ESA | EFTA Surveillance Authority

Climate Progress Report 2026







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ESA Climate Progress Report 2026

Foreword by ESA's College

This is the sixth time ESA has issued its annual Climate Progress Report, and the need to prevent the worst effects of climate change remains paramount. In Europe and across the globe, extreme temperatures and natural disasters are adding to the challenges posed by geopolitical tension and energy insecurity.

It is therefore crucial that Iceland and Norway remain committed to meeting their climate targets, under both the EEA Agreement and the Paris Agreement.

The EEA Agreement provides the basis for ESA's role in monitoring progress on climate action in Iceland and Norway. This mirrors the role of the European Commission, which publishes its annual Climate Action Progress Report for the EU Member States.

The 2026 Climate Progress Report finds that both Iceland and Norway are broadly on track to meet their current effort sharing targets for 2021 to 2030, subject to sustained efforts to reduce emissions and maintaining the ambition level of planned policies. In other words, staying on track will require both countries to implement all current and planned climate policies or take equivalent action.

Two elements of the report are especially important to highlight:

Firstly, the targets assessed in this report under EEA law do not reflect the latest ambitions of Iceland and Norway for 2030 under the Paris Agreement. Accordingly, the report provides an incomplete picture of the progress made or the progress still to be made against these commitments.

Second, for the land use, land-use change and forestry sectors the data remains uncertain and will be subject to further scrutiny next year.

ESA is committed to playing its role in the green transition. This we do in close cooperation with Iceland and Norway, as well as the European Commission and the European Environment Agency.

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1 INTRODUCTION

1.1 CLIMATE COOPERATION UNDER THE EEA AGREEMENT

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 to 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:[1]

- the Effort Sharing Regulation: (EU) 2018/842;[2]
- the Land Use, Land-Use Change and Forestry (LULUCF) Regulation: (EU) 2018/841;[3]
- part of the Governance Regulation relevant for the implementation of the Effort Sharing Regulation and the LULUCF Regulation: (EU) 2018/1999.[4]

In 2020, the EU raised its 2030 ambition to a net reduction in greenhouse gas emissions of at least 55 per cent compared with 1990 levels. To meet this target, the EU amended the acts listed above through its 'Fit for 55 package', introducing more stringent targets. These amendments have not yet been incorporated into the EEA Agreement.

This report does not assess updated targets of the Effort Sharing Regulation reflecting the latest nationally determined contributions ('NDCs') for 2030 of Iceland and Norway under the Paris Agreement, as these are not incorporated into the EEA Agreement. It is limited to assessing progress towards the 2030 targets currently applicable under

[1] Paragraph 8(a) of Article 3 of Protocol 31 to the EEA Agreement entered into force on 11 March 2020.

[2] *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* (OJ L 156, 19.6.2018, p. 26–42).

[3] *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* (OJ L 156, 19.6.2018, p. 1–25).

[4] *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 and (EU) 2015/652 and repealing Regulation (EU) No 525/2013 of the European Parliament and of the Council* (OJ L 328, 21.12.2018, p. 1–77).

EEA law. Accordingly, it assesses Iceland's and Norway's progress against targets designed to implement the NDCs under the Paris Agreement of reducing emissions by at least 40 per cent by 2030 compared with 1990 levels. The conclusions in the present report will therefore not provide an adequate reflection of how Iceland and Norway are progressing towards their updated NDCs for 2030 under the Paris Agreement. ESA will address in future reports any new targets arising from the 'Fit for 55 package', once agreed by the EU, Iceland and Norway.

The European Commission annually assesses EU Member States' progress. Its 2026 Climate Action Progress Report measures that progress against targets reflecting the legally binding EU objective of reducing emissions by at least 55 per cent.

1.2 SUMMARY OF THE 2026 PROGRESS ASSESSMENT

Under Article 29(5)(b) of the Governance Regulation, ESA is mandated to assess, by 31 October 2021 and every year thereafter, whether Iceland and Norway have made sufficient progress towards meeting the obligations set out in Article 4 of the Effort Sharing Regulation ('ESR') and in Article 4 of the LULUCF Regulation.[5]

The Effort Sharing Regulation establishes national targets for the reduction of greenhouse gas emissions by 2030 in the sectors of domestic transport (excluding aviation), buildings, agriculture, waste and small industry not covered by the European Emission Trading System ('ETS'). The LULUCF Regulation defines the contribution of the land and forestry sectors in mitigating climate change. These acts do not apply to Liechtenstein.

ESA has assessed Iceland's and Norway's progress towards their ESR obligations over the period 2021 to 2030 based on the latest information reported to ESA[6] and considering the use of some of the flexibilities available under the ESR.

The assessment assumes that Iceland and Norway will implement all planned measures reflected in the projections including additional measures ('WAM projections')[7] and that they will save unused annual emission allocations[8] for future use and, where necessary, borrow allocations from future years. It also assumes that Iceland and Norway, having notified their intention to use the ETS flexibility, will do so as needed.

[5] ESA's Climate Progress Reports from 2021 to 2025 are available here.

[6] The assessment is based on greenhouse gas inventories for 2021 to 2024 reported in March 2026, approximated inventories for 2025 reported in June (Norway) and July (Iceland) 2026, and projections reported in March 2025.

[7] WAM projections account for planned measures, whereas 'with existing measures' or 'WEM' projections cover only measures already implemented or adopted.

