



ROYAL NORWEGIAN MINISTRY OF
CLIMATE AND ENVIRONMENT

The Minister

Commissioner for Climate,
Net Zero and Clean Growth,
Mr. Wopke Hoekstra

Your ref

Our ref
25/2614-

Date
8 July 2025

Open public consultation concerning the review of the EU ETS - comments from Norway

Norway refers to the public consultation from the European Commission, with a deadline for replies on 8 July 2025. The Norwegian government presents its views through this letter.

General comments from Norway

The EU ETS provides an important framework to limit European emissions from industry, power production, petroleum extraction, maritime transport and aviation. The ETS, complemented by additional measures, has proved an effective tool to reduce emissions. Norway supports the continued application of the EU ETS after 2030 and that the overall allowance cap is gradually reduced as the EU climate targets become more ambitious over time.

The ETS cap

If current levels of ambition and design continue, the EU ETS cap could reach net zero emissions before 2040. This implies that all ETS emissions need to be eliminated – or offset through carbon removals – in only 15 years. There is considerable risk relating to the gradual reduction in the overall cap; if the ETS allowance price becomes too high there could be a significant risk of carbon leakage and to the competitiveness of European industry. So far, the system has incentivized emission reductions mostly through fuel switching (e.g. from coal to gas) and we have seen increased deployment of renewables. Future emission reductions under the EU ETS will include hard-to-abate emissions that have higher abatement costs. To address the risk of carbon leakage, plans for scaling down allowances should be considered in conjunction with other instruments for reducing emissions and facilitating the transition to net zero by 2050, for instance the Innovation Fund and the further development of CBAM.

To ensure the continued effectiveness of the EU ETS, it is important that the EU actively builds and sustains confidence in the system itself and the trajectory of the emissions cap. Maintaining trust in the framework and in the credibility of the cap's development is important for encouraging both short- and long-term investments in emissions reduction. Clear communication that emphasizes the emissions cap, not the carbon price, as the central guiding mechanism of the system can help support this trust.

Regulatory overlap between the ETS and the Effort Sharing Regulation

Regulatory overlap between the EU ETS and the Effort Sharing Regulation introduces distortions in marginal abatement cost signals, potentially leading to inefficient allocation of mitigation efforts across sectors and undermining the cost-efficiency of the EU's climate policy architecture. Such regulatory overlap may have negative consequences both when emissions increase and when they are reduced. To emphasize this point, the current double regulation of emissions from maritime transport can be used as an example:

- Increased emissions from maritime transport in the EU ETS will be handled within the EU ETS, but the relevant member state will nevertheless have to account for the same increase in emissions under the Effort Sharing Regulation, thus increasing the overall costs of European climate policies.
- A shipping company that reduces its emissions by one tonne, can justify an increase in emissions of two tonnes; one tonne under the ETS (when an ETS allowance is sold to another operator) and one tonne under the Effort Sharing Regulation (if the relevant member state decides to sell an Annual Emissions Allocation to another member state).

Permanent carbon removals

Norway is looking forward to the Commission's 2026 report and possible legislative proposal on how permanent carbon removals – i.e. negative emissions resulting from greenhouse gases that are removed from the atmosphere and safely and permanently stored – could be covered by emissions trading. Norway supports the inclusion of permanent Carbon Removals (negative emissions) in the EU ETS. Inclusion of permanent carbon removals in the EU ETS can allow for more flexibility and make it possible to sustain a high level of ambition in the EU ETS going forward. Norway has been an early mover in this area. We see it as necessary to gain experience and hopefully contribute to reducing costs before these technologies will be needed in a larger scale to offset hard-to-abate emissions as the EU ETS cap gets closer to zero. It is important that the use of biomass as input in permanent carbon removal are at a sustainable level, and that biodiversity and other environmental aspects of such use are properly accounted for.

Norwegian comments to selected elements in the Commission's public consultation

Emissions from aviation

Flights within the European Economic Area (both domestic and international) should remain within the scope of the EU ETS. International flights in and out of the EEA should ideally be covered by the CORSIA programme. However, the level of ambition in CORSIA does not ensure a sufficient contribution from international aviation compared to other sectors covered by European climate targets. Norway therefore supports the provision in the ETS Directive that states that the Commission should assess the environmental integrity of CORSIA, and whether to extend the scope of the EU ETS from January 2027 to cover emissions from departing flights from the EEA to aerodromes located in countries outside the EEA.

