



ROYAL NORWEGIAN MINISTRY OF
TRADE, INDUSTRY AND FISHERIES

The Minister of Trade and Industry

Mr Stéphane Séjourné
Executive Vice-President for Prosperity and Industrial Strategy
European Commission

Your ref

Our ref

Date

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Dear Executive Vice-President Stéphane Séjourné,

As a longstanding partner to the EU and fully integrated member of the Single Market, Norway is closely following the European Commission's work on its forthcoming Industrial Decarbonisation Accelerator Act (IDAA). Through this letter, I would like to share some reflections from the Norwegian Government on the main topics of this work.

Executive summary

The Norwegian Government would like to emphasize the following:

- We share the ambitions of the European Commission to **improve business conditions** in a way that allow energy-intensive industries in Europe to continue to decarbonise while maintaining their competitiveness.
- **Norwegian industry is highly integrated in European value chains** as a stable and important supplier. What is good for the competitiveness of European industry, is therefore most often also beneficial to Norwegian industry, and vice-versa.
- We welcome efforts to simplify regulation and reduce administrative burden on companies through **more efficient permit-granting processes**.
- Legislation to streamline procedures for assessment and authorisation **should however not adversely affect environmental standards nor public consultations**. Any time limits must be sufficiently flexible to ensure the quality of environmental impact assessments and maintain local support.
- In identifying and promoting priority projects for industrial decarbonisation, it is **essential to ensure the use of transparent and robust criteria**, to safeguard legitimacy and public trust, and to avoid perceptions of arbitrariness.

- We emphasize the **need to minimize distortion of market allocation of resources**, and therefore encourage the use of criteria for excellence and for emerging technologies.
- European industries are interconnected. It is important to **ensure that requirements designed to benefit one sector, do not create unintended barriers in others**. The cross-sectorial effect of various measures needs to be thoroughly assessed to ensure a net-positive impact on European competitiveness of the IDAA.
- Norway favours the use of **environmental criteria in public procurement procedures**, to increase the demand, and hence the supply, for low-carbon products from Europe. Based on our previous experience, this can be a well-functioning measure, but with substantial operational challenges.
- Should the IDAA introduce **European content requirements** in public and/or private procurement in strategic sectors, this concept **should be defined as products originating from the Single Market, including all 30 Member States** in the European Economic Area. This is important for the integrity of the Single Market.
- The introduction of a new voluntary **labelling scheme for low-carbon products** should as far as possible be based on information, data collection and emission calculations already reported within the framework of other established systems, in order to reduce the administrative burden.

Introduction and general remarks

Norwegian energy-intensive industries were founded on access to abundant and renewable hydropower, and as a result, our energy-intensive industries already have a relatively low emission intensity compared to European and global standards in many areas. Nonetheless, energy-intensive industries are still responsible for a large part of Norwegian emissions. Norway therefore shares the ambitions of the European Commission to improve business conditions in a way that will allow energy-intensive industries to continue to decarbonise while maintaining their competitiveness.

The European emission trading system (EU ETS), complemented by additional measures, has so far proven an effective tool to reduce emissions. Norway supports the continued application of the EU ETS after 2030 and a gradual reduction of the overall allowance cap as the EU climate targets become more ambitious over time. However, future emission reductions under the EU ETS will include hard-to-abate emissions with higher abatement costs. This increases the risk of carbon leakage. We also observe that the required levels of investment in order to complete the transition to net zero emissions are not yet attained in the energy-intensive industries. Given the level of effort necessary and the short time available, Norway believes that the desired outcome cannot be achieved through the price of allowances alone. Norway therefore supports to consider additional measures to decarbonise industry.

The forthcoming Industrial Decarbonisation Accelerator Act (IDAA) can be part of the solution. A thorough impact analysis is needed to ensure that new legislation on industrial

decarbonisation is compatible with the principles of better regulation. The analysis needs to consider any interaction with existing policy measures, including impacts on goal fulfilment. European industries are interconnected, implying that solutions need to be horizontal and cross-sectoral to improve framework conditions. It is important to ensure that measures designed to benefit one sector does not lead to barriers for another.

The Norwegian Government furthermore has some reflections on the Commission's suggested measures aligned with the specified objectives in the Industrial Decarbonisation Accelerator Act (IDAA), when it comes to:

- speeding up administrative procedures for industrial access to energy
- identify and promote prioritised projects to de-risk investments
- creating lead markets for European low-carbon products

Speeding up permitting procedures to improve industry's access to energy and decarbonisation

The Norwegian Government welcomes targeted measures to reduce the administrative burden on companies through efficient permit-granting processes. We have taken a number of steps to improve permitting procedures in Norway. The government presented an *Action Plan for faster grid development and better utilization of the grid* in 2023, and several measures have already been implemented. We have implemented a historic strengthening of the energy authorities. This includes digitalisation measures, increased staffing and faster licensing processes.

