

# Norway's strategy for developing a green, circular economy

## Summary

The Government's ambition is for Norway to play a pioneering role in the development of a green, circular economy that makes better, more efficient use of resources. Norway will play this role by further developing policy and policy instruments both nationally and in cooperation with the EU, to develop a framework for value creation and green competitiveness in Norway.

The strategy will underpin the Government's efforts to exploit the potential for value creation in Norwegian business and industry more fully, with a more circular economy as the basis. It includes specific action points for the sectors that have been identified as having the greatest potential for circularity and green competitiveness in Norway: the bio-based sectors; the process industries; construction and buildings; and service industries, including retail and wholesale trade.

The EU has been a strong driver of the transition to a more circular economy since it published its first action plan in 2015. The second EU action plan, published in 2020, is regarded as one of the main building blocks of the European Green Deal, which aims to achieve climate neutrality by 2050 and transform the EU into a society where economic growth is decoupled from resource use. The EU Circular Economy Action Plan presents groundbreaking legislative initiatives for sustainable products, a more ambitious approach to using the resources in waste, and continued high standards for a toxic-free environment. The Government's strategy describes how Norway's policy fits into this picture, and describes the implications of the EU action plan for Norwegian policy, for Norway's positions in its cooperation with the EU, and efforts to enhance Norway's green competitiveness.

The vision and overall objectives formulated in the strategy make it clear that the Government does not consider the transition to a circular economy to be a goal in itself. Instead, it is viewed as a process that will contribute to value creation and sustainability and at the same time result in progress towards Norway's climate and environmental policy targets, including Norway's efforts to achieve the UN Sustainable Development Goals.

Norway's resource base, business sector, social structure and economy put the country in a good

position to make use of a circular economy to drive value creation within the country and to contribute to a broader transition to a circular economy in Europe as a whole. The Government's circular economy policy will both maintain and utilise these qualities.

Norway has already begun the transition to a circular economy. The business sector has for example worked systematically on the preparation of roadmaps for green competitiveness in various branches (including the process industries, the waste management sector, retail and wholesale trade and the packaging industry). Circular solutions are a key element of these roadmaps. In the 2020 wage settlement, Virke, one of the main employer organisations, and the Norwegian Confederation of Trade Unions agreed to cooperate on workplace efforts to develop a circular economy. Many counties and municipalities are now taking a circular approach to the development of a low-emission society, their own operations and the services they deliver, and using this approach to enhance green competitiveness.

The Government will support the local authorities (counties and municipalities) in their efforts to promote the transition to a circular economy. Counties and municipalities can drive and enable action to promote circularity. They play a key role in ensuring close cooperation and coordination between various stakeholders in the business sector and civil society, and between different administrative levels. Counties and municipalities are agents of social development, planning authorities, major property owners, service providers and purchasers, and many of them have already made a good start on the development of a circular economy at local level.

An overview of the economic sectors in Norway that have an unused potential for value creation based on circularity was needed as a basis when preparing this strategy. The Government also considered it very important to involve the Norwegian business sector in this process. The consultancy firm Deloitte was therefore commissioned to carry out an external review to provide part of the knowledge base for the strategy, and delivered the last of three reports in August 2020. Deloitte was asked to encourage active participation by stakeholders. The information in the reports comes from a meeting involving more than 50 key representatives from 12 different sectors, interest groups and research institutes; written input from almost 90 different stakeholders; interviews; and a review of a wide range of written material, including the roadmaps for green competitiveness drawn up by various business and industry sectors.

Deloitte's review describes opportunities and challenges that will arise in connection with the development of a circular economy in Norway, and identifies the sectors and cooperation between sectors that offer the greatest potential for value creation in a more circular economy. These are construction and buildings; the process industries; wholesale and retail trade; and the

bio-based sectors (agriculture and forestry, and aquaculture and fisheries). The review also identifies barriers that may prevent the potential for greater circularity in these sectors from being realised, and policy instruments that can be used to promote the transition to a more circular economy. A summary of the three reports is available in English [here](#).

