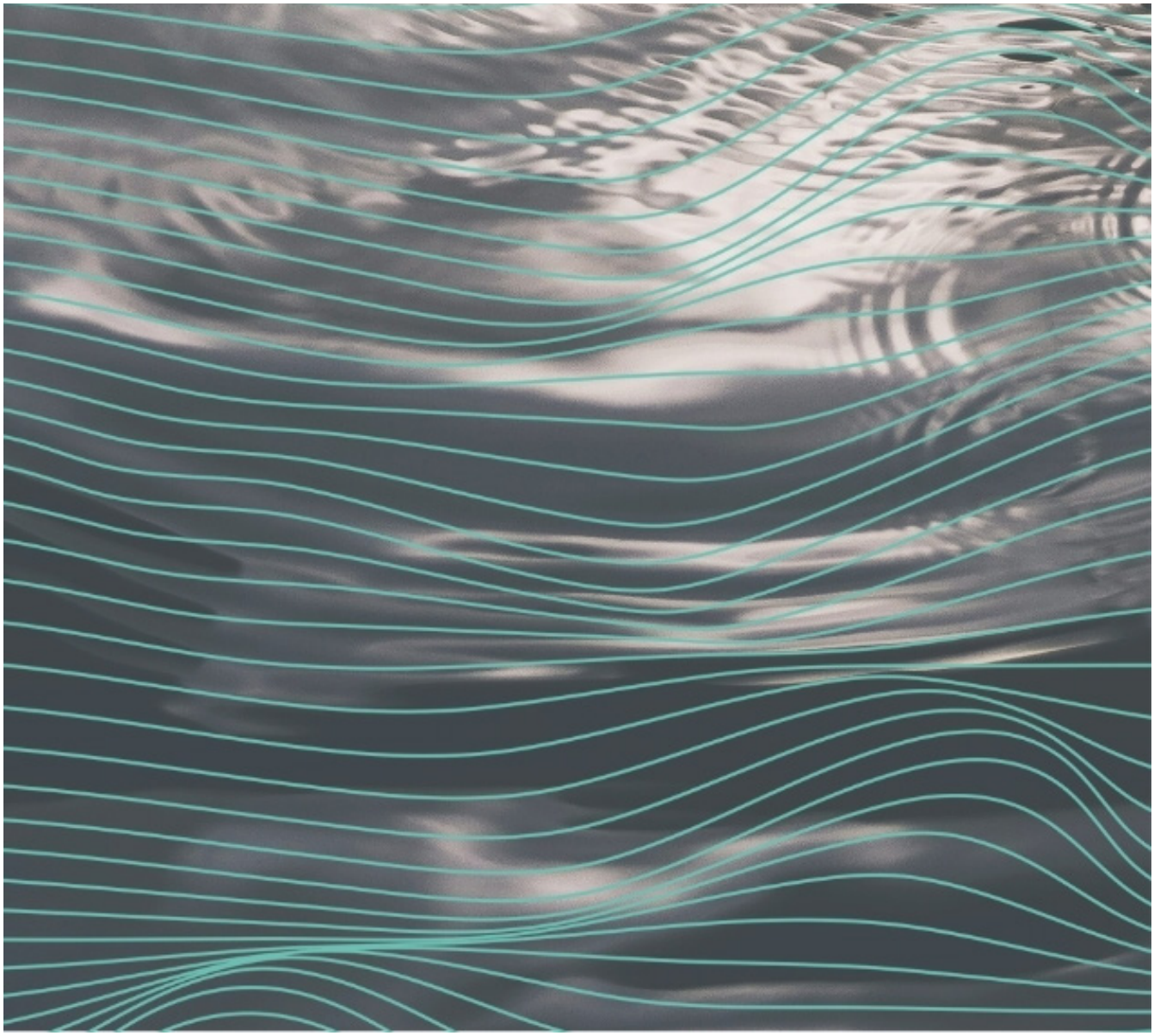
ESA | EFTA Surveillance Authority

Climate Progress Report 2025



Foreword by ESA's College

Over the past year, the urgency for climate action has continued to rise across Europe and globally, exacerbated by record climate extremes, geopolitical tensions and shifting policy perceptions. It's therefore essential that countries remain committed to advancing the climate commitments under the EEA Agreement and the Paris Agreement.

This year's Climate Progress Report finds promising progress with regards to Iceland and Norway's current emission reduction targets for the effort sharing sectors under the EEA Agreement.

Both Iceland and Norway are projected to meet their current effort sharing targets for the period 2021-2030, when considering the impact of new measures planned and available flexibilities.

Nevertheless, the road ahead is challenging for two reasons.

Firstly, attaining the current targets under the EEA Agreement is contingent upon the full implementation of existing and planned measures. Fully delivering on all current as well as planned climate policies is therefore key for Iceland and Norway to remain on track for delivering on the effort sharing targets.

Secondly, because the targets under EEA law do not yet reflect the latest ambitions of Iceland and Norway under the Paris Agreement. Not maintaining their momentum and efforts will seriously hamper their ability to comply with their more ambitious 2030 targets under the Paris Agreement.

Additionally, Norway needs to address the preliminary gap to its obligations for the land use and forestry sectors.