[8] The ESR's 2030 greenhouse gas reduction targets are converted into annual emission allocations, which set the emission limits that the EEA States must meet from 2021 to 2030.

Considering the latest reported data for the ESR sectors, and not considering any deficit from the LULUCF sectors, both Iceland and Norway are expected to remain within their emission limits under the Effort Sharing Regulation for both the 2021 to 2025 and 2026 to 2030 compliance periods, when taking into account the above-mentioned flexibilities. In 2026 Iceland and Norway did not report updated emissions projections.[9] As a result, the assessment remains largely unchanged from last year's Climate Progress Report.

As noted in last year's report, it is crucial that Iceland and Norway fully implement the additional planned policies for the ESR sectors, as laid out in the WAM projections submitted in 2025. Sustained efforts, including full implementation of the current and planned climate policies, are key for Iceland and Norway to remain on track to meet their ESR targets.

Failure to implement these or equivalent policies will also seriously hamper their ability to meet more ambitious 2030 targets, considering that the ESR targets currently applicable under EEA law have not yet been updated to reflect their latest NDCs for 2030 under the Paris Agreement.

Concerning the forestry and land use sectors, the States must, pursuant to the LULUCF Regulation, ensure that the accounted greenhouse gas emissions are balanced by at least an equivalent accounted removal of CO_2 from the atmosphere in the period 2021 to 2025 (the 'no-debit' rule).

For the LULUCF sector, the preliminary accounting for the first compliance period shows that Norway's accounted removals are lower than the accounted emissions in 2021 to 2024 (meaning a gap to the no-debit rule), before taking into consideration the available flexibilities. For Iceland, the preliminary accounting shows that accounted removals are higher than the accounted emissions (meaning no gap to the no-debit rule). We note that the preliminary LULUCF accounting figures remain highly uncertain and may change significantly when all the relevant data is available, when the effects of methodological improvements are considered, and following a comprehensive review of the 2021-2025 data in 2027. For more information see Section 3.

As highlighted in last year's report, it is paramount that adequate policies are designed and implemented and that efforts are sustained to turn around the negative trend of shrinking net removals observed in recent years.

[9] During the factual consultation on this report, Norway informed the Authority that it had updated its projections in October 2026 in The Government's Climate Status and Plan. This annual publication reports on climate policy developments and progress towards Norway's climate targets. Iceland also informed the Authority that it had published its annual progress report on climate action in September 2026, which included updated projections. The Authority notes that these updated projections have not yet been submitted to the European Environment Agency or the Authority and are therefore not part of this year's report.

2 EFFORT SHARING

2.1 INTRODUCTION

The Effort Sharing Regulation, as adapted by Protocol 31 to the EEA Agreement for Iceland and Norway, sets binding national targets for reductions in greenhouse gas emissions by 2030. The sectors covered include domestic transport (excluding aviation),[10] buildings, waste, agriculture, and industry not covered by the ETS.

The national reduction targets of the EU Member States under the Effort Sharing Regulation range from minus 10 to minus 50 per cent by 2030, compared to 2005 emissions.[11] The targets are distributed based on relative gross domestic product per capita and taking into account cost effectiveness.[12]

The targets currently in force for Iceland and Norway were established in 2019 based on the previous range of 0 to minus 40 per cent by 2030, compared to 2005 emissions, prior to the 2023 amendments.[13]

Iceland's target is a reduction in greenhouse gas ('GHG') emissions of 29 per cent by 2030 compared to 2005 emission levels. Norway's target is a reduction in GHG emissions of 40 per cent by 2030 compared to 2005.[14]

The national 2030 greenhouse gas reduction targets are converted into annual emission allocations ('AEAs'), which set the emission limits that the States must meet from 2021 to 2030. The AEAs for Iceland and Norway set out by ESA in 2021,[15] can be found in adaptation (ii) to the third indent of paragraph 8(a) of Article 3 of Protocol 31 to the EEA Agreement, see table 1.

[10] CO_2 from domestic aviation excluded.

[11] *Regulation (EU) 2023/857 of the European Parliament and of the Council of 19 April 2023 amending Regulation (EU) 2018/842 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 Regulation (EU) 2018/1999* (OJ L 111, 26.4.2023, p. 1–14).

[12] Second recital of the preamble to the Effort Sharing Regulation (Regulation (EU) 2018/842).

[13] Regulation (EU) 2023/857 amended the Effort Sharing Regulation and updated the EU Member States' targets to reflect the increased ambition of at least minus 55 per cent compared to 1990 for the EU Member States. This amendment has not been made part of the EEA Agreement. As such, Norway's and Iceland's respective targets from 2019 remain unchanged.

[14] Iceland's and Norway's targets are set out in Article 3, paragraph 8(a), second indent, adaptation (v) of Protocol 31 to the EEA Agreement.

[15] 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).

Table 1: Annual emission allocations for Iceland and Norway for the period 2021 to 2030

EFTA State	Annual emission allocations in tonnes of CO_2 equivalent									
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Iceland	2,876,150	2,802,993	2,729,836	2,656,679	2,583,522	2,510,365	2,437,208	2,364,050	2,290,893	2,217,736
Norway	25,164,459	24,296,764	23,429,068	22,561,373	21,693,677	20,825,982	19,958,287	19,090,591	18,222,896	17,355,200

There are limited flexibilities available to the States to comply with their annual and 2030 reduction obligations under the Effort Sharing Regulation. These flexibilities include banking (saving annual emission allocations not used for future use), borrowing (borrowing allocations from future years), buying or selling emission allocations from/to other States, as well as flexibilities between sectors, such as the possibility to use surplus ('credits') from the land use, land-use change and forestry sector, or for some States to cancel a limited amount of allowances from the ETS and use these under the ESR.

