

The National Audit Office of Norway's investigation of the authorities' governance and coordination to achieve the climate targets adopted by the Storting

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To the Storting

The National Audit Office of Norway hereby presents
Document 3:15 (2023–2024) *The National Audit Office of Norway's investigation of the authorities' governance and coordination to achieve the climate targets adopted by the Storting.*

The document is structured as follows:

- The conclusions of the National Audit Office of Norway, elaboration of conclusions, recommendations, the Minister's response and the National Audit Office of Norway's statement on the Minister's response
- Appendix 1: The National Audit Office of Norway's letter to the Minister
- Appendix 2: The Minister's response
- Appendix 3: Performance audit report with assessments

The National Audit Office of Norway, 11 June 2024

For the Board of Auditors General

Karl Eirik Schjøtt-Pedersen
Auditor General of Norway

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The National Audit Office of Norway (NAO Norway) can issue criticism according to the following three levels of severity:

1. **Highly objectionable** is NAO Norway's strongest criticism. We use this level of criticism when we find serious weaknesses, flaws, and shortcomings. These can often entail major consequences for individuals or society in general.
2. **Objectionable** we use when we find significant weaknesses, flaws and shortcomings that can often entail moderate to major consequences for individuals or society in general.
3. **Unsatisfactory** we use when we find weaknesses, flaws and shortcomings, but which to a lesser degree will have major direct consequences for individuals or society in general.

1 Introduction

In the *Act relating to Norway's climate targets* (the Climate Change Act), the Norwegian Parliament (the Storting) decided that Norway shall become a *low-emission society* by the year 2050, at which point greenhouse gas emissions have been reduced by 90–95 per cent below 1990 levels, cf. Section 4. In the Act, a “low-emission society” is defined as one where greenhouse gas emissions, on the basis of the best available scientific knowledge, global emission trends and national circumstances, have been reduced in order to avert adverse impacts of global warming.¹ Furthermore, Norway's Low-Emission Strategy for 2050 states that a low-emission society is characterised by a society with low emissions across all sectors, cf. Proposition to the Storting (Prop.) 1 (Resolution) (2019–2020) for the Ministry of Climate and Environment²

Under the Paris Agreement, Norway has submitted to the United Nations (UN) a climate target to reduce greenhouse gas emissions by 55 per cent below 1990 levels by 2030. This target is also enshrined in Section 3 of the Climate Change Act. The Government has additionally set a *transformation target* of reducing domestic greenhouse gas emissions by 55 per cent below 1990 levels by 2030. The target involves a transformation of both the sectors included in the European Union (EU) Emissions Trading System (EU ETS) as well as the sectors that are not covered by this system. The purpose is for the entire Norwegian business sector to transition towards a low-emission society.³ According to the Government, the statutory target for 2030 and the transformation target are important milestones on the way to becoming a low-emission society.⁴

Norway has entered into an agreement with the EU and Iceland on a common framework to reduce emissions towards 2030. The legislation was incorporated into the EEA Agreement on 25 October 2019.⁵ The statutory objective of the Climate Change Act stipulates that the Act does not preclude joint fulfilment of climate targets with the EU.⁶ The Climate Change Act also states that the effect of Norway's participation in the EU Emissions Trading System (ETS) is to be taken into account in assessing progress towards attaining the 2050 target, cf. Section 4, second paragraph.

¹As described in Article 2(1)(a) of the Paris Agreement of 12 December 2015. This entails holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels.

²Prop. 1 (Resolution) (2019–2020) for the Ministry of Climate and Environment, Appendix 1 *Norway's long-term low-emission strategy for 2050*.

³Report to the Storting (White Paper) 2 (2021–2022) *The Revised National Budget 2022*, Cf. Recommendation. 450 (Resolution) (2021–2022).

⁴*Regjeringens klimastatus- og plan* (The Government's Climate Status and Plan – in Norwegian only). Separate appendix to Prop. 1 (Resolution) (2023–2024) for the Ministry of Climate and Environment, p. 118.

⁵Decision of the EEA Joint Committee No 269/2019 of 25 October 2019, <https://www.efta.int/sites/default/files/documents/legal-texts/eea/other-legal-documents/adopted-joint-committee-decisions/2019%20-%20English/269-2019.pdf>. Resolution 474 to Report to the Storting (White Paper) 13 (2014–2015) *New emission commitment for Norway for 2030 – towards joint fulfilment with the EU* with Recommendation 211 (Resolution) (2014–2015), <https://www.stortinget.no/no/Saker-og-publikasjoner/Saker/Sak/?p=61807>. Resolution 599 to Samtykke til deltakelse i en beslutning i EØS-komiteen om innlemmelse i EØS-avtalen av rettsakter som inngår i felles oppfyllelse med EU av utslippsmålet for 2030 (Consent to participation in a decision in the EEA Committee on the incorporation into the EEA Agreement of legislative acts that are part of joint fulfilment with the EU of the 2030 emission target – in Norwegian only) with Recommendation 401 S (2018–2019) <https://www.stortinget.no/no/Saker-og-publikasjoner/Saker/Sak/?p=75801>.

⁶Section 3 of the Climate Change Act.

Climate change is a cross-sectoral challenge and the possible measures to reduce greenhouse gas emissions often cut across both sectors and levels of government. The UN Intergovernmental Panel on Climate Change (IPCC) (2022) notes that climate efforts are most effective when they span multiple policy domains and connect national, regional, and local levels of government.⁷

The Ministry of Climate and Environment has the primary responsibility for safeguarding the entirety of the Government's climate and environmental policy. The Ministry shall develop and implement its own measures and be a driving force in relation to various sector authorities.⁸ All sectors of society have an independent responsibility to base their activities on environmental considerations and contribute to achieving the national climate and environmental policy targets.⁹ Overall, the government ministries have a range of policy instruments intended to reduce greenhouse gas emissions. Cross-sectoral carbon taxes, tradable carbon credits, support schemes, and regulations are key policy instruments.