The purpose of ESA's Climate Progress Report is to hold the States accountable to their climate commitments under the EEA Agreement, similar as the European Commission in its annual Climate Actions Progress Report for the EU Member States.

Going forward, ESA will continue to assess progress with the aim to provide a transparent and factual basis for informed decision-making. We will continue engaging with our stakeholders in advancing the green transition within ESA's mission of monitoring compliance with the EEA law, and in safeguarding the rights of individuals and undertakings under the EEA Agreement.

Climate Progress Report 2025

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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 stepped up its ambitions by increasing its 2030 target to a net reduction of at least 55 per cent in greenhouse gas emissions compared to 1990. To deliver on its higher ambitions, the EU has, as part of its "Fit for 55 package", amended the acts mentioned above to reflect its new target. These amendments, reflecting more stringent targets under the above acts, have not yet been incorporated into the EEA Agreement.

The EFTA Surveillance Authority ("ESA") is mandated to assess progress made by Iceland and Norway towards the 2030 targets currently in force under EEA law. This report must therefore be read in light of the fact that the progress of Iceland and Norway is assessed towards targets intended to implement the previous targets under the Paris Agreement of at least a 40 per cent reduction by 2030 compared to 1990.

The conclusions in the present report will therefore not provide an adequate reflection of how Iceland and Norway are progressing towards their current commitments under the Paris Agreement.[5]

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[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 EN 8 EN 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).

[5] Iceland submitted a new Nationally Determined Contribution ("NDC") in September 2025, with a target to reduce net greenhouse gas emissions from the effort sharing sectors with 41 per cent by 2030 compared to 2005. Iceland's previous NDC reflected an economy wide target of 55 per cent net reduction by 2030,

ESA will revisit in its upcoming reports any new targets reflecting the "Fit for 55 package", pending agreement between the EU, Iceland and Norway.

The European Commission publishes an annual progress assessment for the EU Member States. In the EU Climate Action Progress Report 2025, the EU Member States' progress is assessed towards targets reflecting the at least 55 per cent reduction target currently in force under EU law.[6]

1.2 SUMMARY OF THE 2025 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.[7]

The Effort Sharing Regulation establishes national targets for the reduction of greenhouse gas emission 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 the States' progress towards their ESR obligations over the period 2021 to 2030 based on the latest information reported to ESA[8] and considering the potential use of some of the flexibilities available under the ESR. The assessment assumes that Iceland and Norway will implement the additional measures included in their projections scenario which include planned measures ("WAM projections").[9]

For the flexibilities, the assessment assumes that the States will use saved emission allocations in a year for compliance in future years (banking) and emission allocations from a future year if needed in the previous year (borrowing). Finally, it is assumed that Iceland and Norway, which have notified the intention to use ETS flexibility, will use it when needed.

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compared to 1990, within the framework of their climate cooperation agreement with the EU and Norway. Norway's NDC under the Paris Agreement is an economy wide target to reduce emissions by at least 55 per cent by 2030, compared to 1990 levels. Iceland and Norway have in their respective NDCs reflected that they will seek to fulfil the Paris targets in cooperation with the EU. Unlike the EU Commission, ESA does not assess progress towards the commitments under the Paris Agreement. ESA assesses targets in EEA law aimed at contributing to achieving the Paris Agreement targets.

[6] The EU Climate Action Progress Report is more extensive than the present report due to a wider scope of EU legislation in this field. The Commission assesses progress on a variety of commitments, including the EU's and its Member States' progress towards their commitments under the Paris Agreement, as independent Parties to the UN Framework Convention on Climate Change. ESA's progress assessment is limited to the States' obligations under the Effort Sharing and LULUCF Regulations, as currently applicable in the EEA Agreement.

[7] ESA Climate Progress Report 2021, ESA Climate Progress Report 2022, ESA Climate Progress Report 2023, and ESA Climate Progress Report 2024

[8] Greenhouse gas inventories for 2021-2023, projections and policies and measures as reported in March 2025 and approximated greenhouse gas inventories for 2024 as reported in July 2025.

[9] The WAM projections, also referred to as the 'with additional measures' projections, reflect emissions scenario that considers the additional effects of planned measures, contrary to the 'with existing measures' or WEM projections which only consider implemented and adopted policies and measures.

Considering the latest available 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 compliance periods in the period 2021 to 2030.

Compared to the Climate Progress Report 2024, this is a positive development for Norway, which in the 2024 report was expected to exceed its ESR emission limits for the second compliance period (2026 to 2030). This change is largely due to the most recent projections scenarios reported by Norway, which considers the effect of additional policy measures planned for the period 2025 to 2030.

For the ESR sectors, it is crucial that the ambitious policies laid out in the latest reporting are implemented in full and that Iceland and Norway maintain their momentum and efforts towards reaching the ESR targets.

Fully delivering on all current as well as planned climate policies is key for Iceland and Norway to remain on track for delivering on the ESR targets.

Failing to do so will also seriously hamper their ability to comply with their more ambitious 2030 targets under the Paris Agreement, as the ESR targets have not yet been updated to reflect the latest reduction commitments by Iceland and Norway under the Paris Agreement.[10]

Concerning the forestry and land use sectors 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 three years of the first compliance period shows that Norway is expected to face challenges with meeting the no-debit rule while Iceland is expected to comply. It is important to note that there is a high degree of uncertainty concerning the preliminary accounted LULUCF figures, and they may be subject to significant changes in the next years due to further methodological improvements. The purpose of the preliminary accounting is to show the general trajectory for the first three years of the first compliance period.