The Government will promote a development pathway in which the use of circular solutions within the *bio-based sectors*, in other words industries based on production from renewable biological resources, makes the greatest possible contribution to sustainable value creation and to Norway's progress towards its targets relating to sustainability, climate and environment. The success of these efforts will depend on circular solutions and products, and on access to and greater use of renewable resources to replace non-renewable alternatives. These are key parts of the Government's circular economy strategy. The bio-based sectors in Norway offer a potential for increasing sustainable production and harvesting, making resource use more effective, making greater use of residual raw materials in high-value products, and producing new feed resources and other products. Realising this potential will require knowledge and technology development and the expansion of cooperation across sectors. The Government will support surveys, documentation and review of relevant solutions for a digital marketplace to promote re-use and more profitable circular use of resources, plastics and end-of-life equipment in the bio-based sectors. The Government will also support the development of common standards for the use and re-use of biological resources to make such use safer for people, animals and the environment. Amendments to the legislation will be needed at both European and national level to enable a greater degree of circularity in the use of resources in the food value chain. The Government aims to provide Norwegian producers with sufficient options for use and re-use where this is safe for people, animals and the environment.

The Government will facilitate further efforts to enhance circularity in the Norwegian *industrial sector*, which can produce economically viable circular products for a low-emission society. Many of these products are part of the value chains for construction and buildings, batteries and vehicles; packaging; and electronics and ICT, which are among the seven key product value chains in the EU's Circular Economy Action Plan. This will open up new opportunities for value creation in Norway, and new markets for Norwegian products and services that can meet growing demand in Europe. In addition, product legislation requiring high recovery rates, a certain content of secondary raw materials and low emissions will open up opportunities for further development of recycling industries. The Government will pave the way for more sorting of waste, re-use and recycling and seek to ensure that the legislation provides incentives for digitalisation and technology development in the recycling sector.

The Government considers it important to maintain a close dialogue with the industrial sector on

the opportunities offered by the transition to a circular economy. Public agencies in the research and innovation system will facilitate the development of economically viable uses of secondary raw materials and the development of circular value chains. The development of market solutions for recycling secondary materials in the industrial sector can be encouraged if better data on waste streams is available (where they arise, their composition and quantities of waste). The Government will support such developments.

To promote technology development and make Norwegian industry more competitive, the Government will cooperate closely with the EU on further development of waste legislation and product legislation, and on access to shared funding instruments.

Service industries, including retail and wholesale trade are in direct contact with ordinary consumers, and therefore have a special role to play in encouraging sustainable products and sustainable consumption. The Government will take steps to enable *retailers, wholesalers and other service industries* to market circular products and solutions to a greater extent than at present. Retailers and wholesalers can influence how goods and services are produced, and how they are offered to Norwegian consumers. Businesses can enhance circularity in their own operations through their purchases of goods and through communication with consumers. Changes in the regulatory framework at European level will contribute to a green transformation process. The greatest barrier to the transition to a circular economy is that it can be difficult to make new circular business models profitable. The Government will support the development of expertise and of innovative business models in retail and wholesale trade and other service industries. In addition to EU legislation, international standards are of key importance, and the Government will expand Norwegian involvement in the development of global standards for a circular economy.

Direct greenhouse gas emissions from *construction and buildings* are low, but the sector generates large indirect emissions, for example through the use of construction products. It also generates large quantities of waste. The most important way of increasing circularity in the sector is to maintain buildings and other structures and lengthen their lifetime. A larger proportion of building materials should also be returned to the cycle for re-use. The Government is preparing better guidance on the re-use of building materials, and is considering changes to national requirements so that they do more to promote re-use. The Government has also taken the initiative for cooperation with the construction and buildings sector on digitalisation and better ways of distributing product data, for example for construction products with a high potential for re-use. If digital data on individual products can be improved and made more readily available, it will be easier to track building products that can be re-used.

It is vital to reduce the climate and environmental impact of public buildings and other property

in the civilian sector. As a major property manager, the central government must take a share of the responsibility for the shift to circularity through its own activities. Clearer requirements in central government policy for buildings and other property will play a part in creating a market for green, innovative solutions. The central government both can and must increase the circularity of its operations by re-using its existing building stock to a greater extent, re-using building materials, smoothing the way for future re-use and increasing waste sorting and recovery.

