Input from Norway to the Global Stocktake

24. March 2022

Introduction

Norway welcomes the opportunity to provide input to the global stocktake (GST). In this submission we will share information on Norway's efforts on mitigation, adaptation and means of implementation and support, including some concrete good practices and experiences, as well as our views on fairness considerations as called for in 19/CMA.1.

The GST is crucial for enhancing the collective ambitions on action and support towards achieving the purpose and long-term goals of the Paris Agreement. The outcome shall inform Parties in updating and enhancing, in a nationally determined manner, their actions and support, as well as enhancing international cooperation for climate action. The sources of input for the GST will include various sources, and the latest reports of the Intergovernmental Panel on Climate Change (IPCC) are key.

Norway's efforts on mitigation, adaptation and means of implementation and support

Referring to Decision 19/CMA.1, paragraph 36(a) to (e) we would like to share the following:

Norway's updated nationally determined contribution can be found here. Our NDC-target is to reduce emissions by at least 50 per cent and towards 55 per cent compared to 1990 levels by 2030. Norway's long-term low-emission strategy for 2050 can be found here.

The Climate Change Act was established in 2017 to promote the implementation of Norway's climate targets as part of its process of transformation to a low-emission society by 2050. According to this act the Government shall every fifth year submit updated climate targets to the Storting, based on the best available scientific knowledge and as far as possible be quantitative and measurable.

Norway's state of greenhouse gas emissions by sources and removals by sinks can be found in our National Inventory Report. Our overall efforts on mitigation and our provisions of finance, technology and capacity-building support to developing countries are described in our Biennial Report. Our Seventh National Communication describes national circumstances, policies and measures related to climate change. Our adaptation efforts are described in Chapter 6 of the National Communication.

Forward-looking Information about Norway's climate finance can be found in our submission responding to Article 9, paragraph 5, of the Paris Agreement. The Norwegian Government has set a target to double its overall climate finance to developing countries from NOK 7 billion in 2020 to NOK 14 billion by 2026 at the latest. As part of this target, Norway also plans to at least triple its funding for climate adaptation. A new Norwegian Climate Investment Fund for Developing Countries is established, and the plan is to allocate NOK 10 billion until 2026 to invest in renewable energy with the aim of contributing to reduced greenhouse gas emissions.

To gain more knowledge about the finance flow's alignment with Article 2.1.c of the Paris Agreement, we have recently carried out two studies. The first, in cooperation with OECD, looked at real economy investments in the industry sector in Norway and linked these investments to the underlying sources of financing. The second, was a PACTA test, where we invited the financial sector to test a tool which measures financial portfolios' alignment with various climate scenarios.

Good practices and experience

Referring to Decision 19/CMA.1, paragraph 36(g) we would like to share good practices and experiences useful for the assessment of progress and the consideration of recommendations for enhanced actions within and across different sectors and areas. The examples we share are context specific, like all climate policy. The idea is therefore not that they necessarily can or should be copied. Nevertheless, we believe that such examples serve to inform an exchange of good practices and experiences, which in Norway's view is a critical function of the GST.

An ambitious and effective climate policy involves the whole of society. **Businesses, civil society, and governments at different levels play a crucial role in the development and implementation of our climate targets and policies.** Consequently, **different stakeholders must be involved in the decision-making process**, including, among others, civil society, children, youth and indigenous peoples. In Norway we have a long-standing tradition of institutionalised processes for public consultation processes. For a just transition the tripartite cooperation model between employers, unions and government has long traditions in Norwegian working life, and for us it is key. To foster and enhance a just transition further the government intend to establish an inclusive national council for just transition in near future.

