

Climate Progress Report 2024



Foreword by ESA's College

Climate change continues to intensify weather extremes worldwide, causing suffering for people and damage to their homes and livelihoods. To attain the Paris Agreement target to limit global warming to 1.5 °C, global greenhouse gas emissions must be drastically reduced.

In addition to their Paris Agreement commitments, Norway and Iceland have committed themselves to climate targets under the European Economic Area (EEA) Agreement.

The EEA Agreement has become an important tool in the European green transition. The transition to a greener future has impacted and will continue to affect societies, businesses, and individuals across the EEA, providing both challenges and opportunities.

Under the EEA Agreement, ESA is responsible for monitoring that Iceland and Norway deliver on their climate targets. The Climate Progress Report forms part of a continuous effort to support the States by taking stock of progress made so far. This work takes place in close cooperation and dialogue with the two States, the European Commission and the European Environment Agency.

This fourth edition of ESA's Climate Progress Report provides important insights into the progress made by both countries towards attaining their 2030 targets in the effort-sharing sectors – road transport, buildings, agriculture, waste, and small industries – and land-use and forestry sectors.

It should be noted, though, that Iceland and Norway – like the European Union – have updated their targets under the Paris Agreement: to cut emissions by 55% or more, compared to 1990 levels. These new commitments have, however, not yet been reflected in the EEA Agreement.

With this context in mind and based on the reports' findings, it is clear that the two States need to further accelerate their efforts to keep pace with current and increasingly ambitious climate goals.

At ESA we are committed to playing our role in the green transition, working with all our partners toward a greener, healthier, and more sustainable future.



Climate Progress Report 2024

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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 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 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 of at least a 55 per cent reduction by 2030, compared to 1990.⁵

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](#) and [Norway](#) have in their respective Nationally Determined Contributions under the Paris Agreement reflected that they will seek to fulfil the Paris targets in cooperation with the EU. Unlike the EU Commission, ESA

The EU, Iceland and Norway will assess the need to reflect the increased level of ambition in the targets. 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 2024, the EU Member States’ progress is assessed towards targets reflecting the at least 55 per cent reduction target currently in force under EU law. The EU Climate Action Progress Report is more extensive than the present report due to a wider scope of EU legislation in this field.⁶

1.2 SUMMARY OF THE 2024 PROGRESS ASSESSMENT

The Effort Sharing Regulation and the LULUCF Regulation define targets for the reduction of greenhouse gas emissions in the period from 2021 to 2030. The sectors covered by the Effort Sharing Regulation include road and domestic maritime transport, buildings, waste management, agriculture, and industry not covered by the European Emission Trading System (ETS). The LULUCF Regulation concerns emissions and removals from the land and forestry sectors.⁷ These acts do not apply to Liechtenstein.

Under Article 29(5)(b) of the Governance Regulation, ESA is mandated to assess, by 31 October 2021 and every consecutive year, whether Iceland and Norway have made sufficient progress towards meeting the obligations set out in Article 4 of the Effort Sharing Regulation and in Article 4 of the LULUCF Regulation.⁸

The progress made by Iceland and Norway is reflected using different assumptions and based on the latest available information reported to ESA⁹, to identify possible gaps towards the targets (further details reflected in Sections 2 and 3). The final assessment of compliance for the first compliance period (the years 2021-2025) will take place in the year 2027.

In summary, assuming that the States would make use of certain flexibilities permitted,¹⁰ the preliminary estimates show that:

- Iceland expects to remain within its current targets;
- Norway expects a significant gap towards its current targets.

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 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 [Norway](#) and [Iceland](#) have made available national plans describing how each country intends to fulfil its commitments under the Effort Sharing and the LULUCF Regulations.

⁸ [ESA Climate Progress Report 2021](#), [ESA Climate Progress Report 2022](#) and [ESA Climate Progress Report 2023](#).

⁹ The final greenhouse gas inventories for 2021 and 2022 were reported to ESA in March (Norway) and April (Iceland) of 2024. Approximated emissions for 2023 were reported to ESA in July 2024. The latest policies and measures and projections for the years 2023-2030 were reported to ESA in March 2023.

¹⁰ The assessment does not take into account all the flexibilities available under the Effort Sharing and LULUCF Regulations, this is explained in Sections 2 and 3.

On this basis, Norway is strongly encouraged to consider additional measures to reduce their emissions under the Effort Sharing and LULUCF Regulations.