The preliminary data for Norway shows a total debit of 37,9 Megatonnes ("Mt") of CO_2 equivalent ("CO_2eq") for the years 2021 to 2023.

To close those expected gaps in the period 2021 to 2025, Norway will expectedly need to make use of available flexibilities such as the flexibilities between the LULUCF and ESR sectors or by purchasing removals from another EEA EFTA or EU Member State, as there is limited time to take measures which can have a significant effect for the 2021 to 2025 compliance period.

Concerning LULUCF it is paramount that adequate policies are designed and implemented to turn around the negative trend of shrinking net removals observed in recent years.

[10] In its updated Nationally Determined Contribution ("NDC") for 2030 under the Paris Agreement, Norway states that *"Norway also seeks to fulfil the updated NDC through the climate cooperation with the EU"*. Similarly, Iceland in its updated NDC for 2030 under the Paris Agreement states that *"Iceland cooperates with the European Union and Norway on this target, within the framework of their climate cooperation agreement*."

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 road and domestic maritime transport, buildings, waste management, 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, compared to 2005 emission levels, by 2030. Norway's target is a reduction in GHG emissions of 40 per cent compared to 2005, by 2030.[14]

The national 2030 greenhouse gas reduction targets are translated into annual emission allocations ("AEAs"), the emission limits that the States must respect during the 2021 to 2030 period. 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.

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

[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.

[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).

There are flexibilities available to the States to comply with their annual and 2030 reduction obligations under the Effort Sharing Regulation.

These flexibilities include banking (saving allocations not used for future use), borrowing (borrowing allocations from future years), buying or selling allocations to/from other States, as well as flexibilities between sectors, such as the possibility to access allowances from the ETS or to offset part of the emissions with net removals generated in the LULUCF sector.

2.2 LATEST AVAILABLE REPORTING

The annual progress assessment is done on the basis of the latest data reported to ESA and the European Environment Agency by Iceland and Norway, in March and July 2025, pursuant to their obligations under the Governance Regulation. The reported data is subject to quality checks by the European Environment Agency.

2.2.1 Greenhouse gas inventories

Pursuant to the Governance Regulation, the States must report their greenhouse gas inventories annually.[16] In March 2025, Iceland and Norway submitted their greenhouse gas inventories ("GHGI") for the years 1990 to 2023, and in July 2025 an approximation of the GHGI for the year 2024,[17] to ESA and the European Environment Agency.

The GHGI for the years 2021 to 2023, submitted this year, were subject to a comprehensive review, mandated under the 2023 amendments to the Effort Sharing Regulation. This comprehensive review in not yet required under EEA law, as the 2023 amendments to the Effort Sharing Regulation are pending incorporation into the EEA Agreement. Iceland and Norway nevertheless participated in the comprehensive review on a voluntary basis. The comprehensive review checks States' greenhouse gas inventories to ensure that the States' GHG emissions data are transparent, accurate, consistent, comparable and complete, and to make corrections where necessary. The comprehensive review was conducted by the European Environment Agency, supported by external expert reviewers, and included consultations by the States. The comprehensive review led to two recommendations to improve the national ESR inventory data of Iceland and two recommendations to improve the national ESR inventory data of Norway.

For the 2025 progress assessment, ESA has used the results of the 2025 comprehensive review of the ESR data, as the comprehensive review reflect the most accurate GHGI data available for the years 2021 to 2023.

[16] The period covered by the inventory starts in 1990 and runs up until *2 years before the current year*. The States also report approximated greenhouse gas inventories for the year prior to the reporting year.
[17] For the 2024 approximated GHG inventory the latest submission from Eurocontrol data is used for domestic aviation CO_2.

2.2.2 Projections and policies and measures

In March 2025, Iceland and Norway submitted new emissions projections and updated policies and measures.[18]

The States are required to submit projections that include implemented or adopted policies and measures (projections "with existing measures" or "WEM" projections). The States are encouraged to also submit a scenario that considers the additional effects of planned measures (projections "with additional measures" or "WAM" projections).

ESA welcomes that Iceland and Norway submitted projections with existing measures and projections with additional measures in this year's reporting.[19]

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 the 2025 submissions of greenhouse gas inventories for the years 2021 to 2023,[20] taking into account any recalculations or corrections following the 2025 voluntary comprehensive review, the approximated GHGI for 2024, and the new GHG projections for the years 2025 to 2030.

The effort sharing emissions for 2021 to 2025 will be reviewed in 2027, when the compliance for each of these years will be checked and determined. The States can then use the flexibilities available under the Effort Sharing Regulation to comply with their AEAs. However, the emissions inventories and projections that Iceland and Norway submitted in 2025 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

Based on approximated data from Iceland, emissions from the effort sharing sectors in 2024 were 2.1 per cent higher than the 2023 emissions. Compared to the base year 2005, the approximated 2024 emissions from Iceland reflect an emission reduction of 7.7 per cent.

Based on final 2023 inventory data from Iceland, emissions from the effort sharing sectors were 2.5 per cent lower in 2023 than in 2022, 2.4 per cent lower than in 2021, and 9.6 per cent lower than the 2005 base year emissions.

