all my powers of persuasion to convince the government and the Parliament that the money was well spent.

Well, I succeeded. We went through with the tender. But this was the horrible year of 2008, the year of the Lehman brothers, the global economic recession, the banking collapse in Iceland.

After quite a strong interest in the beginning, the initial applicants withdrew because of financial uncertainty. So, my fame as the first Oil

Minister of Iceland was short-lived, and I anyway never expected to become the President of Opec.

Today, as you know, we are in the midst of our second tender, with three licences expected to be issued later in the year to strong companies with experience in upstream-production of oil. It is also of importance to note, that on her side of the dividing line between Iceland and Jan Mayen, Norway is starting next year with exploratory drilling, and the prospects of the area emphasized in the last Oil Report of the Norwegian government.

Today, of course, we have stronger evidence for oil than we had in 2007 and 8. Last year, a Norwegian research vessel on her way to do some exploration in potential fields off East-Greenland stopped in the Dreki area and in the side of a very steep submerged mountain on the sea-floor, found three separate evidences of oil.

I want to emphasize to you, however, that despite the material wealth that might possibly accrue to Iceland from oil in the Dreki Area, we have to tread very, very carefully.

In my early years as a politician my first ministerial portfolio was the Ministry of the Environment. My Ph.D. is on fish. I am very much aware of the dangers to nature, that are attached to possible oil-accidents in the Arctic, and to Iceland and her economy, that as you know is based on clean nature, clean production of food, and an unspoilt image.

In this context, we must be fully aware of four facts: Firstly, we can expect, that before 2025, perhaps sooner, we may have up to three oil-fields operating north of Iceland. Off the east coast of Northern Greenland, in the Jan Mayen waters, and in the Dreki area.

Secondly, Iceland is situated so to speak in the effluent of the Arctic Ocean. These future oil-fields, esp. the one off Greenland, are the

mothers of the oceanic currents that flow to the south on both sides of Iceland.

Thirdly, although oil is a biological substance, that degrades in nature, it does so very, very slowly in the extreme temperature of the North. The chemical catalysts that are deployed to break it down in case of accidents either do not work, or are very inefficient, at the low temperatures of the High North.

Fourthly, accidents happens. What happened in the Gulf of Mexico was a disaster. Should an accident of a similar magnitude occur in any of those three future fields north of Iceland, it would be a much greater catastrophe.

Oil production in the Dreki Area, and other potential fields off Iceland, should therefore only be permitted on basis of the highest environmental standards available, and at the same time we must also ensure that the proper security infrastructure needed in case of accidents, is in place when we start.

Now in my fourth government, and having been a Minister for Foreign Affairs for the last three years, it has been my privilege to continue to engage with the Dreki area - but from a different angle and in a much broader context.

One of my first tasks in the ministry was to define energy and the Arctic as being among the key pillars of Iceland's foreign policy.

There I would especially like to highlight one key point: Regional cooperation.

In regional context, it seems natural to view the energy triangle north of Iceland, extending from East Greenland to Jan Mayen as one entity. Infrastructure and service for this area will most likely be interconnected and I am firmly of the view, that Iceland, because of her geographical position, excellent transportation links and good

infrastructure, should be the center for the main services to all these areas.

I have discussed this with the Greenlandic Premier, Kuupik Kleist, and we both agreed that the two countries should cooperate when it comes to developing services and infrastructure in the energy triangle. I have also brought this up with my Norwegian colleague Jonas G. Støre and we have agreed to engage formally in discussions on this subject later in the year when I visit Norway.

I feel very confident, that it will be in the mutual interest of these three nations to jointly develop the services and the infrastructure needed to ensure safe and economically efficient oil-development in this area.

Finally, in Iceland we need to make sure that future revenues from the oil industry are sustained and developed.

I am firmly of the view that Iceland should set up a national resources fund where incomes from our common natural resources, fisheries and energy - and by that I mean geothermal, hydro as well as the oil - should be harvested in a similar way our Norwegian friends do with their now famous Oil Fund. I believe that is the best way, for example, to ensure that potential revenues that might derive from oil-related activities— and I stress the word might – will cause imbalance and overboil the Icelandic economy.

So, ladies and gentlemen, we still have a long way to go, and we have to be realistic.

As a politician I have, however, the privilege to allow myself to be optimistic. After last years exploration I am more convinced than ever that there is oil to be found in the Dreki region.

The question is: Does it exist in quantities enough to sustain a viable industry?

That, however, is the privilege of the next speaker to explain.