Research and innovation and extensive cooperation both within and between sectors will be needed to realise the circular economy. To promote the development of a circular economy throughout the country and in all sectors in Norway, the Government will task the *public agencies in the research, innovation and technology development system* with further developing the circular economy as a cross-cutting focus area of their activities. Their cooperation on the Green Platform initiative is an important element of the research and innovation effort to build more circular economy. Circular economy initiatives range from basic research projects to market introduction.

The Government also considers it increasingly important to make use of the potential of *digitalisation* in the shift to a circular economy. Digital solutions make it possible to collect and analyse large amounts of data and make this available for use by business, research and authorities. Digital product information, for example digital product passports, will increase the effectiveness of a stricter product policy framework. Digital marketplaces, for example for secondary raw materials or for sharing assets, are important for promoting re-use and the use of secondary raw materials. As part of its digitalisation policy, the Government will design national ICT and data policy to promote the green transition and growth in the business sector, and ensure progress towards Norway's climate, environmental and sustainability targets. The Government will support business-sector innovation to develop digital business models and marketplaces for secondary raw materials and secondary materials.

The EU Circular Economy Action Plan emphasises the importance of 'getting the economics right', so that economic structures and incentives steer developments in the right direction. This includes taking action at Community level, such as ecolabelling of financial products and the discussion of non-financial disclosure in the Commission action plan on financing sustainable growth, and also strongly urging individual member states to make greater use of economic instruments designed to promote the circular economy.

The *financial sector* can play a key role by channelling capital to sustainable investments. The

aims of the Commission's action plan on financing sustainable growth are to reorient private capital towards more sustainable investments, manage climate- and environment-related risks and foster transparency and long-termism in financial and economic activity. The Norwegian Government supports these aims, and is following closely as the EU develops a taxonomy for sustainable economic activities.

The transition to a sustainable low-emission society opens up opportunities for new green growth. This process will require innovation, technological advances and the development of new markets and products to create an economy that uses resources more efficiently. The Government will assess the use of a range of economic instruments to stimulate the development of economically viable circular solutions. A number of stakeholders put forward proposals for the use of economic instruments during the preparation of this strategy. The Government's assessments will be based on the premise that economic instruments must be cost effective and must underpin and supplement EU policy that Norway will also be bound by under the EEA Agreement. At the same time, the Government considers it important to adapt the use of economic instruments to special features of Norway's economy and to national climate and environmental targets. Achieving a good result will require thorough assessments and a sound knowledge base. As part of a wider review of the tax system, the Government will consider how more appropriate environmental pricing and other economic instruments can promote better resource use and the development of a circular economy.

Implementation of the Circular Economy Action Plan by the EU as part of the European Green Deal is a strong driver of the shift to a circular economy in Norway. As a party to the EEA Agreement and a participant in the internal market, Norway has close links to the EU, and the initiatives that are being taken under the action plan will therefore have major implications for Norway as well. This strategy describes how EU and Norwegian policy fit together under four main headings. These are I: developing a circular economy through sustainable production and product design, II: developing a circular economy through sustainable consumption and use of materials, products and services, III: developing a circular economy through toxic-free material cycles, and IV: a circular economy and value creation.

The most important initiative under the EU action plan is the development of a more coherent *product policy* framework. This will include legislative initiatives to enhance circularity in product design, driven by revision of the Ecodesign Directive and expansion of its scope to cover a wider range of products and their characteristics. In parallel with this, regulatory measures and other initiatives will be presented in 2021 and 2022 for seven important sectors, which the EU calls 'key product value chains'. These are electronics and ICT; batteries and vehicles; packaging; plastics; textiles; construction and buildings; and food, water and nutrients. A

proposal has been put forward for a new regulation on batteries and waste batteries, which is considered to be a model for new legislation in the other sectors. It demonstrates that the EU is taking an integrated approach to the regulation of entire value chains and is focusing on areas such as digitalisation, public procurement and consumer information. EU *waste policy* will also be further developed in order to retain waste in material cycles and extract more of the value from waste within Europe's borders. This opens the way for a wider role for the recycling industry in supplying materials for new production and guaranteeing that resources are retained in circulation in the economy. EU initiatives to strengthen *consumer rights* and to introduce mandatory green *public procurement* requirements will play an important part in strengthening the demand side of material cycles. At the same time, the EU is strengthening the regulatory framework for *chemicals*, in line with its ambition of creating a toxic-free environment as set out in the European Green Deal. This will play a key role in ensuring that the quantities of waste-based raw materials and secondary raw materials in circulation in the economy can be increased sustainably and without causing any additional environmental damage.