Responsibility for developing and implementing many of the most important political measures to reduce emissions lies with government ministries other than the Ministry of Climate and Environment.¹⁰ According to the report *Departementene i førersetet for omstilling* (Government ministries in the driver's seat for transformation) (2019) by the former Norwegian Agency for Public Management and eGovernment (Difi) (now the Norwegian Digitalisation Agency), coordinating government ministries, such as the Ministry of Climate and Environment, are dependent on others to achieve their targets and must take a proactive role in relation to other government ministries. The *sector principle* (which holds that each government ministry is responsible for its specific sector(s) of responsibility) entails that the Ministry of Climate and Environment, in principle, has no authority over the sectoral government ministries.¹¹

A unanimous Standing Committee on Energy and the Environment has expressed that the 2020s is a decade in which a number of adverse environmental trends must be reversed, cf. Recommendation 9 (Resolution) (2022–2023). According to the Committee, fulfilling Norway's obligations relating to climate and nature will require clearer political governance. The raised ambitions entail new and higher demands for effective, knowledge-based and precise climate and environmental policies.

The aim of the investigation has been to assess the Government's governance and coordination to achieve the Storting's statutory climate targets. The investigation primarily covers the 2022 and 2023 budget years.

⁷ The Norwegian Environment Agency. (2022). *Response to the assignment on the roles and policy instruments of the municipal sector to reduce greenhouse gas emissions*, sub-assignment 2, 1 June 2022, pp. 6–7. With reference to https://www.ipcc.ch/report/ar6/wg3/downloads/report/IPCC_AR6_WGIII_Chapter13.pdf, pp. 1358–1359.

⁸ Ministry of Climate and Environment. (2014, 13 October). from <https://www.regjeringen.no/no/dep/kld/dep/id673/>

⁹ Prop. 1 (Resolution) (2021–2022), (2022–2023) and (2023–2024) for the Ministry of Climate and Environment.

¹⁰ *Regjeringens klimastatus- og plan* (The Government's Climate Status and Plan – in Norwegian only). Separate appendix to Prop. 1 (Resolution) (2022–2023) for the Ministry of Climate and Environment, p. 13.

¹¹ Difi. (2019). *Departementene i førersetet for omstilling* (Government ministries in the driver's seat for transformation – in Norwegian only), section 3.4.2.

The investigation is based on the following resolutions and assumptions from the Storting:

- *Act relating to Norway's climate targets* (Climate Change Act)
- Prop. 182 (Bill) (2020–2021) *Endringer i klimaloven (klimamål for 2030 og 2050)* (Amendments to the Climate Change Act (climate targets for 2030 and 2050 – in Norwegian only)
- Prop. 77 (Bill) (2016–2017) *Act relating to Norway's climate targets* (Climate Change Act), cf. Recommendation 329 (Bill) (2016–2017)
- Resolution 898, 14 June 2016, during the Storting's consideration of Prop. 115 (Resolution) (2015–2016) *Samtykke til ratifikasjon av Parisavtalen av 12. desember 2015 under FNs rammekonvensjon om klimaendring av 9. mai 1992* (Consent to the ratification of the Paris Agreement of 12 December 2015 under the UN Framework Convention on Climate Change of 9 May 1992 – in Norwegian only) with Recommendation 407 (Resolution) (2015–2016)
- Annual budget proposals from the Ministry of Climate and Environment with accompanying recommendations 2020–2023
- *Norway's long-term low-emission strategy for 2050*. Appendix to Prop. 1 (Resolution) (2019–2020) for the Ministry of Climate and Environment
- Report to the Storting (White Paper) 40 (2020–2021) *Mål med mening – Norges handlingsplan for å nå bærekraftsmålene innen 2030* (Meaningful targets – Norway's Action Plan to achieve the Sustainable Development Goals by 2030 – in Norwegian only), cf. Recommendation 218 (Resolution) (2021–2022)
- Report to the Storting (White Paper) 13 (2020–2021) *Norway's Climate Action Plan for 2021–2030*, cf. Recommendation 325 (Resolution) (2020–2021) –
- Report to the Storting (White Paper) 24 (2016–2017) *Common Responsibility for Common Future*, cf. Recommendation 440 (Resolution) (2016–2017)
- Proposition to the Storting No. 48 (2004–2005) *Om bevilgningsreglementet* (Concerning the Allocation Regulations)

The report was submitted to the Ministry of Climate and Environment, Ministry of Finance, Ministry of Energy, Ministry of Local Government and Regional Development, Ministry of Agriculture and Food, Ministry of Trade, Industry and Fisheries, and Ministry of Transport. In letters dated 23, 24, and 25 April, the government ministries provided comments on the report. The comments have largely been incorporated into the report and into this document.

2 Conclusions



- Much work remains in developing measures to achieve the climate targets.
- The climate targets are vaguely specified and worded in a non-binding manner in the governance of the individual government ministries.
- A system for improved governance and coordination has been established, but the actual coordination is inadequate.
- It is uncertain to what extent it will be possible to purchase emission reduction units, forest absorption credits, and carbon credits abroad to attain Norway's climate targets.
- The reporting does not provide sufficient information on progress and how Norway will achieve the climate targets.

3 Overall assessment

Objectionable



- There has been an awareness of climate problems for years and Norway is facing a comprehensive societal transformation. It is **objectionable** that the responsible government ministries have not established governance and coordination adapted to one of the greatest cross-sectoral societal challenges of our time.
- It is **unsatisfactory** that the emission projections in the annual reporting fail to clearly show the extent of the uncertainty. Inadequate information regarding uncertainty weakens the basis for decision making when the Storting and the Government are to assess the need for changes in the use of policy instruments.

4 Elaboration of conclusions

4.1 Much work remains to be done in developing measures to achieve the climate targets.

Each year, the Government presents *Regjeringas klimastatus og -plan (The Government's Climate Status and Plan)* to the Storting as an annex to the Ministry of Climate and Environment's budget proposal. The document is prepared based on the reporting provision in Section 6 of the Climate Change Act. The Government notes that the document builds on and further develops relevant policy and knowledge, and that it summarises the Government's climate policy. The document is the result of an annual process between the government ministries to develop climate policy. In our analysis, we have therefore regarded the document *The Government's Climate Status and Plan* as a result of the annual coordination processes between various ministerial working groups and within the Government.