Mitigation

Norway introduced a CO_2-tax in 1991. One important experience is that **a gradual increase in the tax on greenhouse gas emissions, combined with other incentives to choose what is environmentally friendly, can contribute to technology development and reduce emissions.**

Cross-sectoral instruments such as taxation of greenhouse gas emissions and emissions trading are the main instruments of Norwegian climate policy. These instruments give households and businesses incentives to reduce emissions and to develop and deploy climate-friendly solutions. Setting a price or a tax on emissions also ensure that emissions are reduced where it is cheapest to do so. Further, pricing contributes to a clear, predictable framework vital to the business sector, for example, if they are to invest in climate-friendly technologies and solutions. The taxation of greenhouse gases in Norway has increased gradually, and the government has announced a plan to increase the tax rate to NOK 2000 per tonne CO_2 equivalents in 2030[1]. Increasing the CO_2-tax over time has provided funding

[1] For emissions covered by the EU ETS (for example petroleum), the raise in the carbon tax is set to be in line with the rise for non-ETS emissions and consider the tax rate in conjunction with the price of emission allowances in the EU ETS, so that the total carbon price reaches NOK 2000 per ton CO_2 equivalents in 2030, measured in fixed 2020 NOK.

for public expenses or for reducing distortive taxes. Revenue from carbon taxation may be spent to mitigate possible distributional effects of the tax increases.

Combined with a high price on greenhouse gas emissions, Norway has implemented measures to promote early and rapid uptake of various low and zero emission solutions. In our experience, incentivizing alternatives to “business as usual” can make higher prices on greenhouse gas emissions more acceptable. The perhaps clearest examples of this are the policies encouraging rapid transition to zero-emission vehicles (ZEVs). No other country in the world has more electric vehicles per capita than Norway: 64,5 per cent of all new passenger cars sold in Norway in 2021 were fully battery electric, and around 15 per cent of our total passenger car park now consists of cars with zero tailpipe emissions.

Strong ZEV incentives were in place already since the early 90s. A combination of taxation rules and incentives are the main reasons for the high penetration of ZEVs. Exemption of purchase tax and VAT provide large financial incentives for potential buyers of electric cars. Strong end user incentives have also been employed, including free or discounted parking, reduced or no road toll, free access to ferries and access to bus lanes.

Feasibility of benefitting from the EV transition in Norway is partly linked to the availability of charging facilities. While charging infrastructure mainly is done on commercial terms and infrastructure is being build based on demand, some areas have insufficient volume of EVs to trigger private investments in charging stations. In these areas, a state-owned agency called Enova provides financial support for companies to build a basic public charging infrastructure. In this way measures are put in place to ensure that the all citizens can take part in e-mobility, contributing to a just and fair transition.

The incentives do come at a cost. Taxation of cars has been, and still is, an important source of revenue in Norway. However, the strong tax incentives combined with an increased share of electric vehicles has led to a substantial decline in tax revenues. Revenues from car related excise duties has fallen from almost NOK 80 billion in 2007 to NOK 40 billion estimated in 2021. In addition, the annual VAT revenues has fallen by roughly NOK 10 billion in the same period, due to a VAT exemption for electric vehicles. Incentives have therefore gradually started to change, and local authorities can now introduce payments on toll roads and ferries as well as parking fees and restricted access to bus lanes. However, Norway has a national binding standard stating that fees for electric cars should not exceed 50 per cent of the fee for conventional cars. Work has also started on developing a new tax system for cars that will be economically sustainable after 2025.

As the technology matures, prices go down and volumes increase, and consequently the need for strong fiscal incentives is reduced. Today many ZEVs are still more expensive than combustion engine vehicles, but it is expected that they will soon be competitive even without incentives. This means that other countries can achieve a higher uptake of ZEVs in another manner and at a lower cost than what has been the case in Norway.

Adaptation

Through the work on climate adaption, the Norwegian experience is that **adaptation measures can contribute to reduced costs related to the effects of climate change.** Furthermore, that **customized information is key for local authorities to enable adaptation.**

Climate change is affecting Norway in various ways, for example flooding due to increased precipitation and storm surges. A study[2] from 2017 did a cost/benefit analysis of measures to adapt to such extreme weather events in two Norwegian municipalities. The study found that while climate adaptation costs, it pays off. By implementing adaptation measures, costs from damages can be avoided or reduced in a manner that far outweigh the cost of implementing the measures. For one of the municipalities the estimated net benefit amounted to more than NOK 7 billion annually, illustrating that investments in climate change adaptation today will save far greater cost in the future.

