

# Climate Progress Report 2021





From left to right: Stefan Barriga, President Bente Angell-Hansen and Högni S. Kristjánsson

## A GREEN AND HEALTHY FUTURE FOR ALL OF EUROPE

The years up until 2030 will be decisive when it comes to climate action. If we are to succeed in mitigating the devastating effects of climate change on our planet, the time for action is now.

As parties to the EEA Agreement, Iceland and Norway have committed themselves to ambitious climate goals, vowing to do their part in reducing greenhouse gas emissions. ESA's role in this effort is to ensure that Iceland and Norway live up to their commitments and deliver on their goals.

This report, which will be a yearly feature, provides crucial insights into ongoing efforts to make Iceland and Norway greener. It sets out how a variety

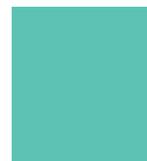
of sectors in the two countries play a role in reducing emissions.

At ESA, by providing oversight, we will do our part to ensure a greener and healthier future for all Europeans.

*Bente Angell-Hansen*  
President

*Högni S. Kristjánsson*  
College Member

*Stefan Barriga*  
College Member



## INTRODUCTION

In the context of the Agreement on the European Economic Area (EEA Agreement), Iceland, Norway and the European Union (EU) agreed in 2019 to deepen their cooperation on climate change and cooperate in reaching their 2030 greenhouse gas (GHG) 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 GHG emissions from a range of sectors in the period up to 2030, including transport, buildings, waste management, agriculture, non-ETS industry and the emissions and removals from the land and forestry sectors.

Iceland and Norway have already taken part in the EU Emission Trading System (ETS) since 2008. The ETS concerns the reduction of GHG emissions from the power sector, manufacturing industry and the aviation sector.

The EFTA Surveillance Authority (the Authority) 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, the Authority 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 and in Article 4 of the LULUCF Regulation.<sup>4</sup>

Similarly, the Commission will publish an annual progress assessment for the EU Member States. The Commission's Climate Action Progress Report for 2021 can be found [here](#). The Commission's Climate Action Progress Report is more comprehensive 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 GHG emissions for Iceland, Norway and the EU Member States for 2030. This regulation applies to sectors that are not part of the ETS, including transport, buildings, agriculture, non-ETS industry and waste.

The national 2030 effort sharing limitation targets of the EU Member States, Iceland and Norway range from 0% to 40% compared with the base-year emission levels in 2005. The 2030 effort sharing limitation target of Iceland is minus 29 percent, and the target of Norway is minus 40 percent compared to 2005.

The Effort Sharing Regulation furthermore translates the 2030 reduction targets into binding annual emissions targets for the years 2021-2030 (annual emission allocations) for the EU Member States, Iceland and Norway.

The process for the setting of the annual emission allocations included a comprehensive review of the historic GHG inventory data of Iceland and Norway carried out by the European Environment Agency. The annual emission allocations set by the Authority are the result of this comprehensive review undertaken in 2020.

The annual emission allocations of Iceland and Norway can be found in the *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)*.

The compliance checks under the Effort Sharing Regulation will take place in 2027 and 2032 for the years 2021-2025 and 2026 to 2030 respectively.

### Progress towards effort sharing targets

The effort sharing targets under the EEA Agreement cover the period 2021-2030. This progress report thus covers the very early phase of the period 2021-2030 for the implementation of the effort sharing targets.

Iceland and Norway are planning, adopting and implementing policies and measures to achieve their current 2030 effort sharing targets.

In 2021, Iceland and Norway submitted to the Authority and the European Environment Agency their national policies and measures or group of measures, their national projections of anthropogenic GHG emissions and their approximated GHG inventories for 2020, in accordance with the reporting requirements set in Protocol 31 to the EEA Agreement.

The approximated GHG inventories for 2021 will be reported in 2022 and the final GHG inventories for 2021 will be reported in 2023. The hereby

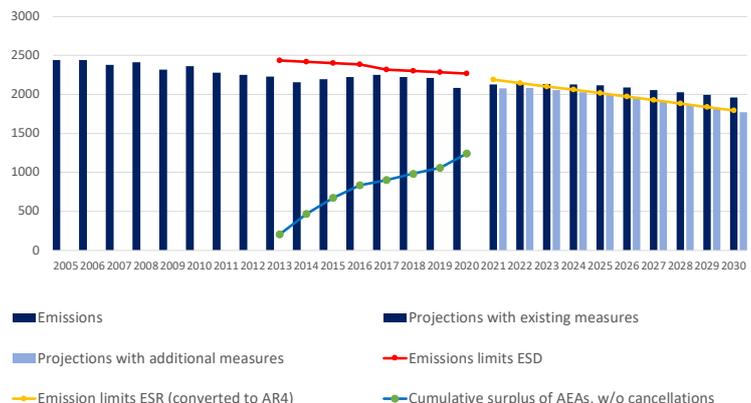


Figure 1: Emissions in sectors covered by the effort sharing legislation 2005-2030 and annual emission allocations (AEAs), EU-27 and Iceland and Norway (Mt CO<sub>2</sub>-eq). (Source: EU Climate Action Progress Report 2021).<sup>5</sup>