From 1990 to 2022, Norway reduced its national greenhouse gas emissions by 4.6 per cent. Nevertheless, the Government expects that Norway will reach the statutory target of reducing domestic greenhouse gas emissions by 55 per cent below 1990 levels by 2030. This is to occur partly through measures aimed at domestic emissions and partly through the participation of Norwegian undertakings in the EU Emissions Trading System (ETS). In *The Government's Climate Status and Plan*, the Government notes that there is significant uncertainty related to the effect of the policy instruments aimed at Norwegian emissions. Participation in the EU ETS, where half of Norway's emissions are included, will be crucial to achieving the legally binding 2030 target.

The Government's Climate Status and Plan also includes reporting on the achievement of the national transformation target of reducing domestic emissions by 55 per cent below 1990 levels by 2030. The reporting in *The Government's Climate Status and Plan* indicates that the transformation target will not be achieved.¹³ According to the Government, it is therefore necessary to continuously develop and strengthen climate policy year by year towards 2030.

Considering that the Government has stated that the national transformation target is an important intermediate target on the path to becoming a low-emission society, failure to meet this target could have consequences for the statutory 2050 climate target. Even with the participation of the undertakings in the EU ETS, further efforts will be required to achieve the target of a low-emission society, which according to Norway's Low-Emission Strategy for 2050 is characterised by low emissions in all sectors. This will involve a comprehensive transformation of society.



The low-emission society in 2050 has:¹²

- low emissions in all sectors
- high energy and resource efficiency
- production and consumption characterised by a circular economy
- transport sector with zero and low-emission solutions
- reduced transport needs
- low emissions from industry
- reduced greenhouse gas emissions from agriculture
- increased carbon sequestration

¹² Norway's Low-Emission Strategy for 2050, Appendix to Prop. 1 (Resolution) (2019–2020) for the Ministry of Climate and Environment.

¹³ The transformation target entails that the 2030 domestic emission level should be 23.1 million tonnes of CO₂ equivalents. With the calculated effect of the planned climate policy, emissions will be reduced by 33.3 million tonnes, i.e., a deviation of approximately 10 million tonnes.

Although the statutory target for 2030 appears to be within reach, the investigation shows that much work remains in establishing the necessary policy instruments to reduce greenhouse gas emissions if the climate target for 2050 is also to be achieved. *The Government's Climate Status and Plan* largely accounts for the possible policy instruments to reduce emissions. However, in NAO Norway's view, the measures are in many cases neither scheduled nor specified. These deficiencies illustrate the uncertainty associated with establishing sufficient policy instruments to achieve the necessary reductions in greenhouse gas emissions in order for Norway to become a low-emission society.

4.1.1 There is no plan to show which government ministries are responsible for further developing policy instruments and when this will happen

The annual report that the Government is required to present to the Storting in accordance with Section 6 of the Climate Change Act shall provide an account of how Norway will achieve its climate targets. In *The Government's Climate Status and Plan*, the Government accounts for the ongoing and planned work to develop policy instruments. Some of the policy instruments are scheduled, such as tax increases, the establishment of new requirements and funding schemes. Other measures involve assessing and evaluating changes in acts, regulations, and guidelines, as well as developing guidance documents. Much of the development of policy instruments requires the cooperation of the responsible government ministries. The plan inadequately specifies a timeline for when these efforts are to be completed. Furthermore, *The Government's Climate Status and Plan* does not indicate which government ministries are responsible for completing and implementing the various policy instruments.

As part of our investigation, we have examined two processes for exploring legislative changes that affect greenhouse gas emissions, which reveal that the development of new policy instruments or legislation can take time. One of these processes is climate requirements for building and construction sites. Emissions from building construction sites amounted to approximately two million tonnes of CO₂ equivalents in 2022 and are therefore a significant source of greenhouse gas emissions. According to *The Government's Climate Status and Plan for 2024*, climate requirements for building and construction sites are one of the areas in which the Government is working to reduce emissions in the transport sector. Our review shows that inquiries into this policy instrument were initiated in the autumn of 2020. In early March 2023, the Government announced that it aims to present a proposal for consultation on allowing the municipalities to set climate requirements for building and construction sites pursuant to the Pollution Control Act from 2024. As of April 2024, this proposal has yet to be presented for consultation.

NAO Norway believes that one weakness is that *The Government's Climate Status and Plan* lacks a schedule for the continued work on developing policy instruments, and that it also fails to specify which government ministries are responsible for these efforts. When a schedule is not clarified

in such a key management tool, there is a risk that important processes fail to achieve the necessary progress.

4.1.2 The work on further developing policy instruments is in part inadequately specified

The Government's Climate Status and Plan for 2024 emphasises that an effective transformation requires combinations of measures where pricing of emissions must form the foundation as a continuous incentive but where targeted initiatives that combine policy instruments to achieve emission reductions within specific segments must also be used.

In *The Government's Climate Status and Plan for 2024*, the Government presents packages of policy instruments for fossil fuel phase-out in four selected sectors, one of which is the transport sector. In our investigation we have particularly examined how *The Government's Climate Status and Plan* provides clarification regarding the transport sector, which accounts for one-third of emissions in Norway, to elucidate whether policy instruments to achieve emission reductions are specified.

The IPCC refers to the framework *Avoid-Shift-Improve (ASI)* as a concept to meet the transport needs of society while also taking into account climate and environmental considerations. *Avoid* concerns measures for transport reduction, such as spatial and transport planning that minimises travel needs. *Shift* encompasses measures that promote a shift in modes of transport, e.g., from private cars to public transport. *Improve* relates to measures that, e.g., lead to transport being carried out by way of low or zero-emission technology. By using *avoid* and *shift* measures, the need for transport is reduced, in turn resulting in less transport to *improve*.

Within road transport, which accounts for 18 per cent of emissions in Norway, the measures presented in *The Government's Climate Status and Plan for 2024* are largely price instruments intended to provide greater incentives for the purchase of zero-emission vehicles and regulations requiring the purchase of zero- or low-emission vehicles. Price instruments can also affect the demand for transport. The knowledge base from the Norwegian Environment Agency shows that in addition to reducing emissions from vehicles, it is necessary to reduce the demand for transport. One of the reasons for this is that a fossil fuel-free transport sector will require a considerable increase in power generation.

