

## The EU and Norway - close and reliable partners

Norway is the closest, most reliable partner to the EU. Our cooperation is based on common values and history, and at the political and economic core lies the European Economic Area (EEA) Agreement. In a more unpredictable geopolitical landscape, it is more important than ever that the EU and Norway continue to further develop the relationship.

### Part of the EU's Single Market

The agreement on the European Economic Area (the EEA agreement) brings together the 27 EU member states and the three EEA EFTA states Norway, Iceland and Liechtenstein in the Single Market, governed by the same rules. It guarantees the four freedoms and ensures a level playing field throughout the EEA. It allows for close collaboration within a wide range of areas, including, but not limited to research and development, education, security, energy, social policy, consumer protection, and tourism.

The three EEA EFTA states are entitled to participation in a number of EU programmes, including but not limited to Horizon Europe, the European Defence Fund, and InvestEU.

### A reliable energy partner

As emphasised by the Council in June 2024, Norway remains a reliable key supplier of energy to the EU. This is both supply of oil and gas for the EU, but also renewable energy, as well as in developing clean technologies, clean energy and technology value chains.

- Norway is the world's fifth largest oil and third largest natural gas exporter, and 8.7% of EU oil imports in 2020 came from Norway. As of Q1 2024, Norwegian oil exports correspond to 13,6% of the EU's imports. In Q1 2024, 46,6 % EU's imports of natural gas in gaseous state came from Norway.
- Norway covers 98 % of its electricity generation with renewable energy, largely hydropower, and is highly

electrified. As a member of the internal energy market, Norway enjoys close cooperation with the EU on energy issues, and the interconnectors between Norway and the EU provides flexibility in the European energy system.

### Facing new security needs

Norway is ready and willing to take part in European security cooperation, being a long-standing partner of the EU Common Security and Defence Policy (CSDP) operations, sharing a Framework Participation Agreement (FPA) and a Permanent Security of Information Agreement. In 2024, the EU and Norway signed an agreement establishing a new Security and Defence Partnership. The intention is to strengthen cooperation relating to crisis management, the defence industry, space activities, critical infrastructure and hybrid threats.

We support European sanctions against Russia as a response to their full-scale invasion of Ukraine, are committed in our support to Ukraine with military equipment and a multi-year support programme, amounting to NOK 154,5 billion.

### Reaching the clean ambitions

We continue to firmly support the ambitious EU climate and environmental agenda. Our access to renewable energy has been instrumental to the development of one of the world's largest fertiliser companies Yara, major aluminium producer Hydro, as well as being a world-leader within carbon management and CCS, exemplified through the Northern Lights project.

## Four asks from Norwegian business to improve European competitiveness:

### 1. Red tape and the Single Market

For long-term competitiveness, and to remain at the forefront of the green and digital transition, companies need framework conditions that allow investments and innovation to flourish. Thus, we ask policy makers to set targets to reduce regulatory burdens on companies; to safeguard and further develop the Single Market; and support research and innovation as fundamental drivers of European competitiveness.

### 2. The EU must continue to champion rule-based world trade

With fierce international competition, a turbulent geoeconomic environment, and a scarcity of raw materials, Europe cannot afford turning inward. We therefore ask policy makers to ensure that the EU strikes the right balance between openness and economic security, and to remain committed to the WTO and work to ensure its future sustainability. Despite the challenges it faces, the WTO remains a safety net for companies that depend on a rules-based, enforceable trade regime to operate. We also ask that when negotiating new preferential agreements and other trade arrangements with third countries, it is important to take into account existing European value chains to ensure the integrity of the Single Market, including in the EEA/EFTA States.

### 3. Labour markets must be equipped with necessary skills and workforce

The European labour markets are increasingly challenged by a shortage of labour and skills, and already now a substantial number of European companies must turn down orders due to this. We ask that social, labour and education policies are designed to better supply labour markets with the necessary skills and workforce. We also call for policy makers to reinforce the respect for national labour market models.

### 4. Ensuring a well-functioning energy market

1. Further strengthening of competition in the market is needed, and we ask that policy makers ensure political commitment to the market-based price-setting mechanism, and facilitate the use of long-term contracts to make it possible for industry to limit fossil fuel commodity price variations on electricity prices.
2. Support European energy-intensive and hard-to-abate industries in their mitigation and electrification efforts to enable decarbonisation, energy efficiency, lower and more stable energy costs. To link clean energy supply with the energy demand, the infrastructure across the region must be massively deployed. Cost-efficient build-out of energy production and infrastructure for electricity, hydrogen and other low carbon energy sources, in addition to CCUS solutions, including the necessary infrastructure such as capture, transport and storage of CO<sub>2</sub> will be a key to unlock lower energy prices for the entire union.
3. Sufficient grid capacity is necessary for the energy transition in Europe. Regulation must therefore provide sufficient incentives for grid investments to rapidly keep up with the drastically increasing demand for capacity that we are now seeing. We ask policy makers to ensure that there are incentives and funding to accelerate investments both in terms of grid reinforcement and renewal, digitalisation, and cross border interconnectivity.