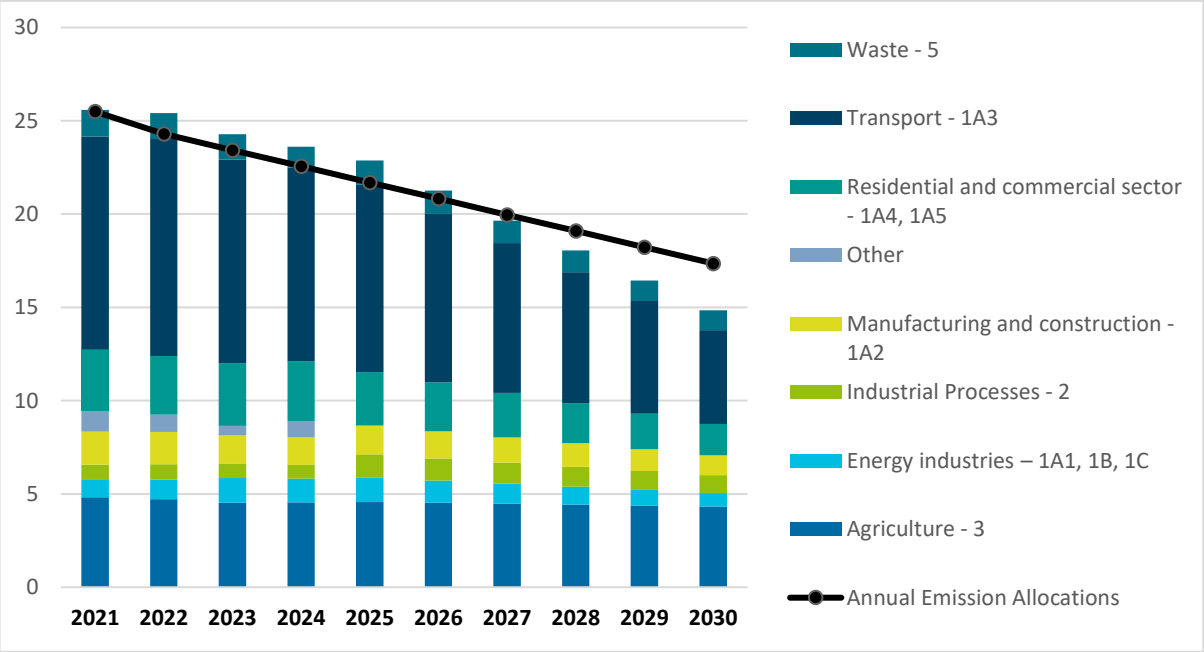
[18] The States must report their national policies and measures and 2030 projections biennially in odd-numbered years. If there are substantial changes, the States must report the updated information in the years in between.
[19] Norway only reported projections for the mandatory years 2025 and 2030, and the intermediate years have been gap-filled with the assistance of the European Environment Agency, using the same linear interpolation as that used for the EU Member States.
[20] 2021-2023 ESR emissions are based on 2025 GHGI reporting and verified ETS emissions from stationary installations extracted on 8 March 2025. The final 2021-2025 effort sharing emissions for compliance purposes will be established after a comprehensive review taking place in 2027

In Norway approximated data for 2024 show a decrease in emissions from the effort sharing sectors of 2.9 per cent compared to the 2023 emissions. Compared to the base year 2005, the approximated 2024 emissions show a reduction in emissions of 18.4 per cent.

Based on final 2023 inventory data from Norway, emissions from the effort sharing sectors were 4.5 per cent lower compared to 2022, 5.1 per cent lower than in 2021, and 16.1 per cent lower than the 2005 base year emissions.

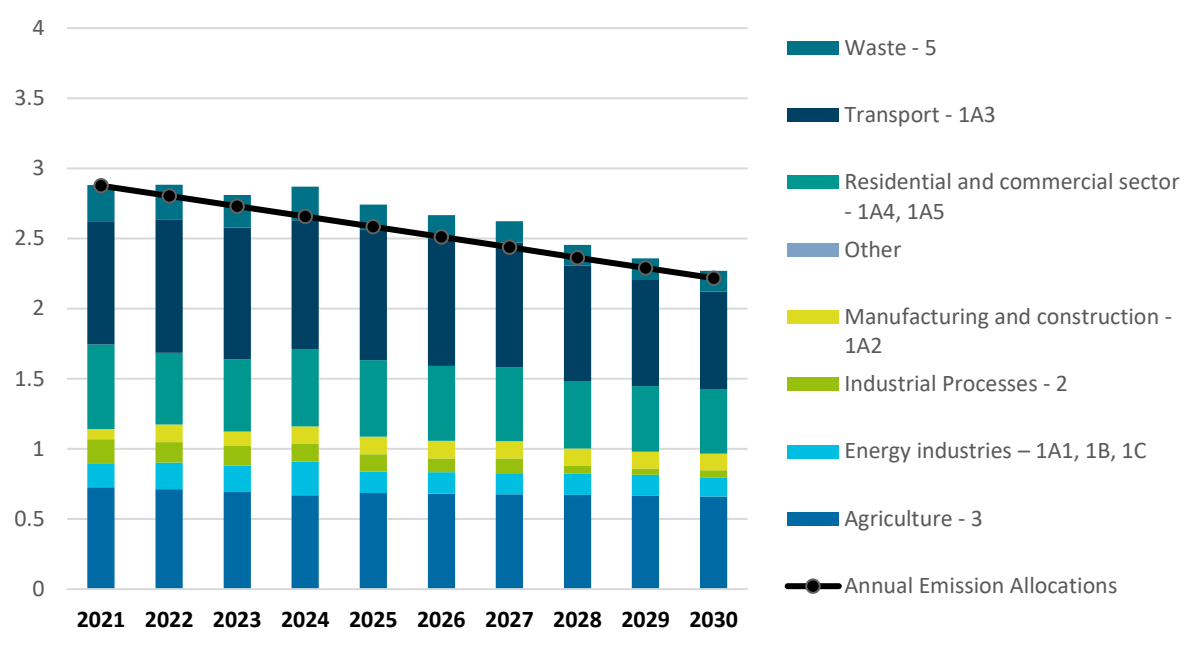
Figures 1 and 2 below shows the emissions development by sector.