In the report *Klimatiltak i Norge mot 2030* (Climate mitigation measures to take us to 2030) the Norwegian Environment Agency states an emission-free transport sector will require 60 TWh of power in 2050 if the growth assumptions in the National Transport Plan 2018–2029 are applied, 34 TWh of which is electricity.¹⁴ In a scenario where zero growth in transport volume is assumed, the total energy demand for the transport sector will be 45 TWh in 2050, 24 TWh, of which will be electricity. The need applies to the entire transport sector, i.e., both road transport and other transport, such as railways, shipping, and transport related to building and construction. To put



For many climate measures, packages of policy instruments are needed in order to reduce barriers:

- **Targets** are the desired results.
- **Measures** are a specific activity to achieve the target.
- Several **barriers** can prevent actors from implementing a measure.
- **Policy instruments** can be developed and implemented to reduce a barrier so that the measure is triggered.

¹⁴ *Kraftbehov for transport – Nullutslippsscenarioer for 2050* (Energy demand for transport – Zero emission scenarios for 2050 – in Norwegian only), p. 11.

this into perspective, we note that the transport sector used 2 TWh of electric power in 2021. A total of 157 TWh of electric power was produced in Norway in 2021.

The need for measures to reduce transport and achieve a shift from private cars to public transport is also reflected in *The Government's Climate Status and Plan for 2024*, which highlights the importance of coordinated spatial and transport planning. The Government refers to concluded and planned urban growth agreements, as well as to central government instructions to the municipalities on spatial planning. Among other measures, the Government plans to strengthen efforts to ensure that the municipalities, county authorities and government agencies have a good knowledge base, good guidance, and good tools for climate-friendly regional, spatial, and transport planning at their disposal. Another measure is to explore how climate considerations can be enhanced in the in the Planning and Building Act. It is not specified how or when such changes can be implemented, or what effect they will have.

In NAO Norway's assessment, *The Government's Climate Status and Plan* fails to sufficiently account for how a comprehensive set of policy instruments for greenhouse gas emissions reduction in the transport sector will be implemented. The policy instruments for spatial planning and urban growth agreements are highly complex, where multiple considerations must be balanced against one another. Therefore, it is to some extent understandable that these measures are not specified in detail. Nevertheless, the consequence thereof is an under-communication of the extensiveness of the remaining work on policy instrument development.

4.1.3 Carbon taxing is an important policy instrument, but its effect is diminished by other considerations

The main policy instruments in Norwegian climate policy are cross-sectoral carbon taxes and participation in the EU ETS. Taxes and a duty to surrender emission allowances place a price on greenhouse gas emissions, providing economic incentives for actors to change their behaviour without dictating how they should do so. The idea is that each individual is thereby free to adapt the manner resulting in the lowest costs. Taxes and carbon credits are therefore considered cost-effective measures.

In total, about 85 per cent of Norwegian emissions are subject to either a carbon tax, duty to surrender allowances, or both. The Government has announced that it will increase carbon taxes to approximately 2,000 2020 Norwegian kroner per tonne of CO₂ by 2030.¹⁵ At the same time as carbon taxes are raised, the EU will reduce the number of available carbon credits in the European emissions trading market, which will affect the allowable emission level in the sectors participating in the EU ETS and could thereby also lead to an increased carbon credit price.



Carbon taxes¹⁵

The most important taxes on greenhouse gas emissions are the CO₂ tax levied on mineral products and the CO₂ tax on petroleum activities on the continental shelf.

Both taxes were introduced in 1991.

In addition, there is a tax levied on waste incineration, and a tax on the greenhouse gases hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF₆).

¹⁵ Prop. 1 LS (2023–2024) *Skatter og avgifter 2024* (Taxes and Fees 2024 – in Norwegian only).

¹⁶ Prop. 1 LS Supplement 1 (2021–2022) *Endring av Prop. 1* (Amendment of Prop. 1) (*Bill and Resolution*) (2021–2022) *Skatter, avgifter og toll 2022* (Taxes, duties and customs 2022 – in Norwegian only), p. 6, cf. Recommendation. 3 (Resolution) (2021–2023).

It is clear from *The Government's Climate Status and Plan* for 2023 and 2024 that the carbon tax is the most important policy instrument in the transport sector. In 2023 and 2024, the carbon tax was raised to make zero-emission vehicles or travel by public transport, cycling and walking more attractive options. However, other taxes were lowered to improve living conditions for ordinary people in a time of rising prices. Both in 2023 and 2024, the road tax was lowered to prevent exorbitant fuel prices.

The relationship between the various taxes was discussed by an interministerial working group that provided expert input to *The Government's Climate Status and Plan* for 2024. Experts from the Ministry of Finance, the Ministry of Climate and Environment, the Ministry of Agriculture and Food, and the Office of the Prime Minister participated in the working group. According to the expert input, a lowering of the road tax runs counter to incentives to reduce fuel consumption and, thus the carbon tax's incentives to reduce emissions. The turnover requirement for biofuels would then have to be increased, according to the civil service group.

The Government's Climate Status and Plan for 2024 indicates that the tax changes for motor vehicles reduce the climate effect of the carbon tax somewhat, although this still provides an incentive to choose zero-emission technology or other emissions-reducing measures. Thus, in accordance with the reporting requirements of the Climate Change Act, the Storting has also received information about changes that adversely affect the possibilities of achieving the climate targets. However, the consequence is that the public administration must then find other, perhaps less effective, means of achieving the climate targets.