2.2 MOST RECENT REPORTING

The annual progress assessment is done based on the latest data reported to ESA and the European Environment Agency pursuant to the Governance Regulation. The reported data are subject to quality checks by the European Environment Agency.

2.2.1 Greenhouse gas inventories

The States must report their greenhouse gas inventories annually. In 2026, Iceland and Norway submitted greenhouse gas inventories ('GHGI') for 1990 to 2024 in March, and approximated 2025 inventories in June (Norway) and July (Iceland) to ESA and the European Environment Agency. The GHGIs submitted this year for 2021 to 2024 have not undergone a comprehensive review. That review will take place in 2027 together with a review for 2025 to inform next year's compliance assessment.

2.2.2 Projections and policies and measures

The States must report their national policies and measures and 2030 projections biennially in odd-numbered years. If there are substantial changes, the States must report the updated information in the years in between. In 2026, Iceland and Norway did not submit updated emissions projections or policies and measures. This report is based on the projections data reported in 2025.

2.3 PROGRESS TOWARDS THE 2030 EFFORT SHARING TARGETS

This section provides an indication of the progress of Iceland and Norway in meeting their obligations under the Effort Sharing Regulation.

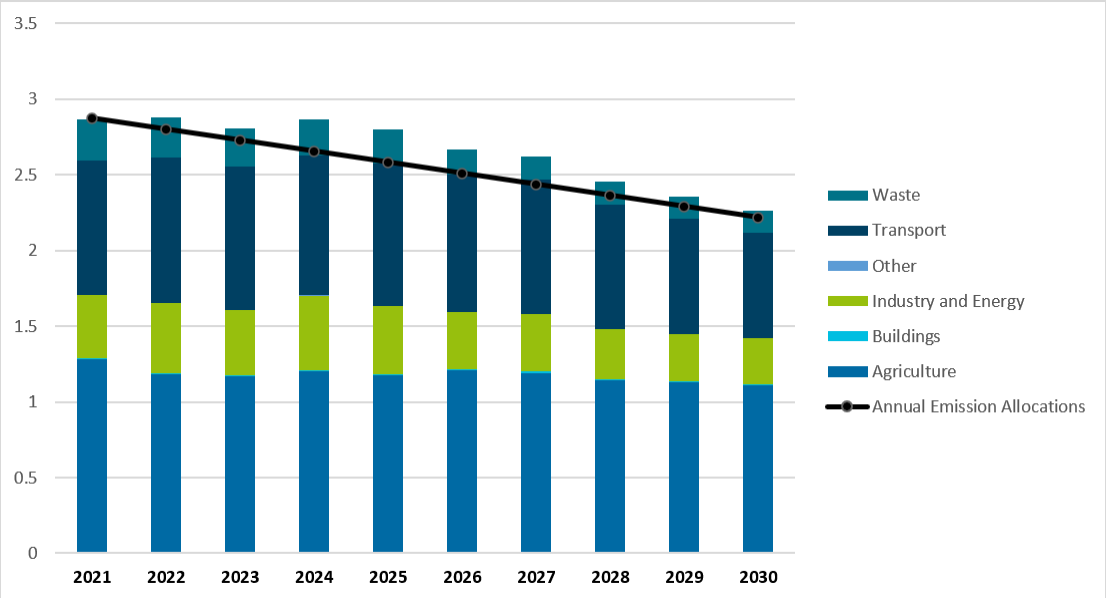
The assessment is based on greenhouse gas inventories for 2021 to 2024 reported in March 2026,[16] approximated inventories for 2025 reported in June and July 2026, and projections for the years 2026 to 2030 reported in March 2025.

Final effort sharing emissions for 2021 to 2025 will be determined following a comprehensive review in 2027. The States can use the flexibilities available under the Effort Sharing Regulation to comply with their annual emission allocations. However, the emissions inventories and projections can be used at this stage to gain insights on progress towards the effort sharing targets.

2.3.1 Emissions development for the ESR sectors

Iceland's approximated data indicate that emissions from the effort sharing sectors fell by 2.5 per cent in 2025 compared with 2024 and by 10 per cent compared with the 2005 base year. Iceland's 2024 inventory shows that emissions from the effort sharing sectors were 2.2 per cent lower than in 2023 and 7.7 per cent below the 2005 base-year level. Figure 1 shows the emissions development by sector.