Figure 1: Reported and projected emissions in the sectors covered by the Effort Sharing Regulation 2021-2030 for Norway and annual emission allocations (Mt CO_2eq)[21]



[21] Final greenhouse gas inventory (GHGI) for 2021-2023, approximated GHGI for 2024 and 2030 projections (WAM scenario).

Figure 2: Reported and projected emissions in the sectors covered by the Effort Sharing Regulation 2021-2030 for Iceland and annual emission allocations (Mt CO_2 eq)[22]



2.3.2 Policies and Measures

The number of reported policies and measures is not necessarily related to the level of ambition. However, the reporting in March 2025 shows that Iceland and Norway are planning new policies and measures to achieve their current 2030 targets under the Effort Sharing Regulation, as can be seen in their improved WAM projections scenarios.

2.3.2.1 Iceland

In 2025, the number of single policies and measures reported by Iceland were 67. Of the policies and measures reported by Iceland in 2025, 46 are implemented, 4 are adopted, and 17 are planned.

The sectors with the most policies and measures reflected in the 2023 reporting are for Iceland transport (42 per cent), energy consumption and supply (13 per cent), and waste and waste management (13 per cent)

Around 67 per cent of the policies and measures reported by Iceland are newly implemented or planned from the year 2023 onwards.

[22] Final greenhouse gas inventory (GHGI) for 2021-2023, approximated GHGI for 2024 and 2030 projections (WAM scenario).

Of the newly implemented or planned policies and measures where Iceland has included estimates of the GHG emissions reductions, the ones which are expected to have the greatest impact on ESR emissions for Iceland in 2030 are:

- phasing out petrol and diesel vehicles in Iceland (0.064 Mt of CO_2eq in 2030),
- progressively more stringent requirement for the share of renewable energy sources in land transport (0.109 Mt of CO_2eq in 2030), and
- minimum share of renewable energy in fishing vessels and domestic navigation (0.049 Mt of CO_2eq in 2030).

Iceland has noted that the estimated emissions reductions from the two first policies and measures to a certain degree overlap, as they address emissions from the same sector. The combined effect of these two measures will therefore equal less than the sum of the estimated effect for the individual measures.

2.3.2.2 Norway

In 2025, Norway reported 71 single policies and measures. Of the policies and measures reported by Norway in 2025, 58 are implemented, 1 is adopted, and 12 are planned.

The sectors with the most policies and measures reflected in the 2023 reporting for Norway are transport (31 per cent), energy consumption and supply (20 per cent) and agriculture (14 per cent) along with “other” (14 per cent).

Around 20 per cent of the policies and measures reported by Norway in 2025 have been newly implemented or planned from the year 2023 onwards.

Of the newly implemented or planned policies and measures, the ones which are expected to have the greatest impact on ESR emissions for Norway in 2030 are:

- an increase of the CO_2 tax on emissions under the ESR to NOK 2,400 by 2030 (in real 2025 NOK),
- a gradual increase of the biofuel mandates for road traffic, non-road machinery, shipping and aviation, and
- funding for zero emission heavy vehicles and infrastructure.

These three policies and measures alone are estimated to reduce ESR emissions by above 3 Mt CO_2eq in 2030.

2.3.3 Comparing AEAs and emissions in the period from 2021 to 2030 (no flexibilities)

In 2023, emissions from sectors covered by the ESR exceeded the respective annual emission limits in both Iceland and Norway. This is similar to the situation in 2022 and 2021. Final data for 2024 is not yet available, but the approximated data suggest that Iceland and Norway will again exceed their annual emission limits.

Iceland and Norway would need to use flexibilities to comply with their annual emission limits for the years 2021 to 2024 as illustrated in table 2, which reflects the estimated distance to targets for the years 2021 to 2024 and 2030, without considering available flexibilities.