4.2 The climate targets are vaguely specified and worded in a non-binding manner in the governance of the individual government ministries

Prop. 1 (Resolution) (2021–2022), (2022–2023) and (2023–2024) for the Ministry of Climate and Environment, express that all actors in the various sectors of society must contribute to achieving the national climate and environmental targets.¹⁷

When the statutory climate targets were adopted via the new Climate Change Act in 2017, no sector-specific intermediate targets were introduced. The principle of not introducing targets for individual sectors was continued in the latest white paper on climate, Report to the Storting (White Paper) 13 (2020–2021) *Norway's Climate Action Plan for 2021–2030*. In interviews, the government ministries state that they adhere to the national targets. The government ministries further state that having common national targets, where the individual government ministries are to contribute to achieving the targets, ensures flexibility to implement the most cost-effective measures, irrespective of sector. At the same time, the investigation suggests that

¹⁷ Prop. 1 (Resolution) (2022–2023) for the Ministry of Climate and Environment, p. 18 and Prop. 1 (Resolution) (2021–2022) for the Ministry of Climate and Environment, p. 24., cf. Recommendation. 9 (Resolution) (2021–2022) and (2022–2023).

having common national targets impacts the government ministries' ownership of climate targets, how they develop policy instruments, as well as what steering signals they give to subordinate agencies.

The responsible government ministries shall, in accordance with the Provisions on Financial Management in Central Government, set overarching targets, parameters for governance and reporting requirements for subordinate entities. As part of the investigation, we have reviewed the steering documents of the Ministry of Transport, the Ministry of Trade, Industry and Fisheries, the Ministry of Agriculture and Food, and the Ministry of Energy. The investigation shows that the government ministries set few specific requirements for subordinate agencies in instructions and allocation letters on how they are to work to reduce greenhouse gas emissions within their areas of responsibility. According to the allocation letters, the climate efforts in the undertakings largely concern the directorates *facilitating*, *reporting*, and *preparing analyses* on climate matters.

Furthermore, the review of the steering documents shows that various targets for the undertakings are equal but that some are worded in a more detailed manner than others. For the Norwegian Public Roads Administration, for example, the Vision Zero target of eliminating all traffic fatalities and severe injuries is more clearly formulated than the target of *contributing* to the fulfilment of Norway's climate and environmental targets. In an interview, the Norwegian Public Roads Administration confirms that the Vision Zero target of eliminating all traffic fatalities and severe injuries is more clearly worded than the climate and environmental target. According to the Norwegian Public Roads Administration, specific wording of targets can contribute to the prioritisation of the target. In this context, the Norwegian Public Roads Administration notes that the inclusion of requirements for low greenhouse gas emissions in operation and maintenance contracts has been a slow process, whereas the contracts have set clearer requirements for traffic safety and cost-effectiveness. The directorates play an important role in implementing national policy and, in NAO Norway's opinion, ought to have received clear and specific guidelines, where possible.

The sector ministries have an independent responsibility to contribute to achieving the climate targets within their policy domains, even if specific sector targets have not been set. The 2050 Climate Change Committee believes it is necessary to clarify the manner in which the various sectors are to contribute, and what resources are required.¹⁸

The Storting has adopted ambitions for some sector areas. For example, an ambition to halve emissions by 2030 compared to 2005 levels has been adopted for the transport sector. Nevertheless, there is a lack of strategies for each sector that would clarify how the sector can contribute to emission reductions. Several actors have long pointed out that strategies are needed, particularly for the transport sector.¹⁹ Sector-specific strategies can clarify the

¹⁸ NOU 2023: 25. (2023) *Omstilling til lavutslipp – Veivalg for klimapolitikken mot 2050* (Transformation into a low-emissions society – Climate policy choices towards 2050 – in Norwegian only), Ministry of Climate and Environment. <https://www.regjeringen.no/no/dokumenter/nou-2023-25/id3006059/>, p. 226.

¹⁹ Already in *Klimakur 2020* (Climate Cure 2020), prepared in 2010, it was noted that a long-term strategy underpinning the choice of policy instruments for the transport sector would be necessary. The International Energy Agency also reviewed the Norwegian energy policy in 2022 and recommended that Norway develop strategies for the energy transition and how emissions can be reduced in key sectors in the lead up to 2030 and 2050.

sectoral responsibility of each government ministry. One country that has developed emission trajectories for the various sectors is the United Kingdom. These trajectories are not sector-specific targets, but rather show a distribution and a range of possibilities for how emissions can be reduced within the sectors. Such emission trajectories provide an opportunity to modify policy instruments in step with, e.g., technology changes.

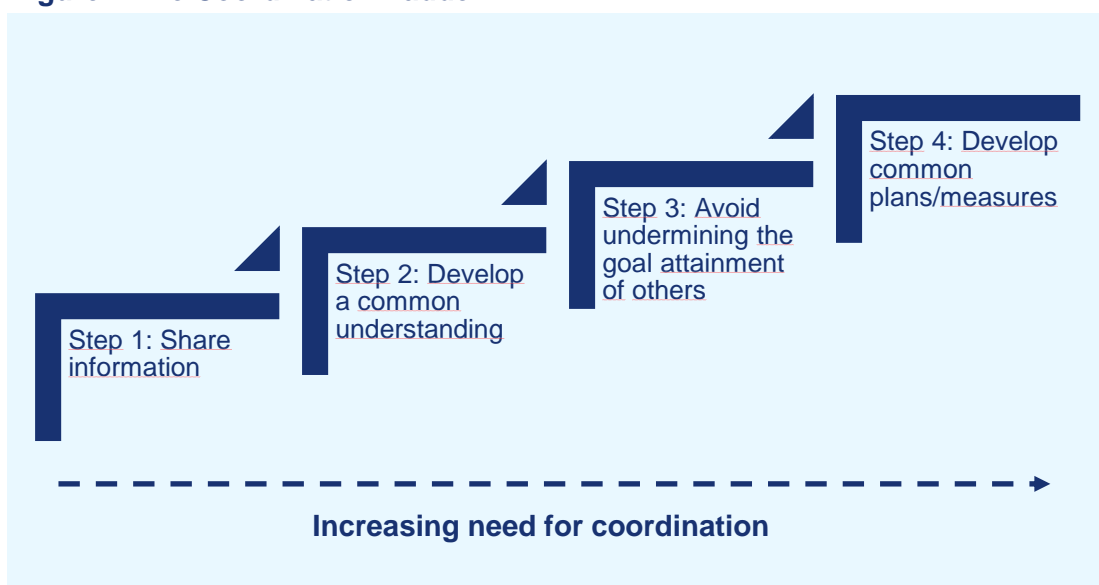
In NAO Norway's opinion, the lack of sector-specific strategies for climate efforts might have contributed to weakening the government ministries' perceived commitment. Weak commitments may in turn have led to the climate efforts in the government ministries and in the subordinate agencies being insufficiently directed towards policy instruments and measures that result in the necessary emission reductions.