Iceland is encouraged to consider additional measures to reduce their emissions under the Effort Sharing and LULUCF Regulations, considering their small margin to stay within the current targets, having in mind expected revisions to the targets as reflected above.

2 EFFORT SHARING

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. It applies to sectors that are not part of the ETS, including road transport, domestic maritime transport, buildings, agriculture, non-ETS industry and waste. The efforts under the Regulation are distributed based on relative gross domestic product per capita and taking into account cost effectiveness.¹¹

The national reduction targets of the EU Member States range from minus 10 to minus 50 per cent by 2030, compared to 2005 emissions, pursuant to the Effort Sharing Regulation as amended in 2023.¹² 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, prior to the 2023 amendments.¹³

Iceland's target is a reduction of 29 per cent by 2030, compared to the 2005 emission levels. Norway's target is a reduction of 40 per cent by 2030, compared to the 2005 emission levels.¹⁴ The national 2030 greenhouse gas reduction targets are translated into annual emission allocations (AEAs), the emission limits that the countries must respect during the 2021-2030 period.

The process for setting out the AEAs included a comprehensive review of the historic greenhouse gas inventory data of Iceland and Norway carried out by the European Environment Agency.

The AEAs 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.

¹¹ Second recital of the preamble to the Effort Sharing Regulation.

¹² 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)

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 also flexibilities available to the states to comply with their annual emission limits and their 2030 targets. These flexibilities include banking, borrowing, buying and selling, as well as accessing credits from the land use sector and the possibility to access allowances from the emission trading system (ETS).

Pursuant to the Governance Regulation, the States must report their greenhouse gas inventories annually.¹⁶ In 2024, Iceland and Norway submitted their greenhouse gas inventories ('GHGI') for the years 1990-2022 and an approximation of the greenhouse gas inventory for the year 2023 to ESA and the European Environment Agency.

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. In 2024, Iceland and Norway did not submit updated emissions projections or policies and measures. The assessments in the present report are thus based on the latest projections submitted to ESA and the European Environment Agency in 2023. For the latest policies and measures reporting we refer to Section 2.2 of ESA's Climate Progress Report of 2023.¹⁷

Table 1: Annual emission allocations for Iceland and Norway for the period 2021-2030

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

2.1 PROGRESS TOWARDS THE 2030 EFFORT-SHARING TARGETS

This section provides an indication of the progress of Norway and Iceland in meeting their AEAs under the Effort Sharing Regulation. The assessment is based on the 2024 submissions of final greenhouse gas inventories (GHGI) for 2021 and 2022 and approximated GHGI for 2023, and the GHG projections for 2024-2030 as reported in 2023.

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 projections that Iceland and Norway submitted in March 2023 can be used at this stage to gain insights on progress towards the effort-sharing targets.

Final GHGI data shows that emissions in Norway in 2021 and 2022 are expected to exceed Norway's AEAs for these years. Final GHGI data for Iceland shows that emissions in Iceland for the years 2021 and 2022 are expected to remain within Iceland's AEAs for these years. Approximated inventory data for 2023 shows that Norway is expected to exceed its AEAs for that year by 2.6 percentage points, while Iceland is expected to remain within its AEAs for that year by 1.4 percentage points.

¹⁶ The period covered by the inventory starts in 1990 and runs up until 2 years before the current year (e.g. in 2024 the inventories cover emissions up to 2022). The States also report a preliminary greenhouse gas inventory (referred to as approximated greenhouse gas inventories) that starts in 1990 and runs up until 1 year before the current year (e.g. in 2024 the approximated inventories for 2023 are reported).

¹⁷ [ESA Climate Progress Report 2023](#).

Table 2 reflects the estimated distance to targets based on the data reported by Iceland and Norway, and quality checked by the European Environment Agency.

Table 2: Effort sharing targets, distance to targets and 2030 projections¹⁸

Member State	2021	2022	2023	2030 (projections WEM)	2030 (projections WAM)
Iceland					
Target	-7.5%	-9.9%	-12.2%	-29%	-29%
Emissions	-11%	-11%	-13.6%	-24.5%	-25.6%
Distance to target (pp)	3.5	1.2	1.4	-4.5	-3.4
Norway					
Target	-13%	-16%	-19%	-40%	N/A
Emissions	-11.9%	-12.7%	-16.4%	-31.7%	N/A
Distance to target (pp)	-1.1	-3.3	-2.6	-8.3	N/A

The ‘with existing measures’ (WEM) projection scenario reflects 2030 projections with implemented or adopted policies and measures. The ‘with additional measures’ (WAM) projections scenario takes into account the additional effects of planned measures.