A key principle in Norway's adaptation policy is that all sectors are responsible for assessing and addressing the impacts of climate change in their areas of responsibility. All government agencies and local and regional authorities carry a responsibility for climate change adaptation within their geographical location. Municipalities' capacity to adapt depend on a number of factors, including the availability of climate projections and other planning tools.

In our experience, the utility of climate data is strongly linked to the way this information is presented for users. The Norwegian Centre for Climate Services (NCCS) is responsible for regular assessments of available regional climate projections and to provide customized information to users. To make information user-friendly, the NCCS has developed so-called "climate profiles" for all regions in Norway, summarizing expected climate change effects towards 2100.

Means of implementation and support

The Norwegian International Climate and Forest Initiative (NICFI) is presently the largest single element in Norway's public climate finance. One of the important lessons learned from NICFI is that **public-private cooperation can mobilize substantial funding for adaptation and mitigation efforts in the land-use sector in developing countries.**

NICFI works on several fronts to realise large-scale emission reductions, while protecting invaluable tropical forests and contributing to sustainable development. While reducing forest loss is in the national interest of forest countries, international support can help them do more, faster. NICFI is perhaps most known for its large results-based bilateral partnership with the key forest countries, where payments are disbursed for reduced deforestation.

Mobilizing large-scale climate finance for reduced deforestation has been a key priority for NICFI since the beginning in 2008. In 2021, NICFI, together with the US, UK, and leading companies launched the LEAF Coalition. The Coalition is a public-private partnership (PPP) that brings together efforts to help protect tropical forests. The approach brings together several elements; PPPs, nature-based solutions, and market mechanisms to incentivise

[2] rapport---klimatilpasning-tromso-og-stavanger-160617-em.pdf (only in Norwegian)

mitigation. At COP26 in Glasgow, the LEAF Coalition announced that the initial target of USD 1 billion in finance for purchasing emission reductions from reduced deforestation and degradation through use of the ART-TREES standard, had been met. Through the LEAF Coalition, funds are available for purchasing emission reductions. For forest countries their engagement with LEAF is a way to implement activities in line with The Warsaw Framework for REDD+, something which also help meet their NDC targets.

In addition to close partnerships with key forest countries to reduce deforestation, NICFI strategically collaborates with several partners internationally to reduce underlying pressures on forests. For example, we are working with international institutions such as Interpol to reduce forest crime. We also invest in new technology and transparency solutions to give investors, banks and other actors tools to determine deforestation risks and strengthening supply chain action to facilitate deforestation free production.

Norway was one of 142 countries that signed the Glasgow Leaders Declaration for Forest and Land Use to halt and reverse forest loss and land degradation by 2030. Together with 11 other bilateral donors, NICFI is part of the Glasgow Forest Finance Pledge.

Fairness considerations

Referring to Decision 19/CMA.1, paragraph 36(h) we would also like to share some views on fairness considerations.

According to the Paris Agreement Article 4, nationally determined contributions need to reflect the Party’s highest possible ambition and represent progression beyond the current nationally contribution. Fairness considerations, including equity, are important elements when considering if a Party’s NDC is in line with the principles of highest possible ambition and progression. Norway's approach to consider these principles is to assess how its NDC contributes to meeting the global long-term goal of the Paris Agreement, with weight on limiting the global warming to 1.5 degree increase, taking into account fairness and equity.

The most important basis for such an assessment is the IPCC reports. For example, by taking into account the remaining global carbon dioxide emission budget and the need for deep reductions in other greenhouse gases consistent with achieving the temperature goal of the Paris Agreement. In considering fairness and equity, we take into account our national circumstances, including the fact that Norway is a high-income country that should undertake ambitious emission reduction targets. These considerations will help ensure that our nationally determined contribution is in line with the principles of the Paris Agreement, the Norwegian Climate Change Act and align with the global long-term temperature goal of the Paris Agreement.