Figure 1: Emissions in the sectors covered by the Effort Sharing Regulation 2021 to 2030 for Iceland and annual emission allocations, in Mt CO_2 equivalent.[17]

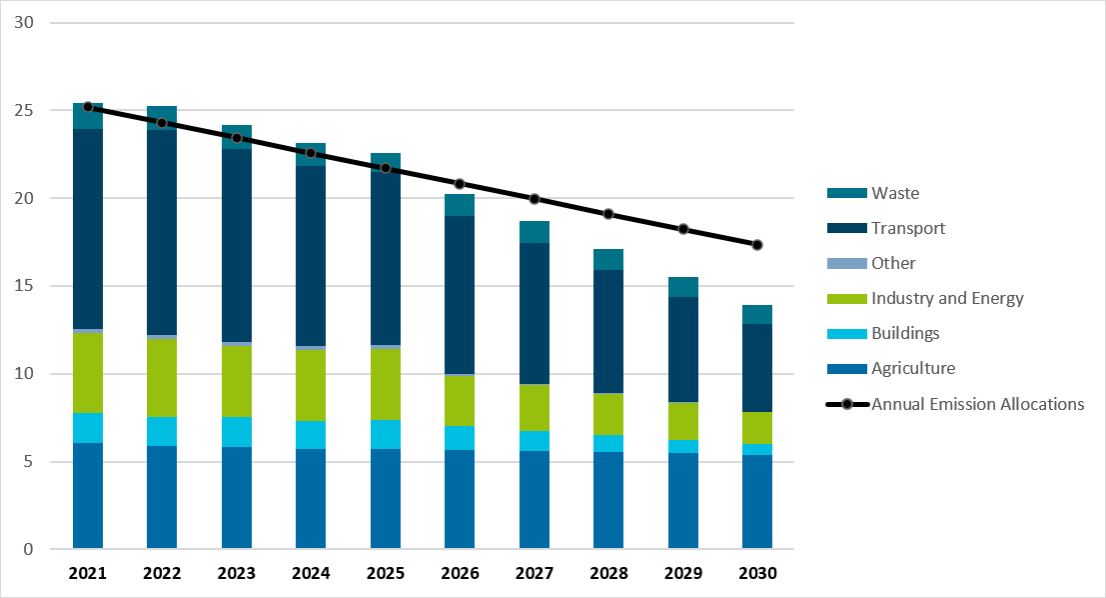


[16] ESR emissions for 2021 to 2024 are based on greenhouse gas inventories reported in 2026 and verified ETS emissions from stationary installations extracted on 8 March 2026.

[17] The sectoral data in Figure 1 for 2021–2030 are derived estimates produced by the European Environment Agency using a bottom-up methodology for ESR analysis and visualisation. They provide a sectoral breakdown of ESR emissions and should not be interpreted as official nationally reported data.

Norway's approximated data indicate that emissions from the effort sharing sectors fell by 2.5 per cent in 2025 compared with 2024 and by 22 per cent compared with the 2005 base year. Norway's 2024 inventory shows that emissions from the effort sharing sectors were 4.2 per cent lower than in 2023 and 20 per cent below the 2005 base-year level. Figure 2 shows the emissions development by sector.

Figure 2: Emissions in the sectors covered by the Effort Sharing Regulation 2021 to 2030 for Norway and annual emission allocations, in Mt CO_2 equivalent.[18]



2.3.2 Comparing AEAs and emissions in 2021 to 2030 (without flexibilities)

In 2024, emissions from sectors covered by the ESR exceeded the respective annual emission limits in both Iceland and Norway. Final data for 2025 are not yet available, but the approximated data suggest that Iceland and Norway will again exceed their annual emission limits.

Table 2 reflects the estimated distance to targets for the years 2021 to 2025 and 2030, without considering available flexibilities. Iceland would need to use flexibilities to comply with its annual emission limits for 2022 to 2025 and in 2030. Norway would need to use flexibilities to comply with its annual emission limits for 2021 to 2025.

[18] The sectoral data in Figure 2 for 2021–2030 are derived estimates produced by the European Environment Agency using a bottom-up methodology for ESR analysis and visualisation. They provide a sectoral breakdown of ESR emissions and should not be interpreted as official nationally reported data.

Table 2: Effort sharing targets, distance to targets and 2030 projections[19]

State	Target and emissions	2021	2022	2023	2024	2025 Approximated	2030 (projections WEM)	2030 (projections WAM)
Iceland	Target	-7.5%	-9.9%	-12.2%	-14.6%	-16.9%	-29.0%	-29.0%
	Emissions	-7.7%	-7.5%	-9.7%	-7.7%	-10.0%	-19.6%	-27.1%
	Distance to target (pp)	0.2%	-2.4%	-2.6%	-6.8%	-6.9%	-9.4%	-1.9%
Norway	Target	-13.0%	-16.0%	-19.0%	-22.0%	-25.0%	-40.0%	-40.0%
	Emissions	-12.2%	-12.7%	-16.5%	-20.0%	-22.0%	-32.2%	-48.7%
	Distance to target (pp)	-0.8%	-3.3%	-2.5%	-2.0%	-3.0%	-7.8%	8.7%