Table 2: Effort sharing targets, distance to targets and 2030 projections[23]

State	Target and emissions	2021	2022	2023	2024	2030 (projections WEM)	2030 (projections WAM)
Iceland	Target	-7.5%	-9.9%	-12.2%	-14.6%	-29.0%	-29.0%
	Emissions	-7.4%	-7.3%	-9.6%	-7.7%	-19.6%	-27.1%
	Distance to target (pp)	-0.1%	-2.6%	-2.6%	-6.8%	-9.4%	-1.9%
Norway	Target	-13.0%	-16.0%	-19.0%	-22.0%	-40.0%	-40.0%
	Emissions	-11.5%	-12.1%	-16.1%	-18.4%	-32.2%	-48.7%
	Distance to target (pp)	-1.5%	-3.9%	-2.9%	-3.6%	-7.8%	8.7%

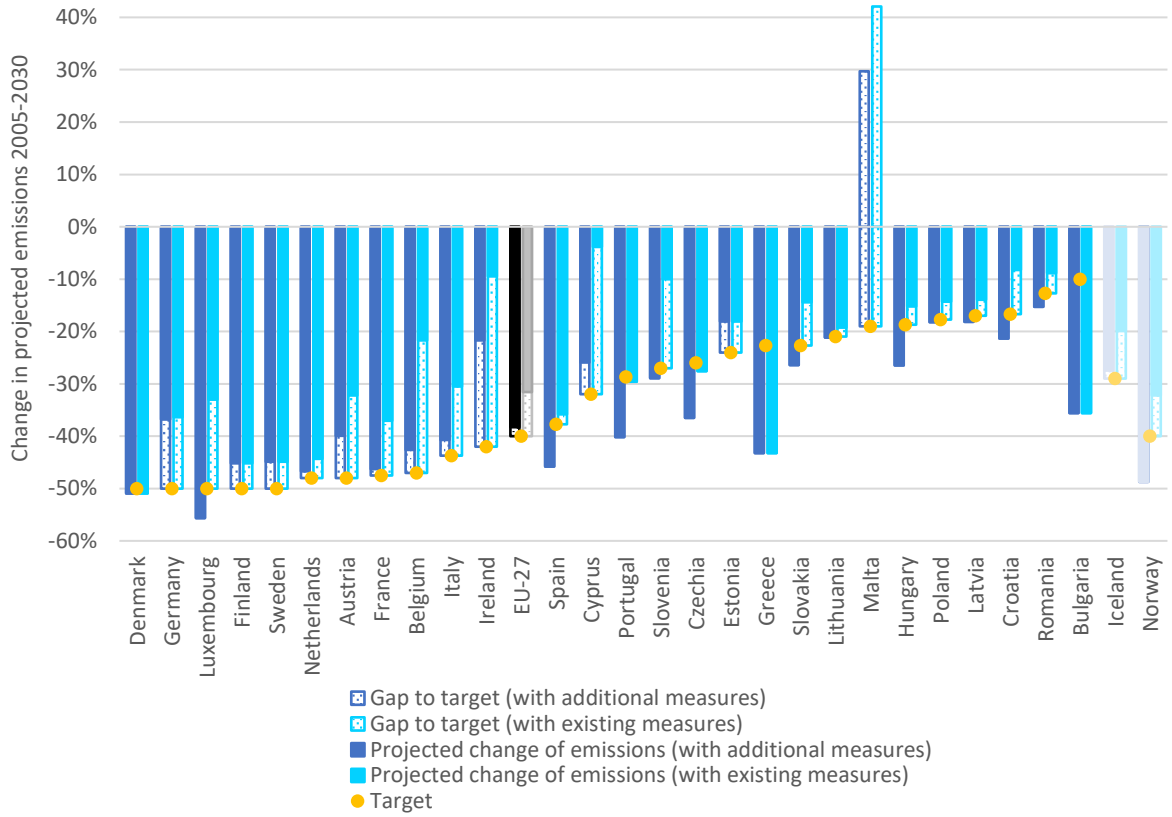
For Iceland, the most recent emissions projections reported in March 2025 (WEM scenario) point to a gap of -9.4 percentage points to Iceland's annual emission limit for 2030, which decreases to a gap of -1.9 percentage points under the WAM scenario. This reflects an improvement compared to ESA's Climate Progress Report 2024 under the WAM scenario, which reflected a gap of -3 under the WAM scenario, while the gap under the WEM scenario has increased.

For Norway, the most recent emissions projections reported in March 2025 (WEM scenario) indicate a gap of -7.8 percentage points to Norway's annual emission limit for 2030 under the WEM scenario, while the WAM scenario reflects an overachievement of the annual emission limit for 2030 by 8.7 per cent. This is an improvement compared to ESA's Climate Progress Report 2024, which reflected a gap for Norway of -8 percentage points under the WEM scenario and where no WAM scenario was available.[24]

Figure 3 shows the distance between the 2030 effort sharing targets and the States' 2030 projections, based on the WEM and WAM scenarios. In this figure, the EU Member States are measured on targets reflecting the at least 55 per cent reduction target under the Paris Agreement, while Iceland and Norway are measured on targets reflecting the at least 40 per cent reduction target.

[23] The estimated distance to target is based on the 2025 submission of final greenhouse gas inventory (GHGI) for 2021,2022 and 2023, the approximated GHGI for 2024 and the 2030 projections reported in 2025.
[24] Norway submitted WAM projections for the first time in the 2025 reporting.

Figure 3: Gap between 2030 effort sharing targets and projected greenhouse gas emissions with existing measures and with additional measures[25]



Based on reported emissions projections for 2030, without considering the available flexibilities, Norway would comply with their current 2030 target in the effort sharing sectors.