4.3 A system for improved governance and coordination has been established, but the actual coordination is inadequate

To combat climate change, the Government must implement policy instruments and measures that cut across various sectors and levels of government. This requires good coordination between the government ministries. The Government has developed a strategy for the cooperation between the ministries for 2021–2025, *Gode hver for oss. Best sammen.* (*Good each on our own. Best together*). The majority of the Standing Committee on Local Government and Public Administration has found that this strategy ought to be implemented to strengthen coordination, cf. Recommendation. 218 (Resolution) (2021–2022).

The Government also presented a *coordination ladder* in Report to the Storting (White Paper) 40 (2020–2021) *Mål med mening – Norges handlingsplan for å nå bærekraftsmålene innen 2030* (Meaningful targets – Norway's Action Plan to achieve the Sustainable Development Goals by 2030). The ladder illustrates different coordination steps. At the lowest steps, it involves sharing information and creating a common understanding of the problem, while at the highest steps, actors change their own plans to avoid undermining the goal attainments of others and develop common strategies, plans, and measures.

Figure 1 The Coordination Ladder



Source: www.dfo.no (retrieved 7 December 2022)

The investigation shows that the Government has created several arenas to strengthen coordination between the government ministries and subordinate agencies. The Government has established a committee of state secretaries to consider the ministerial working groups' input to *The Government's Climate Status and Plan* and other key climate policy issues. Another arena is the core group for climate and green transition, which is established at the secretary-general level and consists of the secretaries-general of seven government ministries. The Government has also established an annual process whereby the various government ministries are to provide an expert basis for climate policy decisions, while the underlying agencies collaborate on analysing individual measures and other knowledge development. We elaborate further on our assessments of the annual process and the core group in sections 4.3.1 and 4.3.2, respectively.

Even though a system for increased coordination has been established, it has been challenging to achieve good progress, partly as this depends on ensuring that the various responsible government ministries develop policy instruments. The result of the joint efforts on developing policy instruments – both in the Government and between government ministries at the civil service level – is evident in *the Government's Climate Status and Plan*. In NAO Norway's opinion, the weaknesses in the development of policy instruments that we have accounted for in section 4.1 reflect weaknesses in governance and coordination. When there is also a dearth of strategies for the various sector, as shown in 4.2, this further impacts coordination.

Overall, in NAO Norway's assessment, this shows that the responsible government ministries have not managed to establish governance and coordination adapted to one of the greatest cross-sectoral societal challenges of our time. In light of the fact that climate problems have been known for years, and that we are facing a comprehensive societal transformation, this is, in NAO Norway's opinion, objectionable. Despite the fact that the government ministries have regular dialogue, including at the highest level, they still have a way to go before they are able to develop

common strategies, plans, and measures, and thereby establish sufficient coordination in an area as challenging as climate change.

4.3.1 The governance system contributes to predictability and cooperation through systematic deliverables related to the budget process, but achieving good progress is challenging

As of the 2023 budget year, the Government introduced a climate governance system where the government ministries are to highlight how Norway is progressing towards achieving its targets, and whether increased efforts are needed.

The government ministries have established various ministerial groups that provide input on climate policy. The input is coordinated with the milestones for deliverables in the annual budget process. The purpose of this is to ensure that climate considerations are taken into account in a predictable and systematic manner in relevant decision-making processes. It is also intended to enable the Government to assess how various decisions made in connection with the National Budget affect the achievement of climate targets. The document analysis and interviews in this investigation confirm that a predictable process has been established, where the government ministries provide expert input that forms the basis for policy decisions in the budget process. According to the government ministries, these processes are working well. Cooperation between the government ministries is extensive and takes place at many levels.

As a basis for *The Government's Climate Status and Plan for 2023*, the Norwegian Environment Agency submitted the first updated knowledge base on climate measures and policy instruments. This has been continued as an annual submission coordinated with the budget process. The Norwegian Environment Agency prepares the scientific knowledge base for climate policy in collaboration with other agencies and expert environments. A permanent agency collaboration on knowledge development regarding climate change has been established. According to the Norwegian Environment Agency, the continuity in agency collaboration has facilitated the work of further developing the knowledge base, but it is a challenge that some agencies do not allocate enough resources to contribute to this development.

NAO Norway believes it is favourable that a climate governance system has been established, which ensures that the government ministries and agencies collaborate more regularly on developing the knowledge and decision-making basis for climate policy. In an interview, however, the Ministry of Climate and Environment notes that it can be difficult to make progress in the development and implementation of policy proposals that depend on proposals and deliverables from other government ministries. NAO Norway underscores the importance of the sector ministries' contributions to the development of climate policy.

4.3.2 The core group for climate and green transition has considerable time developing a strategy for interministerial cooperation

It appears from the Report to the Storting (White Paper) 40 (2020–2021) *Mål med mening – Norges handlingsplan for å nå bærekraftsmålene innen 2030* (Meaningful targets – Norway’s Action Plan to achieve the Sustainable Development Goals by 2030) that the government ministries are in the process of developing working methods to strengthen the Joint Ministries’ work on cross-sectoral societal challenges. The white paper indicated that trials had been established involving what is known as *core groups* in various domains with participants from the management of several government ministries.²⁰

The core group for climate and green transition was established in the autumn of 2021. According to *The Government’s Climate Status and Plan for 2024*, the purpose of the core group is to facilitate the improvement of the government ministries’ expert input on the design and implementation of climate policy.²¹ The group is chaired by the Secretary General of the Ministry of Climate and Environment and otherwise consists of the secretaries general from the government ministries that are most crucial to implementing climate policy.²²

The investigation shows that the core group has since its inception been mandated with developing a strategy that describes solutions for the coordination of the government ministries. Much of the work in the core group, however, has been about gaining more knowledge and developing a common understanding of Norwegian climate policy. Thus, to date, the core group has been working on the lowest steps of the coordination ladder (see figure 1).

The strategy was completed in early April 2024, more than two years after the core group was established. Key components of the strategy are to ensure a high-quality decision-making basis, sufficient knowledge and competence, and more coordinated development and implementation of policies.

