

Item 15: Impact Assessment on proposed Regulation on the Prohibition of the Use of Fossil Fuels for Indirect Combustion in the Industry from 2030

This is a non-exhaustive summary of the [Consultation paper on the proposal for regulation on the prohibition of fossil fuels for indirect combustion in industry from 2030](#) (only in Norwegian). The consultation paper is based on the [Impact assessment on prohibition on the use of fossil fuels for energy purposes in industrial activities as of 2030](#) (only in Norwegian).

The prohibition will primarily affect the industry in the relevant sectors. Indirectly, public authorities will also be impacted through an increased need for supervision and a reduction in revenue from the CO₂ tax. Society at large will benefit from reduced emissions of greenhouse gases and other pollutants.

Reduction in greenhouse gas emissions

The proposed prohibition is estimated to result in an annual reduction of greenhouse gas emissions of around 300,000 tonnes of CO₂ when fully effective in 2030. An impact is also expected in the years leading up to 2030 as the industry adapts to the announced prohibition. The prohibition means that industrial companies currently using fossil fuels or non-sustainable liquid biofuels for indirect combustion will need to make certain investments. When assessing the consequences of the prohibition, it has been estimated that the lifespan of such investments can be up to 15 years. Over the period of analysis (2023-2049), the total emissions reduction is estimated to be approximately 4.2 million tonnes of CO₂. There is significant uncertainty associated with these calculations.

Using the carbon price trajectory for non-ETS emissions provided by the Norwegian Ministry of Finance, the net present value (as of October 2024) of the emission reductions is estimated to NOK 6.2 billion.¹

Energy prices and capital and operational expenses

The consequences of a prohibition will largely depend on the alternative energy sources replacing fossil fuels. The prohibition does not impose any requirements regarding the replacement. This will depend on the availability and cost of the various alternatives.

Changes in energy costs for the operator will also depend on whether the operator currently uses heating oil or gas.

Assuming a continuation of the CO₂ tax-level of 2024, the additional cost of energy use is estimated at NOK 1,230 million over the analysis period. If an increased CO₂ tax is applied, as presented in the Climate Plan 2021–2030, the transition to alternative energy carriers would result in savings of NOK 1,960 million over the period.

The economic impact on individual enterprises is again closely linked to the alternative solution. The total investment cost for the industry to transition to alternative solutions is

¹ There is substantial uncertainty regarding the carbon price required to meet climate goals, as well as the appropriate valuation of greenhouse gas emissions in socio-economic assessments. Using the high and low carbon price trajectories gives a net present value (October 2024) of NOK 11.3 billion and NOK 2.7 billion, respectively.

estimated at just under NOK 900 million (as of October 2024) over the period of analysis. In addition, operating costs are expected to increase moderately. The increase in operating expenses is primarily due to a relatively high share of biofuels when the prohibition applies to indirect combustion in the non-ETS industry, partly because the transition to biofuels is a well-established solution for asphalt production. If the transition is made to an electric boiler, no increase in operating costs is expected; rather, a reduction is anticipated.

Participation in ETS2

The effect of Norway's participation in ETS2 is that emissions are priced through a common European pricing mechanism, where the cost of emissions will vary as the price is determined by the market. The introduction of ETS2 does not change the arguments for implementing a prohibition. Even though a price is placed on emissions—whether through a CO₂ tax or an allowance price—this price will not be sufficiently high to overcome the behavioural barriers observed in relation to these measures. Companies will still require short payback periods for projects of this kind, or there may be insufficient awareness of the carbon pricing element in energy costs to trigger many of these measures. The reasoning therefore remains the same as presented in the impact assessment.

Compatible with obligations under the EEA Agreement

The Norwegian Ministry of Climate and Environment have not found any conflicts with relevant EU/EEA legislation.

Article 11 in the EEA Agreement prohibits quantitative restrictions on imports and all measures having equivalent effect between the Contracting Parties. A prohibition on the use of a product in certain circumstances may have the same effect as an import restriction.

It follows from the EEA Agreement Article 13 that the provision of Articles 11 “shall not preclude prohibitions or restrictions on imports, exports or goods in transit justified on grounds of public morality, public policy or public security; the protection of health and life of humans, animals or plants; the protection of national treasures possessing artistic, historic or archaeological value; or the protection of industrial and commercial property. Such prohibitions or restrictions shall not, however, constitute a means of arbitrary discrimination or a disguised restriction on trade between the Contracting Parties.”

In addition, it follows from the court-developed doctrine of overriding reasons of public interest, that climate and environmental interests are accepted as capable of constituting overriding reasons of public interest. According to the doctrine, a restriction or measure must be suitable, necessary, and proportionate.²

The ground for the proposed prohibition is to reduce greenhouse gas emissions to achieve climate targets and meet legally binding international agreements. In response to these commitments, effective emission reductions must be made across several sectors. A prohibition of the use of fossil fuels for indirect combustion in the industry has been identified as an efficient measure in this regard. The measure is suitable of attaining the objective

² C-120/95

pursued.³ The proposed prohibition is estimated to result in an annual reduction of greenhouse gas emissions of around 300,000 tonnes of CO₂ when fully effective in 2030. This is about 1 percent of total Norwegian greenhouse gas emissions from burning of fossil fuels in 2024.

The proposed prohibition concerns the use of fossil fuels in industry and does not differentiate based on the origin or nationality of the fuels. It is not an import or sales prohibition – only a specific use of the fuels would be prohibited. The proposed prohibition would affect only a small share of the total use of fossil fuels, and thus a limited portion of the overall fossil fuel market. The proposed prohibition is expected to result in a relatively certain reduction in emissions. The specific emission reduction is unlikely to be achieved without a prohibition, at least not in the same scale. The Norwegian Ministry of Climate and Environment consider the prohibition to be necessary and proportionate.

The prohibition may have ripple effects for certain products used in the combustion of fossil fuels, such as boilers, burners, tanks, and pipes. These products may be of both domestic and foreign origin (including within and outside the EU). However, these products are assumed to be used beyond the scope of application of the proposed prohibition.

Therefore, the Norwegian Ministry of Climate and Environment assumes that the proposed prohibition is compatible with Norway's obligations under the EEA Agreement.

³ C-362/88