EFTA States	2030 (projections WEM)	2030 (projections WAM)
<b>Iceland</b>		
2030 ESR target	-29%	-29%
Projected emissions	-28%	N/A
Distance to target (percentage)	-1%	N/A
<b>Norway</b>		
2030 ESR target	-40%	-40%
Projected emissions	-32%	N/A
Distance to target (percentage)	-8%	N/A

Table 1: Targets and projected emissions under the effort sharing legislation and distance to targets in percentage change from 2005 base year emissions.

progress assessment uses the national projections of anthropogenic GHG emissions submitted by Iceland and Norway in 2021.

Table 1 shows the 2030 effort sharing targets of Iceland and Norway and their own “with existing measures” (WEM) projections. Iceland and Norway did not provide “with additional measures” (WAM) projections. Positive values indicate projected overachievement while negative values indicate projected underachievement.

Figure 2 shows the distance between the 2030 targets under the Effort Sharing Regulation and the States’ projections “with existing measures” and “with additional measures”, respectively.<sup>6</sup>

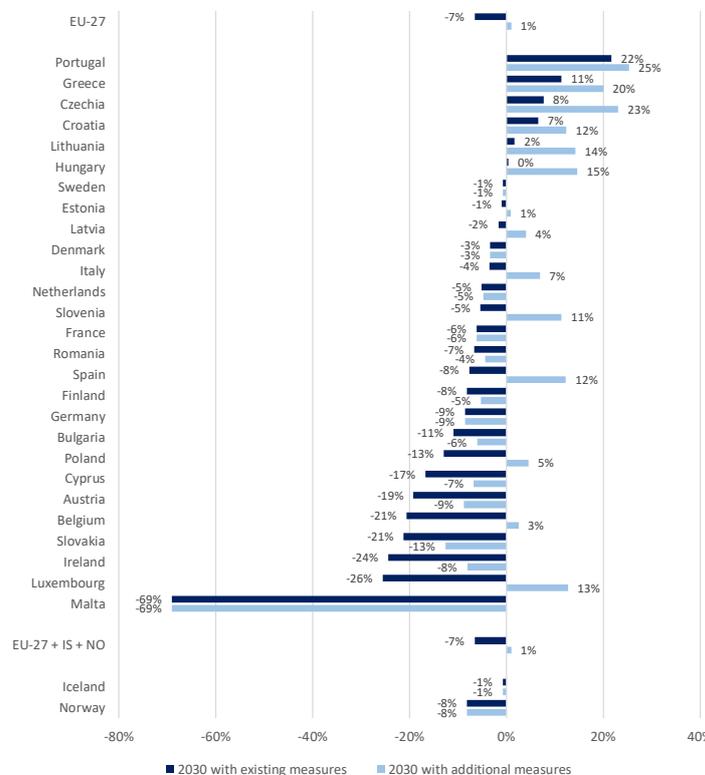


Figure 2: Gaps between 2030 ESR targets and projected emissions with existing measures and with additional measures in percentage of 2005 base year emissions for the EU-27 and Iceland and Norway. Positive values indicate projected overachievement of targets; negative values indicate that projected targets are not going to be met (Source: EU Climate Action Progress Report 2021).

## LAND USE, LAND USE CHANGE AND FORESTRY

The extended cooperation aligns the actions of the EU, Iceland and Norway to reduce certain GHG emissions related to land use, land use change and forestry (LULUCF).

The LULUCF Regulation requires Iceland and Norway to ensure that accounted GHG emissions from land use, land use change, and forestry are balanced by at least an equivalent accounted removals of CO<sub>2</sub> from the atmosphere in the periods 2021 and 2030 (the “no-debit” rule).

### Forest reference levels

Forest Reference Levels (FRLs) are important benchmarks to track progress and calculate the sum of GHG emissions and removals from managed forestland in Iceland and Norway.

Following the entry into force of the LULUCF Regulation on 11 March 2020, the Authority undertook in 2020 a technical assessment of the national forestry accounting plans of Iceland and Norway, with a view to establish the FRL to be applied by Iceland and Norway. The Authority was supported

by an independent expert group in its technical assessment.

An overview of the process and its outcomes can be found [here](#).

