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Implementation of EU key climate policies in Denmark and Norway

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As the EU intensifies its climate ambitions with the upcoming 2040 targets, it is crucial to understand how implementation of existing EU climate policies is going. How well are current policies working on the ground? Are we on track – or are there gaps that need urgent attention? As the debate around the 2040 targets heats up, this policy brief provides a timely assessment of how existing policies play out in practice and to what extent and how implementation varies across countries. Looking at Norway and Denmark, we compare the implementation of three EU regulations, which were revised in 2023: the EU Emission Trading Scheme (ETS), the Effort–Sharing Regulation (ESR) and the Land Use, Land–Use Change, and Forestry (LULUCF) sector

Key findings

As a full EU member, Denmark is better equipped to implement EU policies and consequently faces fewer challenges in doing so. Its clear domestic climate targets, supported by a well-developed governance system, contribute to the resilience of its climate policy in the face of changes introduced by the European Green Deal. In contrast, Norway lacks a clearly defined national emissions reduction target and has a less developed climate governance system.

National climate policies play a key role in shaping how each country responds to its commitments under EU climate legislation. To be effective, policy changes – particularly those that introduce new elements to climate policy – must be institutionalised within national administrative systems. Once institutionalised, it becomes easier for public authorities and businesses to comply with new requirements.

Climate policies in Denmark and Norway in comparison

The European Green Deal sets out the EU's ambitious climate agenda. Its success depends on national implementation, which requires states to coordinate extensive legislation across sectors in a way that maintains democratic legitimacy and keeps the climate crisis on the agenda, despite other crises like the energy crisis, war in Ukraine, trade protectionism and rearmament, which also requires resources and attention.

Comparing how these policies are implemented in Denmark and Norway, DEAL offers lessons for how national governments can tackle the rapid updates to climate governance in step with the EU accelerating its efforts to meet ever-higher climate ambitions, including towards 2040. We analyse the effects for public governance and democratic legitimacy at the national level and explore how to handle arising challenges.

A comparison of Denmark and Norway, an EU member state and a non-member state, can provide important lessons about the extent to which EU-affiliation matters for the domestic experiences with EU legislation. While Denmark participates fully in the EU's climate policy, Norway cooperates with the EU via the EEA Agreement, a dynamic agreement that foresees Norwegian implementation of relevant EU legislation such as revisions to the EU ETS legislation. Norway's implementation of the ESR and LULUCF regulations, however, are subject to a designate climate agreement: In 2019, the ESR and LULUCF regulations were added to a part of the EEA Agreement that concerns voluntary cooperation outside the scope of the four freedoms (Protocol 31). This means that there is neither precedence for Norway to implement later versions of these two legislative acts, nor for future cooperation with the EU on these same issues.

Figure 1 shows significant differences in CO2 emissions between the two countries. In the ETS sector, Norway's emissions are considerably higher than in Denmark. In the ESR sector, Denmark records substantially higher emissions than Norway in agriculture. Within LULUCF, Norway has, in contrast to Denmark, a downward net emissions removal trend, underscoring the sector's critical role in Norway's overall emissions profile.

