

# Climate Progress Report 2022





From left to right: Árni Páll Árnason, Arne Røksund, and Stefan BARRIGA.

## A GREENER, HEALTHIER AND MORE SUSTAINABLE FUTURE

Climate change is one of the major challenges of our time, and we must act swiftly to mitigate its disastrous effects on our planet now and in the coming years.

Reducing greenhouse gas emissions is crucial to preserve a liveable climate on this planet and as parties to the EEA Agreement, Iceland and Norway have committed themselves to ambitious climate targets and a common European response to these challenges. ESA's role in this effort is to ensure that Iceland and Norway live up to those commitments and deliver on their targets.

This report follows the progress made by the two countries in meeting their target, providing important insights into

the ongoing efforts to make Iceland and Norway greener.

By providing oversight, ESA will continue to play its part in ensuring a greener, healthier and more sustainable future.

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## INTRODUCTION

In the context of the European Economic Area (EEA) Agreement, Iceland, Norway and the European Union (EU) in 2019 agreed to deepen their cooperation on climate change and cooperate in reaching their 2030 greenhouse gas emission reduction targets.

To this end, by decision of the EEA Joint Committee No 269/2019 of 25 October 2019 ([JCD No 269/2019](#)) the following acts were incorporated into paragraph 8(a) of Article 3 of Protocol 31 to the EEA Agreement:

- ◆ the Effort-Sharing Regulation: ([EU](#)) [2018/842](#);<sup>1</sup>
- ◆ the Land Use, Land-Use Change and Forestry (LULUCF) Regulation: ([EU](#)) [2018/841](#).<sup>2</sup>
- ◆ part of the Governance Regulation relevant for the implementation of the Effort-Sharing Regulation and the LULUCF Regulation: ([EU](#)) [2018/1999](#).<sup>3</sup> (the Acts).

Paragraph 8(a) of Article 3 of Protocol 31 entered into force on 11 March 2020. Paragraph 8(a) does not apply to Liechtenstein.

The Acts concern the reduction of greenhouse gas emissions from a range of sectors in the period up to 2030, including road and domestic maritime transport, buildings, waste management, agriculture, industry not covered by the European Emission Trading System (ETS) and the emissions and removals from the land and forestry sectors.<sup>4</sup>

Iceland and Norway have already taken part in the ETS since 2008. The ETS concerns the reduction of greenhouse gas emissions from the

power, manufacturing and aviation sectors.

The EFTA Surveillance Authority (ESA) is responsible for ensuring the fulfilment by Iceland and Norway of their obligations under the Acts, similar as the European Commission for the EU Member States.

Under Article 29(5)(b) of the Governance Regulation, ESA is mandated to assess, by 31 October 2021 and every consecutive year whether Iceland and Norway have made sufficient progress towards meeting the obligations set out in Article 4 of the Effort-Sharing Regulation and in Article 4 of the LULUCF Regulation.<sup>5</sup>

Similarly, the European Commission publishes an annual progress assessment for the EU Member States. [The European Commission's 2022 Climate Action Progress Report](#) is more extensive than the present report due to a wider scope of EU legislation in this field.

## EFFORT SHARING

The Effort-Sharing Regulation, as adapted by Protocol 31 to the EEA Agreement for Iceland and Norway, sets binding targets for reductions in greenhouse gas emissions for Iceland, Norway and the EU Member States for 2030. The Regulation applies to sectors that are not part of the ETS, including road transport, domestic maritime transport, buildings, agriculture, non-ETS industry and waste.

The national targets range from 0 to minus 40 percent by 2030, expressed as percentage changes compared to 2005 emissions. The efforts under the Regulation are distributed based on relative gross domestic product per capita and taking into account cost-

effectiveness.<sup>6</sup>

Iceland's target is a reduction of 29 percent by 2030, compared to the 2005 emission levels. Norway's target is a reduction of 40 percent by 2030, compared to the 2005 emission levels.

