ESA | EFTA Surveillance Authority

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Decision No 141/26/COL

Ministry of Trade, Industry and Fisheries
P.O. Box 8090 Dep
0032 Oslo
Norway

Subject: **Prolongation and amendment of VAT benefits for battery electric passenger vehicles**

1 Procedure and description of the measure

(1) On 22 October 2026, Norway notified the EFTA Surveillance Authority ("ESA") of a planned prolongation and amendment (the "measure") of the zero VAT rate scheme in favour of battery electric passenger vehicles ("BEPVs"). The measure is a prolongation and amendment of an existing aid scheme (the "existing scheme") initially approved by ESA in 2015 (the "initial decision").[1] The existing scheme was later amended and prolonged, as approved by ESA in 2017,[2] 2020,[3] 2022[4] and 2024 (the "2024 prolongation decision").[5] The existing scheme as amended and prolonged is referred to hereafter as the "current scheme". The current scheme expires on 31 December 2026.

(2) The measure is notified under the simplified procedure under Article 4 of ESA's decision on the implementing provisions referred to under Article 27 in Part II of Protocol 3 to the Agreement between the EFTA States on the Establishment of a Surveillance Authority and a Court of Justice ("Decision No 195/04/COL").[6]

(3) The measure prolongs the current scheme by one year, until 31 December 2027, with the following amendments: (i) the purchase value threshold[7] up to which the

[1] ESA Decision No 150/15/COL, *State aid measures in favour of electric vehicles*.
[2] ESA Decision No 228/17/COL, *Tax reductions on zero emission vehicles*.
[3] ESA Decision No 148/20/COL, *Prolongation of the zero VAT rating for zero-emission vehicles 2021–2022*.
[4] ESA Decision No 227/22/COL, *Prolongation of and amendments to certain tax incentives for zero-emission vehicles*.
[5] ESA Decision No 213/24/COL, *Prolongation of VAT benefits for battery electric passenger vehicles*.
[6] ESA Decision No 195/04/COL, *on the implementing provisions referred to under Article 27 in Part II of Protocol 3 to the Agreement between the EFTA States on the Establishment of a Surveillance Authority and a Court of Justice*, OJ L 139, 25.5.2006, p. 37, and EEA Supplement No 26/2006, 25.5.2006, p. 1, as amended by ESA Decision No 319/05/COL of 15 December 2005 (OJ L 113, 27.4.2006, p. 24), ESA Decision 387/06/COL of 13 December 2006 (OJ L 148, 11.6.2009, p. 35), ESA Decision 789/08/COL of 17 December 2008 (OJ L 340, 22.12.2010, p. 1) and ESA Decision 108/17/COL of 4 July 2017.
[7] For a description of this threshold, reference is made to ESA Decision No 227/22/COL, *Prolongation of and amendments to certain tax incentives for zero-emission vehicles*, paragraphs 2,

zero VAT rate applies to the supply and import of BEPVs is reduced from NOK 500 000 to NOK 150 000; and (ii) the threshold up to which the zero VAT rate applies to the leasing of BEPVs is amended to reflect the purchase value threshold of NOK 150 000. Based on the reduced threshold, the Norwegian authorities estimate that, in 2027, the value of the zero VAT rate for BEPVs will amount to approximately NOK 6 billion (as compared to an estimated value of NOK 13 billion for the year 2024).[8] The Norwegian authorities have confirmed that the current scheme remains otherwise unchanged.

(4) The Norwegian authorities have explained that the prolongation of the current scheme until 31 December 2027 is intended to maintain a high share of BEPVs in new car sales and thereby reduce greenhouse gas ("GHG") emissions from the Norwegian passenger transport sector. That objective is consistent with Norway's commitments under the Paris Agreement and the Effort Sharing Regulation.[9] The Norwegian authorities argue that, without the measure, BEPVs would currently remain more expensive than conventional fossil fuel vehicles. The Norwegian authorities submit that a discontinuation of the scheme would result in a VAT increase of up to 25% for BEPVs, which would undermine the objective of maintaining a high share of BEPVs in new car sales. In support of these submissions, the Norwegian authorities have provided information on recent market developments, showing that the price difference between BEPVs and conventional fossil fuel vehicles remains a barrier to consumers opting for BEPVs, and that price parity is not expected until 2030.[10] ESA notes that this development is in line with the overall trajectory anticipated in the projections relied upon in the 2024 prolongation decision.[11]

(5) A prolongation of the current scheme, but with a lowering of the threshold to NOK 150 000, will continue the gradual phase-down of the scheme that began with the introduction of a monetary threshold in 2023.[12] The Norwegian authorities submit that the reduction reflects the decreasing need for aid as BEPV prices converge towards those of conventional fossil fuel vehicles, while recognising that price parity is not yet expected in 2027. They therefore consider that the lower threshold ensures that the aid remains limited to the minimum necessary to maintain the incentive to purchase BEPVs, while reducing the overall fiscal cost of the measure.