In 2023, Iceland submitted a WAM scenario for the first time. Norway did not provide a WAM scenario in the 2023 reporting.¹⁹ It is not mandatory to include a WAM scenario. However, as projections are an important tool for assessing progress towards the effort sharing targets, it is highly encouraged.

Based on approximated data, emissions from the effort sharing sector in 2023 were 2.9 per cent lower in Iceland and 4.2 per cent lower in Norway than in 2022. Compared to 2005, in 2023 emissions were 16.4 per cent lower in Norway and 13.6 per cent lower in Iceland.

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

The most recent emissions projections reported in 2023 (WEM scenario) point to a gap of -4 percentage points to Iceland’s 2030 target, which decreases to -3 percentage points when looking at the WAM scenario. For comparison, ESA’s Climate Progress Report 2022 reflected a gap of -3 percentage points under the WEM scenario.

The emissions projections reported in 2023 indicate a gap of -8 percentage points to Norway’s 2030 target. This implies that the gap towards the 2030 effort sharing target remains largely unchanged compared to the 2030 projections reported by Norway in 2021.

¹⁸ The estimated distance to target is based on the 2024 submission of final greenhouse gas inventory (GHGI) for 2021 and 2022 and approximated GHGI for 2023. The 2030 projections were reported in 2023.

¹⁹ In their 2023 reporting on policies and measures, Norway included information on the expected impact of certain planned policies and measures (ex-ante greenhouse gas emissions savings). For further details see Section 2.2 of the ESA Climate Progress Report 2023. Pursuant to the reporting by Norway the effect of these planned measures has not been included in their 2030 projections.

Figure 1: Reported and projected emissions in the sectors covered by the Effort Sharing Regulation 2021-2030 for Norway and annual emission allocations (Million tonnes (Mt) CO₂ equivalent)²⁰

