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To the Ministry of Trade, Industry and Fisheries

EUs Net-Zero Industry Act: Offshore Norge's response

(This is a translated version of the original document in Norwegian)

Offshore Norway is an employer and interest organization for companies with activities related to the Norwegian continental shelf, representing more than 100 companies within oil and gas, CCS, offshore wind, and seabed minerals.

We refer to the consultation on the EU's Net-Zero Industry Act (NZIA) and hereby submit Offshore Norway's consultation response. We also refer to our letter to the EU Commission dated June 16, 2023, and our letter to the Ministry of Trade, Industry and Fisheries, among others, dated June 28, 2024.¹² In our letter dated June 28, 2024, we comment on the final provisions regarding CO₂ storage capacity in the NZIA, and our comments on a potential implementation in Norway are still relevant as input in this consultation.

Parts of the NZIA may affect activities on the Norwegian continental shelf (NCS), in particular the section that imposes an obligation on oil and gas companies to make CO₂ storage capacity available. The Norwegian authorities' starting point is that the Norwegian continental shelf is not within the scope of the EEA Agreement, recently clarified in *NOU 2024:7 Norge og EØS: Utvikling og erfaringer; «[Norge mener] at EØS-avtalen gjelder på Norges landterritorium, indre farvann og territorialfarvann, men ikke økonomisk sone, kontinentalsokkel, eller det åpne hav»*.³ In assessing whether Norway should fully implement the NZIA into Norwegian law under the EEA agreement, it is important that Norwegian authorities consider some fundamental issues:

- The principle for developing a CO₂ storage industry is that it should be done on a commercial basis.
- How to ensure that companies on the NCS can be protected from being obligated to develop storage capacity in the case where there is not sufficient captured CO₂ to utilize.
- Stable framework conditions on the NCS are important for further development of the continental shelf, and an obligation to develop storage capacity is a significant change in the framework conditions.
- All costs associated with establishing CO₂ storage as a result of a potential obligation under the NZIA must be deductible against special tax income (*særskattepliktig inntekt*) in the petroleum tax.

¹ [nzia---offshore-norges-feedback-1.pdf \(offshorenorge.no\)](#)

² [nzia---offshore-norges-innspill-til-norske-myndigheter-28-06-2024.pdf \(offshorenorge.no\)](#)

³ [NOU 2024: 7 \(regjeringen.no\)](#), kapittel 5.5.1 side 64.

If the Norwegian authorities fully implement the NZIA on the Norwegian continental shelf, it should be based on the following principles:

- The CO₂ injection capacity obligation that Norway commits to must only be an addition beyond the EU's target of 50 million tons of CO₂ per year by 2030.
- The additional target for Norway must be realistic and based on actual needs for CO₂ storage from capture projects in Norway with associated infrastructure.
- Only the additional target can be allocated to licensees in Norway based on production.
- CO₂ storage facilities on the Norwegian continental shelf must be allowed used to meet the EU's target of 50 million tons of CO₂ per year by 2030 on commercial terms, and not allocated to licensees in Norway.

Offshore Norge hereby provides more detailed comments on the main points which are of importance if NZIA is implemented. Offshore Norway has chosen to comment only on the provisions in the NZIA regarding CO₂ storage capacity.

Offshore Norway supports the ambitions of the NZIA for a rapid increase in production capacity of zero-emission technologies and the establishment of a common regulatory framework in the internal market to support this. The measures can strengthen the industrial competitiveness and supply chains of the internal market and contribute to the transition of energy systems in Europe.

In this context, Norwegian CO₂ storage facilities could play a significant role in fulfilling the EU's ambitions for CO₂ storage and thus benefit from the NZIA framework. If the NZIA is implemented on the Norwegian continental shelf, it could entail significant obligations for Norwegian oil and gas producers, as outlined below.