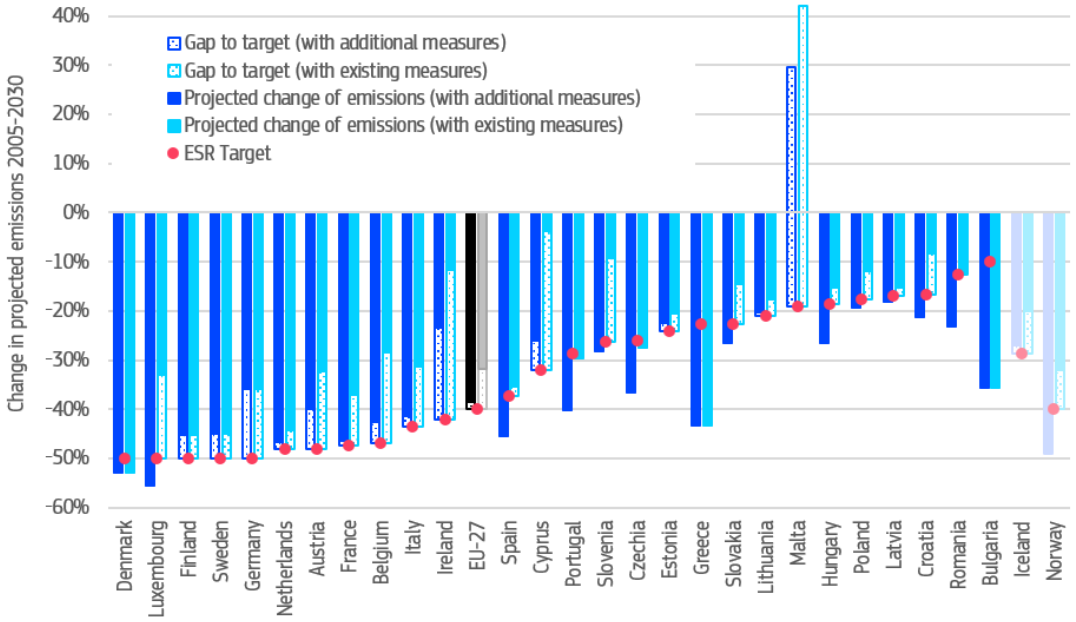
Before any use of flexibilities, the March 2025 projections with existing measures ('projections WEM') point to a gap of -9.4 percentage points to Iceland's annual emission limit for 2030, which decreases to a gap of -1.9 percentage points under the projections with additional measures ('projections WAM').

Before any use of flexibilities, the March 2025 projections with existing measures illustrate a gap of -7.8 percentage points to Norway's annual emission limit for 2030, while the projections with additional measures show an overachievement of 8.7 per cent.

Figure 3 compares the EU Member States' and Iceland's and Norway's projected emissions with their 2030 effort sharing targets. EU Member States are assessed against more stringent ESR targets reflecting a reduction of at least 55 per cent under the Paris Agreement, whereas Iceland and Norway are assessed against ESR targets designed to implement the previous Paris Agreement targets of reducing emissions by at least 40 per cent by 2030 compared with 1990 levels.

[19] The estimated distance to target is based on the 2026 submission of final greenhouse gas inventory (GHGI) for 2021 to 2024, the approximated GHGI for 2025 and the 2030 projections reported in 2025.

Figure 3: Gap between 2030 effort sharing targets and projected greenhouse gas emissions with existing measures and with additional measures[20]



2.3.3 Comparing AEAs and emissions in 2021 to 2030 (after banking or borrowing and the ETS flexibility)

Based on the latest projections with additional measures by Iceland and Norway of March 2025, ESA has assessed Iceland's and Norway's progress towards their annual emission limits for 2021 to 2030, considering some of the flexibilities available under the Effort Sharing Regulation.[21]

Based on the assumption that Iceland and Norway would use saved AEAs from previous years, or borrow from future years, and use the existing limited ETS flexibility to cover excess emissions:

- Iceland and Norway would not have excess emissions in the first compliance period (2021 to 2025);
- Iceland and Norway would not have excess emissions during the second compliance period (2026 to 2030).

[20] Source: the EU Climate Action Progress Report 2026.

[21] In 2020, Iceland and Norway notified ESA of their intention to make use of the limited cancellation of ETS allowances permitted under the Regulation. The ETS allowances are deducted from the amounts that would normally be auctioned under the ETS. The number of ETS allowances which can be used is reflected in Table 3.

Table 3: Distance to targets for Iceland under the Effort Sharing Regulation covering the period 2021 to 2030, in Mt CO_2 equivalent.[22]

Iceland	Annual emission allocations, historical and projected emissions, and distance to targets under the ESR ($MtCO_2$-eq) covering the period 2021 to 2030. Positive values indicate overachievement, negative values indicate underachievement.[23]									
	2021	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Estimated AEAs	2.9	2.8	2.7	2.7	2.6	2.5	2.4	2.4	2.3	2.2
Emissions	2.9	2.9	2.8	2.9	2.8	2.7	2.6	2.5	2.4	2.3
Distance to target	0.0	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1	0.0
Cumulative balance of AEAs	0.0	-0.1	-0.1	-0.4	-0.6	-0.7	-0.9	-1.0	-1.1	-1.1

Baseline emissions		3.1 $MtCO_2$ equivalent	2005 base year emissions
Flexibility	**ETS flexibility**	1.2 $MtCO_2$ equivalent	Amount of ETS flexibility available over the 10-year period 2021 to 2030 as established by ESA Decision No 204/21/COL and set out in Annex III of Commission Implementing Decision 2020/2126 as adapted to the EEA Agreement in Protocol 31 thereto.
	Maximum LULUCF flexibility	0.2 $MtCO_2$ equivalent	The availability of LULUCF flexibility depends on the amount of LULUCF credits generated under the LULUCF Regulation. The use of the available LULUCF flexibility is limited to 50% of the maximum amount of LULUCF flexibility in the period 2021 to 2025 and 50% of the maximum amount of LULUCF flexibility in the period 2026 to 2030.
LULUCF debit (2021-2025)		Pursuant to Article 9(2) ESR, AEAs are reduced by the debit generated under the LULUCF Regulation in the period 2021 to 2025. The interaction with the LULUCF Regulation is not considered in this table. See Section 3.	

