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The EU climate policy framework after 2030 – comments from Norway

Norway refers to the public consultations from the European Commission regarding revision of national targets and flexibilities in the EU climate policy framework after 2030 and international carbon credits. The Norwegian government welcomes the opportunity to provide its input, and presents its views related to both public hearings through this non-paper.

Norway welcomes the EU's continued strong ambitions in the development of the EU climate policy architecture. The European Union and Norway have a close cooperation on climate policy. The development of the EU climate architecture is therefore important to Norway.

Post 2030 climate architecture and scope of national targets

Norway's general view is to continue with a three-pillar approach, where emissions in the EU emission trading system (ETS 1) are regulated at the EU-level and emissions in the Effort Sharing Regulation (ESR) and in the Land Use, Land Use Change and Forestry Regulation (LULUCF-R) are subject to national targets. The EU climate architecture is complex, but the three-pillar approach and scope of national targets have become well-established. This has allowed governments, the private sector and the public to familiarise themselves with the policy framework, and plan accordingly where necessary. There should therefore be a very clear added value if changes are to be made to the scope of national targets in the EU climate policy framework.

Norway does not support national emission reduction targets covering all emitting sectors in the EU climate policy framework. National emission reduction targets should not include emissions covered by the ETS 1. As Norway expressed in the public consultation concerning the review of the EU ETS, dated 8 July 2025, regulatory overlap introduces distortions in marginal abatement cost signals, potentially leading to inefficient allocation of resources and mitigation efforts across sectors and undermining the cost-efficiency of the EU's climate policy architecture. As an example, the current regulatory overlap between the ETS 1 and ESR in maritime transport may have negative consequences both when emissions increase and when they are reduced. On the one hand, if a shipping company increases its emissions, this will be handled within the ETS 1 (when an ETS allowance is bought from another operator), but the relevant member state must still account for the same increase in emissions under the ESR, thus increasing the overall costs of European climate policies. On the other hand, if a shipping company reduces its emissions by one tonne, this can justify an increase in emissions of two tonnes; one tonne under the ETS 1 (when an ETS allowance is sold to another operator) and one tonne under the ESR (if the relevant member state decides to sell an Annual Emissions Allocation to another member state). Norway strongly advocates for a clear division between emissions covered by ETS 1 and the ESR. If or when emissions are taken into the ETS 1 they should be removed from the ESR to avoid regulatory overlap between the pillars.

While the same arguments can be made regarding the emission trading system covering fuel combustion in buildings, road transport and additional sectors (ETS 2), Norway supports the EU's efforts to introduce a price on emissions, as carbon pricing delivers emission reductions in a cost-effective manner. In addition, the ETS 2 will contribute to more harmonised pricing

across Europe. This creates a more level playing field and ensures that more actors contribute to emission reductions in the sectors covered. For Pan-European emission trading systems to function at their best, they should cover competition exposed industries. As these industries gain the most from a level playing field, the ETS 2 should ideally cover all competition exposed emissions not covered by ETS 1. It should be noted that for Norway, almost all emissions covered by the ETS 2 are already subject to high climate taxes. The ETS 2, in isolation, therefore only increases Norway's administrative costs of meeting its emission reduction obligation under the ESR. Given that the design of ETS 2 more closely resembles an emissions tax than ETS 1, Norway considers it more appropriate for emissions covered by the ETS 2 to be included under the ESR and subject to national targets. An additional aspect is that the scope of the national emission reduction targets would become very narrow if both the ETS 1 and ETS 2 were to be excluded. The ESR would be significantly weakened as a policy instrument if the ETS 2 emissions were to be excluded from its scope.

Distribution of effort

As Europe is transitioning further it will become increasingly difficult to achieve the ambitious climate targets unless all sectors and countries continue to contribute in accordance with their respective capabilities. Thus, Norway supports differentiated national targets where countries with higher GDP per capita should assume more ambitious targets. Countries should have access to flexibility in meeting those targets to increase cost-efficiency.

Flexibilities

Norway welcomes that the Commission, when developing its proposal for a post 2030 climate architecture, will look at how to ensure greater flexibility to help states achieve their targets in the most effective way. Norway also welcomes: the possibility of potential expansion of financing emission reductions (or removals) in other Member States; flexibilities depending on Key Performance Indicators, rather than flexibilities linked to Union level performance; as well as continued flexibility in the form of banking and borrowing. See also "International carbon credits" below.

Norway strongly cautions against introducing net climate targets with full flexibility between emission reductions and carbon removals (see considerations below under "LULUCF" and "Permanent carbon removals").

Forums and expert groups for sharing of information between countries have proven very useful in planning ESR and LULUCF fulfilment. Access to information and easy dialogue between countries' experts can also help facilitate the transfer of annual emission allocations and forest removals between countries.