Emissions from maritime transport

Norway supports extending the scope for ETS Maritime to cover smaller ships (400-5000 gross tonnage) and offshore ships. Further considerations on the coherence with IMO measures should be made when the IMO measures have been formally adopted.

Stationary installations

Norway supports a simplification of the ETS framework, in order to reduce the administrative costs both for the Commission, the competent authorities in the Member States and for European industry. Installations under 20 MW should, as a general rule, not be incorporated into the EU ETS as the administrative burden would be too high compared to the benefits.

The introduction of CBAM in its present form will probably not remove the need for measures to address carbon leakage from the ETS. Technological and other developments may have made the current carbon leakage list for Phase IV of the ETS (2021-2030) outdated for certain sectors. The carbon leakage list should therefore be updated after 2030.

Regarding measures in relation to the compensation of indirect costs, it is deemed appropriate to maintain the current approach based on State aid, given the present framework. Consideration may also be given to harmonisation of measures in relation to the compensation of indirect costs, cf. Article 30 (2) of the ETS Directive. However, such harmonisation should be viewed in the context of CBAM and other relevant framework and measures, to enhance the overall coherence and effectiveness of the measures to reduce the risk of carbon leakage. Furthermore, harmonisation of the system for compensating indirect carbon costs should not preclude member states from adding additional requirements, for example that compensation to individual operators is earmarked for climate mitigation purposes.

Market Stability Reserve

The Market Stability Reserve (MSR) can in the future be the most important standalone factor to prevent price fluctuation as the linear reduction factor continues reducing the overall cap. Finding the right balance between intake and release of allowances will help mitigate large price fluctuations. The current thresholds have been useful in a phase where there has been a large surplus of allowances. As the cap is reduced and the MSR is set for releasing allowances, the MSR's relative impact on the price can become more important. In the future it could be necessary to have a slower release rate in order for the MSR to fulfil its purpose.

If the MSR is depleted too quickly, it can impact the price of allowances, making it rise too quickly for the market to be able to adapt.

Carbon Removals

Norway is still in the process of assessing the voluntary Carbon Removals Certification Framework (CRCF). Our preliminary assessment is that it would be of interest for Norway to participate in the CRCF, thus extending its application to carbon removal projects located in Norway. Permanent removals should be allowed for use by EU ETS operators towards their ETS compliance obligation. Many hard-to-abate point sources include both bio-CO₂ and fossil CO₂ and choices made about how to incentivise and regulate carbon removals can have wide-reaching consequences for sectors such as the production of cement, metals, chemicals, fuels and energy. These permanent industrial carbon removals are intertwined with the EU ETS regardless of the CRCF, and Norway believes the best way forward would be a full harmonization with this system. This harmonisation should take place on the basis of the EU ETS legislation, and not on the lifecycle assessment methodology that applies in the CRCF as the LCA methodology will lead to double counting and double pricing of the same carbon atom and also be counter to the rules and approach for National Inventories under the UNFCCC.

Inclusion of Municipal Waste Incineration

Norway supports the inclusion of municipal waste incineration in the EU ETS but stresses the need for a detailed assessment of the impact of doing so. This includes potential effects on hazardous waste incineration, on the level of material recycling and substitution toward less preferable methods, such as landfilling. It is crucial to maintain strong incentives for the environmentally sound and responsible management of hazardous waste. The Commission should also assess possible spillover effects that the inclusion of waste incineration may have on other forms of waste treatments, particularly increased landfilling. If necessary, the inclusion of landfilling in the EU ETS should be further assessed.

Linking the EU ETS with other carbon markets

Increased coverage and development of international carbon markets is both in the EU and Norway's interest. Linking could foster a level playing field between markets, reduce the risk of carbon leakage, and the need for supplementary instruments to prevent this. However, a future linking to other carbon markets and emission trading systems should secure that the level of ambition is maintained, and that the EU ETS can continue to help spur the needed innovation and investment through an effective price signal.

Norway is looking forward to the opportunity to comment on the Commission's draft amendments to the ETS Directive and stands at the Commission's disposal should there be any need for input during the Commission's work on the draft act.

Yours sincerely

A handwritten signature in blue ink that reads "A.B. Eriksen". The signature is written in a cursive style with a wavy line at the end.

Andreas Bjelland Eriksen