According to the chair of the core group, the Secretary General of the Ministry of Climate and Environment, one of the reasons it has taken a long time to develop the strategy is that there have been discussions about how binding and detailed the strategy should be. The Secretary General also notes that the significance of climate change in core duties varies among government ministries, and consequently, the need for a strategy may differ.

NAO Norway considers it favourable that a core group has been established as a step in embedding coordination at the highest administrative level.

²⁰ Report to the Storting (White Paper) 40 (2020–2021) *Mål med mening – Norges handlingsplan for å nå bærekraftsmålene innen 2030* (Meaningful targets – Norway’s Action Plan to achieve the Sustainable Development Goals by 2030), p. 197.

²¹ *Regjeringens klimastatus- og plan* (The Government’s Climate Status and Plan – in Norwegian only). Separate appendix to Prop. 1 (Resolution) (2023–2024) for the Ministry of Climate and Environment, p. 121.

The remaining members are the secretaries general of the Ministry of Finance, Ministry of Energy, Ministry of Local Government and Regional Development, Ministry of Agriculture and Food, Ministry of Trade, Industry and Fisheries, and Ministry of Transport.

Furthermore, the fact that there is now a strategy for the government ministries' work on climate and transition to a low-emission society is advantageous. However, in NAO Norway's opinion, it is unfortunate that the core group has spent more than two years developing a strategy that will commit the government ministries to a more coordinated development and implementation of climate policy instruments. This shows that the core group has not functioned in accordance with the set expectations.

4.4 It is uncertain to what extent it will be possible to purchase emission reduction units, forest absorption credits, and carbon credits abroad to attain Norway's climate targets

Purchase of carbon credits, emission reduction units, and forest absorption credits from other countries can help Norway achieve its climate targets. The statutory objective of the Climate Change Act states that the Act is not intended to preclude joint fulfilment with the EU of climate targets set out in or adopted under the Act. Therefore, via the agreement with the EU, Norway has the opportunity to purchase emission reduction units for the sectors that are not included in the EU ETS, as well as forest absorption credits for the forest and land use sector. Norway can also purchase carbon credits outside the EU through the Paris Agreement to meet the 2030 target under the Paris Agreement. The opportunity for such purchases is referred to as flexible mechanisms. Flexibility has been a cornerstone of Norwegian climate policy and has contributed to Norway meeting its emission targets.

In the study, we have taken a closer look at the Government's work on investigating and preparing potential purchases from other countries and the uncertainty associated with this option.

The investigation indicates a risk that only a limited number of emission reduction units and forest absorption credits will be available for purchase under the agreement with the EU in the period until 2030. This risk is evident in calculations made by the Norwegian Environment Agency. The calculations are based on Member States' reporting to the EU. Based on calculations from the Norwegian Environment Agency, the Ministry of Climate and Environment has entered into a closer dialogue with relevant countries and has noticed that there may be significant variations between what countries report to the EU and how countries, in practice, with the established policy, are on track to meet the climate targets. Therefore, the availability of emission reduction units and forest absorption credits within the EU system is uncertain. Carbon credits in the EU ETS can also become expensive.

In terms of purchasing carbon credits outside the EEA through the Paris Agreement, the legislation is not yet finalised and Norway has only entered into an agreement with one country via the World Bank. The contract in question concerns energy reform and the phasing out of fossil fuel subsidies in Uzbekistan. The Ministry further states in an interview that Norwegian authorities have also been working for several years to develop programmes

in three other countries and are hopeful that they will lead to contract negotiations.

The mentioned findings on calculations and the dialogue the administration has had with other countries illustrate that there may be uncertainty associated with reaching climate targets by purchasing emission reduction units, forest absorption credits, and carbon credits abroad. This is confirmed in the Norwegian Environment Agency's updated knowledge base for 2024, which shows that emission reductions in other countries will be more expensive, and that both price and availability are uncertain factors.²³ Increasingly stringent climate policies in other countries make it more risky to rely on the use of flexible mechanisms on a large scale, according to the Directorate. The Ministry of Finance notes that available quotas are not a given amount and that access will, among other things, depend on demand. The marginal cost of reducing emissions in general is much higher in Norway than in, e.g., countries in Eastern Europe, which suggests that the parties, individually and collectively, have a strong economic incentive to exchange carbon credits.

NAO Norway finds that the uncertainty regarding access to emission reduction units, forest absorption credits and carbon credits has not been taken into account in relevant governance and coordination. We find no evidence – neither in the documents we have reviewed, nor in the interviews – that the government ministries have collectively discussed how to address the uncertainties regarding the possibility of purchasing emission reduction units and carbon credits. When asked in interviews about the use of these flexible mechanisms, most of the government ministries only refer to the fact that this responsibility lies with the Ministry of Climate and Environment.

A review of *The Government's Climate Status and Plan* for 2024 shows that the Ministry of Climate and Environment has explained flexible mechanisms that exist, but it inadequately accounted for uncertainties or how the Ministry is actually working with the potential use of such mechanisms. For example, it does not indicate the extent to which the Government actually intends to use the flexible mechanisms to reduce the need for domestic reductions. Access to carbon credits through the Paris Agreement and emission reduction units and forest absorption credits through the agreement with the EU are important for the shaping of Norwegian climate policy. In NAO Norway's opinion, the uncertainties regarding these assumptions have not been sufficiently discussed and communicated, neither in the dialogue between the government ministries nor to the Storting in *The Government's Climate Status and Plan*.

²³ The Norwegian Environment Agency. (2024). *Klimatiltak i Norge: Kunnskapsgrunnlag 2024* (Climate Action in Norway – the 2024 Knowledge Base), p. 7.

4.5 The reporting does not provide sufficient information on progress and how Norway will achieve the climate targets

Information on the extent to which today's climate policy will contribute to achieving the Storting's adopted climate targets is an important factual basis for both the Government and the Storting, in order for them to be able to assess whether there is a need to modify climate policy going forward. In accordance with Section 6 of the Climate Change Act, the Government is obliged to account to the Storting annually on the development of emissions and removal of greenhouse gases, as well as projections of emissions and removal compared to the climate targets for 2030 and 2050. The Government is also required by the Climate Change Act to account for the climate impact of the proposed National Budget.