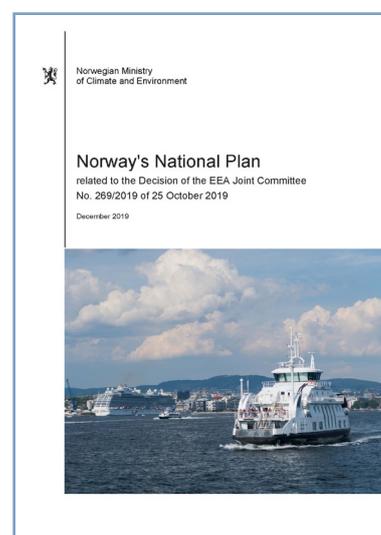
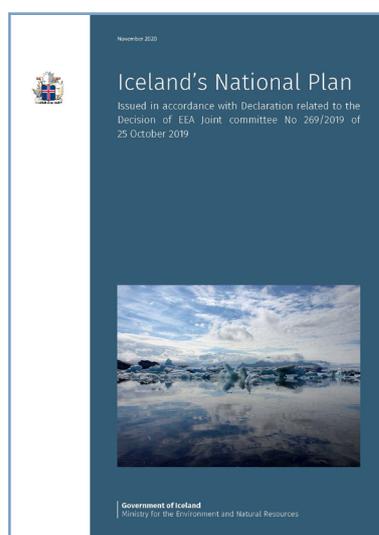
On 16 December 2020 the Authority adopted its decision setting the FRLs to be applied by Iceland and Norway for the years 2021-2025: *EFTA Surveillance Authority Decision of 16 December 2020 No 157/20/COL as regards the forest reference levels to be applied by Iceland and Norway for the period 2021-2025 under the LULUCF Regulation (Decision No 157/20/COL)*.

EFTA State	Forest reference level for the period from 2021 to 2025 in tonnes of CO <sub>2</sub> equivalent per year
Iceland	-30 405
Norway	-26 085 000

Table 2: FRLs to be applied by Iceland and Norway for the period from 2021 to 2025

## NATIONAL PLANS

Norway<sup>7</sup> and Iceland<sup>8</sup> have made their national plans available, describing how they intend to fulfill their commitments under the Effort Sharing and the LULUCF Regulations. Iceland sent its preliminary national plan to the Authority in June 2020 and the [final version](#) in November 2020. Norway sent its [national plan](#) to the Authority in December 2019 and announced its [new national plan](#) in January 2021.





# ANNEX

## Climate targets under the Effort Sharing Regulation and the LULUCF Regulation

	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	0% (no-debit target based on accounting rules)
Base year	2005	Subject to accounting rules
LULUCF	No	Yes
Aviation	CO2 from domestic aviation excluded. Aviation generally excluded.	No
Use of international credits	No	No
Gases covered	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
Sectors included	Transport (except aviation), buildings, non-ETS industry, agriculture (non-CO <sub>2</sub> ) and waste	Land use, land use change and forestry
Global Warming Potentials used	IPCC AR5	IPCC AR5

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

### Endnotes

<sup>1</sup> Regulation (EU) 2018/842 of the European Parliament and of the Council 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.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> Article 29(5)(b) of the Governance Regulation.

<sup>5</sup> Figure based on reported projections by EU Member States and Iceland and Norway, compiled and quality checked by the European Environment Agency. Until 2020 figures include EU-27 only and as of 2021 also Iceland and Norway. The figures also includes emissions limits from the Effort Sharing Decision (ESD), only applicable to the EU Member States.

<sup>6</sup> The national projections submitted by Iceland and Norway in 2021 and the effort sharing targets apply different metrics, and the assessment on the distance to targets are thus provided here for illustrative purposes only. The national projections are expressed in the Global Warming Potential (GWP) of IPCC's 4th Assessment Report (AR4), whereas the effort sharing targets and 2005 base year emissions are in GWP of IPCC's 5th Assessment Report. For comparability the effort sharing targets have been converted into GWP AR4 for the purpose of this assessment. The European Environment Agency gap-filled missing projections "with additional measures" with "projections with existing measures".

<sup>7</sup> Iceland's National Plan - Issued in accordance with Declaration related to the Decision of EEA Joint committee No 269/2019 of 25 October 2019 (stjornarradid.is)

<sup>8</sup> Norway's National Plan related to the Decision of the EEA Joint Committee No. 269/2019 of 25 October 2019 – regjeringen.no

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**EFTA Surveillance Authority**

**Avenue des Arts 19H**

**1000 Brussels**

**Belgium**

**Tel: +32 2 286 18 11**

**Email: [info@eftasurv.int](mailto:info@eftasurv.int)**