The national 2030 greenhouse gas reduction targets are translated into annual emission allocations, the emission limits that the countries must respect during the 2021-2030 period. The process for setting out the annual emission allocations included a comprehensive review of the historic greenhouse gas inventory data of Iceland and Norway carried out by the European Environment Agency.

The annual emission allocations set out by the ESA in 2021<sup>7</sup>, can be found in paragraph 8(a) third indent (ii) of Article 3 of Protocol 31 to the EEA Agreement (see table 1).

## PROGRESS TOWARDS THE 2030 EFFORT-SHARING TARGETS

As described above, the Effort-Sharing Regulation sets national emissions targets for 2030 and annual emission allocations for each year of the period 2021-2030, for Iceland, Norway and the EU Member States.<sup>8</sup>

In line with the reporting requirements of the Governance Regulation, the States report their greenhouse gas inventories

annually, and their projections and policies and measures bi-annually.

Iceland and Norway in 2021 submitted<sup>9</sup> their national policies and measures and their national projections for greenhouse gas emissions for 2030 to ESA and the European Environment Agency. Due to substantial changes to the information reported in 2021, Iceland submitted updated reports on policies and measures and projections in 2022. Iceland informed ESA that the changes were predominantly due to updated energy emissions projections based on new fuel projections published by the National Energy Authority in October 2021. In 2022, Iceland and Norway submitted their approximated greenhouse gas inventories for 2021.

The above reporting shows that Iceland and Norway are planning and implementing policies and measures to achieve their current 2030 targets under the Effort-Sharing Regulation.

Reported emissions projections for 2030 indicate that Iceland and Norway would need to plan and implement additional climate actions to reach their current 2030 targets in the effort-sharing sectors. Updated 2030 projections and policies and measures reporting will be submitted in 2023.

Figure 1<sup>10</sup> shows the distance between the 2030 targets under the Effort-Sharing Regulation and the States' 2030 projections 'with existing measures' and 'with additional

**Table 1: Adjusted value of the annual emission allocation in tonnes of CO<sub>2</sub> equivalent**

	2021	2022	2023	2024	2025
<b>Iceland</b>	2 876 150	2 802 993	2 729 836	2 656 679	2 583 522
<b>Norway</b>	25 164 459	24 296 764	23 429 068	22 561 373	21 693 677
	2026	2027	2028	2029	2030
<b>Iceland</b>	2 510 365	2 437 208	2 364 050	2 290 893	2 217 736
<b>Norway</b>	20 825 982	19 958 287	19 090 591	18 222 896	17 355 200

Table 1: Annual emission allocations for Iceland and Norway for each year of the period from 2021 to 2030.