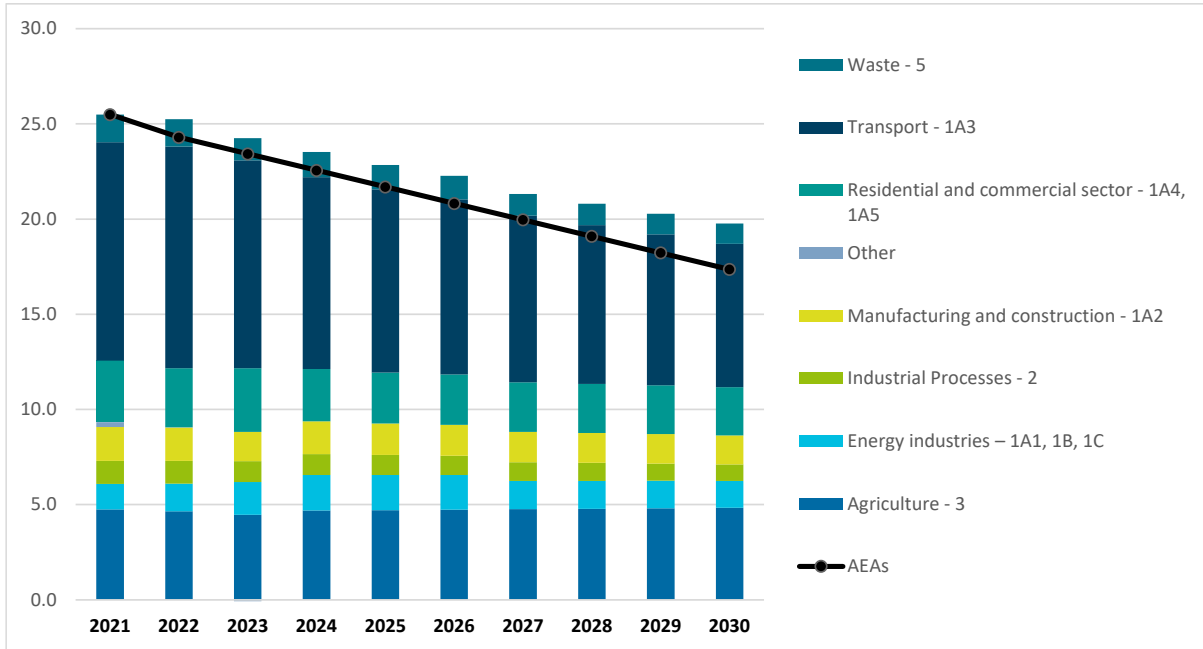
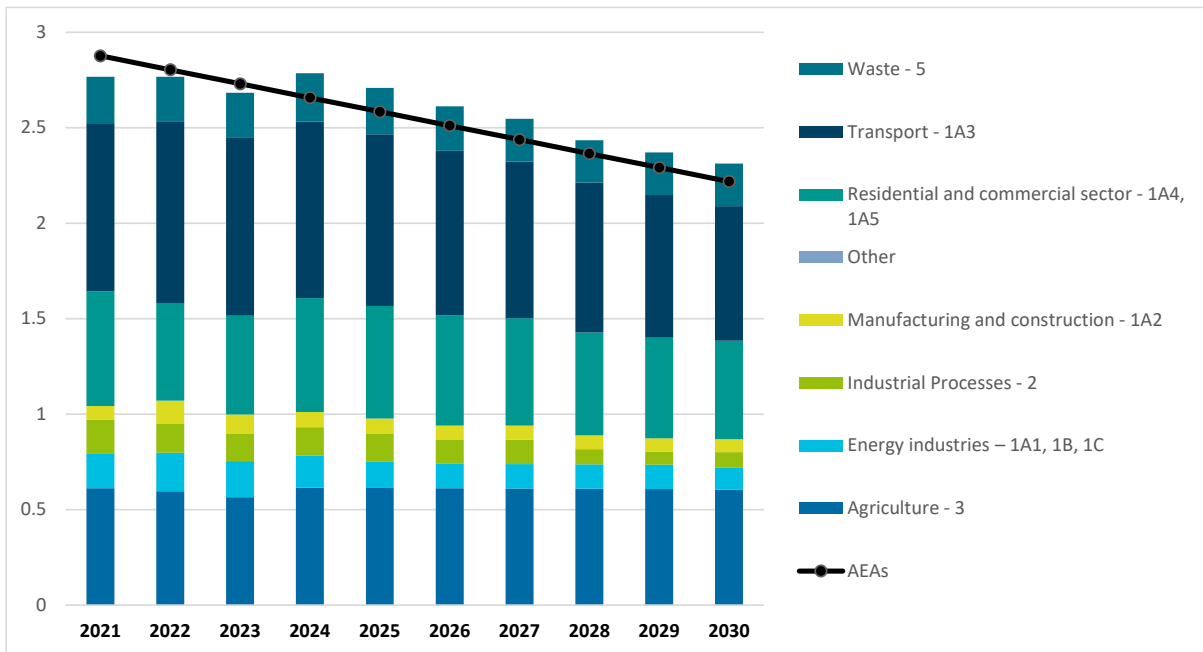


Figure 2: Reported and projected emissions in the sectors covered by the Effort Sharing Regulation 2021-2030 for Iceland and annual emission allocations (Mt CO₂ equivalent)²¹



²⁰ Final greenhouse gas inventory (GHGI) for 2021-2022, approximated GHGI for 2023 and 2030 projections (WEM scenario).

²¹ Final greenhouse gas inventory (GHGI) for 2021-2022, approximated GHGI for 2023 and 2030 projections (WAM scenario).

Figure 3 shows the distance between the 2030 effort sharing targets and the States' 2030 projections as reported in 2023, including the WEM and WAM scenarios. Positive values indicate projected overachievement, while negative values indicate projected underachievement. In this figure, the EU Member States are measured on targets reflecting the at least 55 per cent reduction target, while Iceland and Norway are measured on targets reflecting the at least 40 per cent reduction target.

Based on the latest emission projections by Iceland and Norway, ESA has assessed the States' progress towards their annual emission limits over the period 2021-2030, taking into account the flexibilities available under the Effort Sharing Regulation.²²

Based on the assumption that the States would use saved AEAs from previous years and/or 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 would also not have excess emissions during the 2026-2030 period;
- Norway would have excess emissions during the 2026-2030 period.

Any excess emissions or surplus removals under the LULUCF Regulation for that period have not been considered in the above assessment.