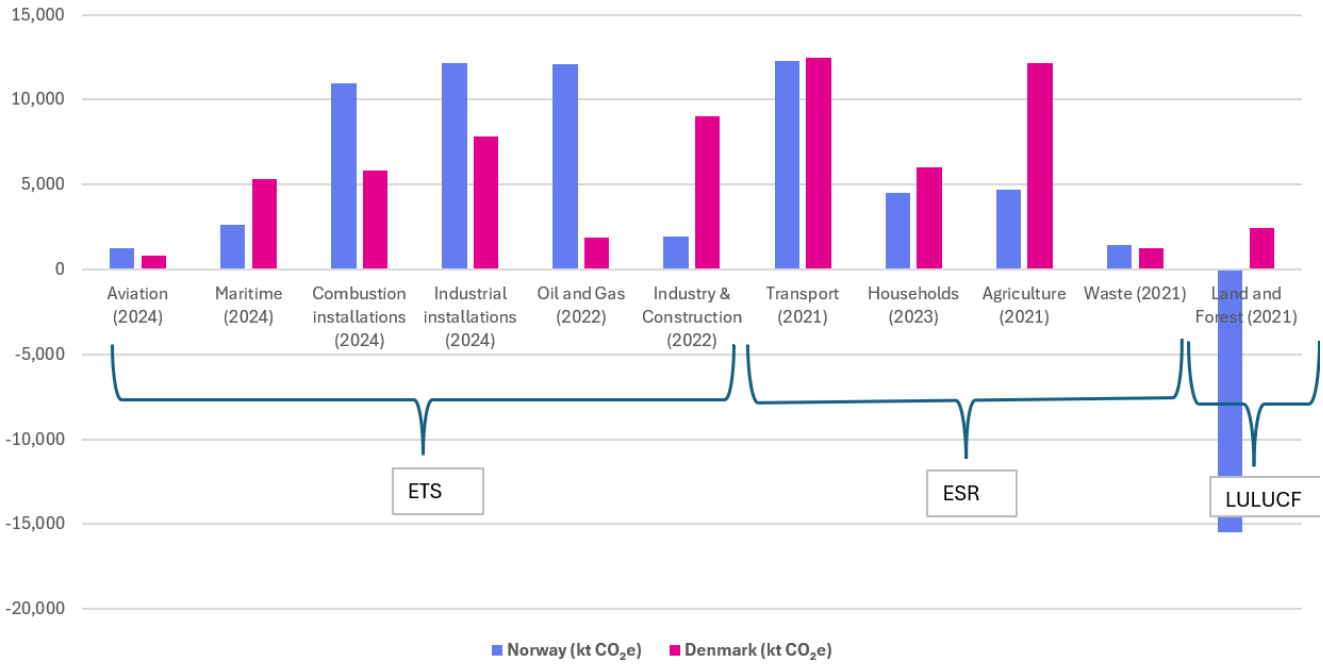

Figure 1. Comparative emission statistics for Denmark and Norway, 2021–2024.[1]

Implementation of EU ETS (including ETS2) in Denmark and Norway

The ETS plays distinct roles within the climate policy frameworks of Norway and Denmark, primarily due to differences in sectoral coverage. In Norway, the ETS encompasses approximately 46% of total emissions, compared to 26% in Denmark. This disparity reflects the prominence of energy-intensive industries in Norway, whereas ETS coverage in Denmark is largely limited to fuel combustion and emissions from the power sector. Despite these structural differences, both countries have expressed similarly positive positions toward the Fit for 55 (FF55) package and the strengthening of the ETS. The variation in sectoral coverage helps explain divergences in issue-specific positions.

Overall, implementation processes in Denmark and Norway have proceeded with few issues. However, it is still early days for many of the main sub-issues in the ETS reform. The inclusion of shipping in the ETS is being phased in gradually, with full implementation by 2027. Shipping is a significant industry in both countries. The Norwegian government was initially caught off guard by the inclusion of shipping and prioritised this issue early in the reform process. One key concern was the potential overlap between the ESR and the ETS coverage – raising fears of 'double regulation'. The shipping industry in both countries responded with moderate support for the inclusion in the ETS, partly because they had already been subject to carbon pricing/CO2 taxes. Nevertheless, given the international nature of the sector, a global regulatory approach remains the preferred solution. However, there is broad recognition that progress on carbon pricing within the International Maritime Organization (IMO) has been slow.

The new ETS2 – covering transport, buildings, and small installations – will not formally take effect until 2027. Over time, positions on ETS2 have aligned, with Norway initially expressing scepticism and Denmark taking a positive stance as an early supporter and frontrunner within the EU. Today, both countries officially support the initiative – a position made more feasible by their long-standing CO_2 taxes, which reduce the risk of significant fuel price increases. Hence, the implementation of ETS2 is likely to entail primarily administrative costs rather than major fuel price increases. In Norway, some parties have voiced opposition in Parliament, reflecting broader concerns about the country's participation in EU policy-making rather than objections to ETS2 itself.