Clearing rules

Norway participates in the EU climate framework but is not part of the EU's climate target under the Paris Agreement. For countries that participate in the EU legislation but are responisible for fulfilling their own target under the Paris Agreement, it is necessary to establish clearing rules and procedures that ensure that the accounting under the Paris Agreement is consistent and accurate. The clearing rules determine how the overall climate

effect of the EU legislation is to be split between relevant parties, i.e. how many ITMOs are to be transferred between the EU and participating states with separate climate targets under the Paris Agreement. Clarity in the clearing rules will make it possible for Norway to document how our participation in the EU legislation contributes towards fulfilling our climate targets under the Paris Agreement.

ESR

Norway supports maintaining the scope of the current regulation, given that emissions that are, or are soon to be, part of the ETS 1 are taken out of the ESR. The current approach with emission budgets in the ESR has been instrumental in facilitating national climate action within these sectors. At the same time, flexibility in the form of banking and borrowing and trading between member states has been vital, and Norway supports to ensure greater flexibility post 2030 (see considerations above under “Flexibilites”).

Norway supports the view that states – also before 2030 – should be allowed to use permanent carbon removals to fulfil their targets under the ESR. Several states including Norway already have carbon removal projects in place that are currently not counted towards the ESR (see also “Permanent carbon removals”).

Under the current set-up, deficits under the LULUCF Regulation are deducted from the ESR. This is unfortunate as there is considerable uncertainty in the LULUCF sector. Potentially large deficits under the LULUCF could be deducted from the ESR, creating unpredictability and potentially leading to greater challenges in planning climate action under the ESR.

LULUCF

Norway would like to emphasize that the existing regulatory framework for LULUCF has revealed certain shortcomings. It is important that a new framework for the LULUCF sector takes these weaknesses into account, to avoid a situation where arbitrary accounting rules could lead to countries facing large deficits in the LULUCF sector due to factors outside of their control.

The LULUCF sector has unique characteristics which must be considered when defining targets for the sector. LULUCF is characterised by, inter alia, large natural fluctuations in annual removals and emissions of greenhouse gases, and technical difficulties in measuring and predicting said removals and emissions. This fundamental uncertainty that other sectors are not subject to should be accounted for when designing climate targets and legal framework for LULUCF.

Norway believes it is important to keep the LULUCF sector separate from other sectors and does not support an AFOLU approach, nor economy-wide national targets. Grouping the highly uncertain emissions from the LULUCF sector with other emissions can weaken incentives to set ambitious targets for emission reductions in other sectors.

The large uncertainty in the LULUCF sector requires a pragmatic approach to the framework within the sector. Inflexible targets such as a definite target for increased removals in a certain year should be avoided, unless combined with extensive and predictable flexible

mechanisms to correct for natural fluctuations, methodological improvements, changed climatic conditions etc. Instead, targets should take into account, inter alia, changes in management practices and active measures to reduce emissions and increase removals. In a situation where a country could substantiate that management practices for carbon removals have been improved, this should be considered even if the total level of removals from the sector is decreased due to e.g. natural disturbances or changed climate conditions.

Norway would also like to underline the need for a long-term approach in the LULUCF sector, especially when it comes to managed forest land. Many active measures to increase removals in the forestry sector have little, or even negative, impact on net removals in the subsequent years but could facilitate substantial increased removals towards the latter half of the century. In addition, they result in increased access to biomass, which could replace fossil emissions in other sectors. Five or ten-year removal targets do not on their own provide sufficient incentives for measures where the main effect would take place after the commitment period. Norway would therefore welcome an approach where certain Key Performance Indicators are considered for access to certain flexibilities, or similar.

On the other hand, Norway believes that changes in land use change, especially reduced conversion from natural areas to settlement, could have significant impacts also in the short term. These are emissions that are more equivalent to fossil emissions, as the process of converting natural areas to settlements is often irreversible. Norway would like to underline the difference between irreversible emissions from land use change, and fluctuating emissions from managed soils and forests that remain under management, which should be reflected to a larger degree in the post 2030 framework.

Bioenergy with carbon capture and storage (BECCS) is increasingly recognised as a potentially important contribution to long-term climate mitigation pathways, in particular by enabling permanent carbon removals alongside deep emission reductions. The sourcing of biomass from sustainably managed forests, and its subsequent use in BECCS, must be reflected in the ambition level and regulatory framework for the LULUCF sector beyond 2030, while keeping the ecologic integrity of the forest ecosystem.

Permanent carbon removals

The post-2030 framework should provide predictable and robust incentives for permanent carbon removals, as permanent removals currently lack economic incentives. While the ETS 1 effectively incentivizes emissions reductions, there is no comparable mechanism for permanent carbon removals.