2 Applicability of the simplified procedure

(6) The measure consists of a prolongation of the current scheme by one year, in addition to a reduction of the aid intensity of the current scheme, given that the threshold up to which the zero VAT rate applies will be reduced (see paragraph (3) above). Therefore, it falls within the scope of Article 4(2) of Decision 195/04/COL.

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47 and 55-62; and ESA Decision No 213/24/COL, *Prolongation of VAT benefits for battery electric passenger vehicles*, paragraphs 4, 8, 17 and 20.

[8] ESA Decision No 213/24/COL, *Prolongation of VAT benefits for battery electric passenger vehicles*, paragraph 20.

[9] ESA Decision No 213/24/COL, *Prolongation of VAT benefits for battery electric passenger vehicles*, paragraph 9.

[10] Document Nos 1632457 and 1632458.

[11] ESA Decision No 213/24/COL, *Prolongation of VAT benefits for battery electric passenger vehicles*, paragraph 14.

[12] ESA Decision No 227/22/COL, *Prolongation of and amendments to certain tax incentives for zero-emission vehicles*, paragraphs 2, 47 and 55-62.

(7) ESA confirms that the Norwegian authorities have submitted annual reports in accordance with Articles 5 to 7 of Decision 195/04/COL. The requirement of Article 4(3) of Decision 195/04/COL is therefore fulfilled.

3 Lawfulness of the aid

(8) The Norwegian authorities notified the measure and have not yet let it enter into force, thereby respecting their obligations under Protocol 3 to the Agreement between the EFTA States on the Establishment of a Surveillance Authority and a Court of Justice ("Protocol 3"). ESA notes that Norway already reduced the purchase value threshold from NOK 500 000 to NOK 300 000, with effect from 1 January 2026, without prior notification to ESA, and therefore did not comply with Article 1(3) of Part I of Protocol 3 in respect of that amendment.

4 Assessment of the measure

4.1 Existence of aid within the meaning of Article 61(1) of the EEA Agreement

(9) By its initial decision, and most recently confirmed in the 2024 prolongation decision, ESA concluded that the current scheme constitutes State aid within the meaning of Article 61(1) of the EEA Agreement.[13] The changes introduced by the measure do not alter ESA's conclusion in this regard.

4.2 Compatibility of the aid

(10) ESA's assessment of the measure does not raise any doubts and confirms that the measure does not modify the original compatibility assessment in the 2024 prolongation decision, where it considered the current scheme to be compatible with the functioning of the EEA Agreement under Article 61(3)(c).[14]

(11) ESA notes that by lowering the threshold up to which the zero VAT rate applies (see paragraph (3) above), the measure reduces the aid intensity under the current scheme. ESA considers that this amendment only serves to enhance the compatibility of the current scheme with the functioning of the EEA Agreement under Article 61(3)(c) for the limited period of the proposed prolongation, as it ensures that the aid remains limited to the minimum necessary to maintain the incentive to purchase BEPVs (see paragraph (5) above). Apart from the reduction in aid intensity, the scheme is prolonged without material amendments.

(12) ESA also takes note of the information submitted by the Norwegian authorities demonstrating that there is currently still a price difference between BEPVs and conventional fossil fuel vehicles, in favour of the latter, and the objective of reducing GHG emissions from the Norwegian passenger transport sector in line with Norway's commitments under the Paris Agreement and the Effort Sharing Regulation (see paragraph (4) above). Accordingly, ESA considers that the measure does not affect its previous assessment of the compatibility of the existing scheme, as reflected most recently in the 2024 prolongation decision.[15] For the same reasons, this also applies to the reduced purchase value threshold of NOK

[13] ESA Decision No 150/15/COL, *State aid measures in favour of electric vehicles,* paragraphs 69-119.
[14] ESA Decision No 213/24/COL, *Prolongation of VAT benefits for battery electric passenger vehicles*, paragraphs 24-31.
[15] *Ibid*.

300 000 which the Norwegian authorities introduced with effect from 1 January 2026 (see paragraph (8) above).

5 Conclusion

(13) On the basis of the foregoing assessment, ESA considers that the measure constitutes State aid within the meaning of Article 61(1) of the EEA Agreement. ESA has no doubts that the aid is compatible with the functioning of the EEA Agreement pursuant to its Article 61(3)(c) and therefore, ESA has no objections to its implementation.[16]

The Norwegian authorities have confirmed that the notification does not contain any business secrets or other confidential information that should not be published.

Yours faithfully,

For the EFTA Surveillance Authority

Arne Røksund President Responsible College Member	Árni Páll Árnason College Member	Nuscha Wieczorek College Member

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This document has been electronically authenticated by Arne Roeksund, Melpo-Menie Josephides.

[16] Reference is made to Article 4(3) of Part II of Protocol 3.