The investigation shows that the annual reporting in *The Government's Climate Status and Plan* deals with the mentioned topics, but that there is still limited information about, among other things, uncertainty, planned policies, and the climate effects of the state budget. NAO Norway believes that these weaknesses have consequences for the decision-makers' information base for the development of climate policy.

4.5.1 Emission projections do not account for uncertainties

Emission projections are estimates of a country's future greenhouse gas emissions. The projections are based on assessments of underlying development trends in Norway and internationally, including economic, technological and demographic conditions. The projections form the basis for assessments of whether there is a need for new and enhanced measures to achieve the climate targets.

Norway's national projections of greenhouse gas emissions and removal have over time been prepared approximately every other year and are published either in the National Budget or in the report on long-term perspectives on the Norwegian economy. The latest projection of Norwegian greenhouse gas emissions up to and including 2035 was presented in the National Budget for 2023. The Ministry of Finance is responsible for preparing these projections. The projections provide the basis for the assessments in *The Government's Climate Status and Plan*.

The investigation shows that the emission projections are based on many different assumptions, but that no analyses are carried out to highlight the uncertainty. Both the UN and the Norwegian Commission for Estimating Emission Effects of Climate Measures note that there is a need for alternative projections in the form of several scenarios. Alternative projections will highlight how emissions will develop if there are significant changes in the model's assumptions regarding technology, demographics, economy, energy prices, and behavioural changes. Many other countries do this to show the uncertainties inherent in the projections.

The Ministry of Finance believes that several scenarios or uncertainty intervals could have illustrated the uncertainties in the projections more

clearly, but that they would probably not have led to a more informed discussion on climate policy. The Ministry of Climate and Environment believes that this type of information will be useful for the government ministries in their work on climate analyses and assessment of measures and policy instruments, but also to be able to explicitly highlight the uncertainties for the Storting as part of the decision-making basis.

The investigation further shows that the Norwegian emission projections are currently largely based on adopted policies and current use of policy instruments. Therefore, the projections only show how the development can be expected to continue if the use of policy instruments remains unchanged and no major unexpected technological or other changes occur. In a 2023 assessment of emission projections in 34 countries, Norway was one of the 8 countries that stood out by not reporting on planned measures in their projections. According to both the UN and the Norwegian Commission for Estimating Emission Effects of Climate Measures, Norway should report on projections with planned policy instruments, in addition to projections with implemented policy instruments.

Overall, NAO Norway believes it is unsatisfactory that the emission projections in the annual reporting fail to clearly show the extent of the uncertainty. NAO Norway finds it inadequate that the presentations in the National Budget and *The Government's Climate Status and Plan* only bear brief mention of the uncertainties related to the projections. Inadequate information regarding uncertainties in the reporting weakens the decision-making basis when the Storting and the Government are to assess the need for changes in the use of policy instruments.

4.5.2 The Government's account of the climate effect of the National Budget provides limited information

As of the 2023 budget year, the climate effect of the presented budget has been accounted for in *The Government's Climate Status and Plan*. The government ministries' work on developing methods for such an account has been ongoing since the Climate Change Act was adopted.

The investigation shows that the Government's report to the Storting on the climate effect of the proposed budget in recent years, including for the 2024 budget year, consists of a written report per government ministry on the climate effects of a small selection of budget items. For most government ministries, there is also a table where the ministries have categorised the selected budget items according to the effect the item has on emissions or removal of greenhouse gases. These are mainly qualitative assessments where the government ministries use four categories to determine whether a change in allocation from the previous year is expected to result in increased emissions, reduced emissions, an uncertain effect on greenhouse gas emissions, or a long-term effect.

Our review shows that many of the items are considered to have an uncertain effect. The proportion of budget items with this categorisation accounted for 50 per cent in 2024, and there is no comprehensive discussion of what this means for the climate impact of the National Budget, overall. In addition, many important decisions for climate policy are made

outside the National Budget and the reporting contains no assessments of how these decisions affect the climate targets.

We further note that the Norwegian Commission for Estimating Emission Effects of Climate Measures believes that the assessments of the climate effect of the National Budget could to a greater extent draw on work already being done in the public administration. The Commission points out in its annual report for 2023 that there is available information on climate impact in existing, regular reports, but that these assessments are not utilised in the work of reporting the climate effect of the National Budget. In an interview, the Ministry of Climate and Environment stated that the Ministry will consider how to further develop the reporting based on the Commission's recommendations.

In NAO Norway's opinion, the account of the climate effect of the National Budget does not provide sufficient information. It is understandable that this is a challenging task, as the Ministry of Climate and Environment signalled already in the preparatory work of the Act in 2017. At the time, the Ministry announced that it would continue to work on developing professional methodology. Seven years later, the government ministries should have made more progress in reporting on the climate effects of the National Budget.

5 Recommendations

The National Audit Office of Norway recommends that:

- The Ministry of Climate and Environment, Ministry of Finance, Ministry of Energy, Ministry of Local Government and Regional Development, Ministry of Agriculture and Food, Ministry of Trade, Industry and Fisheries, and Ministry of Transport
 - strengthen the coordination between the government ministries so that the further development of measures and policy instruments becomes effective
 - ensure the necessary progress and direction in climate policy by further specifying and highlighting the planned progress in the work to develop and implement relevant measures in *The Government's Climate Status and Plan*
- The Ministry of Energy, the Ministry of Local Government and Regional Development, the Ministry of Agriculture and Food, the Ministry of Trade, Industry and Fisheries, and the Ministry of Transport specify how the various sectors will contribute to achieving the climate targets, e.g., by providing clearer instructions to subordinate agencies and assessing the need for sector-specific strategies
- The Ministry of Climate and Environment increasingly highlights the choices and uncertainties surrounding the opportunities to purchase allowances through the Paris Agreement and emission reduction units and forest absorption credits through the climate agreement with the EU

- The Ministry of Finance highlights uncertainties in emission projections in line with UN guidelines, in order for the Government and the Storting to have a better basis for assessing the status and progress of climate policy