Further on regulation of CO₂ injection capacity in NZIA

CO₂ injection capacity target in NZIA

The EU has set a target in the NZIA for a CO₂ injection capacity of 50 million tons of CO₂ per year (Mtpa) in the EU by 2030. This target is to be met by and allocated to companies authorized to produce oil and gas in the EU, based on production during the period 2020-2023. Offshore Norway has closely followed the EU process and provided input, claiming that Norwegian CO₂ storage sites should be allowed used for meeting the EU's injection capacity target. The final text of the NZIA states that the 50 Mtpa target will be "adjusted accordingly" if the regulation becomes EEA relevant. However, it is not specified how much the injection capacity target will be adjusted or how this will be allocated to oil and gas companies in the EU and the EFTA EEA countries respectively. Therefore, Offshore Norway considers that the EEA Committee in addition to the adjustment of the injection capacity target must agree on how this target should be allocated to oil and gas companies in the EU and the EFTA EEA countries (i.e. Norway) respectively.

Generally, Offshore Norway considers that the polluter-pays principle must be the basis of effective climate measures. The NZIA deviates from this principle by imposing a requirement to establish CO₂ injection capacity for licensees based on production in the past. Offshore Norway expects and assumes that any injection capacity obligation must be met on a commercial basis.

The NZIA introduces a direct regulatory investment obligation with retroactive effect for oil and gas production during the period 2020-2023. Offshore Norway refers to Norway's response to the EU Commission's consultation July 2023, where Norway argues that this challenges fundamental principles in national and international law.⁴

Licensees on the NCS can only take responsibility for an additional volume

If the NZIA is found EEA-relevant, any adjustment of the injection capacity target in the NZIA must be in the form of an additional volume allocated to licensees in Norway based on the production on the Norwegian continental shelf. The EU's injection capacity target of 50 Mtpa by 2030 is based on expected need for CO₂ storage in the EU. As 50 Mtpa is based on the EU's storage needs, allocating this injection capacity target to licensees in Norway would be inappropriate. Injection capacity in other EFTA EEA countries than Norway should be allowed used to meet the injection capacity under the NZIA but should not impose an increased obligation on licensees on the Norwegian continental shelf.

Additional volume must be based on an actual need for storage

The NZIA target of an annual CO₂ injection capacity in the EU of 50 Mtpa by 2030 is based on expected market demand in the EU. If Norway commits to an additional volume, the target for this additional volume must be based on the expected need for CO₂ storage from capture projects in the EFTA EEA countries with associated infrastructure for delivery to storage.

The EU's injection capacity target of 50 Mtpa represents about 1.7 % of the EU's CO₂ emissions. If a similar share should be applied to an additional target for Norway, it would amount to less than 1 Mtpa. According to the Norwegian Environment Agency, Norway's need to store CO₂ to meet the climate targets is estimated at around 4 Mtpa in 2030 and 5.5-8 Mtpa in 2035.^{5 6} According to Zero there is a potential for capturing 5 Mtpa from 2030.⁷

Contribution to the EU's injection capacity target must not be allocated to licensees on the NCS

The Norwegian continental shelf must take a position as a significant, safe, and commercial provider of CO₂ storage for the entire EEA area. Norway aims to be a significant provider of storage for CO₂ from Europe. The EEA's total storage needs must be met within the entire EEA, and CO₂ storage sites on the Norwegian continental shelf must be accepted used to fulfill the obligations for licensees in the entire EEA under the NZIA. This will ensure the lowest possible storage price for customers and thus contribute to effectively achieving the CO₂ injection capacity targets.

If CO₂ storage sites on the Norwegian continental shelf can be used to meet the EU's target of 50 Mtpa, the industry in Norway, based on the expected project portfolio, can provide significant commercial injection capacity,⁸ provided that capture and infrastructure projects are fulfilled. Offshore Norway emphasizes that the additional injection capacity made available must not be adopted as an obligation to be allocated to licensees on the Norwegian continental shelf under the NZIA.

⁴ [2023-07-11-nzia-norwegian-position.pdf \(regjeringen.no\)](#)

⁵ [Klimatiltak i Norge mot 2030: Oppdatert kunnskapsgrunnlag om utslippsreduksjonspotensial, barrierer og mulige virkemidler- 2023- miljodirektoratet.no](#)

⁶ [Klimatiltak i Norge: Kunnskapsgrunnlag 2024- miljodirektoratet.no](#)

⁷ [Zerorapporten 2024 - Zero](#)

⁸ [statusrapport-2024.pdf \(offshore norge.no\)](#)

Exemption for licensees' injection capacity obligation

The NZIA contains a provision where Member States can apply to the EU Commission for an exemption of the injection capacity obligation for licensees if the total injection capacity for selected storage sites authorized in a country exceeds the sum of the obligations based on the oil and gas production.