**Figure 1**

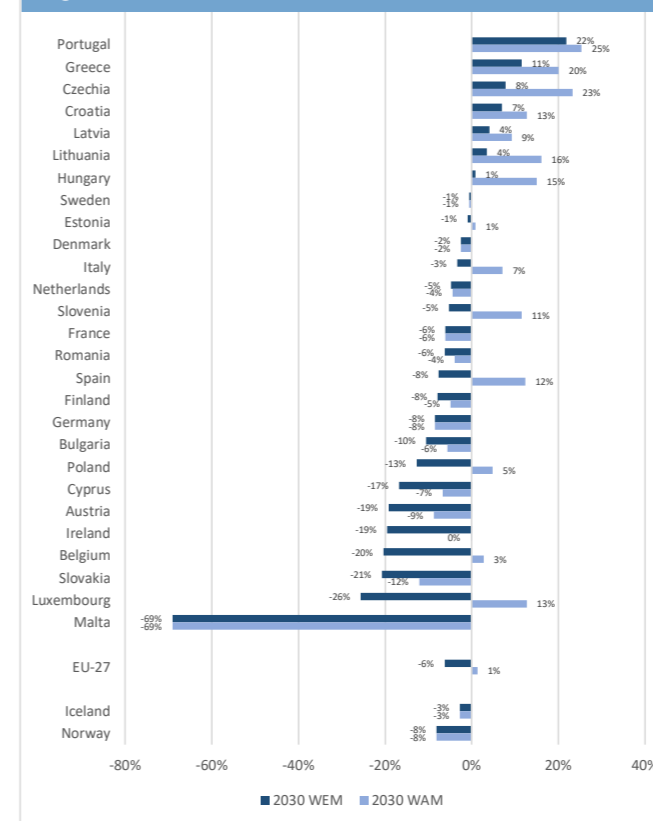


Figure 1: Gaps between 2030 effort sharing targets and projected emissions with existing measures and with additional measures in percentage of 2005 base year emissions for Iceland, Norway and the EU-27. Positive values indicate projected overachievement of targets; negative values indicate that projected targets are not going to be met (Source: EU Climate Action Progress Report 2022).

measures', respectively. The below figure is based on data reported by Iceland, Norway and the EU Member States, compiled and quality checked by the European Environment Agency.

Approximated inventory data for 2021 shows that Norway is expected to exceed its annual emission allocation for that year with 5 percent. Approximated inventory data for 2021 shows that Iceland is expected to remain within its annual emission allocation for that year. The final greenhouse gas inventories for 2021 will be reported in 2023. The Effort-Sharing Regulation allows the use of certain flexibilities.<sup>11</sup>

2021 is the first year under the Effort-Sharing Regulation. The Regulation includes two five-year compliance-check cycles. The compliance cycle for the year 2021 will take place in 2027 when all the relevant data for the years 2021-2025 are available.

Table 2 shows the 2030 effort sharing targets of Iceland and Norway and their own 'with existing measures' (WEM) projections. Iceland and Norway did not provide projections reflecting 'with additional measures' (WAM). Positive values indicate projected overachievement while negative values indicate projected underachievement.

**Table 2: Effort-sharing targets and projections**

	2021 (proxy)	2030 (WEM projections)	2030 (WAM projections)
<b>Iceland</b>			
Target	-7%	-29%	-29%
Emissions	-9%	-26%	-26%
Distance to target (%)	2%	-3%	-3%
<b>Norway</b>			
Target	-13%	-40%	-40%
Emissions	-8%	-32%	-32%
Distance to target (%)	-5%	-8%	-8%

Targets and projected emissions under the effort sharing legislation and distance to targets in percentage change from 2005 base year emissions.

## LAND USE, LAND-USE CHANGE AND FORESTRY

The extended cooperation aligns the actions of the EU, Iceland and Norway to reduce certain greenhouse gas emissions related to land use, land-use change and forestry.

The land use, land-use change and forestry sectors can both release greenhouse gas emissions to the atmosphere and remove CO<sub>2</sub> from it. The LULUCF Regulation as adapted to the EEA Agreement, requires Iceland and Norway to ensure that accounted greenhouse gas emissions from land use, land use change and forestry sectors are balanced by at least an equivalent accounted removal of CO<sub>2</sub> from the atmosphere in the period 2021 to 2030 (the “no-debit” rule). The Regulation reflects detailed rules for how to account the emissions and removals from different land accounting categories. Similarly, as the Effort-Sharing Regulation, the

LULUCF Regulation includes two five-year compliance-check cycles. The compliance checks for the years 2021-2025 will take place in 2027.

### LONG-TERM STRATEGY FOR THE LAND USE, LAND-USE CHANGE AND FORESTRY SECTORS

In 2020, Iceland and Norway submitted to ESA their strategies for the land use, land-use change and forestry sectors, with a perspective of at least 30 years.

The detailed requirements for these strategies are reflected in Article 13(2) (a) of the LULUCF Regulation, as adapted to the EEA Agreement.<sup>12</sup> The strategies have been made available to the public in Iceland<sup>13</sup> and Norway.<sup>14</sup> ESA is tasked with assessing if the States’ strategies are adequate for documenting fulfilment with the LULUCF Regulation.<sup>15</sup>

#### Endnotes

1 Regulation (EU) 2018/842 of the European Parliament and of the Council of the European Union of 30 May 2018 on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 contributing to climate action to meet commitments under the Paris Agreement and amending Regulation (EU) No 525/2013.