Pursuant to the LULUCF Regulation, greenhouse gas emissions from land use, land use change and forestry shall be balanced by at least an equivalent accounted removal of CO₂ in the period 2021 to 2025. Under Article 9(2) of the Effort Sharing Regulation, any excess emissions (debit) under the LULUCF Regulation are automatically deducted from the States' AEAs in the first compliance period under the Effort Sharing Regulation. States that perform well under the LULUCF Regulation can use such overachievement (credit), up to specific limits, to cover excess emissions under the Effort Sharing Regulation.

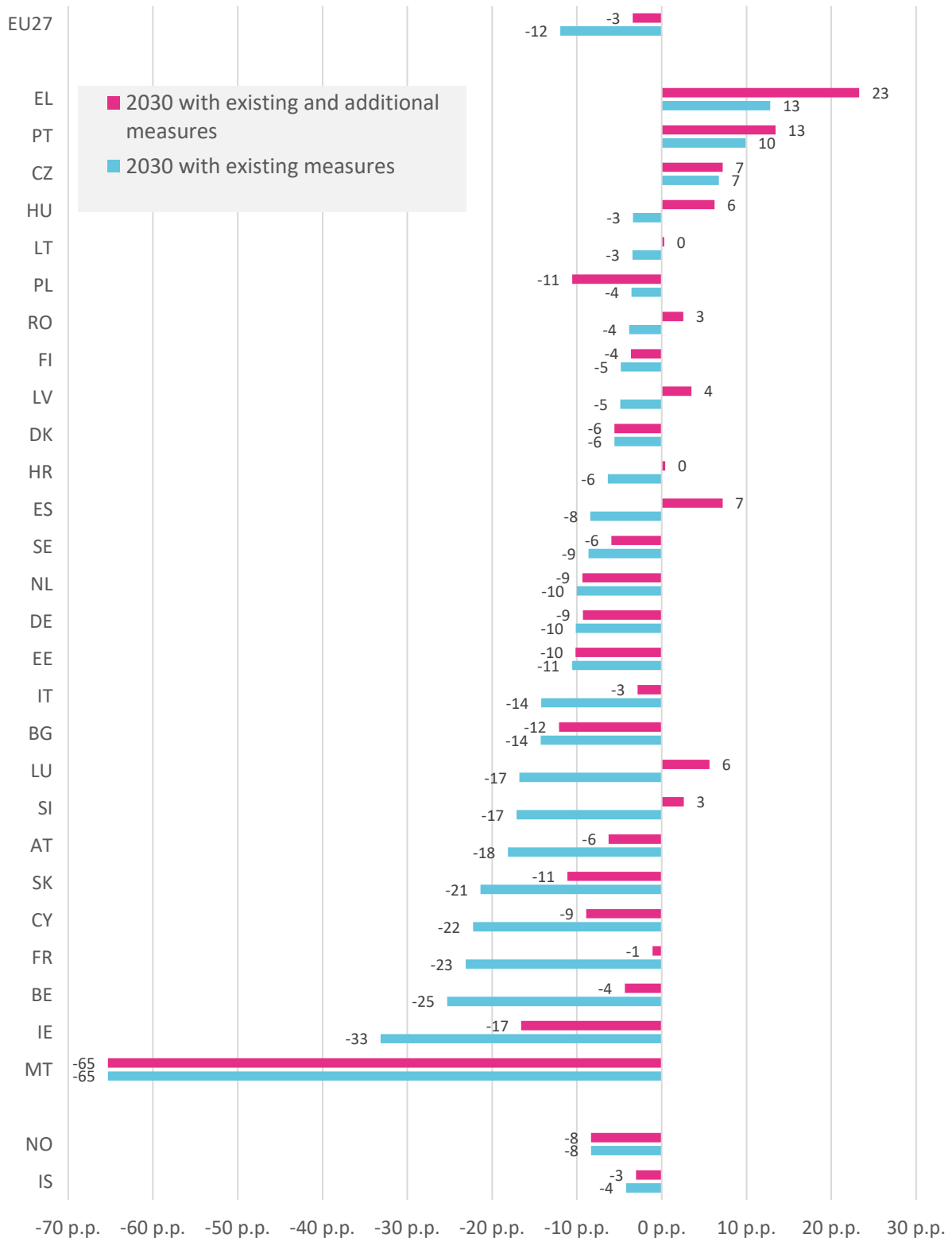
Furthermore, the EU Member States, Iceland and Norway can trade AEAs amongst themselves.²³ However, based on current projections prepared by the European Commission for the EU Member States, there may only be a limited amount of AEAs available for purchase.²⁴

²² Iceland and Norway will under the current legal framework be able to use the flexibilities permitted under the Effort Sharing Regulation, such as borrowing from following years, transfers of annual emission allocations from other States, flexibilities from the ETS or to offset part of their emissions with net removals generated in the LULUCF sector. In 2020, Iceland and Norway notified ESA of their intention to make use of the limited cancellation of ETS allowances allowed under the Regulation. The ETS allowances are deducted from the amounts that would normally be auctioned under the ETS.