Norway supports the establishment of a robust EU-wide certification framework and that the regulatory framework for permanent carbon removals builds on the CRCF. Norway also sees value in measures such as an EU “Buyers’ Club” or other EU-level procurement arrangements to stimulate demand for removals and reduce investor uncertainty. Integration with the ETS 1, the ESR and national inventories must be designed to avoid double counting.

Norway supports the inclusion of permanent carbon removals in the ETS 1. Inclusion of permanent carbon removals in the ETS 1 can allow for more flexibility and make it possible

to sustain a high level of ambition in the ETS 1 going forward. We see it as necessary to gain experience that can bring down costs before these technologies will be needed in a larger scale to offset hard-to-abate emissions as the ETS 1 cap gets closer to zero. However, it is important that the use of biomass as inputs in permanent carbon removal projects is at a sustainable level, and that biodiversity and other environmental aspects of such use are properly accounted for.

Norway does not consider it appropriate to require the cancellation of ETS allowances as a condition for the inclusion of permanent carbon removal credits in the ETS 1. While additional cancellation requirements would facilitate more emission reductions, such requirements would also add costs and thus risk delaying the development of permanent carbon removal projects at a time when enabling deployment and increasing volumes are important. Concerns related to potential abatement deterrence are unlikely to constitute a significant challenge in practice, as high-quality permanent carbon removals remain challenging to scale.

Norway emphasises the importance of differentiating between temporary and permanent removals, as they differ fundamentally in durability, reversibility, MRV requirements and long-term climate integrity. On this basis, only permanent carbon removals should be linked to emission reductions and should be eligible to contribute to the ambitions in both the ETS 1 and the ESR.

Where permanent carbon removals could contribute most efficiently to reaching the ambitions in the EU climate policy framework after 2030 will depend on the final design of the climate architecture. Introducing separate binding national targets for permanent carbon removals is premature and should be avoided at this stage. The potential for deployment of permanent carbon removals varies greatly between Member States and binding national targets may therefore not be an efficient approach.

For BECCS, see considerations above under “LULUCF”.

International carbon credits

Norway has relevant experience to share with the EU from a long history of utilising market based cooperation with developing countries to safeguard the achievement of our climate targets. Under the Kyoto Protocol, Norway was a major buyer under the Clean Development Mechanism leading to significant overachievements of our commitments. Under the Paris Agreement, Norway utilises cooperation with Parties outside of Europe as a safety valve for achieving our NDC if it is not fully achieved through cooperation with the EU/EEA.

Norway’s carbon purchases under Article 6 are organised through the Norwegian Global Emission Reduction (NOGER) Initiative. The NOGER Initiative has been given approval by the Norwegian Parliament to enter into contracts valued up to 15 billion Norwegian kroner, approximately 1,4 billion Euro. Through funds hosted in international organisations, funding is provided to support host country readiness, programme development and results-based Internationally Transferred Mitigation Outcomes (ITMOs) purchases. A big portion of the portfolio is in renewable energy, but projects in the waste, transport, various industries and

agriculture sectors are also ongoing or under development. Norway is open to credit activities at the project, sector and policy level.

Norway practices results-based payments. However, Norway has spent considerable resources on host-country readiness and programme development over the past decade. Norway does expect the need for supporting developing countries that want to utilise Article 6 is going to continue.

Emission reductions at scale

Based on the Norwegian practical experience with a government run program for acquiring ITMOs, Norway is not convinced that acquiring high-quality credits through a centralised EU and/or several member state purchase programmes will be the easiest or most resource effective way forward. Incentivizing the private sector to contribute could be beneficial and also provide funding for the activities. A centralized purchase program run by Commission and/or governments could, however, be a supplement to what is achieved through other means, as a safety valve for achieving the NDC. The centralized approach can be especially relevant for sector and policy crediting, which takes longer and require more resources than an individual private sector entity can provide and may warrant bilateral agreements at government level.

To achieve scale in emission reduction under the Article 6 of the Paris Agreement, it is necessary to involve and mobilize the capacity of the private sector. Norway encourages the EU to closely assess how it can involve the private sector in market-based cooperation with developing countries through Article 6, including to examine positive and negative sides of opening for credit use within the ETS 1.

Some of the benefits of opening for credit use within the ETS 1 include:

- Industry would be directly involved in purchasing emissions reductions from developing countries and be given a choice between a limited use of such credits instead of EUAs.
- There would be no need to raise large public funds for the procurement of the volumes in question, which could prove increasingly difficult given i.a. less auctioning revenues as the ETS 1 cap is tightening. Funds would have to match a situation in 2036 onwards where pressure to reduce emissions globally is tighter and prices higher than today. Such funds would instead be raised by industry. If EU were to expect delivery of an estimated 700Mt at for instance 50 euro/ton with 50% delivery rate, the contract volume may have to be 70 bn euros.
- There would be no need to organize one major centralized institution in charge of purchases of credits, nor up to 27 national programs.
- Quality could be pursued through defining eligible credits. This could draw on existing approaches, such as the PACM, ICAO CORSIA and the IC VCM’s CCP and practices among other buyer countries but could be more limited or wider in scope than those to be agreed within the EU.