2 Regulation (EU) 2018/841 of the European Parliament and of the Council of 30 May 2018 on the inclusion of greenhouse gas emissions and removals from land use, land-use change and forestry in the 2030 climate and energy framework, and amending Regulation (EU) No 525/2013 and Decision No 529/2013/EU.

3 Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, amending Regulations (EC) No 663/2009 and (EC) No 715/2009 of the European Parliament and of the Council, Directives 94/22/EC, 98/70/EC, 2009/31/EC, 2009/73/EC, 2010/31/EU, 2012/27/EU and 2013/30/EU of the European Parliament and of the Council, Council Directives 2009/119/EC EN 8 EN and (EU) 2015/652 and repealing Regulation (EU) No 525/2013 of the European Parliament and of the Council.

4 [Norway](#) and [Iceland](#) have made available national plans describing how each country intends to fulfil its commitments under the Effort Sharing and the LULUCF Regulations.

5 Article 29(5)(b) of the Governance Regulation.

6 Second recital of the preamble to the Effort Sharing Regulation.

7 [EFTA Surveillance Authority Decision of 21 July 2021 setting out the annual emission allocations for the period from 2021 to 2030 for Iceland and Norway pursuant to the Effort Sharing Regulation \(Decision No. 204/21/COL\)](#).

8 The Effort Sharing Regulation allows the States to offset part of their greenhouse gas emission reductions in the effort sharing sectors with net removals generated in the land use, land use change and forestry sector, and for some States, including Iceland and Norway, by cancelling allowances in the existing ETS.

9 <https://reportnet.europa.eu/public/countries>

10 For comparability the effort sharing targets and historical 2005 base year have been converted into GWP AR4. The European Environment Agency gap-filled missing projections “with additional measures” with “projections with existing measures”. The assessment on the distance to targets are provided here for illustrative purposes only.

11 For 2021, Iceland and Norway will under the current legal framework be able to use the flexibilities permitted under the Effort Sharing Regulation, such as borrowing from following years, transfers of annual emission allocations from other States, flexibilities from the ETS or to offset part of their emissions with net removals generated in the LULUCF sector. In 2020, Iceland and Norway notified ESA of their intention to make use of the limited cancellation of ETS allowances allowed under the Regulation..

12 Article 3, 8(a) first indent (iii) of Protocol 31 to the EEA Agreement.

13 <https://www.stjornarradid.is/gogn/rit-og-skyrslur/stakt-rit/2020/08/28/Iceland-Strategy-on-LULUCF/>

14 <https://www.regjeringen.no/en/dokumenter/strategy-on-land-use-land-use-change-and-forestry-sector/id2924513/>

15 The fulfilment of the requirements set for these strategies is a precondition for making use of the managed forest land flexibility under the LULUCF Regulation.

## ANNEX

Table 3: Overview of climate targets under the Effort Sharing Regulation and the LULUCF Regulation.

Table 3: Climate targets under the Effort-Sharing and LULUCF Regulations		
	Effort Sharing Regulation	LULUCF Regulation
<b>Target year or period</b>	2021-2030	2021-2030
<b>Emission reduction target</b>	2030 targets and annual targets for Iceland and Norway	No-debit target based on accounting rules
<b>Base year</b>	2005	Subject to accounting rules
<b>LULUCF</b>	Excluded from target, but reported in inventories	Yes
<b>Aviation</b>	CO <sub>2</sub> from domestic aviation excluded. Aviation generally excluded.	No
<b>Use of international credits</b>	No	No
<b>Gases covered</b>	CO <sub>2</sub> , CH <sub>4</sub> , N <sub>2</sub> O, HFCs, PFCs, SF <sub>6</sub> , NF <sub>3</sub>	CO <sub>2</sub> , CH <sub>4</sub> , N <sub>2</sub> O
<b>Sectors included</b>	Transport (except aviation), buildings, non-ETS industry, agriculture (non-CO <sub>2</sub> ) and waste	Land use, land-use change and forestry
<b>Global Warming Potentials used</b>	IPCC AR5	
<b>Applicable to number of EEA EFTA States</b>	Iceland and Norway	