Based on reported emissions projections for 2030, without considering the available flexibilities, Iceland would need to plan and implement additional climate actions to reach their current 2030 target in the effort sharing sectors.

2.3.4 Comparing AEAs and emissions in 2021-2030 (after banking or borrowing and ETS flexibility)

Based on the latest WAM emission projections by Iceland and Norway of March 2025, ESA has assessed the States' progress towards their annual emission limits over the period 2021-2030, taking into account some of the flexibilities available under the Effort Sharing Regulation.[26]

[25] Source: the EU Climate Action Progress Report 2025.

[26] 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 are reflected in Table 3.

Based on the *assumption* that the States would use saved AEAs from previous years, or borrow from future years, and use the existing ETS flexibility to cover excess effort sharing 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).

Table 3: AEAs, historical and projected emissions and distance to targets under the Effort Sharing Regulation (Mt CO_2eq) covering the period 2021 to 2030. Positive values indicate overachievement and negative values indicate underachievement.[27]

EEA EFTA State	ETS and LULUCF flexibility	2005 base year emissions	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Iceland												
AEAs			2.9	2.8	2.7	2.7	2.6	2.5	2.4	2.4	2.3	2.2
Emissions		3.1	2.9	2.9	2.8	2.9	2.7	2.7	2.6	2.5	2.4	2.3
LULUCF debit (2021-2025)		Pursuant to Art 9(2) ESR, AEAs are reduced by the debit generated under the LULUCF Regulation in the period 2021-2025.										
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	-0.2	-0.4	-0.5	-0.7	-0.9	-1.0	-1.0	-1.1
ETS flexibility	1.2		The amount of ETS flexibility available over the 10-year period 2021-2030 as established by ESA Decision No 204/21/COL and set out in Annex III of Commission Implementing Decision 2020/2126, as adapted by Protocol 31 to the EEA Agreement.									
Maximum LULUCF flexibility	0.2		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 2021-2025 and 50% of the maximum amount of LULUCF flexibility in the period 2026-2030.									
Norway												
AEAs			25.2	24.3	23.4	22.6	21.7	20.8	20.0	19.1	18.2	17.4
Emissions		28.9	25.6	25.4	24.3	23.6	22.8	21.2	19.6	18.0	16.4	14.8
LULUCF debit (2021-2025)		Pursuant to Art 9(2) ESR, AEAs are reduced by the debit generated under the LULUCF Regulation in the period 2021-2025.										
Distance to target			-0.4	-1.1	-0.9	-1.0	-1.1	-0.4	0.4	1.1	1.8	2.5
Cumulative balance of AEAs			-0.4	-1.6	-2.4	-3.4	-4.5	-4.9	-4.5	-3.5	-1.7	0.9
ETS flexibility	5.8		The amount of ETS flexibility available over the 10-year period 2021-2030 as established by ESA Decision No 204/21/COL and set out in Annex III of Commission Implementing Decision 2020/2126, as adapted by Protocol 31 to the EEA Agreement.									
Maximum LULUCF flexibility	1.6		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 2021-2025 and 50% of the maximum amount of LULUCF flexibility in the period 2026-2030.									

As table 3 illustrates, for both Iceland and Norway it is key that they step up and fully deliver on all current and planned climate policies, to remain on track for delivering on the ESR targets.

[27] AEAs for the years 2021-2030 are established in Commission Implementing Decision (EU) 2020/2126 of 16 December 2020 on setting out the annual emission allocations of the Member States for the period from 2021 to 2030 pursuant to Regulation (EU) 2018/842 of the European Parliament and of the Council (OJ L 426, 17.12.2020, p. 58–64), as adapted to the EEA Agreement. The values of 'cumulative surplus of AEAs' are the cumulative annual distances to target and do not take into account cancellations and transfers of AEAs from other States. 2021 to 2023 emissions are based on the final inventory reports, 2024 emissions are based on approximated inventory reports. 2025-2030 emissions are based on the most recent WAM emissions projections reports, or in the absence of WAM projections the WEM projections.

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, States that perform well under the LULUCF Regulation can use such overachievement, up to specific limits, for compliance under the Effort Sharing Regulation.

Any excess emissions or surplus removals under the LULUCF Regulation for the period 2021-2030 have not been considered in the assessment under this section. The assessment of progress toward the targets under the LULUCF Regulation is reflected in the following section.

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 periods 2021 to 2025 (the "no-debit" rule). The compliance check under the LULUCF Regulation for the years 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.[28] 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 this amendment.

The LULUCF Regulation contains detailed rules for how to account the 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. [29]

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

[28] *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).

[29] 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 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.

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 the years 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 excess accounted emissions from forest land, subject the EU as a whole meeting the 'no-debit' commitment among other conditions.

The LULUCF inventory data for the years 2021 to 2023, reported in 2025, was subject to a comprehensive review, mandated under the 2023 amendments to the LULUCF Regulation. This comprehensive review in not yet required under EEA law, as the 2023 amendments to the LULUCF Regulation are pending incorporation into the EEA Agreement. Iceland and Norway participated in the comprehensive review on a voluntary basis.

The preliminary accounting for LULUCF was conducted prior to the finalisation of the 2025 comprehensive review, and has not been updated to reflect any changes following this review.