The introduction of the Carbon Border Adjustment Mechanism (CBAM) is also being phased in, with reporting starting in 2023 and full implementation set for 2026. The process has been more contentious in Norway than in Denmark, largely due to Norway's substantial energy-intensive industries (such as the aluminium production) which have expressed concern over the potential loss of free allowances and additional CO2 compensation under a new untested CBAM framework. Current indications suggest that CO2 compensation will continue to be permitted in the coming years, easing some of these initial concerns. Overshadowed by the 'Trump tariff war' and growing EU efforts to protect industrial competitiveness, CBAM has recently receded as a political issue.

It is also worth noting that Denmark introduced a carbon price floor in 2022 to further stabilise the decarbonisation incentive to industry. In Norway, a similar 'double regulation' exists between the CO2 tax and the carbon price in the petroleum sector.

Implementation of ESR in Denmark and Norway

The implementation of the revised ESR has unfolded differently in Norway and Denmark, reflecting variations in legal obligations, domestic climate governance, and sectoral policy responses. Norway has not formally incorporated the revised ESR into the EEA Agreement but has, in practice, operated with a 50% emissions reduction target for the ESR sectors since 2022. The increase in ambition – from 40% to 50% – has not triggered significant public debate. Nevertheless, cooperating with the EU on ESR has contributed to the development of a more robust and transparent climate governance system in Norway, partly compensating for the lack of a national energy and climate plan (NECP), which is mandatory for EU member states like Denmark.

In 2019, the Norwegian government signed a non-binding agreement with the agricultural associations to reduce sectoral emissions by a specified amount by 2030. This agreement has not been re-negotiated following the strengthened ESR target, indicating that most of the additional reductions from 40% to 50% will fall on the transport sector. Key transport policies (blending biofuels with fossil fuels and promoting electrification) have faced growing criticism regarding their cost-efficiency and environmental effectiveness. But both policies are expected to remain central to Norway's mitigation strategy towards 2030, although likely sparking public debate. Even with ongoing and new measures, Norway is expected to rely on the flexibility mechanisms within the EU framework to meet its ESR obligations, although availability and costs remain uncertain.

In contrast, there has been little controversy around the implementation of the ESR in Denmark, largely due to its more ambitious national climate targets. The 2019 'climate election' led to a 70% emissions reduction target by 2030, along with stronger climate governance mechanisms, including annual progress assessments by experts and policymakers. The ESR sectors account for a large share of Danish emissions, with agriculture playing a major role.

As lower-than-expected carbon sequestration from agriculture became evident, pressure mounted to address emissions more directly within the sector. Denmark's approach to ESR has emphasised domestic reductions as an opportunity for building a cleaner and more modern economy. This view encouraged other sectors to demand stronger action from agriculture to avoid bearing an unfair share of the burden. In 2021, a tripartite agreement between the government, business and societal associations settled a binding target for agricultural emissions reductions of 55–65% cuts by 2030 (from 1990 levels). Further agreements followed in 2024.

Denmark is on track to meet its 2030 ESR obligations. Electrification of transport is being advanced through road tolls favouring low-emission vehicles, while agriculture is seeing the rollout of multiple measures, including a CO_2 levy on livestock emissions starting in 2030. These initiatives are supported by a mix of regulatory instruments and financial incentives – such as subsidies for electric trucks and payments to farmers for reducing nitrogen pollution – enabled through successive tripartite and political agreements.

Implementation of LULUCF in Denmark and Norway

Implementation of the LULUCF regulation in Denmark and Norway from 2018 onwards reveal significant differences in both the conditions on the ground and the policy approaches of the two countries. A long history of afforestation activities has increased the forest area in Denmark to approximately 13%. Still, agricultural land is more than 60% of the country's land area. In contrast, Norway has a relatively stable area of agricultural land comprising around 3.5% of the land area and a forested area of around 38%.

Driven by ambitions to be a global leader in the green transition and a national determination to mitigate environmental challenges at home, particularly excess nitrogen in soil and waters, Denmark has introduced a carbon tax on, among others, certain agriculture productions, afforestation programs, various means for peatland management. The 2024 Danish tripartite agreement is primarily based on national needs and ambitions, but it will contribute significantly to Denmark's climate commitment. The LULUCF regulation benefits countries with low forest cover that expand their forests through afforestation and similar measures. Denmark is one of few European nations well-positioned to benefit from such development and meet its national LULUCF target.