We welcome initiatives to digitalise the permit-granting procedures and application processes, allowing all required documents in an application process to be digitally submitted. This could apply also for decarbonisation projects, as well as other parts of the private sector.

We emphasize the need to strike the right balance between, on one hand, speeding up industrial decarbonisation projects, and on the other, ensuring processes that uphold environmental integrity and secure local support. Streamlining of the procedures for assessments and authorisations, should not come at the expense of environmental protection standards or public consultation. The time frames must allow States sufficient flexibility to carry out high-quality, participatory processes.

Aligning permitting regulations in IDAA with different sectoral legislation in existing EU regulation, such as the CRMA, NZIA, RED, would be beneficial. Such alignment would help businesses navigate the regulatory landscape and could speed up national implementation of the new framework.

Identify and promote prioritised projects to de-risk investments

The Norwegian Government is positive to help de-risking private investment in decarbonising technologies. Norway has already taken concrete steps to demonstrate the viability of large-scale carbon capture and storage through the Longship project. The recent opening of the

world's first full-scale carbon capture facility for a cement plant, in Brevik, Norway, highlights how targeted state aid can catalyse industrial decarbonisation in hard-to-abate sectors.

In identifying priority projects for industrial decarbonisation, it is essential to ensure the use of transparent and robust criteria. Existing frameworks, such as those applied for project selection under the EU Innovation Fund or through national instruments like Enova, could serve as useful models. In addition, attention should be given to industrial clusters and approaches that facilitate synergies and circularity. Clear criteria are also crucial to safeguard legitimacy and public trust, and to avoid perceptions of arbitrariness. Recent experiences in Norway with a number of large-scale industrial projects underscore the importance of public acceptance and strong local anchoring. We therefore encourage to consider the need for minimal distortion of allocation of resources, along with criteria for excellence and criteria for emerging technologies.

To scale up prioritised projects, there is also a need to facilitate access to funding. A predictable and well-aligned state aid framework at both EU and national levels will contribute to unlocking private investments and delivering on Europe's decarbonisation goals.

Creating lead markets for European low-carbon products

In order to create and protect European lead markets for low-carbon products, the European Commission has suggested a variety of measures (referring to the call for evidence for an impact assessment).

Criteria and requirements on public procurement

The Norwegian Government favours the use of environmental criteria in public procurement procedures, as a means to increase the demand, and hence the supply, for low-carbon products from Europe. Previous relevant experience indicates that this can be a well-functioning measure for developing new markets.

However, there may be operational challenges with such measures. Firstly, in calculating quantitative requirements when combining the sustainability and resilience criteria in public tenders. Assessing whether each offer is in line with such an approach may require large administrative resources and will additionally complicate the control and further follow-up of contracts. Clear guidance on how the stakeholders should deal with the new criteria for sustainability and resilience could reduce potential negative effects.

Furthermore, we encourage the EU to take action to coordinate its approach when drafting and adopting legislation on public procurement related provisions. This is based on our previous experience with what we consider to be a fragmented legal domain. We also encourage the Commission to provide complete and updated overview on the different public procurement related provisions, with clear indication of their enforcement date. This would give contracting authorities and companies easier access to information on which legal requirements that are applicable in a specific procurement.

Norway also reiterates that the Single Market consists of 30 Member States. If the new regulation (IDAA) introduces minimum *European content* requirements in public and/or private procurement in strategic sectors, the concept of European content should be defined as production originating from all 30 Member States in the European Economic Area. Norwegian industry is an integrated part of European value chains and a stable and important provider of i.e. critical raw materials such as aluminium and silicon, as well as energy and fertilizer to the EU. Disadvantaging content from EEA/EFTA States could jeopardise competitiveness, slow decarbonisation and decrease overall resilience in the Single Market.

Requirements on private procurement

In order to create lead markets for low-carbon products or support industries for strategic reasons, the Commission is also considering introducing sustainability and resilience criteria and minimum EU content requirements in private procurement of certain strategic sectors. Such measures could be expected to result in increased costs for downstream products and/or final consumers. The impact on SMEs, exporting companies and the overall competitiveness in various value chains should therefore be carefully assessed before new legislation is drafted.

New labelling system

The introduction of a new voluntary label for low-carbon products could help promoting these products. However, to reduce the overall costs of such a system, it should be user-friendly and be based on information, data collection and emission calculations already reported within the framework of other established systems. To reduce the administrative burden, different labelling systems on EU level should also be interoperable, as far as possible.

Yours sincerely



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