²³ Pursuant to Annex V of the Governance Regulation, Norway and Iceland must as part of their annual GHGI reporting to ESA include information on concluded and intended use of flexibilities. In their 2024 reporting to ESA, Norway and Iceland did not report any concluded or intended transfers of AEAs to or from other States.

²⁴ EU Climate Action Progress report 2024.

Figure 3: Gap between 2030 effort sharing targets and projected greenhouse gas emissions (in percentage points)²⁵



²⁵ Source: the EU Climate Action Progress Report 2024. Where countries have not submitted a WAM scenario, the WAM scenario in Figure 3 has been gap-filled using the WEM scenario.

Table 3: AEAs, historical and projected emissions and distance to targets under the Effort Sharing Regulation (Mt CO₂ equivalent) covering the period 2021 - 2030. Positive values indicate overachievement and negative values indicate underachievement.²⁶

EEA EFTA State	ETS and LULUCF flexibility	2005 base year emissions	2021 (final inventory)	2022 (final inventory)	2023 (approximated)	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	2.8	2.8	2.7	2.8	2.7	2.6	2.5	2.4	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. See Section 3.										
Distance to target			0.1	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Cumulative balance of AEAs			0.1	0.1	0.2	0.1	-0.1	-0.2	-0.3	-0.3	-0.4	-0.5
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	25.5	25.2	24.2	23.5	22.8	22.3	21.3	20.8	20.3	19.8
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. See Section 3.										
Distance to target			-0.3	-0.9	-0.8	-1.0	-1.1	-1.4	-1.4	-1.7	-2.1	-2.4
Cumulative balance of AEAs			-0.3	-1.3	-2.0	-3.0	-4.1	-5.6	-6.9	-8.6	-10.7	-13.1
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.										

In 2027, there will be a comprehensive review of the inventory data for the years 2021-2025 and a compliance check under the LULUCF Regulation. Estimated LULUCF emission data for 2021, 2022 and 2023 shows a small credit for Iceland and a significant debit for Norway (see Chapter 3). If this data is confirmed, it may be challenging for Norway to achieve its effort sharing targets for each year in the first compliance period.

Based on the assumption that the States would use saved AEAs from previous years, the existing ETS flexibility, and considering any excess emissions or surplus removals under the LULUCF Regulation:

- Norway would have excess emissions already in the first compliance period (2021 to 2025), whereas excess emissions would only occur in the 2026-2030 period when net emissions or removals under LULUCF are not taken into account.
- Iceland would not have excess emissions during the period 2021-2030.

²⁶ 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 and 2022 emissions are based on the final inventory reports, 2023 emissions are based on approximated inventory reports. 2024-2030 emissions are based on the most recent WAM emissions projections reports, or in the absence of WAM projections the WEM projections.

Considering its significant gap,²⁷ Norway is strongly encouraged to consider additional measures to reduce its emissions under the Effort Sharing Regulation and/or LULUCF. In this context, it is relevant to take into account that excess emissions in the first compliance period (2021-2025)²⁸ pose a bigger challenge with less time to develop additional policies to reduce emissions. ESA notes that its assessment reflected in Table 3 is based on the projections reporting done by Norway in March 2023, and does not reflect additional or planned measures.²⁹

Iceland is not expected to have excess emissions against the current targets. However, the targets for Iceland and Norway are expected to be reviewed in light of the increased level of ambition to reduce emissions by at least 55 per cent by 2030, compared to 1990, pending agreement between the European Union, Iceland and Norway.

Iceland is therefore encouraged to consider additional measures to reduce its emissions under the Effort Sharing and LULUCF Regulations, considering its small margin to stay within the current targets, and the expected revisions to the targets as reflected above.