[22] The values of 'Cumulative balance of AEAs' are the cumulative annual distances to target and do not take into account cancellations and transfers of AEAs from other EEA States. 2021 to 2024 emissions are based on the final inventory reports, 2025 emissions are based on approximated inventory reports. 2026-2030 emissions are based on the WAM emissions projections reported in 2025.

[23] When considering the projections with additional measures Iceland shows a cumulative underachievement of 1.1 Mt CO2eq in 2021 to 2030, without considering the limited ETS flexibility. The limited ETS flexibility available to Iceland over the 10-year period is 1.2 Mt CO2eq.

Table 4: Distance to targets for Norway under the Effort Sharing Regulation covering the period 2021 to 2030, in Mt CO_2 equivalent.[24]

Norway	Annual emission allocations, historical and projected emissions, and distance to targets under the Effort Sharing Regulation ($MtCO_2$-eq) covering the period 2021 to 2030. Positive values indicate overachievement, negative values indicate underachievement.[25]									
	2021	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
AEAs	25.2	24.3	23.4	22.6	21.7	20.8	20.0	19.1	18.2	17.4
Emissions	25.4	25.3	24.2	23.1	22.6	21.2	19.6	18.0	16.4	14.8
Distance to target	-0.2	-1.0	-0.7	-0.6	-0.9	-0.4	0.4	1.1	1.8	2.5
Cumulative balance of AEAs	-0.2	-1.2	-1.9	-2.5	-3.4	-3.7	-3.4	-2.3	-0.5	2.0

Baseline emissions		28.9 $MtCO_2$ equivalent	2005 base year emissions
Flexibility	**ETS flexibility**	5.8 $MtCO_2$ equivalent	Amount of ETS flexibility available over the 10-year period 2021 to 2030 as established by ESA Decision No 204/21/COL and set out in Annex III of Commission Implementing Decision 2020/2126 as adapted to the EEA Agreement in Protocol 31 thereto.
	Maximum LULUCF flexibility	1.6 $MtCO_2$ equivalent	The availability of LULUCF flexibility depends on the amount of LULUCF credits generated under the LULUCF Regulation. The use of the available LULUCF flexibility is limited to 50% of the maximum amount of LULUCF flexibility in the period 2021 to 2025 and 50% of the maximum amount of LULUCF flexibility in the period 2026 to 2030.
LULUCF debit (2021 to 2025)		Pursuant to Article 9(2) ESR, AEAs are reduced by the debit generated under the LULUCF Regulation in the period 2021 to 2025. The interaction with the LULUCF Regulation is not considered in this table. See Section 3.	

As tables 3 and 4 illustrate, it is key that Iceland and Norway fully deliver on the current and planned climate policies to remain on track for reaching the ESR targets.

In addition to the flexibilities reflected in tables 3 and 4, EEA States may transfer emission allocations between each other. No transfers of emission allocations between States have been reported to ESA.

ESA notes it is not able to assess progress on ESR targets reflecting the latest nationally determined contributions for 2030 of Iceland and Norway under the Paris Agreement, as the ESR targets applicable under EEA law have not been adjusted to reflect the latest increase of ambition. When assessing progress towards the ESR targets currently applicable under EEA law, which were designed to implement the

[24] The values of 'Cumulative balance of AEAs' are the cumulative annual distances to target and do not take into account cancellations and transfers of AEAs from other EEA States. 2021 to 2024 emissions are based on the final inventory reports, 2025 emissions are based on approximated inventory reports. 2026-2030 emissions are based on the WAM emissions projections reported in 2025.

[25] When considering the projections with additional measures Norway shows a cumulative overachievement of 2 Mt CO2eq in 2021 to 2030, without considering the limited ETS flexibility.

previous commitments under the Paris Agreement of reducing emissions by at least 40 per cent by 2030 compared with 1990 levels, ESA finds sufficient progress.

Pursuant to Article 9(2) of the Effort Sharing Regulation, any excess emissions under the LULUCF Regulation are automatically deducted from the States' AEAs under the Effort Sharing Regulation. Conversely, the States that perform well under the LULUCF Regulation can use such overachievement, up to specific limits, for compliance under the Effort Sharing Regulation. The interaction with the LULUCF Regulation is not considered, pending the availability of the relevant data.

3 LAND USE, LAND-USE CHANGE AND FORESTRY

3.1 INTRODUCTION

The land use, land-use change and forestry sector can both release greenhouse gas emissions to the atmosphere and remove CO_2 from it. As such, the sector plays an important role in addressing climate change.

The LULUCF Regulation requires Iceland and Norway to ensure that *accounted* greenhouse gas emissions from the land use, land-use change and forestry sectors are balanced by at least an equivalent *accounted* removal of CO_2 from the atmosphere in the period 2021 to 2025 (the 'no-debit' rule). The compliance check under the LULUCF Regulation for 2021 to 2025 will take place in 2027.