Norway is already engaged in extensive technical and political cooperation with the EU in these policy areas. The Government endorses the EU's broad-based approach, and agrees that the circular economy must be developed on the basis of high climate and environmental standards that will enhance green competitiveness. The Government will actively seek to cooperate with the EU on developing the sustainable product policy framework and will review amendments to Norwegian legislation with a view to providing a firmer legal basis for requiring products to be sustainable and fit for use in a circular economy based on toxic-free material cycles.

The EU's drive for competition underpinned by high environmental standards will also be in Norway's economic interests. Economic incentive structures change as a direct result of legislative developments. The aim of the proposed battery regulation is not only to ensure high environmental standards, but also to lay the foundation for a new battery economy in Europe. If the regulation is adopted, it will alter the balance of competition between primary and secondary raw materials for battery production in Europe, and other aspects of the framework both for the manufacture of new batteries and for the recovery of end-of-life batteries. Companies that can document that their manufacturing and marketing operations are clean, socially just and ethical, that they meet high standards for material quality and technical performance and maximise resource efficiency, and that their greenhouse gas emissions are low, will have a competitive advantage. Norwegian companies will be in a good position given the availability of fossil-free electricity, their high level of technological know-how, the fact that Norway is a well-regulated society, and the substantial quantities of end-of-life batteries that are available in Norway.

In its positions on the European Green Deal, the Government has signalled its intention of taking

action to ensure that products, materials and resources are used as efficiently as possible and for as long as possible. The Government will be an active partner in this work and will cooperate with the EU on developing a framework to promote circularity both in the EU and in Norway. In the Government's view, Norway can play an important role in the shift to a circular economy because it can supply low-emission products that meet high sustainability standards and are also manufactured sustainably.

**USING THE STRATEGY FOR DEVELOPING A GREEN, CIRCULAR ECONOMY AS A BASIS, THE GOVERNMENT WILL:**

- make use of local and regional resources and industry structures throughout the country in developing a circular economy
- support the Norwegian industrial sector in making use of opportunities to enhance its green competitiveness in a circular economy
- promote a development pathway in which circular solutions within the bio-based sectors and more use of renewable resources to replace non-renewable alternatives are used to make the greatest possible contribution to progress towards climate and environmental targets and to sustainable value creation
- use legislation and targeted initiatives to enhance circularity in building construction and operation. The central government manages a large property portfolio and has a special responsibility in this area.
- safeguard Norway's interests in connection with the development of the EU's product policy framework for more sustainable products
- support initiatives for high climate and environmental standards as a basis for more sustainable products and value chains under the EU Circular Economy Action Plan
- seek to enhance Norway's green competitiveness by making use of the potential of a circular economy
- enhance the role of the recycling industry in managing material resources and as a supplier of secondary raw materials for use in material cycles
- work towards toxic-free material cycles by pursuing an ambitious chemicals policy in cooperation with the EU
- use the potential of digitalisation to make product information and information on markets for secondary raw materials available to all stakeholders
- take initiatives for research-based knowledge generation and innovation. The public agencies in the research, innovation and technology development system will be tasked with further developing the circular economy as a cross-cutting focus area of their activities

- develop a broad-based knowledge base on how economic instruments can be used to promote better resource use and the development of a circular economy
- promote sustainable consumption and green innovation in the public sector through the public procurement system
- strengthen consumer rights and make it easier for them to adopt circular consumption patterns. The Government is seeking to widen the availability of products that are more durable and more sustainable in other ways, and to improve consumer information. The Government will provide more support for Ecolabelling Norway's work on the circular economy.