Some of the possible negative sides include:

- Opening for credit flexibility in the ETS 1 would reduce the incentives from the ETS 1 to transform the industry towards no emissions. The limit of 5% is estimated to average a maximum average annual volume of 140 Mt (total up to 700Mt) would still require major transformation in the ETS 1 sector the next 10-15 years.
- Introducing credit flexibility in the ETS 1 may create expectations that the cap will be further relaxed and thus delay implementation of measures to reduce or abolish emissions in the energy and industry sectors and become a slippery slope.
- Credit flexibility may reduce the industry's incentive for and involvement in implementation of CDR with geological storage, assuming that such CDR will be integrated in the ETS 1.
- There could be pressure to utilize cheaper credits with lower quality.

Need to get moving

Norway's experience is that it takes substantial time and effort to build a pipeline that can deliver ITMOs at scale. Therefore the EU should start piloting Article 6 transactions as soon as possible. Based on Norway's experience a lot of readiness work in host countries is lost if there are no actual ITMO purchases happening. Host countries and activity developers need payments along the way to sustain their efforts. Payment on delivery starting 2036 may not appear sufficiently interesting for many host countries.

Norway has pursued crediting at the sector and policy level for more than a decade. Only one such program, on reduction of subsidies to fossil fuels in Uzbekistan, has so far yielded mitigation outcomes that will result in ITMOs. This type of programme has the potential to achieve emission reductions at scale and address the full set of drivers behind emissions. However, they require substantial government capacity and resources and has shown to be very slow to both develop and implement. The Transformative Carbon Asset Facility (TCAF) under the World Bank was launched in 2015 and only in 2026 are the first ITMOs expected to be delivered. It has proven hard to develop approaches leading to *"first best"* solutions (abolishing subsidies and achieving direct carbon pricing through ETS and taxes). This does not mean that these types of approaches should be abolished, but they will not fit every country and sector context.

On the use of UN's centralized mechanism under Article 6.4 - PACM

Norway notes that the Paris Agreement Crediting Mechanism (PACM) has funding into 2027. The continued operation of PACM will most likely depend on sufficient and sustainable demand for its units from the time the current funding runs dry. This is well before the EU foresees use of units (2036 onwards). Purchasing MCUs (emission reductions without ITMO authorisation) through the PACM before 2036 could both enable the PACM to become a sustainable tool for ITMOs in the relevant NDC 2036-2040 period and provide emissions reductions and other benefits along the way.

Another avenue could be to see whether the Paris CMA would reconsider the rule against carry over of ITMOs between NDC-periods that was approved in Glasgow. A relaxation of this rule might make it possible for the EU to acquire ITMOs under PACM earlier, for its compliance needs starting in 2036. This could be pursued in the revision of the Article 6 rules under the CMA in 2028.

Sharing of emission reductions between buyer and seller

Our experience is that how much of the respective portions of the mitigation reflected as ITMOs and how much is left in the host country is a matter of negotiations and program design. This will vary both in absolute share and over time. There are examples from Norway's current portfolio where only a small fraction of the estimated mitigation is sold as ITMOs (e.g. the World Bank's Transformative Carbon Asset Facility's (TCAF) Uzbekistan programme). In other cases most of the mitigation is expected to be sold and transferred as ITMOs.

Quality emission reductions

Norway is open to support the green transition in all sectors. However, Norway does have some important exclusions in our purchase programme due to the lack of applicable methodology and potential lock-in effects in fossil fuels.

To ensure the necessary high quality of ITMOs, the NOGER Initiative is especially focused on the following aspects: *Additionality, Governance, Corruption and human rights, Permanent and lasting emission reductions.* Further details on our cooperative approaches can be found on NOGER's website and we are happy to continue sharing practical experiences with the Commission and interested member states.

If the EU choses an option resulting in purchase programmes at member state level, the system may face challenges in aligning practices related to credit quality.

Carbon Dioxide Removal

Norway can offer experience from cooperation on Carbon Dioxide Removal (CDR) with geological storage under Article 6 of the Paris Agreement. Currently this is facilitated through a bilateral agreement with Switzerland. This enables capture and storage in both countries to demonstrate the feasibility of both market-based cooperation under Article 6 as well as capture and transport of CO_2 in Switzerland for geological storage in Norway. Norway sees major potential as a host country given the storage capacity under our seabed.

CDR with geological storage is currently expensive, licensing and investments take time, and thus hosting appears an option mainly in developed countries. This form of CDR has manageable challenges with ensuring permanence. Norway's purchase programme has so far not been engaged in activities related to storage in biological systems or soils.

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