In 2023, the EU amended the LULUCF Regulation, introducing changes to the accounting rules for the period 2026-2030, abolishing the use of historic benchmarks, and introducing EU-wide and national targets for increasing land-based net removals by 2030.[26] The revised LULUCF Regulation has not yet been incorporated into the EEA Agreement. Therefore, the reference to the 'LULUCF Regulation' in this report does not consider the 2023 amendments.

The LULUCF Regulation contains detailed rules for how to account for emissions and removals from different land accounting categories. This includes historical benchmarks against which the emissions or removals from the different land use activities will be measured, such as the Forest Reference Levels for sustainable forest management. [27]

[26] *Regulation (EU) 2023/839 of the European Parliament and of the Council of 19 April 2023 amending Regulation (EU) 2018/841 as regards the scope, simplifying the reporting and compliance rules, and setting out the targets of the Member States for 2030, and Regulation (EU) 2018/1999 as regards improvement in monitoring, reporting, tracking of progress and review* (OJ L 107, 21.4.2023, p. 1-28).

[27] The Forest Reference Levels for Norway and Iceland were established by EFTA Surveillance Authority Decision of 16 December 2020 as regards the forest reference levels to be applied by Iceland and

Across all land categories, Iceland and Norway must fulfil the no-debit rule, meaning that the accounted emissions do not exceed the accounted removals.

When the accounted removals are lower than the accounted emissions, this is referred to as a *'debit'*, meaning that the country does not comply with the no-debit rule. Conversely, when the accounted removals are higher than accounted emissions, this is referred to as *'credit'*, meaning that the country meets the no-debit rule.

If the no-debit rule is not complied with and a country has a net debit, the LULUCF Regulation allows for the use of certain flexibilities to compensate for this net debit. If a country still has a net debit for 2021 to 2025 after the use of flexibilities, this debit will be part of the compliance assessment under the Effort Sharing Regulation.

The flexibilities include the possibility to deduct annual emission allocations under ESR and transfer them to LULUCF, and to transfer LULUCF surplus removals between EEA States. EEA States also have access to the managed forest land flexibility mechanism, allowing them to compensate for excess accounted emissions from forest land, subject, among other conditions, to the EU as a whole meeting the no-debit commitment.

3.2 ASSESSMENT OF PROGRESS IN THE LULUCF SECTOR

3.2.1 Developments in emissions and removals for the LULUCF sector

In the EU Climate Action Progress Report 2026, the Commission highlights an overall increase of net removals in 2024 compared to 2023, while noting that the carbon removals have declined at a worrying speed over the last decade.

Norway has reported net removals of greenhouse gases for 2021 to 2024, which means that the removal of greenhouse gases from the atmosphere from the land use, land-use change and forestry sector are larger than the greenhouse gas emissions from this sector.

Iceland has reported net emissions of greenhouse gases for 2021 to 2024, which means that the greenhouse gas emissions from the land use, land-use change and forestry sector are larger than the removal of CO_2 from the atmosphere from this sector.

For Norway the net removals increased in 2023 and 2024, compared to the figures for 2021 and 2022. Based on the latest greenhouse gas inventory submissions, net removals in Norway increased by 25 per cent in 2024 compared to 2023, resulting in a total net removal of 15.4 Mt CO_2 equivalent.

Norway for the period 2021-2025 under the LULUCF Regulation (Decision No 157/20/COL), and are set out in Article 3, paragraph 8(a), first indent, adaptation (viii) of Protocol 31 to the EEA Agreement.

In Iceland, the net emissions from the LULUCF sector remained relatively stable in 2021 to 2024. Based on the latest greenhouse gas inventory submissions, net emissions in Iceland increased by 1 per cent in 2024, compared with 2023, resulting in net emissions of 6.2 Mt CO_2 equivalent.

Table 5: Total GHG emissions for the LULUCF sector in the years 2021 to 2024, in kt CO_2 equivalent.

	2021	2022	2023	2024
	kt CO_2eq	kt CO_2eq	kt CO_2eq	kt CO_2eq
Iceland	6134.8	6130.5	6162.5	6215.9
Norway	-4536.3	-9055.3	-12314.7	-15448.7

3.2.2 Preliminary accounting

The LULUCF accounting will take place in 2027, following a comprehensive review of the 2021 to 2025 data. The purpose of the preliminary accounting is to provide a snapshot of the progress under the LULUCF Regulation.

We note that the preliminary accounting figures reflected in this section remain highly uncertain and may change significantly in 2027, when all the relevant data is available, when methodological changes are reflected and following a comprehensive review of the 2021-2025 data.[28] For example, Article 8(11) of the LULUCF Regulation requires Iceland and Norway to submit to ESA by 15 March 2027 any technical corrections to the Forest Reference Levels for 2021 to 2025. Such technical corrections may impact the preliminary accounting reflected in this section. These will then be taken into account before the compliance check for 2021 to 2025, in 2027.

Based on data reported in 2026, for the first four years of the first compliance period, and before taking into consideration available flexibilities, the provisional accounted balance for the years 2021 to 2024 shows a total credit of 2.8 Mt CO_2 equivalent for Iceland and a total debit of 54.1 Mt CO_2 equivalent for Norway.

[28] The States continuously improve their methodologies for greenhouse gas inventory reporting. Recalculations based on better data are reflected in the inventories over time. Consequently, some historic benchmarks used for accounting, such as the forest reference levels, will need to be updated accordingly. In addition, there are specific flexibilities available in the LULUCF Regulation, such as for natural disturbances, that may be used by the States. Such updates will have to be taken into account before the compliance check against the no-debit commitment for the compliance period 2021-2025.