Offshore Norway believes Norway should consider applying to the EU Commission for an exemption from the injection capacity obligation for licensees, if the criteria for this in the NZIA are met and the owners of the relevant storage projects approve the allocation of their injection capacity to the NZIA obligation exemption purpose.

Deadline for Norwegian licensees must be extended

The deadline for fulfilling the requirement must be adjusted in line with any delays in the EFTA/EEA Committee. Establishing a CO₂ injection capacity is very time and resource intensive. Therefore, the deadline for the obligation for licensees on the Norwegian continental shelf must be extended by the time it has taken from entry into force in the EU to any implementation in Norwegian law.

Requirement for public disclosure of CO₂ storage data

Offshore Norway is concerned that the provisions in Article 21 of the NZIA regarding making data publicly available may conflict with companies' commercial needs to protect confidential information. This could, for example, apply to various forms of geological data, cost and profitability evaluations, and other technical assessments. If the transparency requirements in the NZIA are not in line with the regulations for the petroleum industry, it may require a change in the Norwegian petroleum legislation.

CO₂ from the EU is a prerequisite for CO₂ storage as a new commercial offshore industry on the Norwegian continental shelf

The Norwegian continental shelf and the offshore industry in Norway are very well-suited for providing permanent and safe storage of large amounts of CO₂. Norway has extensive experience with offshore CO₂ storage, and the companies on the Norwegian continental shelf aim to be significant providers of CO₂ storage solutions for Europe. The decisions we make regarding the Norwegian continental shelf today will be crucial in enabling the industry to succeed in establishing CO₂ storage facilities and infrastructure capable of receiving large volumes of CO₂ from the EU in the coming decades. Success in this area will ensure a long-term market demand for CO₂ storage on the Norwegian continental shelf. The Konkraft status report for 2024 contains an updated overview of the maturity level of existing storage projects.⁹

On February 6, 2024, the EU Commission published its climate ambitions for 2040, proposing a 90% reduction in the EU's net greenhouse gas emissions by 2040 compared to 1990 levels. Alongside the 2040 target, the Commission presented its Industrial Carbon Management Strategy, contributing to the achievement of the 2040 target.¹⁰ The ambition is to realize an annual CO₂ injection capacity of 200-250 million tons of CO₂ by 2040, heading for climate neutrality by 2050. In this strategy, the Commission clearly states that CO₂ storage on the

⁹ [statusrapport-2024.pdf \(offshorenorge.no\)](https://offshorenorge.no/statusrapport-2024.pdf)

¹⁰ [Industrial carbon management \(europa.eu\)](https://europa.eu/industrial-carbon-management)

Norwegian continental shelf will be crucial for achieving the EU's long-term climate goals. The NZIA must be seen as a milestone towards achieving the long-term CO₂ storage targets, but it comes with significant costs and commercial uncertainties related to implementation requirements and obligations.

If the NZIA is not found to be EEA-relevant, this may result in a situation where storage sites on the NCS are not accepted used to meet the EU's injection capacity target, and thus likely not having access to any financial support schemes and other benefits under the NZIA. For Norwegian CCS projects, this could result in a competitive disadvantage compared to storage projects in the EU and weaken the interest in investing in storage on the Norwegian continental shelf.

Since the framework and any new support schemes are not in place yet, it is uncertain how significant the competitive disadvantage might be. Capture projects in the EU will be able to store CO₂ on the Norwegian continental shelf and receive exemptions from EU ETS quotas, regardless of the NZIA. However, it is important that all CO₂ storage projects in the entire EEA area are considered "Net-Zero strategic technologies" and have similar framework conditions as those outlined in the NZIA.

Closing remarks

To achieve the climate goals and the necessary scale for capture, transport, and storage of CO₂ across the entire EEA area, it is essential to create a market that can operate on commercial terms without financial support from the authorities.

To build a robust CO₂ value chain, it is important to maintain a sustainable balance between the demand for CO₂ storage and the supply of storage. Imposing the establishment of storage capacity that exceeds the availability of captured CO₂ can undermine the basis for private investments in CCS in the future and thus hinder the achievement of the EU's long-term ambitions.

Offshore Norway is available should there be a need for clarifications.



Best regards,
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<https://www.offshorenorge.no>