Norwegian efforts are shaped by the obligation to comply with the LULUCF regulation but are hampered by the regulation's baseline and reference period, which has proved politically contentious and operationally challenging. While the LULUCF regulation covers the 2021-2030 period, the Norwegian government is prioritising long term forest sustainability, focusing on the forest contributions to achieve the long-term climate policy target of the Paris Agreement. The time inconsistency between the obligations in the regulation and priorities for the contribution of forests in the national climate policy is perceived as a continuous problem. Focusing on the immediate targets of 2030 can contribute to accumulation of mature forest and bring challenges for the achievement of the long-term target of 2050, an issue considered unfavourable both by government and various stakeholder groups representing the forest sector. To fill the substantial no-debit gap in the first commitment period (2021-2025) of the LULUCF regulation, the Norwegian government is searching for ways to avoid direct economic impact on the forest sector. The preferred solution is to buy forest credits from EU countries with a surplus to sell, an option Norway can use according to the LULUCF regulation. Indeed, in September 2025, the government announced a bilateral agreement with Denmark with the intention to buy forest credits in order to fill the no-debit gap.

In Denmark, the interplay between government and private sector in the tripartite agreement is marked by national ambitions that exceed strict EU compliance. The Danish approach indicates that a mix of political instruments can generate both climate mitigation and broader environmental benefits. Norway's implementation experience reflects the tensions between obligations in EU regulations and long-term national forestry policy goals.

The importance of domestic politics

Domestic politics shape how EU climate policy is implemented in Denmark and Norway. While Denmark benefits from a stable and institutionalised climate policy framework, Norway experiences more difficulties. This is largely due to Norwegian decision-makers' more limited engagement with EU policymaking as well as weaker domestic institutional structures for dealing with EU matters.

In both countries, political choices and institutional factors are key in shaping climate policy outcomes. Denmark has a strong domestic climate policy framework, which acts as a 'buffer' against potential conflicts when implementing EU climate policies. This framework is rooted in deliberate political choices and broad support across business and civil society. Tripartite agreements reflect a proactive approach to climate governance. However, there are early signs of green backlash ('greenlash') in Denmark.

Norway's climate policy has been shaped by a series of political decisions aimed at closer alignment with the EU. Key developments include the process of linking Norwegian climate policy to the EU between 2015 and 2019, the 2021 decision to strengthen domestic climate ambitions beyond EU obligations and, from 2022 onwards, a shift toward a more robust national governance system. This system mirrors the EU's updated 2030 frameworks — despite the absence of a formal update to Norway's climate agreement with the EU. Norway lacks a clear domestic mitigation target and a proactive governmental apparatus for handling EU policies. The EEA backlog and limited institutional capacity for major emission cuts contribute to ongoing political controversy. Norway's emphasis on global cost-effectiveness and flexibility mechanisms has re-emerged lately, making EU climate policy increasingly relevant at the national level. This highlights a paradox in Norway's approach: it aligns with the EU but continues to rely on mechanisms that reduce domestic pressure for emission cuts.

Institutionalisation tends to ease politicisation: the longer EU policy elements have been embedded within domestic frameworks, the less likely they are to generate disruptions. For example, updates to the EU ETS mechanisms caused little discussion despite substantial changes, as their established institutional foundations provide stability. In contrast, newer instruments such as the CBAM and ETS2 may introduce uncertainty, depending on how they are implemented at the national and international levels. Implementation outcomes of EU LULUCF-regulation in Denmark and Norway show that results do not only depend on regulatory alignment, but also on policy frameworks that are responsive to both national ambitions and EU regulations. Political friction is, however, not unique to Norway; it is also evident in Brussels and other EU member states, as reflected in the debates surrounding the EU's 2040 climate target.

In sum, domestic political choices and institutional structures are crucial for the stability and effectiveness of climate policy. Denmark's institutionalisation offers resilience, while Norway's more fragmented approach results in greater instability. Addressing these gaps is essential for aligning national ambitions with EU climate developments.

Norway could strengthen its institutional capacity and define clearer domestic targets. Both Denmark and Norway would benefit from monitoring emerging political trends, such as the potential rise of greenlash, and from clarifying the role of EU dynamics in shaping domestic policy challenges.

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