Table 6: LULUCF preliminary accounted net removals for the years 2021 to 2024 (2026 submission per State), in kt CO_2 equivalent.

Country	Preliminary cumulative debit for 2021-2024
Iceland	-2789.2
Norway	54076.03

As illustrated in table 6 the preliminary accounting shows a gap for Norway to the no-debit commitment, before taking into consideration the available flexibilities. For Iceland the preliminary accounting shows a credit, meaning that accounted removals are higher than the accounted emissions.

The LULUCF Regulation and relevant provisions of the Governance Regulation require the States to set up systems for monitoring and reporting emissions and removals from the LULUCF sectors, including soil and biomass carbon stocks.

The national inventories underpin climate action and are continuously developing. High-quality monitoring is essential for effective climate action.

As highlighted in last year's Climate Progress Report, the comprehensive review of national GHG inventory data on LULUCF in 2025, undertaken by the European Environment Agency assisted by an expert review team, led to specific recommendations addressed to Iceland[29] and Norway[30] to improve the LULUCF inventories. The 2025 comprehensive review identified areas where there could be a risk of non-compliance with the LULUCF or Governance Regulations if the recommendations are not addressed prior to the compliance checks in 2027.

Accurate and timely data on land, soil and forests are key to measuring actual progress towards the targets and to help identify measures that unlock the highest climate benefits. In this context, we refer to Section 4.2 of the EU Climate Action Progress Report 2026 which outlines measures for stepping up monitoring of emissions and removals in land.

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[29] *Final Review Report 2025 Comprehensive Review of National Greenhouse Gas Inventory Data pursuant to Article 4(4) of Regulation (EU) No 2018/841 as incorporated into the Agreement on the European Economic Area ('EEA Agreement') by Joint Committee Decision No 269/2019 Iceland*: https://www.eftasurv.int/cms/sites/default/files/documents/gopro/2025_LULUCF_ReviewReport_Iceland_FINAL.pdf.pdf

[30] *Final Review Report 2025 Comprehensive Review of National Greenhouse Gas Inventory Data pursuant to Article 4(4) of Regulation (EU) No 2018/841 as incorporated into the Agreement on the European Economic Area ('EEA Agreement') by Joint Committee Decision No 269/2019 Norway:* https://www.eftasurv.int/cms/sites/default/files/documents/gopro/2025_LULUCF_ReviewReport_Norway_FINAL.pdf.pdf

3.3 LONG-TERM STRATEGIES 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, covering a period of at least 30 years.[31] The preparation of these strategies is a prerequisite for making use of managed forest land flexibility.[32] The strategies have been made available to the public in Iceland[33] and Norway.[34]

ESA has assessed whether Iceland's and Norway's strategies are adequate for documenting fulfilment with the LULUCF Regulation. ESA found that Iceland's and Norway's respective strategies adequately reflect most of the mandatory requirements, while recommending the inclusion of some additional information.[35] Iceland and Norway have submitted updates to their respective strategies which ESA will assess, in due time prior to the 2027 compliance assessment.

4 ANNEX

4.1 CLIMATE TARGETS UNDER THE EFFORT SHARING AND LULUCF REGULATIONS AS APPLICABLE UNDER EEA LAW

	Effort Sharing Regulation	LULUCF Regulation
Target year or period	2021-2030	2021-2030
Emission reduction target	2030 targets and annual targets for Iceland and Norway	No-debit target based on accounting rules
Base year	2005	Subject to accounting rules
LULUCF	Excluded from target, but reported in inventories.	Yes
Aviation	CO_2 from domestic aviation excluded.	No
Use of international credits	No	No
Gases covered	CO_2, CH4, N_2O, HFCs, PFCs, SF_6, NF_3	CO_2, CH_4, N_2O

[31] The detailed requirements for these strategies are reflected in Article 13(2)(a) of the LULUCF Regulation, as adapted to the EEA Agreement by Protocol 31 thereto.
[32] As reflected in Article 13 of the LULUCF Regulation.
[33] https://www.stjornarradid.is/gogn/rit-og-skyrslur/stakt-rit/2020/08/28/Icelands-Strategy-on-LULUCF/
[34] https://www.regjeringen.no/en/dokumenter/strategy-on-land-use-land-use-change-and-forestry-sector/id2924513/
[35] Document No 1418625 (Iceland) and Document No 1418625 (Norway).

Sectors included	Transport (except aviation), buildings, non-ETS industry, agriculture and waste	Land use, land-use change and forestry
Global Warming Potentials used	IPCC AR5	
Applicable to which EEA EFTA States	Iceland and Norway	

4.2 LIST OF ABBREVIATIONS

AEAs	Annual emission allocations
CO_2	Carbon dioxide
CO_2eq	Carbon dioxide equivalent
EEA	European Economic Area
ESA	EFTA Surveillance Authority
ESR	Effort Sharing Regulation
ETS	European Emission Trading System
EU	European Union
GHG	Greenhouse gas
GHGI	Greenhouse gas inventory
Kt	Kilotonne (1000 tonnes)
LULUCF	Land use, land-use change and forestry
Mt	Megatonne (1 million tonnes)
WEM	With existing measures
WAM	With additional measures

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