In its 2025 Climate Progress Report, ESA will return to the progress assessment when a more complete overview is available, including updated projections and expected new targets. Insufficient progress may trigger the need for a corrective action plan pursuant to Article 8 of the Effort Sharing Regulation.³⁰

3 LAND USE, LAND-USE CHANGE AND FORESTRY

3.1 LULUCF

The land use, land use change and forestry sector can both release greenhouse gas emissions to the atmosphere and remove CO₂ from it. As such, the sector plays an important role in addressing climate change.

²⁷ In this context, ESA has not received 2030 projections from Norway that include the additional effects of planned measures (WAM projections).

²⁸ The compliance check for the first compliance period will take place in 2027.

²⁹ Norway has not reported WAM projections. In 2023, Norway reported eight planned policies to reduce emissions in the effort sharing and LULUCF sectors, which pursuant to Norway were not included in their 2030 projections scenario reported to ESA in 2023. For further information on these see Section 2.2 of the ESA Climate Progress Report 2023. According to information provided by Norway during a factual consultation in relation to this assessment, Norway updated in October 2024 its projections, planned policies and measures. Norway estimates the quantified emissions reductions from the updated policies and measures to be a total of 16.5 Mt CO₂ equivalent for the period up to 2030. If this data is confirmed by updated projections reporting to ESA (WEM or WAM), it may have a significant impact on the assessment of progress towards the ESR targets. However, this data has not been reported to ESA nor quality checked by the European Environment Agency and is therefore not part of the present assessment. Updated reporting to ESA is expected in March 2025 and will be considered for the progress assessment in 2025.

³⁰ Article 8 of the Effort Sharing Regulation provides that if ESA finds, in its annual assessment under Article 29(5)(b) of the Governance Regulation, that a State is not making sufficient progress towards meeting its obligations under Article 4 of that Regulation, taking into account the intended use of the relevant flexibilities, that State must submit to ESA a corrective action plan including additional actions that the State shall implement in order to meet its specific obligations under Article 4 of that Regulation.

In the EU Climate Action Progress Report 2024, the Commission highlights that carbon removals in the EU have declined at a worrying speed in recent years. The Commission reports that this trend is to a large degree due to a decrease in forest related removals, triggered mainly by an increase in harvesting, combined with a stabilisation or slight reduction in forest growth, especially in ageing forests in certain Member States. The Commission further reports that climate change itself is also having an increased impact, and that the future robustness of Europe's forest sinks is far from guaranteed. The growing frequency and severity of disturbances such as forest fires, wind throw, insect and fungus outbreaks, and droughts is undermining the role of forests as a carbon sink and has in some cases turned them temporarily into carbon sources.

LULUCF data reported in 2024 shows that, with some variation, there has been a decrease in the carbon removals in Norway in the past 10-15 years. The reported total carbon sink³¹ of Norway is a net removal of 11.74 Mt CO₂ equivalent in 2021 and 13.75 Mt CO₂ equivalent in 2022. Approximated 2023 data shows a net removal of 13.75 Mt CO₂ equivalent.³²

Iceland reported net emissions in the LULUCF sector of 7.7 Mt CO₂ equivalent in 2021, and 7.76 Mt CO₂ equivalent in 2022. Approximated data for 2023 shows net emissions of 7.74 Mt CO₂ equivalent.³³

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 CO₂ from the atmosphere in the periods 2021 to 2025 and 2026 to 2030 (the "no-debit" rule). The compliance check under the LULUCF Regulation for the years 2021-2025 will take place in 2027.

In 2023, the EU amended the LULUCF Regulation, introducing a more ambitious obligation to ensure net CO₂ removals by 2030.³⁴ The revised LULUCF Regulation has not yet been incorporated into the EEA Agreement. Therefore, this report does not take into account this amendment.

The LULUCF Regulation contains detailed rules for how to account the emissions and removals from different land accounting categories. This includes 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.³⁵ The reported total emissions and removals from the LULUCF sector as reflected for Iceland and Norway above thus differ

³¹ Pursuant to Article 3(1)(1) of the LULUCF Regulation a 'sink' means any process, activity or mechanism that removes a greenhouse gas, an aerosol, or a precursor to a greenhouse gas from the atmosphere.

³² Final greenhouse gas inventory for 2021 and 2022 and approximated greenhouse gas inventory for Norway reported in 2024.

³³ Final greenhouse gas inventory for 2021 and 2022 and approximated greenhouse gas inventory for Iceland reported in 2024.

³⁴ 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).

³⁵ 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.

from the accounted emissions and removals relevant for compliance under the LULUCF and Effort Sharing Regulations for the period 2021-2025.