In the case of Iceland, the comprehensive review led to two technical corrections of the inventory which were accepted by Iceland, resulting in a reduction of the reported emissions for the years 2021 to 2023. During the comprehensive review, Norway provided two revised estimates which were accepted by the expert reviewers, which led to a small increase of the reported sink for the years 2021 to 2023. These results, when reflected in the updated reporting, will have an impact on the LULUCF accounting.

Table 4: Total GHG emissions for the LULUCF sector in the years 2021 to 2023 following the 2025 comprehensive review[30]

	2021	2022	2023
	kt CO2e	kt CO2e	kt CO2e
Iceland	6257.2	6243.4	6247.0
Norway	-10384.4	-8507.9	-14893.1

[30] Includes accepted revised estimates provided by the States and technical corrections deemed necessary by the Technical Expert Review Team.

3.2 ASSESSMENT OF PROGRESS IN THE LULUCF SECTOR

In the EU Climate Action Progress Report 2025, the Commission highlights that the negative trend of shrinking net removals observed in recent years at EU level persists. A similar trend can be observed for Norway, which with some variation has experienced a decrease in the carbon sink in the past 10-15 years, all though we can observe that the net removals increased in 2023, compared to the figures for 2021 and 2022.

Based upon data reported in 2025, for the three first years of the first compliance period (2021 to 2023), and not considering possible flexibilities available to the States, the provisional 'accounted' balance for the years 2021 to 2023 shows a credit of 0.7 Mt CO_2 equivalent for Iceland and a total debit of 37,9 Mt CO_2eq for Norway.

The preliminary accounting shows that Norway may face challenges meeting the commitment, while Iceland seem to be on track to meet its 'no-debit' commitment.

As part of the factual consultation of the present report, Norway has provided the following information on the main causes identified for the gap from the target. Pursuant to Norway, the gap from the target consists of reduced removals in the managed forest land and deforestation. About a quarter of the gap is due to deforestation. The decline in the removals in the forest is due to a combination of reduced growth, aging forests, harvesting and deforestation, and increased natural mortality. The increased natural mortality appears to be caused in part by changing climate and adverse weather effects, as well as other natural disturbances. Norway also informed they are currently working on a way to address the climate and weather effects in a technical correction to the Forest Reference Level, as well as assessing the possibility of using the natural disturbances provision.

Table 5: LULUCF preliminary accounted net removals for the years 2021 to 2023 (2025 submission per Member State), in kt CO_2 equivalent

Country	Preliminary cumulative debit for 2021-2023
Iceland	-701.8
Norway	37885.5

Due to further methodological improvements of the greenhouse gas inventories expected in the future, these figures are subject to change in the next years. [31] 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 the period from 2021 to 2025.

[31] 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.

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, which will take place in 2027 and include a comprehensive review of the inventory data for the years 2021 to 2025.

Considering its significant debit in the first three years of the first compliance period, Norway may face challenges in complying with the "no-debit" rule for this period.

To close those expected gaps in the period 2021 to 2025, Norway will expectedly need to make use of available flexibilities such as the flexibilities between the LULUCF and ESR sectors or by purchasing removals from another EEA EFTA or EU Member State, as there is limited time to take measures which can have a significant effect for the 2021 to 2025 compliance period.

It is paramount that adequate policies in the field of LULUCF are designed and implemented to turn around the negative trend of shrinking net removals observed in recent years.

The LULUCF Regulation and relevant provisions of the Governance Regulation requires all EEA States to set up systems to monitor and report emissions and removals from the LULUCF sectors, including, soil and biomass carbon stocks. The national inventories underpin climate action and are continuously developing.

The 2025 comprehensive review of national GHG inventory data on LULUCF, by the European Environment Agency assisted by an expert review team, led to specific recommendations addressed to Iceland[32] and Norway[33] in order to improve the LULUCF inventories, and 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 2027 compliance checks.[34] Accurate and timely data on land, soil and forests is key to measure actual progress towards the targets and to help identify measures that unlock the highest climate benefits.

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.[35] The preparation of these strategies is a pre-requisite for making use of managed forest land flexibility.[36] The strategies have been made available to the public in Iceland[37] and Norway.[38]

[32] The final review report for Iceland contains 16 recommendations in order to improve the national inventory data of Iceland.
[33] The final review report for Norway contains 6 recommendations in order to improve the national inventory data of Norway.
[34] *"Final Review Report 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",* 28 August 2025.
[35] The detailed requirements for these strategies are reflected in Article 13(2)(a) of the LULUCF Regulation, as adapted to the EEA Agreement.
[36] As reflected in Article 13 of the LULUCF Regulation.
[37] https://www.stjornarradid.is/gogn/rit-og-skyrslur/stakt-rit/2020/08/28/Icelands-Strategy-on-LULUCF/
[38] https://www.regjeringen.no/en/dokumenter/strategy-on-land-use-land-use-change-and-forestry-sector/id2924513/

ESA has assessed whether the States' 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.[39] Iceland and Norway have submitted updates to their respective strategies which ESA will assess, in due time prior to the 2027 compliance assessment.

[39] Document No 1418625 (Iceland) and Document No 1418625 (Norway).

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. Aviation generally 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
Sectors included	Transport (except aviation), buildings, non-ETS industry, agriculture (non-CO_2) 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 allowances
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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