Across all land categories, Iceland and Norway must fulfil the ‘no-debit’ rule, which means that credits or debits generated in the different land categories need to sum up to at least zero. If the ‘no-debit’ rule is not fulfilled and Iceland or Norway has a net debit, they will be able to use a number of flexibilities to compensate this net debit. This includes the option to purchase credits from other EU Member States or from each other. If a country still has a net debit for the years 2021-2025 after the use of flexibilities, this debit will be part of the compliance assessment under the Effort Sharing Regulation.

3.2 ASSESSMENT OF PROGRESS IN THE LULUCF SECTOR

Based on the 2024 GHGI submissions and applying the accounting rules of the LULUCF Regulation, the provisional ‘accounted’ balance for 2021 and 2022 shows a total credit of minus 0.41 Mt CO₂ equivalent for Iceland³⁶ and a total debit of 21.62 Mt CO₂ equivalent for Norway.

For Iceland, this credit decreased slightly from minus 0.22 Mt CO₂ equivalent in 2021 to minus 0.19 Mt CO₂ equivalent in 2022.

Norway’s debit decreased from 11.8 Mt CO₂ equivalent in 2021 to 9.82 Mt CO₂ equivalent in 2022.

Due to further methodological improvements of the greenhouse gas inventories in the future, these figures are subject to change in the next years. Moreover, 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. Such technical corrections may impact the preliminary accounting reflected in this chapter.

It is, therefore, important to emphasise that the present assessment is subject to a high level of uncertainty. In 2027, there will be a comprehensive review of the inventory data for 2021-2025 under the LULUCF Regulation.

Considering its significant debit in the first two years of the first compliance period (2021 to 2025), Norway may face challenges in complying with the “no-debit” rule for this period. While these estimates are still uncertain, they should be considered in Norway’s policy planning, taking into account that there is limited time to develop policies and implement measures to address the developments within the sector.

In conclusion, based on the information currently available, Iceland and specifically Norway are encouraged to consider increasing their ambitions in the LULUCF sector.

³⁶ This year, Iceland reported their preliminary GHGI by the deadline of 15 January, but the final GHGI was only submitted after the deadline of 15 March. Compared to the preliminary GHGI, the final GHGI entailed changes to the LULUCF data, but did not impact the effort sharing data. Due to the late reporting, the LULUCF data has not been quality checked by the European Environment Agency.

Table 4: LULUCF preliminary accounted emissions and removals for the year 2022 per land category³⁷

State	Accounted Land category	Result: All units KtCO ₂ eq
Iceland	Deforested Land	0.56
	Afforested Land	-374.45
	Managed Cropland	214.15
	Managed Grassland	66.21
	Managed Wetland	
	Managed Forest Land	-100.68
	Sum annual	-194.21
Norway	Deforested Land	2448
	Afforested Land	-1122.2
	Managed Cropland	73.8
	Managed Grassland	-206.1
	Managed Wetland	
	Managed Forest Land	8628.1
	Sum annual	9821.6

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, with a perspective of at least 30 years.

The submission of these strategies is a pre-requisite for making use of managed forest land flexibility.³⁸ The detailed requirements for these strategies are reflected in Article 13(2)(a) of the LULUCF Regulation, as adapted to the EEA Agreement.³⁹ The strategies have been made available to the public in Iceland⁴⁰ and Norway.⁴¹

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.

³⁷ Preliminary estimates based on the greenhouse gas inventory for 2022 reported in 2024.

³⁸ As reflected in Article 13 of the LULUCF Regulation.

³⁹ Article 3, paragraph 8(a), first indent, adaptation (iii) of Protocol 31 to the EEA Agreement.

⁴⁰ <https://www.stjornarradid.is/gogn/rit-og-skyrslur/stakt-rit/2020/08/28/Iceland-Strategy-on-LULUCF/>

⁴¹ <https://www.regjeringen.no/en/dokumenter/strategy-on-land-use-land-use-change-and-forestry-sector/id2924513/>

4 ANNEX

Climate targets under the Effort Sharing and LULUCF Regulations as currently applicable in the EEA		
	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 , CH ₄ , N ₂ O, HFCs, PFCs, SF ₆ , NF ₃	CO ₂ , CH ₄ , N ₂ O
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	



EFTA Surveillance Authority
Avenue des Arts 19H
1000 Brussels
Belgium

Tel: +32 2 286 18 11
Email: info@eftasurv.int